

渣打國際商業銀行等承銷「KOREA OCEAN BUSINESS CORPORATION U.S.\$80,000,000 Floating Rate Senior Unsecured Notes due 2028」之美元計價國際債券公告

渣打國際商業銀行等(以下稱承銷商)承銷「KOREA OCEAN BUSINESS CORPORATION U.S.\$80,000,000 Floating Rate Senior Unsecured Notes due 2028」之美元計價國際債券(以下稱本國際債),本國際債發行總金額為美金80,000,000元整,由承銷商洽商銷售本國際債金額為美金80,000,000元整,茲將銷售辦法公告於後:

一、證券承銷商名稱、地址、總承銷數量、證券承銷商先行保留洽商銷售數量

承銷商名稱	地址	洽商銷售金額
渣打國際商業銀行股份有限公司	台北市中山區遼寧街179號4樓	美金 23,000,000 元整
永豐商業銀行股份有限公司	台北市中山區八德路2段306號5樓	美金 20,000,000 元整
永豐金證券股份有限公司	台北市中正區博愛路17號5樓	美金 5,000,000 元整
上海商業儲蓄銀行股份有限公司	台北市民生東路二段149號3-12樓	美金 32,000,000 元整

二、承銷總額:總計美金80,000,000元整。

三、承銷方式:本國際債將由承銷商包銷並以「洽商銷售」方式出售予投資人。

四、承銷期間:本國際債定價日為2023年9月19日,於2023年10月4日辦理承銷公告並於2023年10月5日發行。

五、承銷價格:承銷商於銷售期間內依本國際債票面金額銷售,以美金貳拾萬元整為最低銷售單位,發行價格為100%。

六、本國際債主要發行條件:

(一) 發行日:2023年10月5日。

(二) 到期日:2028年10月5日。

(三) 發行機構評等: Aa2 Stable by Moody's / AA- Stable by Fitch。

(四) 受償順位:無擔保主順位債券。

(五) 票面金額:美金貳拾萬元整。

(六) 票面利率:SOFR+0.97% p.a., payable quarterly in arrears。

(七) 付息及還本方式:每季於1月5日、4月5日、7月5日、10月5日支付利息,計息基礎為Actual/360,發行人將於債券到期日一次還本。

(八) 營業日:首爾、台北、倫敦、紐約之商業銀行對外營業之日。

(九) 準據法:紐約州法。

(十) 債券掛牌處所:中華民國證券櫃檯買賣中心、新加坡交易所。

七、銷售限制:於台灣銷售僅限財團法人中華民國證券櫃檯買賣中心外幣計價國際債券管理規則第二條之一第一項所定義之專業投資人,另依中華民國證券商業同業公會證券商承銷或再行銷售有價證券處理辦法第三十二條之規定,每一認購人認購數量不得超過該次承銷總數之百分之八十,惟認購人為國際基金者不在此限。

八、通知、繳交價款及交付本國際債方式:承銷商於發行日前通知投資人繳交價款之方式,投資人於發行日以Euroclear或Clearstream(DVP)完成交割或於發行日將本國際債之認購款項匯入承銷商指定帳戶,承銷商將本國際債撥入投資人所指定之集保帳戶。

九、公開說明書之分送、揭露及取閱方式:如經投資人同意承銷商得以電子郵件方式交付公開說明書,投資人並得至公開資訊觀測站(<http://mops.twse.com.tw>)或渣打國際商業銀行網址(<https://www.sc.com/tw>),永豐商業銀行股份有限公司(<https://bank.sinopac.com>),永豐金證券股份有限公司(<http://www.sinotrade.com.tw>),上海商業儲蓄銀行股份有限公司(<https://www.scsb.com.tw/>)查詢。

十、會計師對發行人最近三年度財務資料之查核簽證意見

年度	會計師事務所	查核意見
2022 Annual Report	Nexia Samduk	fairly
2021 Annual Report	Nexia Samduk	fairly
2020 Annual Report	Nexia Samduk	fairly

十一、其他為保護公益及投資人應補充揭露事項:無。

十二、投資人應詳閱本國際債公開說明書。



KOREA OCEAN BUSINESS CORPORATION

**Issue of U.S.\$80,000,000 Floating Rate Senior Unsecured Notes due 2028
under the
U.S.\$5,000,000,000 Medium Term Note Program (the "Notes")**

Issue Price: 100 per cent.

Issue Date: October 5, 2023

This information package includes the offering circular dated April 12, 2023 in relation to U.S.\$5,000,000,000 Medium Term Note Program (the "**Offering Circular**") and the Pricing Supplement dated September 22, 2023 in respect of the Notes (the "**Pricing Supplement**," together with the Offering Circular, the "**Information Package**").

The Notes will be issued by Korea Ocean Business Corporation (the "**Issuer**").

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

The Notes will be traded on TPEX pursuant to the applicable rules of TPEX. Effective date of listing and trading of the Notes is on or about October 5, 2023.

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

The Notes 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. Purchasers of the Notes are not permitted to sell or otherwise dispose of the Notes except by transfer to a professional investor.

Lead Manager
STANDARD CHARTERED BANK (TAIWAN) LIMITED

Co-Managers
BANK SINOPAC CO., LTD.
SINOPAC SECURITIES CORPORATION
THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES

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 dated April 12, 2023 as supplemented by the pricing supplement dated September 22, 2023 following this page (the “Offering Circular”), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the 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 us 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 DESCRIBED HEREIN HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES 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 OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation of your Representation: In order to be eligible to view the following Offering Circular or make an investment decision with respect to the securities, investors must be non-U.S. persons eligible to purchase the securities outside the United States in an offshore transaction in reliance on Regulation S under the Securities Act. By accepting this e-mail and accessing the following Offering Circular, you shall be deemed to have represented to us (1) that you and any customers you represent are non-U.S. persons eligible to purchase the securities outside the United States in an offshore transaction in reliance on Regulation S under the Securities Act and that the electronic e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States and (2) that you consent to the delivery of such Offering Circular by electronic transmission.

You are reminded that the following Offering Circular has been delivered to you on the basis that you are a person into whose possession the following Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver or disclose the contents of the following Offering Circular to any other person.

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 licensed broker or dealer and any Manager (as described in the Offering Circular) or any affiliate of a Manager is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Manager or such affiliate on behalf of Korea Ocean Business Corporation (“Issuer”) in such jurisdiction.

The Offering Circular is for distribution only to persons who (i) are outside the United Kingdom; (ii) have professional experience in matters relating to investments and who qualify as investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Financial Promotion Order”); (iii) fall within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order; or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) in connection with the

issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “Relevant Persons”). The Offering Circular is directed only at Relevant Persons and must not be acted or relied upon by persons who are not Relevant Persons. Any investment or investment activity to which the Offering Circular relates is available only to Relevant Persons and will be engaged in only with Relevant Persons.

The following 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 Managers nor any person who controls any of them nor any director, officer, employee nor agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard-copy version available to you upon request to the Managers.

For the avoidance of doubt, the Issuer’s website does not form part of the Offering Circular.

You should not reply by e-mail to this notice, and you may not purchase any securities by doing so. Any reply via 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 this e-mail 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 distribution of the Offering Circular in certain jurisdictions may be restricted by law. Persons into whose possession the Offering Circular comes are required by the Managers and the Issuer to inform themselves about, and to observe, any such restrictions.



KOREA OCEAN BUSINESS CORPORATION

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

**Issue of U.S.\$80,000,000 Floating Rate Senior Unsecured Notes due 2028
under the U.S.\$5,000,000,000 Medium Term Note Program**

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

IN CONNECTION WITH THIS ISSUE, THE STABILIZATION MANAGER (OR ANY PERSON ACTING ON BEHALF OF THE STABILIZATION MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD AFTER THE ISSUE DATE. HOWEVER, STABILIZATION MAY NOT NECESSARILY OCCUR. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILIZATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILIZATION MANAGER (OR PERSON ACTING ON BEHALF OF THE STABILIZATION MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

Lead Manager

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Co-Managers

BANK SINOPAC CO., LTD.

SINOPAC SECURITIES CORPORATION

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

The date of this pricing supplement is September 22, 2023.

KOREA OCEAN BUSINESS CORPORATION
(a statutory juridical corporation established under the laws of the Republic of Korea)

**Issue of U.S.\$80,000,000 Floating Rate Senior Unsecured Notes due 2028
under the U.S.\$5,000,000,000 Medium Term Note Program**

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the conditions set forth in the program offering circular dated April 12, 2023 (the “**Offering Circular**”). This Pricing Supplement is supplemental to and must be read in conjunction with such Offering Circular.

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

The Notes 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 Taipei Exchange Rules Governing Management of Foreign Currency Denominated International Bonds (the “**TPEx Rules**”) of the Republic of China (“**ROC**”). Purchasers of the Notes are not permitted to sell or otherwise dispose of the Notes except by transfer to an aforementioned professional investor.

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 Notes 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).

- | | | |
|----|-----------------------------------|---|
| 1. | Issuer: | Korea Ocean Business Corporation |
| | LEI Code: | 988400706OU5BSJ8ZG26 |
| 2. | (i) Series Number: | 2 |
| | (ii) Tranche Number: | 1 |
| | (iii) Re-opening: | No |
| 3. | Specified Currency or Currencies: | United States Dollars (“U.S.\$”) |
| 4. | Aggregate Nominal Amount: | |
| | (i) Series: | U.S.\$80,000,000 |
| | (ii) Tranche: | U.S.\$80,000,000 |
| 5. | (i) Issue Price: | 100.00% of the Aggregate Nominal Amount |
| | (ii) Use of proceeds: | For general corporate purpose |

6.	(i) Specified Denominations:	U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof
	(ii) Calculation Amount:	U.S.\$1,000
7.	(i) Issue Date:	October 5, 2023
	(ii) Interest Commencement Date:	October 5, 2023
8.	Maturity Date:	October 5, 2028
9.	Interest Basis:	Compounded Daily SOFR + 0.97 per cent.
10.	Redemption/Payment Basis:	Redemption at par
11.	Change of Interest Basis or Redemption/Payment Basis:	Not Applicable
12.	Put (other than Condition 8(d)(i))/Call Options:	Not Applicable
13.	Status of the Notes:	Senior
14.	Listing:	Singapore Exchange Securities Trading Limited (the “SGX-ST”) Taipei Exchange (the “TPEX”) Application will be made by the Issuer to the SGX-ST and the TPEX for the listing and trading of the Notes on the SGX-ST and the TPEX. For further information, see “Listing Application” section below.
15.	Method of distribution:	Syndicated

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16.	Fixed Rate Note Provisions:	Not Applicable
17.	Floating Rate Note Provisions:	Applicable
	(i) Specified Period(s)/Specified Interest Payment Dates:	Quarterly on January 5, April 5, July 5 and October 5 of each year commencing on January 5, 2024 subject to adjustment in accordance with the Business Day Convention specified below
	(ii) Business Day Convention:	Modified Following Business Day Convention
	(iii) Additional Business Center(s):	Seoul, Taipei, London and New York City
	(iv) Manner in which the Rate of Interest and Interest Amount is to be determined:	Screen Rate Determination
	(v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Issuing and Paying	Not Applicable

Agent):

(vi) Screen Rate Determination:

— Reference Rate:	SOFR Benchmark
— Interest Determination Date(s):	Fifth U.S. Government Securities Business Day prior to the last day of each Interest Period (which expression shall mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).
— Relevant Screen Page:	Not Applicable
— SOFR Benchmark:	Compounded Daily SOFR
— Compounded Daily SOFR:	SOFR Lag
— Lookback Days:	5 U.S. Government Securities Business Days
— SOFR Observation Shift Days:	Not Applicable
— SOFR Index _{Start} :	Not Applicable
— SOFR Index _{End} :	Not Applicable

(vii) ISDA Determination:

— Floating Rate Option:	Not Applicable
— Designated Maturity:	Not Applicable
— Reset Date:	Not Applicable

(viii) Margin(s): 0.97% per annum

(ix) Minimum Rate of Interest: Not Applicable

(x) Maximum Rate of Interest: Not Applicable

(xi) Day Count Fraction: Actual 360, adjusted

(xii) Fall back provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: Not Applicable

18. Zero Coupon Note Provisions: Not Applicable

19. Index Linked Interest Note Provisions: Not Applicable

20. Dual Currency Note Provisions: Not Applicable

PROVISIONS RELATING TO REDEMPTION

- | | |
|---|------------------------------------|
| 21. Issuer Call: | Not Applicable |
| 22. Investor Put (other than Condition 8(d)(i)): | Not Applicable |
| 23. Final Redemption Amount of each Note: | U.S.\$1,000 per Calculation Amount |
| 24. Early Redemption Amount of each Note payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 8(e)): | U.S.\$1,000 per Calculation Amount |

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- | | |
|--|---|
| 25. Form of Notes: | Registered Notes:

Regulation S Global Note |
| 26. Additional Financial Center(s) or other special provisions relating to Payment Dates: | Seoul, Taipei, London and New York City |
| 27. Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature): | Not Applicable |
| 28. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: | Not Applicable |
| 29. Details relating to Installment Notes: amount of each installment, date on which each payment is to be made: | Not Applicable |
| 30. Redenomination applicable: | Not Applicable |
| 31. Other terms or special conditions: | Not Applicable |

DISTRIBUTION

- | | |
|--|---|
| 32. (i) If syndicated, names of Managers: | <u>Lead Manager</u>
Standard Chartered Bank (Taiwan) Limited

<u>Co-Managers</u>
Bank SinoPac Co., Ltd.
SinoPac Securities Corporation
The Shanghai Commercial & Savings Bank, Ltd. |
| (ii) Stabilization Manager (if any): | Not Applicable |
| 33. If non-syndicated, name of relevant Dealer: | Not Applicable |
| 34. Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable: | Not Applicable |

- | | |
|---|---|
| 35. Prohibition of sales to EEA retail investors: | Not Applicable |
| 36. Prohibition of sales to UK retail investors: | Not Applicable |
| 37. Additional selling restrictions: | ROC Selling Restrictions, see Appendix B. |

OPERATIONAL INFORMATION

- | | |
|--|---|
| 38. Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): | Not Applicable |
| 39. Delivery: | Delivery against payment |
| 40. In the case of Registered Notes, specify the location of the office of the Registrar if other than New York: | Citicorp International Limited, 9/F, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong |
| 41. Additional Paying Agent(s) (if any): | Not Applicable |
| 42. ISIN: | XS2695399506 |
| Common Code: | 269539950 |

LISTING APPLICATION

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the U.S.\$5,000,000,000 Medium Term Note Program of Korea Ocean Business Corporation.

The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Pricing Supplement. Approval in-principle from, admission to the Official List of, and listing and quotation of the Notes on, the SGX-ST are not to be taken as an indication of the merits of the Issuer, the Program or the Notes.

The TPEx is not responsible for the content of this document and the Offering Circular and any amendment and supplement thereto and no representation is made by TPEx to the accuracy or completeness of this document and the Offering Circular and any amendment and supplement thereto. 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 document and the Offering Circular and any amendment and supplement thereto. Admission to the listing and trading of the Notes on the TPEx shall not be taken as an indication of the merits of the Issuer or the Notes. The Notes will be traded on the TPEx pursuant to the applicable rules of the TPEx. Effective date of listing of the Notes is on or about October 5, 2023

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement, which, when read together with the Offering Circular referred to above, contains all information that is material in the context of the issue of the Notes.

Signed on behalf of the Issuer:

By:

Duly authorized signatory

Name:

Title:

669-82-00218

KOREA OCEAN BUSINESS CORPORATION

YANGSOO-KIM

38, Marine city 2-ro, Haeundae-gu, Busan



APPENDIX A – AMENDMENTS TO THE OFFERING CIRCULAR

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

RISK FACTORS

Risks Relating to the Notes

Additional Risks

Application will be made for the listing of the Notes on the TPEX. No assurances can be given as to whether the Notes will be, or will remain, listing on TPEX or whether a trading market for the Notes will develop or as to the liquidity of any such trading market. If the Notes fail to or cease to be listed on the TPEX, certain investors may not invest in, or continue to hold or invest in, the Notes.

TAXATION

ROC Taxation

The following is a general description of the principal ROC tax consequences for investors receiving interest in respect of, or disposing of, the Notes and is of a general nature based on the Issuer's understanding of current law and practice. It does not purport to be comprehensive and does not constitute legal or tax advice.

This general description is based upon the law as in effect on the date hereof and that the Notes will be issued, offered, sold and re-sold to professional investors as defined under Paragraph 1 of Article 2-1 of the TPEX Rules only. This description is subject to change potentially with retroactive effect. Investors should appreciate that, as a result of changing law or practice, the tax consequences may be otherwise than as stated below. Investors should consult their professional advisers on the possible tax consequences of subscribing for, purchasing, holding or selling the Notes.

Interest on the Notes

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

Payments of interest or deemed interest under the Notes 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 exceeds the annual income tax calculated pursuant to ROC Income Basic Tax Act (also known as the AMT Act), the excess becomes such holder's AMT payable.

ROC corporate holders must include the interest or deemed interest receivable under the Notes 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 Notes

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 ROC Securities Transaction Tax Act prescribes that STT will cease to be levied on the sale of corporate bonds and financial bonds from January 1, 2010 to December 31, 2026. Therefore, the sale of the Notes will be exempt from STT if the sale is conducted on or before December 31, 2026. Starting from January 1, 2027, any sale of the Notes 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 and corporate holders are not subject to ROC income tax on any capital gains generated from the sale of the Notes. In addition, ROC individual holders are not subject to AMT on any capital gains generated from the sale of the Notes. 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 exceeds the annual income tax calculated pursuant to the ROC Income Basic Tax Act (also known as the AMT 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 income tax on any capital gains generated from the sale of the Notes. 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 income tax or AMT on any capital gains generated from the sale of the Notes.

BOOK-ENTRY CLERANCE SYSTEMS

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 bookentry account with a Taiwan securities broker and a foreign currency deposit account with a Taiwanese bank, may settle the Notes through the account of TDCC with Euroclear or Clearstream if it applies to TDCC (by filling in a prescribed form) to transfer the Notes 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 Notes position to the securities book-entry account designated by such investor in the ROC. The Notes 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 Notes through an account opened and held by TDCC with Euroclear or Clearstream, distributions of principal and/or

interest for the Notes 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.

APPENDIX B – ROC SELLING RESTRICTION

The Notes have not been, and shall not be, offered, sold or resold, directly or indirectly, to investors other than “professional investors” as defined under Paragraph 1 of Article 2-1 of the TPEX Rules of the ROC, which currently include:

- (a) a “professional institutional investor” as defined under Paragraph 2 of Article 4 of the Financial Consumer Protection Act of the ROC, which currently includes: (i) overseas or domestic banks, securities firms, futures firms and insurance companies (excluding insurance agencies, insurance brokers and insurance surveyors), the foregoing as further defined in more detail in Paragraph 3 of Article 2 of the Financial Supervisory Commission Organization Act, (ii) overseas or domestic fund management companies, government investment institutions, government funds, pension funds, mutual funds, unit trusts, and funds managed by financial service enterprises pursuant to the ROC Securities Investment Trust and Consulting Act, the ROC Future Trading Act or the ROC Trust Enterprise Act or investment assets mandated and delivered by or transferred for trust by financial consumers, and (iii) other institutions recognised by the Financial Supervisory Commission of the ROC;
- (b) a legal entity or fund having applied in writing to the securities firms for the status of a professional investor that meets all of the following three criteria: (i) its total assets exceed NT\$50,000,000 according to its most recent CPA-audited or reviewed financial report, provided that the financial report of a non-ROC offshore legal entity is not required to be audited or reviewed by the CPA, (ii) the person authorized by the investor to handle trades has sufficient professional knowledge and trading experience in bonds, and (iii) it fully understands that the securities firm is exempted from certain responsibilities towards professional investors in connection with bond trading activities and agrees to sign up as a professional investor; and
- (c) a natural person who has applied in writing to a securities firm for the status of professional investor and who meets all of the following three criteria: (i)(x) he/she has provided a proof of financial capacity of at least NT\$30,000,000, or, (y) he/she has made a single trade, the transaction amount of which is higher than NT\$3,000,000, and his/her total assets and investments booked at and made through such securities firm are higher than NT\$15,000,000 and has provided a statement certifying that the value of his/her total assets exceeds NT\$30,000,000, (ii) he/she has sufficient professional knowledge and trading experience in bonds, and (iii) he/she fully understands that the securities firm is exempted from certain responsibilities toward professional investors in connection with bond trading activities and agrees to sign up as a professional investor.

Purchasers of the Notes are not permitted to sell or otherwise dispose of the Notes except by transfer to the aforementioned professional investors.

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES

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 (the “**Offering Circular**”) following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the 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 us 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 DESCRIBED HEREIN HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES 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 OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THE FOLLOWING OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. 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 PRICING SUPPLEMENT AND CONDITIONS OF THE SECURITIES AND THE INFORMATION CONTAINED IN THE OFFERING CIRCULAR (AS AMENDED AND RESTATED) THAT WILL BE DISTRIBUTED TO YOU PRIOR TO THE PRICING DATE AND NOT ON THE BASIS OF THE ATTACHED DOCUMENTS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation of your Representation: In order to be eligible to view the following Offering Circular or make an investment decision with respect to the securities, investors must be non-U.S. persons eligible to purchase the securities outside the United States in an offshore transaction in reliance on Regulation S under the Securities Act. By accepting this e-mail and accessing the following Offering Circular, you shall be deemed to have represented to us (1) that you and any customers you represent are non-U.S. persons eligible to purchase the securities outside the United States in an offshore transaction in reliance on Regulation S under the Securities Act and that the electronic e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States and (2) that you consent to the delivery of such Offering Circular by electronic transmission.

You are reminded that the following Offering Circular has been delivered to you on the basis that you are a person into whose possession the following Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver or disclose the contents of the following Offering Circular to any other person.

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 licensed broker or dealer and any Dealer (as described in the Offering Circular) or any affiliate of a Dealer is a licensed 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.

The Offering Circular is for distribution only to persons who (i) are outside the United Kingdom; (ii) have professional experience in matters relating to investments and who qualify as investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**Financial Promotion Order**”)); (iii) fall within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order; or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “**Relevant Persons**”). The Offering Circular is directed only at Relevant Persons and must not be acted or relied upon by persons who are not Relevant Persons. Any investment or investment activity to which the Offering Circular relates is available only to Relevant Persons and will be engaged in only with Relevant Persons.

The following 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, any Arranger (as described in the Offering Circular) nor any Dealer (as described in the Offering Circular) nor any person who controls any of them nor any director, officer, employee nor agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard-copy version available to you upon request to the Arranger.

You should not reply by e-mail to this notice, and you may not purchase any securities by doing so. Any reply via 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 this e-mail 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.

OFFERING CIRCULAR



Korea Ocean Business Corporation

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

U.S.\$5,000,000,000 Medium Term Note Program

Under this U.S.\$5,000,000,000 Medium Term Note Program (the “**Program**”), Korea Ocean Business Corporation (the “**Issuer**” or the “**Company**”) may from time to time issue notes (the “**Notes**”) denominated in any currency agreed between the Issuer and the relevant Dealer(s) (as defined below).

The Notes may be issued in bearer or registered form (respectively, “**Bearer Notes**” and “**Registered Notes**”). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Program will not exceed U.S.\$5,000,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under “Summary of the Program” and any additional Dealer appointed under the Program from time to time by the Issuer (each a “**Dealer**” and together, the “**Dealers**”), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the “relevant Dealer” shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to purchase such Notes.

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the “**Singapore Stock Exchange**”) in connection with the Program and application will be made for the listing and quotation of Notes that may be issued pursuant to the Program and which are agreed, at or prior to the time of issue thereof, to be so listed on the Singapore Stock Exchange. Such permission will be granted when such Notes have been admitted for listing and quotation on the Singapore Stock Exchange. The Singapore Stock Exchange 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 any Notes on, the Singapore Stock Exchange are not to be taken as an indication of the merits of the Issuer, the Program or the Notes.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein that are applicable to each Tranche (as defined under “Terms and Conditions of the Notes”) of Notes will be set out in a pricing supplement (the “**Pricing Supplement**”) which, with respect to Notes to be listed and quoted on the Singapore Stock Exchange, will be submitted to the Singapore Stock Exchange before the date of listing of the Notes of such Tranche.

The Program provides that the Notes may be listed or admitted to trading on such other or further stock exchange(s) as may be agreed among the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes.

See “Risk Factors” for a discussion of certain factors to be considered in connection with an investment in the Notes.

The Notes has not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), or any state securities laws and, unless so registered, may not be offered or sold, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Notes will be offered and sold in “offshore transactions” to persons other than “U.S. persons” (each as defined in Regulation S under the Securities Act). See “*Subscription and Sale and Transfer and Selling Restrictions.*”

Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to U.S. persons, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended and U.S. Treasury regulations promulgated thereunder.

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event (in the case of Notes intended to be listed on the Singapore Stock Exchange) a supplementary Offering Circular, if appropriate, will be submitted to the Singapore Stock Exchange and made available which will describe the effect of the agreement reached in relation to such Notes.

Arranger

Citigroup

Dealers

Citigroup
HSBC

ING
Standard Chartered Bank

The date of this Offering Circular is April 12, 2023.

The Issuer, having made all reasonable enquiries, confirms that this Offering Circular contains or incorporates all information which is material in the context of the issue and offering of the Notes, that the information contained or incorporated by reference in this Offering Circular is true and accurate in all material respects and is not misleading in any material respect, that the opinions and intentions expressed in this Offering Circular are honestly held and have been reached after considering all relevant circumstances and are based on reasonable assumptions and that there are no other facts the omission of which would, in the context of the issue and offering of the Notes, make this Offering Circular as a whole or any information or the expression of any opinions or intentions in this Offering Circular misleading in any material respect. The Issuer accepts responsibility accordingly. Information provided in this Offering Circular with respect to Korea, its political status and economy has been derived from information published by the Korean government and other public sources, and the Issuer accepts responsibility only for the accurate extraction of information from such sources.

The Arranger and the Dealers have not separately verified all information contained or incorporated by reference in this Offering Circular. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Arranger or the Dealers as to the accuracy or completeness of the information contained or incorporated by reference in this Offering Circular or any other information provided by the Issuer in connection with the Program or the Notes or their distribution. None of the Arranger or the Dealers accepts any responsibility for any acts or omissions of the Issuer or any other person (other than the relevant Dealers) in connection with the Program. To the fullest extent permitted by law, none of the Arranger or the Dealers accepts any responsibility or liability for the contents of this Offering Circular or for any other statement, made or purported to be made by the Arranger or a Dealer or on its behalf in connection with the Issuer and the Program or any other information provided by the Issuer in connection with the Program. The Arranger and each Dealer accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see “*Documents Incorporated by Reference*”). This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

No person is or has been authorized by the Issuer to give any information or to make any representation which is not contained in or which is not consistent with this Offering Circular or any other information supplied by or on behalf of the Issuer in connection with the Program or the Notes, and, if given or made, such information or representation must not be relied upon as having been authorized by the Issuer or any of the Dealers.

Neither this Offering Circular nor any other information supplied in connection with the Program or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation or constituting an invitation or offer by the Issuer or any of the Dealers that any recipient of this Offering Circular or any other information supplied in connection with the Program or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Offering Circular nor any other information supplied in connection with the Program or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer or any of the Dealers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Program is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Program or to advise any investor in the Notes of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference in this Offering Circular when deciding whether or not to purchase any Notes.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of the Notes may be restricted by law in certain jurisdictions. Neither the Issuer nor any of the Dealers represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Dealers which would permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of the Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the European Economic Area, the United Kingdom, Japan, Korea, Singapore and Hong Kong. See “*Subscription and Sale and Transfer and Selling Restrictions*”.

The Arranger, the Dealers and the Agents have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers or the Agents as to the accuracy or completeness of the information contained or incorporated in this Offering Circular or any other information provided by the Issuer in connection with the Program. To the fullest extent permitted by law, none of the Dealers, the Arrangers or the Agents accept any liability in relation to the information contained or incorporated by reference in this Offering Circular, any other information provided by the Issuer in connection with the Program or any other statement, made or purported to be made by an Arranger or a Dealer or any Agent or on its behalf in connection with the Issuer or the issue and offering of the Notes. Each Arranger, each Dealer and each Agent accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement. None of the Arranger, the Dealers or the Agents or any of their respective affiliates, directors or advisors undertakes to review the results of operations, financial condition or affairs of the Issuer or any of its affiliates during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Securities of any information coming to the attention of the Arranger, the Dealers or the Agents.

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

None of the Dealers or the Issuer makes any representation to any investor in the Notes regarding the legality of its investment in the Notes under any applicable laws. The contents of this Offering Circular should not be construed as providing legal, business, accounting or tax advice. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

U.S. INFORMATION

The Notes may be offered and sold outside the United States to non-U.S. persons pursuant to Regulation S under the Securities Act (“**Regulation S**”).

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to U.S. persons, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

The distribution of this Offering Circular and the offer, sale or delivery of Notes may be restricted by law in certain jurisdictions. Persons into whose possession this Offering Circular or any Notes come must inform themselves about, and observe, any such restrictions. The Notes have not been and will not be registered under the Securities Act, and include Notes that are in bearer form that are subject to U.S. tax law requirements and limitations. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons. For a description of certain restrictions on offers and sales of Notes and on distribution of this Offering Circular, see “*Subscription and Sale and Transfer and Selling Restrictions*” below.

MIFID II PRODUCT GOVERNANCE/TARGET MARKET

The applicable Pricing Supplement in respect of any Notes may include a legend entitled “EU MiFID II Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, “**EU MiFID II**”) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

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

UK MIFIR PRODUCT GOVERNANCE/TARGET MARKET

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

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

NOTICE TO EEA RETAIL INVESTORS

If the applicable Pricing Supplement in respect of any Notes includes a legend entitled “Prohibition of Sales to EEA Retail Investors” or otherwise specifies “Prohibition of Sales to EEA Retail Investors” as “Applicable”, such Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of EU MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (“**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the “**EU Prospectus Regulation**”). Consequently no key information document required by Regulation (EU) No. 1286/2014 (the “**EU PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

NOTICE TO UK RETAIL INVESTORS

If the applicable Pricing Supplement in respect of any Notes includes a legend entitled “Prohibition of Sales to UK Retail Investors” or otherwise specifies “Prohibition of Sales to UK Retail Investors” as “Applicable”, such Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the “UK”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“EUWA”); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (“FSMA”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 as it forms part of domestic law by virtue of the EUWA or (iii) not a “qualified investor” as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of the domestic law of the UK by virtue of the EUWA (the “UK Prospectus Regulation”). Consequently no key information document required by Regulation (EU) No. 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

SINGAPORE INFORMATION

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

NOTICE TO CAPITAL MARKET INTERMEDIARIES AND PROSPECTIVE INVESTORS PURSUANT TO PARAGRAPH 21 OF THE HONG KONG SFC CODE OF CONDUCT

Prospective investors should be aware that certain intermediaries in the context of certain offerings of the Notes pursuant to this Program, including certain Dealers, may be “capital market intermediaries” (“CMIs”) subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Hong Kong 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” (together, the “OCs”) for such offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealers in respect of each offering of Notes under the Program.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the SFC Code as having an association (an “Association”) with the Issuer, the CMI or the relevant group company. Prospective investors associated with the Issuer, or any CMI (including its group companies) should specifically disclose this when placing an order for the relevant Notes and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to such 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 such offering, such order is hereby deemed not to negatively impact the price discovery process in relation to such 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). A rebate may be offered by the Issuer to all private banks for orders they place (other than in relation to the Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of the relevant offering based on the principal amount of the Notes distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate. Details of any such rebate (where applicable) will be set out in the applicable Pricing Supplement or otherwise notified to prospective investors on or prior to the launch of an offering of Notes under the Program. If a prospective investor is an asset management arm affiliated with any relevant Dealer, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the relevant Dealer or its group company has more than 50% interest, in which case it will be classified as a “proprietary order” and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such “proprietary order” may negatively impact the price discovery process in relation to such offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not such a “proprietary order”. If a prospective investor is otherwise affiliated with any relevant Dealer, such that its order may be considered to be a “proprietary order” (pursuant to the SFC Code), such prospective investor should indicate to the relevant Dealer when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not such 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 such offering, such “proprietary order” is hereby deemed not to negatively impact the price discovery process in relation to such offering.

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

NOTICE TO PERSONS IN THE UNITED KINGDOM

This Offering Circular is for distribution only to persons who (i) are outside the United Kingdom; (ii) have professional experience in matters relating to investments and who qualify as investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**Financial Promotion Order**”); (iii) fall within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order; or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “**Relevant Persons**”). This Offering Circular is directed only at Relevant Persons and must not be acted or relied upon by persons who are not Relevant Persons. Any investment or investment activity to which this Offering Circular relates is available only to Relevant Persons and will be engaged in only with Relevant Persons.

KOREAN SELLING RESTRICTIONS

The Notes have not been and will not be registered under the Financial Investment Services and Capital Markets Act of Korea (the “**FSCMA**”). Accordingly, the Notes 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 its Enforcement Decree), or to any other person for reoffering, resale or re-delivery, directly or indirectly, in Korea or to, or for the account or benefit of, any resident of Korea, except as otherwise permitted by applicable Korean laws and regulations.

FORWARD-LOOKING STATEMENTS

Certain statements in this Offering Circular constitute “forward-looking statements”, including statements regarding the Issuer’s expectations and projections for future operating performance and business prospects. The words “believe”, “expect”, “anticipate”, “estimate”, “project”, “will”, “aim”, “will likely result”, “will continue”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “should”, “will pursue” and similar expressions or variations of these expressions identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Offering Circular, including, without limitation, those regarding the Issuer’s financial position and results, business strategy, plans and objectives of management for future operations, including development plans and objectives relating to the Issuer’s products and services, are forward-looking statements. Such forward-looking statements and any other projections contained in this Offering Circular (whether made by the Issuer or any third party) involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from the future results, performance or achievements expressed or implied by forward-looking statements. Such forward-looking statements are based on current beliefs, assumptions, expectations, estimates and projections regarding the Issuer’s present and future business strategies and the environment in which the Issuer will operate in the future. Among the important factors that could cause some or all of those assumptions not to occur or cause the Issuer’s actual results, performance or achievements to differ materially from those in the forward-looking statements include, among other things, the Issuer’s ability to successfully implement its business strategy, the condition of and changes in the Korean, Asian or global economies, future levels of non-performing assets, the Issuer’s growth and expansion, changes in interest rates, changes in government regulations and strategies for maritime transport industry in Korea and in other jurisdictions where the Issuer may operate and competition in the maritime transport and ship financing industries. Additional factors that could cause the Issuer’s actual results, performance or achievements to differ materially include, but are not limited to, those discussed under “*Risk Factors*”. Any forward-looking statements contained in this Offering Circular speak only as of the date of this Offering Circular. Each of the Issuer and the Dealers expressly disclaims any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement contained herein to reflect any change in the Issuer’s expectations with regard thereto or any change in events, conditions, assumptions or circumstances on which any such statement was based.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is a corporation organized under the laws of Korea. All of the officers and directors named herein reside outside the United States and all or a substantial portion of the assets of the Issuer and its officers and directors are located outside the United States. As a result, it may not be possible for investors to effect service of process outside Korea upon the Issuer or such persons, or to enforce judgments against them obtained in courts outside Korea predicated upon civil liabilities of the Issuer or its directors and officers under laws other than Korean law, including any judgment predicated upon U.S. federal securities laws. The Issuer has been advised by Lee & Ko, its Korean counsel, that there is doubt as to the enforceability in Korea in original actions or in actions for enforcement of judgments of United States courts of civil liabilities predicated solely upon the federal securities laws of the United States.

CERTAIN DEFINED TERMS AND CONVENTIONS

The Issuer has prepared this Offering Circular using a number of conventions that should be considered when reading the information contained in this Offering Circular. References to the “**Company**”, “**KOBC**” or the “**Issuer**” are to Korea Ocean Business Corporation, a statutory juridical entity established under the Korea Ocean Business Corporation Act, as amended (the “**KOBC Act**”) or the Korea Ocean Business Corporation and its consolidated subsidiaries collectively, indicated or as required by context. All references to “**FSS**” are to the Financial Supervisory Service of Korea, “**FSC**” are to the Financial Services Commission of Korea, “**MOF**” are to the Ministry of Oceans and Fisheries of Korea and “**MOEF**” are to the Ministry of Economy and Finance of Korea. References herein to “**Korea**” are to the Republic of Korea, and references to the “**Government**” are to the Government of Korea.

All references in this Offering Circular to “**U.S. dollars**”, “**dollars**”, “**US\$**” and “**\$**” refer to the currency of the United States of America, all references to “**Won**” and “**₩**” refer to the currency of Korea, all references to “**€**”, “**Euro**” and “**euro**” refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended, and all references to “**Sterling**” and “**£**” refer to the currency of the United Kingdom. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding. The Issuer maintains its accounts in Won. No representation is made that the Won or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or Won, as the case may be, at any particular rate or at all. See “*Exchange Rates*”.

Unless otherwise stated or the context otherwise requires, the financial data included in this Offering Circular are presented on a consolidated basis.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The Issuer maintains its financial books and records and prepares its financial statements in Won in accordance with the Korean equivalent of International Financial Reporting Standards (“**K-IFRS**”), which differ in certain significant respects from generally accepted accounting principles in other countries, including generally accepted accounting principles in the United States (“**U.S. GAAP**”). The Issuer has made no attempt to identify or quantify the impact of differences between K-IFRS and U.S. GAAP.

TABLE OF CONTENTS

IMPORTANT NOTICE	i
DOCUMENTS INCORPORATED BY REFERENCE	ix
GENERAL DESCRIPTION OF THE PROGRAM	x
SUMMARY OF THE PROGRAM	1
FORM OF THE NOTES	5
FORM OF PRICING SUPPLEMENT	9
TERMS AND CONDITIONS OF THE NOTES	20
USE OF PROCEEDS	59
EXCHANGE RATES	60
RISK FACTORS	61
CAPITALIZATION	74
SELECTED FINANCIAL INFORMATION	75
BUSINESS	76
MANAGEMENT	93
REGULATION	95
TAXATION	97
BOOK-ENTRY CLEARANCE SYSTEMS	100
SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS	104
INDEPENDENT AUDITORS	112
INDEX TO FINANCIAL STATEMENTS	F-1

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilizing Manager(s) (or persons acting on behalf of any Stabilizing Manager(s)) in the applicable Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilization may not necessarily occur. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilization action or over-allotment must be conducted by the relevant Stabilizing Manager(s) (or person(s) acting on behalf of any Stabilizing Manager(s)) in accordance with all applicable laws and rules.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated into, and to form part of, this Offering Circular:

- (a) the publicly available English version of the most recently published audited consolidated annual financial statements and, if published later, the most recently published interim consolidated financial statements (if any) of the Issuer from time to time;
- (b) each relevant Pricing Supplement; and
- (c) all supplements or amendments to this Offering Circular circulated by the Issuer from time to time,

save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular.

The Issuer will provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the Issuer at its office set out at the end of this Offering Circular.

The Issuer will, in connection with the listing and quotation of the Notes on the Singapore Stock Exchange, so long as the rules of the Singapore Stock Exchange so require, in the event of any material change in the information contained in this Offering Circular, prepare a supplement to this Offering Circular or publish a new Offering Circular for use in connection with any subsequent issue of the Notes to be listed on the Singapore Stock Exchange.

If the terms of the Program are modified or amended in a manner that would make this Offering Circular, as so modified or amended, inaccurate or misleading, a new offering circular will be prepared.

GENERAL DESCRIPTION OF THE PROGRAM

Under the Program, the Issuer may from time to time issue Notes denominated in any currency, subject to the terms and conditions as set out herein. A summary of the terms and conditions of the Program and the Notes appears below. The applicable terms of any Notes will be agreed between the Issuer and the relevant Dealer prior to the issue of the Notes and will be set out in the “*Terms and Conditions of the Notes*” endorsed on, attached to, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Pricing Supplement attached to, or endorsed on, such Notes, as more fully described under “Form of the Notes” below.

This Offering Circular and any supplement will only be valid for the issue of Notes in an aggregate nominal amount of the Notes which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Program, does not exceed U.S.\$5,000,000,000 or its equivalent in other currencies. For the purpose of calculating the U.S. dollar equivalent of the aggregate nominal amount of Notes issued under the Program from time to time:

- (a) the U.S. dollar equivalent of Notes denominated in another Specified Currency (as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under “*Form of the Notes*”) shall be determined, at the discretion of the Issuer, either as of the date on which agreement is reached for the issue of Notes or on the preceding day on which commercial banks and foreign exchange markets are open for business in London, in each case on the basis of the spot rate for the sale of the U.S. dollar against the purchase of such Specified Currency in the London foreign exchange market quoted by any leading international bank selected by the Issuer on the relevant day of calculation;
- (b) the U.S. dollar equivalent of Dual Currency Notes, Index Linked Notes and Partly Paid Notes (each as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under “*Form of the Notes*”) shall be calculated in the manner specified above by reference to the original nominal amount on issue of such Notes (in the case of Partly Paid Notes, regardless of the subscription price paid); and
- (c) the U.S. dollar equivalent of Zero Coupon Notes (as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under “*Form of the Notes*”) and other Notes issued at a discount or a premium shall be calculated in the manner specified above by reference to the net proceeds received by the Issuer for the relevant issue.

SUMMARY OF THE PROGRAM

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Words and expressions defined in “Form of the Notes” and “Terms and Conditions of the Notes” below shall have the same meanings in this summary.

Issuer	Korea Ocean Business Corporation (Legal Entity Identifier: 988400706OU5BSJ8ZG26)
Description	Medium Term Note Program
Arranger	Citigroup Global Markets Limited
Dealers	Citigroup Global Markets Limited, The Hongkong and Shanghai Banking Corporation Limited, ING Bank N.V., Singapore Branch and Standard Chartered Bank and any other Dealers appointed in accordance with the Program Agreement.
Certain Restrictions	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “ <i>Subscription and Sale and Transfer and Selling Restrictions</i> ”) including the following restrictions applicable at the date of this Offering Circular.

Notes with a maturity of less than one year:

Notes having a maturity of less than one year from the date of issue will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent. See “*Subscription and Sale and Transfer and Selling Restrictions*”.

Issuing and Paying Agent, Transfer Agent and Calculation Agent	Citibank, N.A., London Branch
Fiscal Agent and Registrar	Citicorp International Limited
Program Size	Up to U.S.\$5,000,000,000 (or its equivalent in other currencies calculated as described under “ <i>General Description of the Program</i> ”) outstanding at any time. The Issuer may increase the amount of the Program in accordance with the terms of the Program Agreement.
Distribution	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies	Subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer and the relevant Dealer.
Redenomination	The applicable Pricing Supplement may provide that certain Notes may be redenominated in euro. The relevant provisions applicable to any such redenomination are contained in Condition 5.

Maturities	Such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price	Notes may be issued on a fully paid or a partly paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes	The Notes will be issued in registered form or in bearer form as described in “ <i>Form of the Notes</i> .” Registered Notes will not be exchangeable for Bearer Notes and vice versa.
Fixed Rate Notes	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption, and will be calculated on the basis of such Day Count Fraction (as defined in “ <i>Terms and Conditions of the Notes</i> ”) as may be agreed between the Issuer and the relevant Dealer.
Floating Rate Notes.....	Floating Rate Notes will bear interest at a rate determined: i. on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of Notes of the relevant Series); or ii. on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or iii. on such other basis as may be agreed between the Issuer and the relevant Dealer, all as indicated in the applicable Pricing Supplement. The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes. If a Benchmark Transition Event occurs prior to the maturity of any Floating Rate Notes, the method of calculation and rate of interest payable on such notes may change pursuant to Condition 6(c) of the Terms and Conditions of the Notes.
Index Linked Notes	Payments of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer may agree, to the extent permitted by applicable law.
Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes	Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both. Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.

Dual Currency Notes	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer may agree.
Zero Coupon Notes	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest other than in the case of late payment.
Change of Control.....	Upon the occurrence of a Change of Control, each holder of Notes will have the right to require the Issuer to redeem all or any part of such holder's Notes at a redemption price equal to 100% of the principal amount thereof plus accrued but unpaid interest, if any, to the date of redemption, as further described in Condition 8(d)(i).
Redemption	The applicable Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified installments, if applicable, or for taxation reasons or following an occurrence of a Change of Control or an Event of Default (each as defined in " <i>Terms and Conditions of the Notes</i> "), or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders (as defined in " <i>Terms and Conditions of the Notes</i> ") upon giving notice to the Noteholders or the Issuer on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer. The applicable Pricing Supplement may provide that the Notes may be redeemable in two or more installments of such amounts and on such dates as are indicated in the applicable Pricing Supplement.
Denomination of Notes.....	The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency. Unless otherwise stated in the applicable Pricing Supplement, the minimum denomination of each Definitive IAI Registered Note will be U.S.\$500,000 or its approximate equivalent in other Specified Currencies.
Taxation	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by a Tax Jurisdiction (as defined in " <i>Terms and Conditions of the Notes</i> "), subject as provided in Condition 9. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 9, be required to pay additional amounts to cover the amounts so deducted.
Certain Covenants	The terms of the Notes will contain a negative pledge provision and certain other covenants, as further described in Condition 4.
Cross Default.....	The terms of the Notes will contain a cross default provision as further described in Condition 11.
Status of the Notes.....	The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured general obligations of the Issuer and will rank <i>pari passu</i> , without any preference among themselves and (except for certain obligations required to be preferred by applicable law) equally with all other unsecured (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

Listing.....	Approval in-principle has been received from the Singapore Stock Exchange] in connection with the Program and application will be made for the listing and quotation of Notes that may be issued pursuant to the Program and which are agreed, at or prior to the time of issue thereof, to be so listed on the Singapore Stock Exchange. For so long as any Notes are listed on the Singapore Stock Exchange and the rules of the Singapore Stock Exchange so require, such Notes, if traded on the Singapore Stock Exchange, will be traded in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies). The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer in relation to each Series. Unlisted Notes may also be issued. The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed or admitted to trading and, if so, on which stock exchange(s).
Governing Law	The Notes will be governed by, and construed in accordance with, New York law.
Selling Restrictions	There are restrictions on the offer, sale and transfer of the Notes in the United States of America, the EEA, the United Kingdom, Japan, Hong Kong, Singapore and Korea and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes. See “ <i>Subscription and Sale and Transfer and Selling Restrictions.</i> ”

FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached. Bearer Notes will be issued outside the United States to non-U.S. persons in reliance on Regulation S and Registered Notes will be issued both outside the United States in reliance on the exemption from registration provided by Regulation S and within the United States in reliance on Rule 144A or Regulation D under the Securities Act.

Bearer Notes

Each Tranche of Bearer Notes will be in bearer form and will be initially issued in the form of either a temporary bearer global note (a “**Temporary Bearer Global Note**”) or a permanent bearer global note (a “**Permanent Bearer Global Note**”) as indicated in the applicable Pricing Supplement, which, in either case, will be delivered on or prior to the original issue date of the Tranche to a common depositary (the “**Common Depositary**”) for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, S.A. (“**Clearstream, Luxembourg**”). While any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Bearer Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Bearer Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Issuing and Paying Agent (“**non-U.S. beneficial ownership certification**”).

On and after the date (the “**Exchange Date**”) which is 40 days after the Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) for definitive Bearer Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Pricing Supplement and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Pricing Supplement), in each case against non-U.S. beneficial ownership certification as described above unless such certification has already been given. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused. For so long as the Notes are listed on the Singapore Stock Exchange and the rules of the Singapore Stock Exchange so require, in the event that a Temporary Bearer Global Note is exchanged for definitive Bearer Notes, the Issuer will appoint and maintain a paying agent in Singapore (the “**Singapore Paying Agent**”), where the definitive Bearer Notes may be presented or surrendered for payment or redemption. In addition, in the event that a Temporary Bearer Global Note is exchanged for definitive Bearer Notes, an announcement of such exchange shall be made by or on behalf of the Issuer through the Singapore Stock Exchange and such announcement will include all material information with respect to the delivery of the definitive Bearer Notes, including details of the Singapore Paying Agent.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the Permanent Bearer Global Note without any further requirement for certification beyond the initial non-U.S. beneficial ownership certification as described above.

The applicable Pricing Supplement will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached upon either (i) not less than 60 days’ written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Issuing and Paying Agent as described therein or (ii) only upon the occurrence of an Exchange Event. In the case of definitive Bearer notes that are issued in exchange for any Permanent Bearer Global Notes, such exchange shall only be permitted if the issuance of definitive Bearer Notes are issued in integral multiples of the Specified Denomination. For these purposes, an “**Exchange**

Event” means that (i) an Event of Default (as defined in Condition 11) has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no alternative clearing system is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Bearer Global Note in definitive form (provided that, in certain circumstances where the Notes are held through Euroclear and Clearstream, Luxembourg, such adverse tax consequences are the result of a change in, or amendment to, the laws and regulations (taxation or otherwise) of a Tax Jurisdiction). For so long as the Notes are listed on the Singapore Stock Exchange and the rules of the Singapore Stock Exchange so require, in the event that a Permanent Bearer Global Note is exchanged for definitive Bearer Notes, the Issuer will appoint and maintain a Singapore Paying Agent, where the definitive Bearer Notes may be presented or surrendered for payment or redemption. In addition, in the event that a Permanent Bearer Global Note is exchanged for definitive Bearer Notes, an announcement of such exchange shall be made by or on behalf of the Issuer through the Singapore Stock Exchange and such announcement will include all material information with respect to the delivery of the definitive Bearer Notes, including details of the Singapore Paying Agent. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) may give notice to the Issuing and Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Issuing and Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Issuing and Paying Agent.

The following legend will appear on all Bearer Notes that have an original maturity of more than 365 days and on all receipts and interest coupons relating to such Notes:

“ANY U.S. PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED.”

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes.

Notes that are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Registered Notes

The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold to non-U.S. persons outside the United States, will initially be represented by a global note in registered form (a “**Regulation S Global Note**”). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each Tranche of Notes, beneficial interests in a Regulation S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 and may not be held otherwise than through Euroclear or Clearstream, Luxembourg and such Regulation S Global Note will bear a legend regarding such restrictions on transfer.

The Registered Notes of each Tranche may only be offered and sold in the United States or to U.S. persons in private transactions (i) to “qualified institutional buyers” within the meaning of Rule 144A under the Securities Act (“**QIBs**”) or (ii) to “accredited investors” (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) that are institutions (“**Institutional Accredited Investors**”) who agree to purchase the Notes for their own account and not with a view to the distribution thereof. The Registered Notes of each Tranche sold to QIBs will be represented by a global note in registered form (a “**Rule 144A Global Note**” and, together with a Regulation S Global Note, the “**Registered Global Notes**”).

The Registered Global Notes will either (a) be deposited with a custodian for, and registered in the name of a nominee of, the Depository Trust Company (“**DTC**”) for the accounts of Euroclear and Clearstream, Luxembourg or (b) be deposited with a common depositary for, and registered in the name of a

common nominee of, Euroclear and Clearstream, Luxembourg, as specified in the applicable Pricing Supplement. Persons holding beneficial interests in the Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form. The Registered Notes of each Tranche sold to Institutional Accredited Investors will be in definitive form, registered in the name of the holder thereof (“**Definitive IAI Registered Notes**”). Unless otherwise set forth in the applicable Pricing Supplement, Definitive IAI Registered Notes will be issued only in minimum denominations of U.S.\$500,000 and integral multiples of U.S.\$1,000 in excess thereof (or the approximate equivalents in the applicable Specified Currency). Definitive IAI Registered Notes will be subject to the restrictions on transfer set forth therein and will bear the restrictive legend described under “*Subscription and Sale and Transfer and Selling Restrictions.*” Institutional Accredited Investors that hold Definitive IAI Registered Notes may elect to hold such Notes through DTC, but transferees acquiring the Notes in transactions exempt from Securities Act registration pursuant to Regulation S or Rule 144 under the Securities Act (if available) may do so upon satisfaction of the requirements applicable to such transfer as described under “*Subscription and Sale and Transfer and Selling Restrictions.*” The Rule 144A Global Note and the Definitive IAI Registered Notes will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 7(d)) as the registered holder of the Registered Global Notes. None of the Issuer, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 7(d)) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, an “**Exchange Event**” means that (a) an Event of Default has occurred and is continuing, (b) in the case of Notes registered in the name of a nominee for DTC, either DTC has notified the Issuer that it is unwilling or unable to continue to act as depository for the Notes and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act, (c) in the case of Notes registered in the name of a nominee for a common depository for Euroclear and Clearstream, Luxembourg, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available or (d) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Registered Global Note in definitive form (provided that, in certain circumstances where the Notes are held through Euroclear and Clearstream, Luxembourg, such adverse tax consequences are the result of a change in, or amendment to, the laws and regulations (taxation or otherwise) of a Tax Jurisdiction).

For so long as the Notes are listed on the Singapore Stock Exchange and the rules of the Singapore Stock Exchange so require, in the event that a Permanent Registered Global Note is exchanged for definitive Registered Notes, the Issuer will appoint and maintain a Singapore Paying Agent, where the definitive Registered Notes may be presented or surrendered for payment or redemption. In addition, in the event that a Permanent Registered Global Note is exchanged for definitive Registered Notes, an announcement of such exchange shall be made by or on behalf of the Issuer through the Singapore Stock Exchange and such announcement will include all material information with respect to the delivery of the definitive Registered Notes, including details of the Singapore Paying Agent. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Registered Global Note) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (d) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than ten days after the date of receipt of the first relevant notice by the Registrar.

Transfer of Interests

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note or in the form of a Definitive IAI Registered Note and Definitive IAI Registered Notes may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such Notes in the form of an interest in a Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear and Clearstream, Luxembourg, in each case to the extent applicable. Registered Notes are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions, see “*Subscription and Sale and Transfer and Selling Restrictions.*”

General

Pursuant to the Agency Agreement (as defined under “*Terms and Conditions of the Notes*”), the Issuing and Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until at least the expiry of the Distribution Compliance Period applicable to the Notes of such Tranche.

For so long as any of the Notes is represented by a Global Note (as defined in “*Terms and Conditions of the Notes*”) held on behalf of Euroclear and/or Clearstream, Luxembourg each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and its agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer and its agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note, and the expressions “Noteholder” and “holder of Notes” and related expressions shall be construed accordingly.

So long as DTC or its nominee is the registered owner or holder of a Registered Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Registered Global Note for all purposes under the Agency Agreement and such Notes except to the extent that in accordance with DTC’s published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

Any reference herein to Euroclear, Clearstream, Luxembourg and/or DTC shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement.

The Notes may be accelerated by the holder thereof in certain circumstances described in Condition 11. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the terms and conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note, holders of interests in such Global Note credited to their accounts with DTC may require DTC to deliver Definitive Notes in registered form in exchange for their interest in such Global Note in accordance with DTC’s standard operating procedures.

For so long as the Notes are listed on the Singapore Stock Exchange and the rules of the Singapore Stock Exchange so require, in the event that a Global Note is exchanged for definitive Notes, the Issuer will appoint and maintain a Paying Agent in Singapore, where the Notes may be presented or surrendered for payment or redemption. In addition, in the event that a Global Note is exchanged for definitive Notes, an announcement of such exchange shall be made by or on behalf of the Issuer through the Singapore Stock Exchange and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the Paying Agent in Singapore.

FORM OF PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement that will be completed for each Tranche of Notes issued under the Program.

[Date]

Korea Ocean Business Corporation

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] under the U.S.\$5,000,000,000 Medium Term Note Program

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

[PROHIBITION OF SALES TO UK RETAIL INVESTORS] – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“**UK**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”); or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the Financial Services and Markets Act 2000 (the “**FSMA**”) to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a “qualified investor” as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No. 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.] *[Include if the Pricing Supplement specifies “Prohibition of Sales to UK Retail Investors” as “Applicable”]*

[MIFID II PRODUCT GOVERNANCE/RETAIL INVESTORS, PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES (ECPS) TARGET MARKET] – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties, professional clients and retail clients, each as defined in Directive 2014/65/EU (as amended, “**MiFID II**”); EITHER [and (ii) all channels for distribution of the Notes are appropriate[, including investment advice, portfolio management, non-advised sales and pure execution services]] OR [(ii) all channels for distribution to eligible counterparties and professional clients are appropriate; and (iii) the following channels for distribution of the Notes to retail clients are appropriate – investment advice[,/and] portfolio management[,/and][non-advised sales][and pure execution services][, subject to the distributor’s suitability and appropriateness obligations under MiFID II, as applicable]]. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels[, subject to the distributor’s suitability and appropriateness obligations under MiFID II, as applicable].]

[UK MIFIR PRODUCT GOVERNANCE/RETAIL INVESTORS, PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES (ECPS) TARGET MARKET – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is retail clients, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of the domestic law of the UK by virtue of the European Union (Withdrawal) Act 2018 (as amended, the “EUWA”), and eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (“COBS”) and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA (“UK MiFIR”); EITHER [and (ii) all channels for distribution of the Notes are appropriate[, including investment advice, portfolio management, non-advised sales and pure execution services]] OR [(ii) all channels for distribution to eligible counterparties and professional clients are appropriate; and (iii) the following channels for distribution of the Notes to retail clients are appropriate – investment advice[,/and] portfolio management [,/and][non-advised sales] [and pure execution services][, subject to the distributor’s suitability and appropriateness obligations under COBS, as applicable]]. Any person subsequently offering, selling or recommending the Notes (a “distributor”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “UK MiFIR Product Governance Rules”) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels[, subject to the distributor’s suitability and appropriateness obligations under COBS, as applicable.]

[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 Notes are [prescribed capital markets products]/[capital markets products other than prescribed capital markets products] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and [Excluded Investment Products]/[Specified Investment Products] (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).]¹

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

Any person making or intending to make an offer of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to either of Article 3 of the Prospectus Regulation or section 85 of the FSMA or supplement a prospectus pursuant to either of Article 23 of the Prospectus Regulation or Article 23 of the UK Prospectus Regulation, in each case, in relation to such offer.

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the conditions set forth in the Offering Circular dated April 12, 2023. This Pricing Supplement is supplemental to and must be read in conjunction with such Offering Circular.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.]

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the “Conditions”) set forth in the Offering Circular dated [original date]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [current date], except in respect of the Conditions which are extracted from the Offering Circular dated [original date] and are attached hereto.

¹ To be inserted if the Notes will be offered to investors in Singapore; for any Notes to be offered to Singapore investors, the Issuer to determine the classification of the Notes pursuant to Section 309B of the SFA prior to the launch of the offer.

[Include whichever of the following apply or specify as “Not Applicable”. Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplements.]

1. Issuer: Korea Ocean Business Corporation
LEI Code: 988400706OU5BSJ8ZG26
2. (i) Series Number: [●]
(ii) Tranche Number: [●] *(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)*
(iii) Re-opening: [Yes/No] *[Specify terms of initial or eventual fungibility]*
3. Specified Currency or Currencies: [●]
4. Aggregate Nominal Amount:
(i) Series: [●]
(ii) Tranche: [●]
5. (i) Issue Price: [●] % of the Aggregate Nominal Amount [plus accrued interest from [Issue Date] *(in the case of fungible issues only, if applicable)*]
(ii) Net proceeds: *(required only for listed issues)* [●]
(iii) Use of proceeds: [●]
6. (i) Specified Denominations: *(in the case of Registered Notes, this means the minimum integral amount in which transfers can be made)* [●]
(ii) Calculation Amount: [●]
7. (i) Issue Date: [●]
(ii) Interest Commencement Date: [●]
8. Maturity Date: [Fixed rate – specify date]

Floating rate – Interest Payment Date falling in *[specify months and year]*
9. Interest Basis: [[●] % Fixed Rate] *[[specify reference rate]² +/- [●] % Floating Rate]* [Zero Coupon] [Index Linked Interest] [Dual Currency Interest]

[specify other] (further particulars specified below)

² Parties to consider the various IBOR cessation dates (particularly December 31, 2021) and the maturity date of the Notes in selecting a Reference Rate.

10. Redemption/Payment Basis: [Redemption at par] [Dual Currency Redemption] [Partly Paid] [Installment] [*specify other*]
11. Change of Interest Basis or Redemption/Payment Basis: [*Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis*]
12. Put (other than Condition 8(d)(i))/Call Options: [Investor Put] [Issuer Call] [(further particulars specified below)]
13. (a) Status of the Notes: [Senior]
[●] (*N.B. Only relevant where Board (or similar) authorization is required for the particular tranche of Notes*)
(b) Date of [the Issuer's Board] approval for the issues of Notes obtained:]
14. Listing: [Singapore Exchange Securities Trading Limited/*specify other*/None]³
15. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16. Fixed Rate Note Provisions: [Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
- (i) Rate[(s)] of Interest: [●]% per annum [payable [annually/semi-annually/quarterly] in arrears] (*If payable other than annually, consider amending Condition 6*)
- (ii) Interest Payment Date(s): [●] in each year up to and including the Maturity Date [adjusted in accordance with [*specify Business Day Convention*]/[not adjusted]/[*specify other*]]
- (iii) Fixed Coupon Amount(s): [●] per Calculation Amount
- (iv) Broken Amount(s): [*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount*]
- (v) Day Count Fraction: [30/360 or Actual/Actual (ICMA) or [*specify other*]]
- (vi) Determination Date(s): [●] in each year

[*Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon NB: This will need to be amended in the case of regular interest payment dates which are not of equal duration. NB: Only relevant where Day Count Fraction is Actual/Actual (ICMA)*]
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [None/*Give details*]

³ For SGX-ST listing: For drawdowns based on the April 12, 2023 offering circular, please note that if the Issuer's audited financials for FY2023 has since become available, this should be appended in full to the pricing supplement.

17.	Floating Rate Note Provisions:	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(i) Specified Period(s)/Specified Interest Payment Dates:	[●]
	(ii) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[specify other]]
	(iii) Additional Business Center(s):	[●]
	(iv) Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination/specify other]
	(v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Issuing and Paying Agent):	[●]
	(vi) Screen Rate Determination:	
	– Reference Rate:	[●] <i>(Either EURIBOR or other, although additional information is required if other – including fallback provisions in the Agency Agreement)</i>
	[OPTION – SOFR]	
	– Index Determination:	[Applicable/Not Applicable]
	– SOFR Compounded Index:	[Applicable/Not Applicable]
	– Relevant Decimal Place:	[●] <i>(unless otherwise specified in the Pricing Supplement, will be the seventh decimal place in the case of the SOFR Compounded Index)</i>
	– Relevant Number of Index Days:	[●] <i>(unless otherwise specified in the Pricing Supplement, Relevant Number shall be, in the case of the SOFR Compounded Index, [two])</i>
	[END OF OPTION]	
	– Interest Determination Date(s):	[●] <i>(Second day on which the T2 is open prior to the start of each Interest Period if EURIBOR)</i>
	– Relevant Screen Page:	[●] <i>(In the case of EURIBOR, if not Reuters Page EURIBOR 01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)</i>
	(vii) ISDA Determination:	
	– Floating Rate Option:	[●]
	– Designated Maturity:	[●]
	– Reset Date:	[●]

	(viii) Margin(s):	[+/-][●]% per annum
	(ix) Minimum Rate of Interest:	[●]% per annum
	(x) Maximum Rate of Interest:	[●]% per annum
	(xi) Day Count Fraction:	[Actual/365 Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 30E/360 Other] (See Condition 6 for alternatives)
	(xii) Fall back provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[●]
18.	Zero Coupon Note Provisions:	[Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph)
	(i) Accrual Yield:	[●]% per annum
	(ii) Reference Price:	[●]
	(iii) Any other formula/basis of determining amount payable:	[●] (Consider applicable day count fraction if euro denominated)
	(iv) Day Count Fraction in relation to Early Redemption Amount and Late Payment on Zero Coupon Notes:	[Condition 8(e)(iii) and Condition 8(j) apply/specify other] (Consider applicable day count fraction if not U.S. dollar denominated)
19.	Index Linked Interest Note Provisions:	[Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph)
	(i) Index/Formula:	[give or annex details]
	(ii) Calculation Agent responsible for calculating the interest due:	[●]
	(iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[●]
	(iv) Specified Period(s)/Specified Interest Payment Dates:	[●]
	(v) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other]
	(vi) Additional Business Center(s):	[●]
	(vii) Minimum Rate of Interest:	[●]% per annum
	(viii) Maximum Rate of Interest:	[●]% per annum
	(ix) Day Count Fraction:	[●]

20. Dual Currency Note Provisions: [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate of Exchange/method of calculating Rate of Exchange: [give details]
 - (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest payable: [●]
 - (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [●]
 - (iv) Person at whose option Specified Currency(ies) is/are payable: [●]

PROVISIONS RELATING TO REDEMPTION

21. Issuer Call: [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [●]
 - (ii) Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s): [●] per Note of [●] Specified Denomination
 - (iii) If redeemable in part:
 - (a) Minimum Redemption Amount: [●]
 - (b) Higher Redemption Amount: [●]
 - (iv) Notice period (if other than as set out in the Conditions): [●] *(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Issuing and Paying Agent)*
22. Investor Put (other than Condition 8(d)(i)): [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [●]
 - (ii) Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s): [●] per Note of [●] Specified Denomination

(iii) Notice period (if other than as set out in the Conditions):

[●] *(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Issuing and Paying Agent)*

23. Final Redemption Amount of each Note:

[Par/specify other/see Appendix]

24. Early Redemption Amount of each Note payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 8(e)):

[●]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25. Form of Notes:

[Bearer Notes:

[Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]

[Temporary Bearer Global Note exchangeable for Definitive Notes on and after the Exchange Date]

[Permanent Bearer Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]

[Registered Notes:

Regulation S Global Note (U.S.\$[●] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg]/Rule 144A Global Note (U.S.\$[●] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg]/Definitive IAI Registered Notes (specify nominal amounts)]

26. Additional Financial Center(s) or other special provisions relating to Payment Dates:

[Not Applicable/give details] *(Note that this item relates to the place of payment and not Interest Period end dates to which items 17(iii) and 19(vi) relate)*

27. Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature):

[Yes/No. If yes, give details]

28. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details. NB: new forms of Global Note(s) may be required for Partly Paid issues.]
29. Details relating to Installment Notes: amount of each installment, date on which each payment is to be made: [Not Applicable/give details]
30. Redenomination applicable: Redenomination [not] applicable. [(If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates))] [(if Redenomination is applicable, specify the terms of the redenomination in an Annex to the Pricing Supplement)]
31. Other terms or special conditions: [Not Applicable/give details]
- DISTRIBUTION**
32. (i) If syndicated, names of Managers: [Not Applicable/give names]
(ii) Stabilizing Manager (if any): [Not Applicable/give name]
33. If non-syndicated, name of relevant Dealer: [●]
34. Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable: [TEFRA D/TEFRA C/TEFRA not applicable]
35. Prohibition of sales to EEA retail investors: [Applicable/Not Applicable]
(If the Notes clearly do not constitute “packaged” products or the Notes do constitute “packaged” products and a key information document will be prepared in the EEA, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no key information document will be prepared in the EEA, “Applicable” should be specified.)
36. Prohibition of sales to UK retail investors: [Applicable/Not Applicable]
(If the Notes clearly do not constitute “packaged” products, or the Notes do constitute “packaged” products and a key information document will be prepared in the UK, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no key information document will be prepared in the UK, “Applicable” should be specified.)

37. Additional selling restrictions: [Not Applicable/give details]
- (If Item 34 confirms that either TEFRA C or TEFRA D applies, then specify each of the selling restrictions and representations that should be complied with to ensure that the issuance of Notes is U.S. Treas. Reg. § 1.163-5(c)(2)(i)(C) (i.e., TEFRA C) or U.S. Treas. Reg. § 1.163-5(c)(2)(i)(D) (i.e., TEFRA D) compliant, as applicable)*

OPERATIONAL INFORMATION

38. Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
39. Delivery: Delivery [against/free of] payment
40. In the case of Registered Notes, specify the location of the office of the Registrar if other than New York: [Not Applicable/give location]
41. Additional Paying Agent(s) (if any): [●]
- ISIN: [●]
- Common Code: [●]
- CUSIP: [●]

(insert here any other relevant codes such as CINS)

[HONG KONG SFC CODE OF CONDUCT⁴

42. Rebates: [A rebate of [●] bps is being offered by the [Issuer] to all private banks for orders they place (other than in relation to [Bonds/Notes/Securities] subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of this offering based on the principal amount of the [Bonds/Notes/Securities] distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMI otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate.]/[Not Applicable]

⁴ For an MTN drawdown involving in-scope managers, parties may decide to have a preliminary Pricing Supplement which can be distributed to other CMIs and investors containing the relevant Hong Kong SFC Code of Conduct information. If no preliminary Pricing Supplement is available for the MTN drawdown, or for EU/UK PR-compliant programs, in-scope managers may consider other ways in which to facilitate compliance with paragraph 21 requirements (e.g. BBG messages, bilateral communications with investors, attaching a standalone “Notice to Investors” page to the front of any marketing materials).

- | | | |
|-----|---|--|
| 43. | Contact email addresses of the Overall Coordinators where the underlying investor information in relation to omnibus orders should be sent: | [Include relevant contact email addresses of the Overall Coordinators where the underlying investor information should be sent – OCs to provide]/[<i>Not Applicable</i>] |
| 44. | Marketing and Investor Targeting Strategy: | [<i>If different from the program OC</i>] |

[Listing Application]

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the U.S.\$5,000,000,000 Medium Term Note Program of Korea Ocean Business Corporation.

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

[Application will be made for the Notes to be recognized under the SGX Sustainable Fixed Income initiative on SGX-ST. There is no guarantee that such application for recognition under the SGX Sustainable Fixed Income initiative will be approved. Recognition under the SGX Sustainable Fixed Income initiative does not guarantee that the Notes will satisfy any investor’s expectations or requirements on its sustainability-related performance or impact. If approved, SGX-ST may remove the recognition from the Notes at its discretion. The latest list of fixed income securities that have been granted recognition under the SGX Sustainable Fixed Income initiative is available at the SGX website.]⁵

Responsibility

The Issuer accepts responsibility for the information contained in this Pricing Supplement, which, when read together with the Offering Circular [and the supplemental Offering Circular] referred to above, contains all information that is material in the context of the issue of the Notes.

Signed on behalf of the Issuer:

By: _____
Duly authorized signatory
Name:
Title:

If the applicable Pricing Supplement specifies any modification to the Terms and Conditions of the Notes as described herein, it is envisaged that, to the extent that such modification relates only to Conditions 1, 5, 6, 7, 8 (except Condition 8(b)), 12, 13, 14, 15 (insofar as such Notes are not listed or admitted to trading on any stock exchange) or 17, they will not necessitate the preparation of a supplement to this Offering Circular. If the Terms and Conditions of the Notes of any Series are to be modified in any other respect, a supplement to this Offering Circular will be prepared, if appropriate.

⁵ For SGX listing – To include this paragraph if the Notes are green/social/sustainability Notes and the Issuer intends to apply for recognition under SGX’s Sustainable Fixed Income initiative.

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Pricing Supplement in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to “Form of the Notes” for a description of the content of the Pricing Supplements which will specify which of such terms are to apply in relation to the relevant Notes. Reference herein to “Condition” shall be to the Terms and Conditions set forth below.

This Note is one of a Series (as defined below) of Notes issued by Korea Ocean Business Corporation (the “**Company**” or the “**Issuer**”) pursuant to the terms of the Agency Agreement (as defined below).

References herein to the “**Notes**” shall be references to the Notes of this Series and shall mean:

- (i) in relation to any Notes represented by a global Note (a “**Global Note**”), units of the lowest Specified Denomination in the Specified Currency;
- (ii) any Global Note;
- (iii) any definitive Notes in bearer form (“**Bearer Notes**”) issued in exchange for a Global Note in bearer form; and
- (iv) any definitive Notes in registered form (“**Registered Notes**”) (whether or not issued in exchange for a Global Note in registered form).

The Notes, the Receipts (as defined below) and the Coupons (as defined below) are issued pursuant to, and have the benefit of the agency agreement dated April 12, 2023 (as further amended and/or supplemented and/or restated from time to time, the “**Agency Agreement**”) among the Company, Citibank, N.A., London Branch as the Issuing and Paying Agent, Transfer Agent and Calculation Agent and Citicorp International Limited as the Fiscal Agent and Registrar (collectively, including any successors thereto or additional such agent appointed pursuant to the terms of the Agency Agreement, the “**Agents**”).

Interest-bearing definitive Bearer Notes have (unless otherwise indicated in the applicable Pricing Supplement) interest coupons (“**Coupons**”) and, if indicated in the applicable Pricing Supplement, talons for further Coupons (“**Talons**”) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Bearer Notes repayable in installments have receipts (“**Receipts**”) for the payment of the installments of principal (other than the final installment) attached on issue. Registered Notes and Global Notes do not have Receipts, Coupons or Talons attached on issue.

The Pricing Supplement for this Note (or the relevant provisions thereof) is attached to or endorsed on this Note and supplements these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of this Note. References to the “**applicable Pricing Supplement**” are to the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Note.

Any reference to “**Noteholders**” or “**holders**” in relation to any Notes shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to “**Receiptholders**” shall mean the holders of the Receipts, and any reference herein to “**Couponholders**” shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, “**Tranche**” means Notes which are identical in all respects (including as to listing) and “**Series**” means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Copies of the Agency Agreement are available for inspection during normal business hours (being between 9:00 a.m. and 3:00 p.m.) at the specified office of the Issuing and Paying Agent with prior written notice and satisfactory proof of holding. Copies of the applicable Pricing Supplement are obtainable during normal business hours (being between 9:00 a.m. and 3:00 p.m.) at the specified office of the Issuing and Paying Agent with prior written notice except that, if this Note is an unlisted Note of any Series, the applicable Pricing Supplement will only be obtainable by a Noteholder holding one or more unlisted Notes of that Series and such Noteholder must produce evidence satisfactory to the Issuer and the Issuing and Paying Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement and the Pricing Supplement which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and **provided that**, in the event of inconsistency between the Agency Agreement and the applicable Pricing Supplement or between the Terms and Conditions and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

1. FORM, DENOMINATION AND TITLE

The Notes may be in bearer form or in registered form as specified in the applicable Pricing Supplement and, in the case of definitive Notes, will be serially numbered, in the Specified Currency and the Specified Denomination(s). Except as provided in Condition 2, Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination, and Bearer Notes may not be exchanged for Registered Notes and vice versa. The Notes of one Series may not comprise both Notes in bearer form and Notes in registered form.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement.

This Note may be an Installment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending on the Redemption/Payment Basis shown in the applicable Pricing Supplement.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Terms and Conditions are not applicable.

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer and any Agent will (except as otherwise required by law) deem and treat the bearer of any Bearer Note, Receipt or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank S.A./N.V. (“**Euroclear**”) and/or Clearstream Banking S.A. (“**Clearstream**”), each person (other than Euroclear or Clearstream) who is for the time being shown in the records of Euroclear or of Clearstream as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note, and the expressions “**Noteholder**” and “**holder of Notes**” and related expressions shall be construed accordingly.

For so long as The Depository Trust Company (“DTC”) or its nominee is the registered owner or holder of a Registered Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Registered Global Note for all purposes under the Agency Agreement and the Notes except to the extent that in accordance with DTC’s published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

Notes that are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of DTC, Euroclear and Clearstream, as the case may be. References to DTC, Euroclear and/or Clearstream shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement.

2. TRANSFERS OF REGISTERED NOTES

(a) Transfers of Interests in Registered Global Notes

Transfers of beneficial interests in Registered Global Notes will be effected by DTC, Euroclear or Clearstream, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorized denominations set out in the applicable Pricing Supplement and only in accordance with the rules and operating procedures for the time being of DTC, Euroclear or Clearstream, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement. Transfers of a Registered Global Note registered in the name of a nominee for DTC shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee of DTC or to a successor of DTC or such successor’s nominee.

(b) Transfers of Registered Notes in Definitive Form

Subject as provided in paragraphs (e), (f) and (g) below, upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part in the authorized denominations set out in the applicable Pricing Supplement. In order to effect any such transfer (i) the holder or holders must (A) surrender the Registered Note for registration of the transfer of the Registered Note or the relevant part of the Registered Note at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorized in writing and (B) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent and (ii) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 8 to the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

(c) Registration of Transfer upon Partial Redemption

In the event of a partial redemption of Notes under Condition 8, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

(d) Costs of Registration

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

(e) Transfers of Interests in Regulation S Global Notes

Prior to expiry of the applicable Distribution Compliance Period (as defined below), transfers by the holder of, or of a beneficial interest in, a Regulation S Global Note to a transferee in the United States or who is a U.S. person will only be made:

- (i) upon receipt by the Registrar of a written certification substantially in the form set out in Schedule 6 to the Agency Agreement, amended as appropriate (a “**Transfer Certificate**”), copies of which are available from the specified office of the Registrar or any Transfer Agent, from the transferor of the Note or beneficial interest therein to the effect that such transfer is being made:
 - (A) to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or
 - (B) to a person who is an Institutional Accredited Investor, in which case the Transfer Certificate must be accompanied by a duly executed investment letter from the relevant transferee substantially in the form set out in Schedule 7 to the Agency Agreement (an “**IAI Investment Letter**”); or
- (ii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any state of the United States,

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

In the case of (A) above, such transferee may take delivery through a Legended Note (as defined below) in global or definitive form and, in the case of (B) above, such transferee may take delivery only through a Legended Note in definitive form. After expiry of the applicable Distribution Compliance Period (i) beneficial interests in Regulation S Global Notes registered in the name of a nominee for DTC may be held through DTC directly, by a participant in DTC, or indirectly through a participant in DTC and (ii) such certification requirements will no longer apply to such transfers.

(f) Transfers of Interests in Legended Notes

Transfers of Legended Notes or beneficial interests therein may be made:

- (i) to a transferee who takes delivery of such interest through a Regulation S Global Note, upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that in the case of a Regulation S Global Note registered in the name of a nominee for DTC, if such transfer is being made prior to expiry of the applicable Distribution Compliance Period, the interests in the Notes being transferred will be held immediately thereafter through Euroclear and/or Clearstream; or
- (ii) to a transferee who takes delivery of such interest through a Legended Note:
 - (A) where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or
 - (B) where the transferee is an Institutional Accredited Investor, subject to delivery to the Registrar of a Transfer Certificate from the transferor to the effect that such transfer is being made to an Institutional Accredited Investor, together with a duly executed IAI Investment Letter from the relevant transferee; or

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

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

Notes transferred by Institutional Accredited Investors to QIBs pursuant to Rule 144A or outside the United States pursuant to Regulation S will be eligible to be held by such QIBs or non-U.S. investors through DTC, Euroclear or Clearstream, as appropriate, and the Registrar will arrange for any Notes which are the subject of such a transfer to be represented by the appropriate Registered Global Note, where applicable.

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

(g) Exchanges and Transfers of Registered Notes Generally

Holders of Registered Notes in definitive form, other than Institutional Accredited Investors, may exchange such Notes for interests in a Registered Global Note of the same type at any time.

(h) Definitions

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

“Distribution Compliance Period” means the period that ends 40 days after the completion of the distribution of each Tranche of Notes, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant Lead Manager (in the case of a syndicated issue);

“Institutional Accredited Investor” means **“accredited investors”** (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) that are institutions;

“Legended Note” means Registered Notes in definitive form that are issued to Institutional Accredited Investors and Registered Notes (whether in definitive form or represented by a Registered Global Note) sold in private transactions to QIBs in accordance with the requirements of Rule 144A;

“QIB” means a **“qualified institutional buyer”** within the meaning of Rule 144A;

“Regulation S” means Regulation S under the Securities Act;

“Regulation S Global Note” means a Registered Global Note representing Notes sold outside the United States in reliance on Regulation S;

“Rule 144A” means Rule 144A under the Securities Act;

“Rule 144A Global Note” means a Registered Global Note representing Notes sold in the United States or to QIBs; and

“Securities Act” means the United States Securities Act of 1933, as amended.

3. STATUS OF NOTES

The Notes and any relative Receipts and Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4 (Certain Covenants)) unsecured obligations of the Issuer and rank pari passu among themselves and (except for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

4. CERTAIN COVENANTS

(a) Negative Pledge

So long as any of the Notes of this Series remains outstanding, the Company will not itself, and will not permit any Principal Subsidiary (as defined below) to, create or permit to be outstanding any mortgage, charge, lien, pledge or other security interest (“**Security**”) upon the whole or part of its property, assets or revenues, present or future, to secure for the benefit of the holders of any International Investment Securities (as defined below) (i) payment of any sum due in respect of any such International Investment Securities or (ii) any payment under any guarantee of any such International Investment Securities or (iii) any payment under any indemnity or other like obligation relating to any such International Investment Securities, without in any such case at the same time, according to the Notes of this Series and the Receipts and Coupons applicable thereto, either the same security as is granted to or is outstanding in respect of such International Investment Securities, guarantee, indemnity or other like obligation or such other security as shall be approved by an Extraordinary Resolution (as defined in the Agency Agreement) passed at a meeting of the holders of Notes of this Series.

The foregoing shall not operate to restrict or prohibit the creation or existence of any Security consisting of a security interest solely in Receivables (as defined below) securing payment of interest or principal of, payment under any guarantee of, or payment under any indemnity relating to, any International Investment Securities issued by a wholly-owned Subsidiary (or another Person in which the Company or any Principal Subsidiary makes an investment and to which the Company or any Principal Subsidiary transfers Receivables and related assets).

(b) Consolidation, Merger and Sale of Assets

The Issuer, without the consent of the Noteholders, may consolidate with, or merge into, or sell, transfer, lease or convey its assets as an entirety or substantially as an entirety to any corporation; provided that (i) any successor corporation expressly assumes the applicable obligations of the Issuer under the Notes and the Agency Agreement (ii) after giving effect to the transaction, with respect to the Issuer or any such successor corporation, no Event of Default (as defined below) 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 (iii) the Issuer has delivered to the Issuing and Paying Agent a certificate executed by a duly authorized officer of the Issuer and an opinion of counsel as to matters of law stating that such consolidation, merger, sale, transfer, lease or conveyance and, if a supplemental agency agreement is required in connection with such transaction, such supplemental agency agreement comply with the Agency Agreement and the Notes and that all conditions precedent herein provided for relating to such transaction have been complied with.

(c) Provision of Information to Noteholders

The Issuer covenants that for so long as any of the Notes are “restricted securities” within the meaning of Rule 144 under the Securities Act, it will, at any time when it is not subject to either the periodic reporting requirements of Section 13 or Section 15(d) of the Exchange Act or the requirements of Rule 12g3-2(b) thereunder, provide to any Noteholder or prospective purchaser of Notes designated by such Noteholder, upon the request of such Noteholder or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

(d) **Certain Definitions**

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

“International Investment Securities” means notes, debentures, bonds or investment securities of the Company or any Principal Subsidiary, as the case may be, which:

- (i) either are by their terms payable, or confer a right to receive payment, in any currency other than Won or are denominated in Won and more than 50% of the aggregate principal amount thereof is initially distributed outside Korea by or with the authorization of the Company or the relevant Principal Subsidiary, as the case may be; and
- (ii) are for the time being, or are intended to be, quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter or other securities market outside Korea.

“Person” means any individual, corporation, company, firm, tribunal, undertaking, association, organization, partnership, joint venture, trust, limited liability company, unincorporated organization or government or any agency, instrumentality or political subdivision thereof; in each case whether or not being a separate legal entity.

“Principal Subsidiary” means:

- (i) any Subsidiary (as defined below) of the Company:
 - (A) whose net sales, as shown by the then latest audited financial statements or accounts (consolidated where applicable, but without intercompany adjustments for consolidation with the Company) of such Subsidiary, constitute at least 10% of the consolidated net sales of the Company as shown by the then latest audited consolidated accounts of the Company; or
 - (B) whose total assets, as shown by the then latest audited financial statements or accounts (consolidated where applicable, but without intercompany adjustments for consolidation with the Company) of such Subsidiary, constitute at least 10% of the total consolidated assets of the Company as shown by the then latest audited consolidated accounts of the Company;
- (ii) provided that:
 - (A) in the case of a Subsidiary acquired, or a company becoming a Subsidiary, after the end of the financial period to which the latest audited consolidated accounts of the Company relate, the reference to the then latest audited consolidated accounts of the Company for the purposes of the calculation above shall, until audited consolidated accounts of the Company for the financial period in which the acquisition is made or, as the case may be, in which the relevant company becomes a Subsidiary are published, be deemed to be a reference to the then latest audited consolidated accounts of the Company adjusted to consolidate the last audited accounts (consolidated where applicable) of such Subsidiary in such accounts;
 - (B) if at any relevant time in relation to the Company or any Subsidiary in respect of which financial consolidation is relevant no consolidated accounts are prepared and audited, net sales and total assets of the Company and/or any such Subsidiary shall be determined on the basis of pro-forma consolidated accounts prepared for this purpose by the auditors for the time being of the Company;
 - (C) if at any relevant time in relation to any Subsidiary no accounts are audited, its net sales and total assets (consolidated where applicable, but without intercompany adjustments for consolidation with the Company) shall be determined on the basis of pro-forma accounts (consolidated where applicable, but without intercompany adjustments for consolidation with the Company) of the relevant Subsidiary prepared for this purpose by the auditors for the time being of the Company; and

- (D) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (1) above) are not consolidated with those of the Company, then the determination of whether or not such Subsidiary is a Principal Subsidiary shall be based on a pro-forma consolidation of its accounts (consolidated where applicable, but without intercompany adjustments for consolidation with the Company) with the then latest consolidated audited accounts (determined on the basis of the foregoing) of the Company; or
- (E) any Subsidiary of the Company to which is transferred all or substantially all of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, provided that the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary.

“Receivable” means a right to receive payment arising from a sale or lease of goods or the performance of services by a Person pursuant to an arrangement with another Person pursuant to which such other Person is obligated to pay for such goods or services under terms that permit the purchase of such goods and services on credit.

“Subsidiary” means, at any particular time, (i) any person at least 50% of whose issued equity share capital (or equivalent) is then beneficially owned, by the Company, (ii) any person which is then directly or indirectly controlled by the Company or (iii) any subsidiary subject to consolidation with the Company’s financial statements under accounting principles generally accepted in Korea. For a person to be **“controlled”** by another means that the other (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract or otherwise) has the power to appoint and/or remove a majority of the members of the board of directors or other governing body of that person or otherwise controls or has the power to control the affairs and policies of that person.

5. REDENOMINATION

(a) Redenomination

Where redenomination is specified in the applicable Pricing Supplement as being applicable, the Issuer may, without the consent of the Noteholders, the Receiptholders and the Couponholders, on giving prior notice to the Issuing and Paying Agent, DTC, Euroclear and Clearstream and at least 30 days’ prior notice to the Noteholders in accordance with Condition 15, elect that, with effect from the Redenomination Date specified in the notice, the Notes shall be redenominated in Euro.

The election will have effect as follows:

- (i) the Notes and the Receipts shall be deemed to be redenominated into Euro with a nominal amount for each Note and Receipt equal to the nominal amount of that Note or Receipt in the Specified Currency, converted into Euro at the Established Rate (as defined below), rounded to the nearest Euro 0.01 if the conversion results in an amount involving a fraction of Euro 0.01, **provided that**, if the Issuer determines that the then market practice in respect of the redenomination into Euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, the stock exchange (if any) on which the Notes may be listed and the Agents of such deemed amendments;
- (ii) save to the extent that an Exchange Notice has been given in accordance with paragraph (iv) below, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate nominal amount of Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest €0.01;
- (iii) if definitive Notes are required to be issued after the Redenomination Date (as defined below), they shall be issued at the expense of the Issuer in the denominations of €1,000, €10,000, €100,000 and (but only to the extent of any remaining amounts less than €1,000 or such smaller denominations as the Issuing and Paying Agent may approve) €0.01 and such other denominations as the Issuing and Paying Agent shall determine and notify to the Noteholders;

- (iv) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date on which the Issuer gives notice (the “**Exchange Notice**”) that replacement Euro-denominated Notes, Receipts and Coupons are available for exchange (**provided that** such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Notes and Receipts so issued will also become void on that date although those Notes and Receipts will continue to constitute valid exchange obligations of the Issuer. New Euro-denominated Notes, Receipts and Coupons will be issued in exchange for Notes, Receipts and Coupons denominated in the Specified Currency in such manner as the Issuing and Paying Agent may specify and as shall be notified to the Noteholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Notes;
- (v) after the Redenomination Date, all payments in respect of the Notes, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in Euro as though references in the Notes to the Specified Currency were to Euro. Payments will be made in Euro by credit or transfer to a Euro account (or any other account to which Euro may be credited or transferred) specified by the payee or, at the option of the payee, by a Euro check;
- (vi) if the Notes are Fixed Rate Notes and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date (as specified in the applicable Pricing Supplement), it will be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention;
- (vii) if the Notes are Floating Rate Notes, the applicable Pricing Supplement will specify any relevant changes to the provisions relating to interest; and
- (viii) such other changes shall be made to this Condition as the Issuer may decide, after consultation with the applicable Agent, and as may be specified in the notice, to conform it to conventions then applicable to instruments denominated in Euro.

(b) Definitions

In these Conditions, the following expressions have the following meanings:

“**Established Rate**” means the rate for the conversion of the Specified Currency (including compliance with rules relating to rounding in accordance with applicable European Union regulations) into Euro established by the Council of the European Union pursuant to Article 123 of the Treaty;

“**€**” and “**Euro**” means the lawful currency of the Member States of the European Union that have adopted the single currency in accordance with the Treaty;

“**Redenomination Date**” means (in the case of interest bearing Notes) any date for payment of interest under the Notes or (in the case of Zero Coupon Notes) any date, in each case specified by the Issuer in the notice given to the Noteholders pursuant to paragraph (a) above and which falls on or after the date on which the country of the Specified Currency first participates in the third stage of European economic and monetary union; and

“**Treaty**” means the Treaty on the functioning of the European Union (signed in Rome on March 25, 1957), as amended from time to time.

6. INTEREST

(a) Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrears on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

Except as provided in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Pricing Supplement, amount to the Broken Amount so specified.

As used in these Conditions, “**Fixed Interest Period**” means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If interest is required to be calculated for a period ending other than a Fixed Interest Period, such interest shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction (as defined below), and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

In these Conditions:

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest in accordance with this Condition 6(a):

(i) if “**Actual/Actual (ICMA)**” is specified in the applicable Pricing Supplement:

(A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “**Accrual Period**”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or

(B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(ii) if “**30/360**” is specified in the applicable Pricing Supplement, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360;

(iii) if “**Actual/365 (Fixed)**” is specified in the applicable Pricing Supplement, the actual number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date divided by 365;

- (iv) if “**Actual/360 (Fixed)**” is specified in the applicable Pricing Supplement, the actual number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date divided by 360.

“**Determination Period**” means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such Determination Date); and

“**sub-unit**” means, with respect to any currency other than Euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to Euro, one cent.

If a Business Day Convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day on the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (i) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day;
- (ii) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (iii) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, unless the context otherwise requires, “**Business Day**” means a day which is either (1) in relation to any sum payable in a Specified Currency other than Euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial center of the country of the relevant Specified Currency (if other than the country of the Paying Agent’s specified office) and in any Additional Business Center specified in the applicable Pricing Supplement and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Melbourne or Wellington, respectively) or (2) in relation to any sum payable in Euro, a day (other than a Saturday or Sunday) on which the real time gross settlement system operated by the Eurosystem (T2), or any successor system (the “**T2**”) is open.

(b) Interest on Floating Rate Notes and Index Linked Interest Notes

(i) Interest Payment Dates

Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date and such interest will be payable in arrears on either:

- (A) the Specified Interest Payment Date(s) (each an “**Interest Payment Date**”) in each year specified in the applicable Pricing Supplement; or
- (B) if no Specified Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each an “**Interest Payment Date**”) which falls the number of months or other period specified as the Specified Period in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day on the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is:

- (1) in any case where Specified Periods are specified in accordance with Condition 6(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply mutatis mutandis or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, unless the context otherwise requires, “**Business Day**” means a day which is either (1) in relation to any sum payable in a Specified Currency other than Euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial center of the country of the relevant Specified Currency (if other than the country of the Paying Agent’s specified office) and in any Additional Business Center specified in the applicable Pricing Supplement and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Melbourne or Wellington, respectively) or (2) in relation to any sum payable in Euro, a day (other than a Saturday or Sunday) on which the T2 is open.

(ii) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Pricing Supplement.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any). For the purposes of this sub-paragraph (A), “**ISDA Rate**” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the “**ISDA Definitions**”) and under which:

- (1) the Floating Rate Option is as specified in the applicable Pricing Supplement;
- (2) the Designated Maturity is a period specified in the applicable Pricing Supplement; and
- (3) the relevant Reset Date is (i) if the applicable Floating Rate Option is based on the Euro-zone inter-bank offered rate (“**EURIBOR**”), the first day of that Interest Period or (ii) in any other case, as specified in the applicable Pricing Supplement.

For the purposes of this sub-paragraph (A), “**Floating Rate**,” “**Calculation Agent**,” “**Floating Rate Option**,” “**Designated Maturity**” and “**Reset Date**” have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes (other than Floating Rate Notes referencing SOFR)

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will (other than in respect of Notes for which SOFR is specified as the Reference Rate in the relevant Pricing Supplement), subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations, expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page (as specified in the applicable Pricing Supplement) as at 11.00 a.m. (Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such offered quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

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

(C) Floating Rate Notes referencing SOFR

- (1) Where “**SOFR**” is specified as the Reference Rate in the Pricing Supplement, the Rate of Interest for each Interest Period will, subject as provided below, be equal to the relevant Benchmark plus or minus (as specified in the relevant Pricing Supplement) the Margin, all as determined by the Calculation Agent. In no event will the Rate of Interest for any Interest Period be less than the Minimum Rate of Interest.
- (2) For the purposes of this Condition 6(b)(ii)(C):

“**Benchmark**” means Compounded SOFR, which is a compounded average of daily SOFR, as determined for each Interest Period in accordance with the specific formula and other provisions set out in this Condition 6(b)(ii)(C).

Daily SOFR rates will not be published in respect of any day that is not a U.S. Government Securities Business Day, such as a Saturday, Sunday or holiday. For this reason, in determining Compounded SOFR in accordance with the specific formula and other provisions set forth herein, the daily SOFR rate for any U.S. Government Securities Business Day that immediately precedes one or more days that are not U.S. Government Securities Business Days in the Observation Period will be multiplied by the number of calendar days from and including such U.S. Government Securities Business Day to, but excluding, the following U.S. Government Securities Business Day.

If the Issuer determines that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred in respect of Compounded SOFR (or the daily SOFR used in the calculation hereof) prior to the relevant SOFR Determination Time, then the provisions under Condition 6(c) below will apply.

“Interest Period” means each period from, and including, an Interest Payment Date (or, in the case of the first Interest Period, the Interest Commencement Date) to, but excluding, the next Interest Payment Date (or, in the case of the final Interest Period, the Maturity Date or, if the Issuer elects to redeem the Notes on any earlier redemption date, the relevant redemption date);

“Interest Payment Determination Dates” means the date falling “p” U.S. Government Securities Business Days before each Interest Payment Date where “p” has the value ascribed to it in the relevant Pricing Supplement;

“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;

“Business Day” means any weekday that is a U.S. Government Securities Business Day and is not a legal holiday in New York and each (if any) Additional Business Centre(s) and is not a date on which banking institutions in those cities are authorized or required by law or regulation to be closed;

“Observation Period” in respect of each Interest Period means the period from, and including, the date falling “p” U.S. Government Securities Business Days preceding the first date in such Interest Period to, but excluding, the date falling “p” U.S. Government Securities Business Days preceding the Interest Payment Date for such Interest Period;

“SOFR” with respect to any U.S. Government Securities Business Day, means:

- (i) the Secured Overnight Financing Rate published for such U.S. Government Securities Business Day as such rate appears on the SOFR Administrator’s Website at 3:00 p.m. (New York time) on the immediately following U.S. Government Securities Business Day (the **“SOFR Determination Time”**); or
- (ii) if the rate specified in (i) above does not so appear, the Secured Overnight Financing Rate as published in respect of the first preceding U.S. Government Securities Business Day for which the Secured Overnight Financing Rate was published on the SOFR Administrator’s Website;

“SOFR Administrator” means the Federal Reserve Bank of New York (or a successor administrator of the Secured Overnight Financing Rate);

“SOFR Administrator’s Website” means the website of the Federal Reserve Bank of New York, or any successor source; and

“Compounded SOFR” with respect to any Interest Period, means the rate of return of a daily compound interest investment computed 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, with 0.000005 being rounded upwards to 0.00001):

$$\left[\prod_{i=1}^{d_o} \left(1 + \frac{\text{SOFR}_i \times n_i}{360} \right) - 1 \right] \times \frac{360}{d}$$

where:

“do,” for any Observation Period, is the number of U.S. Government Securities Business Days in the relevant Observation Period;

“i” is a series of whole numbers from one to do, each representing the relevant U.S. Government Securities Business Day in chronological order from, and including, the first U.S. Government Securities Business Day in the relevant Observation Period;

“**SOFRI**,” for any U.S. Government Securities Business Day “i” in the relevant Observation Period, is equal to SOFR in respect of that day “i”;

“**ni**,” for any U.S. Government Securities Business Day “i” in the relevant Observation Period, is the number of calendar days from, and including, such U.S. Government Securities Business Day “i” to, but excluding, the following U.S. Government Securities Business Day (“i+1”); and

“**d**” is the number of calendar days in the relevant Observation Period.

- (3) If the Issuer determines on or prior to the relevant Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to the then-current Benchmark, the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the Notes in respect of all determinations on such date and for all determinations on all subsequent dates. In connection with the implementation of a Benchmark Replacement, the Issuer will have the right to make Benchmark Replacement Conforming Changes from time to time, without any requirement for the consent or approval of Noteholders.
- (4) Any determination, decision or election that may be made by the Issuer pursuant to this section, including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection:
 - (i) will be conclusive and binding absent manifest error;
 - (ii) will be made in the sole discretion of the Issuer; and
 - (iii) notwithstanding anything to the contrary in the documentation relating to the Notes, shall become effective without consent from the holders of the Notes or any other party.

“**Benchmark**” means, initially, Compounded SOFR, as such term is defined above; provided that if the Issuer determines on or prior to the Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to Compounded SOFR (or the published daily SOFR used in the calculation thereof) or the then-current Benchmark, then “**Benchmark**” shall mean the applicable Benchmark Replacement.

“**Benchmark Replacement**” means the first alternative set forth in the order below that can be determined by the Issuer as of the Benchmark Replacement Date:

- (i) 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;
- (ii) the sum of: (A) the ISDA Fallback Rate and (B) the Benchmark Replacement Adjustment; or
- (iii) the sum of: (A) the alternate rate of interest that has been selected by the Issuer 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:

- (i) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;
- (ii) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or

- (iii) 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 timing and frequency of determining rates and making payments of interest, 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 practice (or, if the Issuer decides that adoption of any portion of such market practice is not administratively feasible or if the Issuer determines that no market practice for use of the Benchmark Replacement exists, in such other manner as the Issuer determines is reasonably necessary);

“Benchmark Replacement Date” means the earliest to occur of the following events with respect to the then-current Benchmark (including the daily published component used in the calculation thereof):

- (i) in the case of clause (i) or (ii) 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 such component); or
- (ii) in the case of clause (iii) 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 that gives 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;

“Benchmark Transition Event” means the occurrence of one or more of the following events with respect to the then-current Benchmark (including the daily published component used in the calculation thereof):

- (i) a public statement or publication of information by or on behalf of the administrator of the Benchmark (or such component) announcing that such administrator has ceased or will cease to provide the Benchmark (or such component), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component);
- (ii) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark (or such component), the central bank for the currency of the Benchmark (or such component), an insolvency official with jurisdiction over the administrator for the Benchmark (or such component), a resolution authority with jurisdiction over the administrator for the Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark (or such component) has ceased or will cease to provide the Benchmark (or such component) permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or
- (iii) 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;

“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;

“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 (i) if the Benchmark is Compounded SOFR, the SOFR Determination Time, and (ii) if the Benchmark is not Compounded SOFR, the time determined by the Issuer after giving effect to 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; and

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

- (i) Any Benchmark Replacement, Benchmark Replacement Adjustment and the specific terms of any Benchmark Replacement Conforming Changes, determined under this Condition 6(b)(ii)(C) will be notified promptly by the Issuer to the Agent, the Calculation Agent, the Paying Agents and, in accordance with Condition 15, the Noteholders. Such notice shall be irrevocable and shall specify the effective date on which such changes take effect.

No later than notifying the Agent of the same, the Issuer shall deliver to the Agent a certificate signed by two authorized signatories of the Issuer:

- (ii) confirming (x) that a Benchmark Transition Event has occurred, (y) the relevant Benchmark Replacement and, (z) where applicable, any Benchmark Replacement Adjustment and/or the specific terms of any relevant Benchmark Replacement Conforming Changes, in each case as determined in accordance with the provisions of Condition 6(c); and
- (iii) certifying that the relevant Benchmark Replacement Conforming Changes are necessary to ensure the proper operation of such Benchmark Replacement and/or Benchmark Replacement Adjustment.

(iii) Minimum Rate of Interest and/or Maximum Rate of Interest

If the applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(iv) Determination of Rate of Interest and Calculation of Interest Amounts

The Issuing and Paying Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Issuing and Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Issuing and Paying Agent will calculate the amount of interest (the “**Interest Amount**”) payable on the Floating Rate Notes or Index Linked Interest Notes in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest in accordance with this Condition 6(b):

- (1) if “**Actual/365**” or “**Actual/Actual**” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (2) if “**Actual/365 (Fixed)**” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;
- (3) if “**Actual/365 (Sterling)**” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (4) if “**Actual/360**” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;
- (5) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

Y1 is the year, expressed as a number, in which the first day of the Interest period falls;

Y2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D1 is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30; and

D2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

- (6) if “**30E/360**” or “**Eurobond Basis**” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

Y1 is the year, expressed as a number, in which the first day of the Interest period falls;

Y2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D1 is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30; and

D2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D2 will be 30; and

- (7) if “**30E/360 (ISDA)**” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

Y1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D1 is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

D2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31 and D2 will be 30.

(v) Notification of Rate of Interest and Interest Amounts

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and notice thereof to be published in accordance with Condition 15 as soon as practicable after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 15. For the purposes of this paragraph, the expression “**London Business Day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(vi) Certificates to be Final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6(b), whether by the Agent or, if applicable, the Calculation Agent, shall (in the absence of willful default, bad faith or manifest error) be binding on the Issuer, the Agent, the Calculation Agent (if applicable), the other Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Agent or the Calculation Agent (if applicable) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(vii) Interest on Dual Currency Interest Notes

The rate or amount of interest payable in respect of Dual Currency Interest Notes shall be determined in the manner specified in the applicable Pricing Supplement.

(viii) Interest on Partly Paid Notes

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

(ix) Accrual of Interest

Each Note (or in the case of the redemption of only part of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (1) the date on which all amounts due in respect of such Note have been paid; and
- (2) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Issuing and Paying Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 15.

(c) **Benchmark Discontinuation**

(i) ***Benchmark Discontinuation for U.S. dollar-denominated Notes***

In the case of U.S. dollar-denominated floating rate Notes (other than a Note for which the “**Reference Rate**” is specified in the relevant Pricing Supplement as being “SOFR” and in respect of which the provisions of Condition 6(b)(ii)(C) will apply), if the Issuer determines on or prior to the relevant Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to the then-current Benchmark, the Benchmark Replacement (ARRC) will replace the then-current Benchmark for all purposes relating to the Notes in respect of all determinations on such date and for all determinations on all subsequent dates. In connection with the implementation of a Benchmark Replacement (ARRC), the Issuer will have the right to make Benchmark Replacement Conforming Changes from time to time, without any requirement for the consent or approval of the Noteholders.

Any determination, decision or election that may be made by the Issuer pursuant to this section, including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection:

(A) will be conclusive and binding absent manifest error;

(B) will be made in the sole discretion of the Issuer; and

(C) notwithstanding anything to the contrary in the documentation relating to the Notes, shall become effective without consent from the holders of the Notes or any other party.

As used in this Condition 6(c)(i):

“**Benchmark**” means, initially, Compounded SOFR; provided that if the Issuer determines on or prior to the Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to Compounded SOFR (or the published daily SOFR used in the calculation thereof) or the then-current Benchmark, then “**Benchmark**” shall mean the applicable Benchmark Replacement

“**Benchmark Replacement (ARRC)**” means the Interpolated Benchmark with respect to the then-current Benchmark; provided that if the Issuer cannot determine the Interpolated Benchmark as of the Benchmark Replacement Date, then “**Benchmark Replacement (ARRC)**” means the first alternative set forth in the order below that can be determined by the Issuer as of the Benchmark Replacement Date:

(i) 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 for the applicable Corresponding Tenor and (b) the Benchmark Replacement Adjustment;

(ii) the sum of (a) the ISDA Fallback Rate and (b) the Benchmark Replacement Adjustment; and

(iii) 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 for the applicable Corresponding Tenor 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 mortgage bonds 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:

(i) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;

- (ii) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, then the ISDA Fallback Adjustment; or
- (iii) 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 timing and frequency of determining rates and making payments of interest, 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 practice (or, if the Issuer decides that adoption of any portion of such market practice is not administratively feasible or if the Issuer determines that no market practice for use of the Benchmark Replacement exists, in such other manner as the Issuer determines is reasonably necessary);

“Benchmark Replacement Date” means the earliest to occur of the following events with respect to the then-current Benchmark (including, in the case of Compounded SOFR, the daily published component used in the calculation thereof):

- (i) in the case of clause (i) or (ii) 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 such component); or
- (ii) in the case of clause (iii) 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 that gives 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;

“Benchmark Transition Event” means the occurrence of one or more of the following events with respect to the then-current Benchmark (including, in the case of Compounded SOFR, the daily published component used in the calculation thereof):

- (i) a public statement or publication of information by or on behalf of the administrator of the Benchmark (or such component) announcing that such administrator has ceased or will cease to provide the Benchmark (or such component), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component);
- (ii) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark (or such component), the central bank for the currency of the Benchmark (or such component), an insolvency official with jurisdiction over the administrator for the Benchmark (or such component), a resolution authority with jurisdiction over the administrator for the Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark (or such component) has ceased or will cease to provide the Benchmark (or such component) permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or
- (iii) 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;

“Corresponding Tenor” with respect to a Benchmark Replacement means a tenor (including overnight) having approximately the same length (disregarding business day adjustment) as the applicable tenor for the then-current Benchmark;

“Interpolated Benchmark” with respect to the Benchmark means the rate determined for the Corresponding Tenor by interpolating on a linear basis between: (1) the Benchmark for the longest period (for which the Benchmark is available) that is shorter than the Corresponding Tenor and (2) the Benchmark for the shortest period (for which the Benchmark is available) that is longer than the Corresponding Tenor;

“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 (i) if the Benchmark is Compounded SOFR, the SOFR Determination Time, and (ii) if the Benchmark is not Compounded SOFR, the time determined by the Issuer after giving effect to 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.

(ii) Benchmark Discontinuation for floating rate Notes not denominated in U.S. dollars

Other than in the case of a U.S. dollar-denominated floating rate Note, if a Benchmark Event occurs in relation to the Reference Rate when the Rate of Interest (or any component part thereof) for any Interest Period remains to be determined by reference to such Reference Rate, then the Issuer shall use its reasonable endeavors to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate and, in either case, an Adjustment Spread, if any, and any Benchmark Amendments in accordance with this Condition 6(c)(ii).

In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Agent or the Noteholders for any determination made by it pursuant to this Condition 6(c)(ii).

(A) If (i) the Issuer is unable to appoint an Independent Adviser or (ii) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 6(c)(ii) prior to the relevant Interest Determination Date, the Reference Rate applicable to the immediate following Interest Period shall be the Reference Rate applicable as at the last preceding Interest Determination Date. If there has not been a first Interest Payment Date, the Reference Rate shall be the Reference Rate applicable to the first Interest Period. For the avoidance of doubt, any adjustment pursuant to this Condition 6(c)(ii)(A) shall apply to the immediately following Interest Period only. Any subsequent Interest Period may be subject to the subsequent operation of this Condition 6(c)(ii).

- (B) If the Independent Adviser determines in its discretion that:
- (1) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 6(c)(ii)(C)) subsequently be used in place of the Reference Rate to determine the Rate of Interest for the immediately following Interest Period and all following Interest Periods, subject to the subsequent operation of this Condition 6(c)(ii) in the event of a further Benchmark Event affecting the Successor Rate; or
 - (2) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 6(c)(i)(C)) subsequently be used in place of the Reference Rate to determine the Rate of Interest for the immediately following Interest Period and all following Interest Periods, subject to the subsequent operation of this Condition 6(c)(ii) in the event of a further Benchmark Event affecting the Alternative Rate.
- (C) If the Independent Adviser determines in its discretion (A) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (B) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall apply to the Successor Rate or the Alternative Rate (as the case may be).
- (D) If any relevant Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 6(c)(ii) and the Independent Adviser determines in its discretion (i) that amendments to these Conditions are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the “**Benchmark Amendments**”) and (ii) the terms of the Benchmark Amendments, then the Issuer shall, following consultation with the Calculation Agent (or the person specified in the applicable Pricing Supplement as the party responsible for calculating the Rate of Interest and the Interest Amount(s)), subject to giving notice thereof in accordance with Condition 6(c)(ii)(E), without any requirement for the consent or approval of relevant Noteholders, vary these Conditions to give effect to such Benchmark Amendments with effect from the date specified in such notice (and for the avoidance of doubt, the Agent shall, at the direction and expense of the Issuer, consent to and effect such consequential amendments to the Agency Agreement and these Conditions as may be required in order to give effect to this Condition 6(c)(ii)).
- (E) Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 6(c)(ii) will be notified promptly by the Issuer to the Agent, the Calculation Agent, the Paying Agents and, in accordance with Condition 15, the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.
- (F) No later than notifying the Agent of the same, the Issuer shall deliver to the Agent a certificate signed by two authorized signatories of the Issuer:
- (1) confirming (x) that a Benchmark Event has occurred, (y) the relevant Successor Rate, or, as the case may be, the relevant Alternative Rate and, (z) where applicable, any relevant Adjustment Spread and/or the specific terms of any relevant Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 6(c)(ii); and
 - (2) certifying that the relevant Benchmark Amendments are necessary to ensure the proper operation of such relevant Successor Rate, Alternative Rate and/or Adjustment Spread.
- (G) The Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of such Successor Rate or Alternative Rate and such Adjustment Spread (if any) and such Benchmark Amendments (if any)) be binding on the Issuer, the Agent, the Calculation Agent, the Paying Agents and the Noteholders.

(H) As used in this Condition 6(c)(ii):

“**Adjustment Spread**” means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in either case, which the Independent Adviser determines is required to be applied to the relevant Successor Rate or the relevant Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (A) in the case of a Successor Rate, is formally recommended, or formally provided as an option for parties to adopt, in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body;
- (B) (if no such recommendation has been made, or in the case of an Alternative Rate) the Independent Adviser determines is customarily applied to the relevant Successor Rate or Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Reference Rate;
- (C) (if no such determination has been made) the Independent Adviser determines is recognized or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or
- (D) (if the Independent Adviser determines that no such industry standard is recognized or acknowledged) the Independent Adviser determines to be appropriate to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders as a result of the replacement of the Reference Rate with the Successor Rate or the Alternative Rate (as the case may be).

“**Alternative Rate**” means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with Condition 6(c)(ii)(B) is customary in market usage in the international debt capital markets for the purposes of determining floating rates of interest (or the relevant component part thereof) in the Specified Currency.

“**Benchmark Event**” means:

- (A) the relevant Reference Rate has ceased to be published on the Relevant Screen Page as a result of such benchmark ceasing to be calculated or administered;
- (B) a public statement by the administrator of the relevant Reference Rate that (in circumstances where no successor administrator has been or will be appointed that will continue publication of such Reference Rate) it has ceased publishing such Reference Rate permanently or indefinitely or that it will cease to do so by a specified future date (the “**Specified Future Date**”);
- (C) a public statement by the supervisor of the administrator of the relevant Reference Rate that such Reference Rate has been or will, by a specified future date (the “**Specified Future Date**”), be permanently or indefinitely discontinued;
- (D) a public statement by the supervisor of the administrator of the relevant Reference Rate that means that such Reference Rate will, by a specified future date (the “**Specified Future Date**”), be prohibited from being used or that its use will be subject to restrictions or adverse consequences, either generally or in respect of the Notes;
- (E) a public statement by the supervisor of the administrator of the relevant Reference Rate (as applicable) that, in the view of such supervisor, (i) such Reference Rate is or will, by a specified future date (the “**Specified Future Date**”), be no longer representative of an underlying market or (ii) the methodology to calculate such Reference Rate has materially changed; or

- (F) it has or will, by a specified date within the following six months, become unlawful for the Calculation Agent to calculate any payments due to be made to any Noteholder using the relevant Reference Rate (as applicable) (including, without limitation, under the Benchmarks Regulation (EU) 2016/1011, if applicable).

Notwithstanding the sub-paragraphs above, where the relevant Benchmark Event is a public statement within sub-paragraphs (B), (C), (D) or (E) above and the Specified Future Date in the public statement is more than six months after the date of that public statement, the Benchmark Event shall not be deemed to occur until the date falling six months prior to such Specified Future Date.

“Benchmark Amendments” has the meaning given to it in Condition 6(c)(ii)(D).

“Independent Adviser” means an independent financial institution of international repute or other independent financial adviser experienced in the international capital markets, in each case appointed by the Issuer at its own expense under Condition 6(c)(ii).

“Relevant Nominating Body” means, in respect of a benchmark or screen rate (as applicable):

- (A) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- (B) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.

“Successor Rate” means a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body.

7. PAYMENTS

(a) Method of Payment

Subject as provided below:

- (i) payments in a Specified Currency other than Euro will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese Yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with, or, at the option of the payee, by a check in such Specified Currency drawn on, a bank in the principal financial center of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Melbourne or Wellington, respectively); and
- (ii) payments in Euro will be made by credit or transfer to a Euro account (or any other account to which Euro may be credited or transferred) specified by the payee or, at the option of the payee, by a Euro check.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9.

(b) Presentation of Definitive Bearer Notes, Receipts and Coupons

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Payments of installments of principal (if any) in respect of definitive Bearer Notes, other than the final installment, will (subject as provided below) be made in the manner provided in paragraph (a) above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final installment will be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Bearer Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant installment together with the definitive Bearer Note to which it appertains. Receipts presented without the definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form (other than Dual Currency Notes, Index Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of five years after the Relevant Date (as defined in Condition 9) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 10) or, if later, two years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Interest Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A **“Long Maturity Note”** is a Fixed Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon, provided that such Note shall cease to be a Long Maturity Note on the Fixed Interest Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

(c) **Payments in Respect of Bearer Global Notes**

Payments of principal and interest (if any) in respect of Notes represented by any Global Note in bearer form will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Global Note in bearer form, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Paying Agent to which it was presented and such record shall be prima facie evidence that the payment in question has been made.

(d) **Payments in Respect of Registered Notes**

Payments of principal (other than installments of principal prior to the final installment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the **“Register”**) at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the principal amount of the Notes held by a holder is less than U.S.\$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a check in the Specified Currency drawn on a Designated Bank (as defined below) and mailed by uninsured mail as soon as reasonably practicable after the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Registrar at the close of business on the Record Date (as defined below). For these purposes, **“Designated Account”** means the account (which, in the case of a payment in Japanese Yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and **“Designated Bank”** means (in the case of payment in a Specified Currency other than Euro) a bank in the principal financial center of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney or Auckland, respectively) and (in the case of a payment in Euro) any bank which processes payments in Euro.

Payments of interest and payments of installments of principal (other than the final installment) in respect of each Registered Note (whether or not in global form) will be made by a check in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register (i) where in global form, at the close of the business day (being for the purpose a day on which DTC and/or Euroclear and Clearstream, as applicable, are open for business) and (ii) where in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the **“Record Date”**) at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and installments of principal (other than the final installment) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption and the final installment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a check posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

None of the Issuer nor any of the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(e) General Provisions Applicable to Payments

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of DTC, Euroclear or Clearstream as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to DTC, Euroclear or Clearstream, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;
- (ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

(f) Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, “**Payment Day**” means any day which (subject to Condition 10) is:

- (i) in relation to any sum payable in a Specified Currency other than Euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial center of the country of the relevant Specified Currency (and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Melbourne or Wellington, respectively);
- (ii) in relation to any sum payable in Euro, a day on which the T2 is open;
- (iii) a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) (A) in the case of any payment in respect of a Note in definitive form only, in the relevant place of presentation and (B) in any Additional Financial Center specified in the applicable Pricing Supplement; and/or
- (iv) in the case of any payment in respect of a Registered Global Note denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such Registered Global Note) has elected to receive any part of such payment in U.S. dollars, a day on which commercial banks are not authorized or required by law or regulation to be closed in New York City or any Additional Financial Center specified in the applicable Pricing Supplement.

(g) Interpretation of Principal and Interest

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 9;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) in relation to Notes redeemable in installments, the Installment Amounts;
- (vi) in relation to Zero Coupon Notes, the Amortized Face Amount (as defined in Condition 8(e)); and
- (vii) any premium and any other amounts which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 9.

8. REDEMPTION AND PURCHASE

(a) Redemption at Maturity

Unless previously redeemed or purchased and canceled as specified below, each Note (including Dual Currency Note) will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date.

(b) Redemption for Tax Reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note nor an Index Linked Interest Note nor a Dual Currency Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Interest Note or a Dual Currency Interest Note), on giving not less than 30 nor more than 60 days' notice to the Issuing and Paying Agent and, in accordance with Condition 15, the Noteholders (which notice shall be irrevocable), if:

- (i) the Issuer has or will become obligated to pay additional amounts as provided or referred to in Condition 9 in excess of any additional amounts the Issuer would be obligated to pay if payments (including payments of interest) with respect to the Notes were subject to the applicable tax rate effective on the date the first Tranche of the Notes of the relevant Series are issued as a result of any change in, expiration of or amendment to the laws or regulations of a Tax Jurisdiction (as defined in Condition 9), or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes of the relevant Series; and
- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that (1) no such notice of redemption shall be given earlier than 60 days prior to the earliest date on which the Issuer would be obligated to pay such additional amounts were a payment in respect of the Notes then due and (2) at the time of such notice of redemption is given, such obligation to pay such additional amounts remains in effect.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Issuing and Paying Agent (1) a certificate signed by an authorized officer of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (2) an opinion of independent legal advisers of recognized standing to the effect that the Issuer has or will become obligated to pay such additional amounts as a result of such change or amendment.

Notes redeemed pursuant to this Condition 8(b) will be redeemed at their Early Redemption Amount referred to in paragraph (e) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(c) Redemption at the Option of the Issuer (Issuer Call)

If Issuer Call is specified in the applicable Pricing Supplement, the Issuer may, having given:

- (i) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 15; and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Issuing and Paying Agent and in the case of a redemption of Registered Notes, the Registrar (which notices shall be irrevocable and shall specify the date fixed for redemption),

redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Pricing Supplement. In the case of a partial redemption of Notes, the Notes to be redeemed (the "**Redeemed Notes**") will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear, Clearstream and/or DTC in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 15 not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Notes represented by definitive Notes shall bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of definitive Notes outstanding bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, provided that such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination, and the aggregate nominal amount of Redeemed Notes represented by a Global Note shall be equal to the balance of the Redeemed Notes. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this paragraph (c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 15 at least five days prior to the Selection Date.

(d) Change of Control; Redemption of the Notes only at the Option of the Noteholders (Investor Put)

(i) Change of Control

Upon the occurrence of a Change of Control (as defined below), each Noteholder will have the right to require the Issuer to redeem all or any part of such Noteholder's Notes at a redemption price equal to 100% of the principal amount thereof plus accrued but unpaid interest, if any, to the date of redemption (the "**Change of Control Redemption Price**"). Within 30 days following a Change of Control, the Issuer shall cause the Issuing and Paying Agent to deliver a notice to each holder stating that (i) a Change of Control has occurred and that such holder has the right to require the Issuer to redeem such holder's Notes at the Change of Control Redemption Price; (ii) the redemption date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is delivered); and (iii) the procedures determined by the Issuer, consistent with the Notes and the Agency Agreement, that a Noteholder must follow in order to have its Notes redeemed.

“Change of Control” means the central government of Korea ceasing to own and control (directly or indirectly or in combination) at least 50.1% of the Company’s issued and outstanding voting shares.

(ii) Redemption of the Notes only at the option of the Noteholders (Investor Put)

If Investor Put is specified in the applicable Pricing Supplement with respect to any Series of Notes, upon the holder of any Note giving to the Issuer in accordance with Condition 15 not less than 15 nor more than 30 days’ notice the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Pricing Supplement, in whole (but not in part), such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. Registered Notes may be redeemed under this Condition 8(d)(ii) in any multiple of their lowest Specified Denomination.

To exercise the right to require redemption of this Note, the holder of this Note must deliver, at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be the Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be the Registrar (a **“Put Notice”**) and in which the holder must specify a bank account (or, if payment is required to be made by check, an address) to which payment is to be made under this Condition and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2(b). If this Note is in definitive form, the Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control.

Any Put Notice given by a holder of any Note pursuant to this paragraph shall be irrevocable except where prior to the due date of redemption an Event of Default shall have occurred and be continuing in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this paragraph and instead to declare such Note forthwith due and payable pursuant to Condition 11.

(e) Early Redemption Amounts

For the purpose of paragraph (b) above and Condition 11, each Note will be redeemed at the Early Redemption Amount calculated as follows:

- (i) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (ii) in the case of a Note (other than a Zero Coupon Note but including an Installment Note and a Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Notes are denominated, at the amount specified in, or determined in the manner specified in, the applicable Pricing Supplement or, if no such amount or manner is so specified in the applicable Pricing Supplement, at its nominal amount; or
- (iii) in the case of a Zero Coupon Note, at an amount (the **“Amortized Face Amount”**) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

“**RP**” means the Reference Price;

“**AY**” means the Accrual Yield expressed as a decimal; and

“**y**” is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes of the relevant Series to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360, or on such other calculation basis as may be specified in the applicable Pricing Supplement.

(f) Installments

Installment Notes will be redeemed in the Installment Amounts and on the Installment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to paragraph (e) above.

(g) Partly Paid Notes

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Pricing Supplement.

(h) Purchases

The Issuer may at any time purchase Notes by tender (available to all Noteholders alike) or in the open market at any price. If the Issuer shall acquire any Notes, such acquisition shall not operate as or be deemed for any purpose to be a satisfaction of the indebtedness represented by such Notes unless and until such Notes are delivered to the Issuing and Paying Agent for cancellation and are canceled and retired by the Issuing and Paying Agent. The Issuer will not sell, and will cause its affiliates (as defined in paragraph (a)(1) of Rule 144 of the Securities Act) not to sell, any Notes as to which it or they hold or acquire any beneficial interest; provided that affiliates of the Issuer may sell Notes to the Issuer or to other such affiliates. Notes purchased or otherwise acquired by the Issuer may be held, resold or, at its discretion, surrendered to the Issuing and Paying Agent for cancellation.

(i) Cancellation

All Notes that are redeemed will forthwith be canceled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so canceled (together with all unmatured Receipts, Coupons and Talons canceled therewith) shall be forwarded to the Issuing and Paying Agent and cannot be reissued or resold.

(j) Late Payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c) or (d) above or upon its becoming due and repayable as provided in Condition 11 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (e)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Issuing and Paying Agent or the Registrar and notice to that effect has been given to the Noteholders in accordance with Condition 15.

9. TAXATION

All payments of principal and interest in respect of the Notes, Receipts and Coupons by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the relevant Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by holders of the Notes, Receipts or Coupons after such withholding or deduction will not be less than the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (a) to or on behalf of a holder of such Note, Receipt or Coupon who is subject to such taxes, duties, assessments or governmental charges in respect of such Note by reason of such holder being or having been connected with the relevant Tax Jurisdiction other than merely by holding such Note or receiving principal or interest in respect thereof; or
- (b) to or on behalf of a holder of such Note, Receipt or Coupon who would not be liable for or subject to such deduction or withholding by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority if, after having been requested in writing by the Issuer to make such a declaration or claim, such holder fails to do so; or
- (c) to or on behalf of a holder of such Note, Receipt or Coupon who presents a Note (where presentation is required) more than 30 days after the relevant date except to the extent that the holder thereof would have been entitled to such additional amounts on presenting the same for payment on the last day of such 30-day period; for this purpose the “**relevant date**” means:
 - (1) the due date for payment thereof; or
 - (2) if the full amount of the moneys payable on such date has not been received by the Issuing and Paying Agent or the Registrar, as the case maybe, on or prior to such due date, the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 15; or
- (d) to or on behalf of a holder of such Note, Receipt or Coupon who would have been able to avoid the withholding or deduction by the presentation (where presentation is required) of the relevant Note, Receipt or Coupon to, or otherwise accepting payment from, another paying agent in a Member State of the European Union; or
- (e) any combination of (a), (b), (c) or (d) above.

The obligation of the Issuer to pay additional amounts in respect of taxes, duties, assessments and governmental charges shall not apply to (i) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, assessment or other governmental charge or (ii) any tax, assessment or other governmental charge which is payable otherwise than by deduction or withholding from payments of principal and interest in respect of the Notes, Receipts and Coupons; provided that, except as otherwise set forth in these Terms and Conditions and in the Agency Agreement, the Issuer shall pay all stamp or other similar duties, if any, which may be imposed by the relevant Tax Jurisdiction, the United States or any respective political subdivision thereof or any taxing authority of or in the foregoing, with respect to the Notes or the Agency Agreement or as a consequence of the issuance of the first Tranche of the Notes of the relevant Series.

As used herein: “**Tax Jurisdiction**” means Korea or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Company becomes subject in respect of payments made by it of principal and interest on the Notes, Receipts or Coupons through such jurisdiction.

10. PRESCRIPTION

The Notes (whether in bearer form or registered form), Receipts and Coupons will become void unless presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 9) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 7(b) or any Talon that would be void pursuant to Condition 7(b).

11. EVENTS OF DEFAULT

The occurrence and continuance of any of the following events will constitute an event of default (“Event of Default”):

- (a) default in the payment of any installment of interest upon any of the Notes as and when the same shall become due and payable, and continuance of such default for a period of 30 days;
- (b) default in the payment of all or any part of the principal of any of the Notes as and when the same shall become due and payable, and continuance of such default for a period of seven days, whether at maturity, upon redemption or otherwise;
- (c) breach or failure to observe or perform any other of the covenants or agreements on the part of the Issuer contained in the Notes of the relevant Series for a period of 60 days after the date on which written notice specifying such default or breach, stating that such notice is a “Notice of Default” under the Notes of the relevant Series and demanding that the Issuer remedy the same, shall have been given to the Issuer, with a copy to the Issuing and Paying Agent and the Registrar, by the Noteholders of at least 10% in aggregate principal amount of the Notes of the relevant Series at the time outstanding;
- (d) any Debt (as defined below) of the Company in the aggregate outstanding principal amount of U.S.\$35,000,000 or more either (a) becoming due and payable prior to the due date for payment thereof by reason of acceleration thereof following default by the Company or (b) not being repaid at, and remaining unpaid after, maturity as extended by the period of grace, if any, applicable thereto, or any guarantee given by the Company in respect of Debt of any other person not being honored when, and remaining dishonored after becoming, due and called; provided that, in the case of (a) above, if any such default under any such Debt shall be cured or waived, then the default under the Notes by reason thereof shall be deemed to have been cured and waived;
- (e) the entry of a decree or order for relief in respect of the Issuer by a court or administrative or other governmental agency or body having jurisdiction in the premises in an involuntary case under any applicable bankruptcy, insolvency, reorganization, rehabilitation, compulsory composition or other similar law in effect on the date of issuance of the first Tranche of the Notes or thereafter, or appointing a receiver, liquidator, assignee, custodian, trustee or sequestrator (or similar official) of the Issuer or for any substantial part of its property or ordering the winding up, dissolution or liquidation of its affairs, or shall otherwise adjudicate or find the Issuer to be bankrupt or insolvent, and continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days; or
- (f) the commencement by the Issuer of a voluntary case under any applicable bankruptcy, insolvency, reorganization, rehabilitation, compulsory composition or other similar law in effect on the date of issuance of the first Tranche of the Notes or thereafter, or consent to the entry of an order for relief in an involuntary case under any such law, or consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee or sequestrator (or similar official) of the Issuer or for any substantial part of its property, or cease to carry on the whole or substantially the whole of its business, or make any general assignment for the benefit of creditors, or enter into any composition with its creditors, or take corporate action in furtherance of any such action.

If an Event of Default with respect to the Notes occurs and is continuing, the Noteholders of not less than 25% in aggregate principal amount of the Notes then outstanding may declare the principal amount (and premium, if any) of, and all accrued but unpaid interest on, all the Notes to be due and payable immediately, by a notice in writing to the Issuer at the office of the Issuing and Paying Agent, and upon such declaration, any such principal amount (and premium, if any) and interest shall become immediately due and payable. Upon such declaration, the Issuing and Paying Agent shall give notice thereof to the Issuer and to the Noteholders in writing. If, after any such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Issuer pays or deposits with the Issuing and Paying Agent all amounts then due with respect to the Notes (other than amounts due solely because of such declaration) and cures all other Events of Default with respect to the Notes, such defaults may be waived and such declaration may be annulled and rescinded by the Noteholders of more than 50% in aggregate principal amount of the Notes then outstanding by written notice thereof to the Issuer at the office of the Issuing and Paying Agent.

In this Condition, “**Debt**” means, with respect to any person as of any date of determination, without duplication, (i) all obligations, contingent or otherwise, of such person for borrowed money, (ii) all obligations of such person evidenced by bonds, notes or other similar instruments, (iii) all obligations of such person in respect of letters of credit or other similar instruments, (iv) all obligations of such person to pay the unpaid purchase price of any property or service, (v) all obligations secured by any mortgage, charge, pledge, encumbrance or other security interest (a “**Lien**”) on any property or asset of such person, whether or not such obligations are assumed by such person and (vi) all obligations of others guaranteed by such person to the extent of such guarantees and, for clauses (i) through (vi), which are denominated in a currency other than the currency of Korea and which has a final maturity of one year or more. The amount of Debt of any person as of any date of determination shall be the outstanding balance at such date of all unconditional obligations as described above, the maximum liability of such person for any such contingent obligations at such date and, in the case of clause (v), the lesser of the fair market value (as determined in good faith by the board of directors of such person) at such date of the property or asset of such person subject to a Lien securing the obligations of others and the amount of such obligations secured.

12. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Issuing and Paying Agent (in the case of Bearer Notes, Coupons or Talons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

13. PAYING AGENTS

The names of the initial Paying Agents and their initial specified offices are set out below.

The Issuer is entitled to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

- (a) there will at all times be a Issuing and Paying Agent and a Registrar;
- (b) so long as the Notes are listed on any stock exchange, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or any other relevant authority; and
- (c) for so long as the Notes are listed on the Singapore Exchange Securities Trading Limited (the “**Singapore Stock Exchange**” or “**SGX-ST**”) and the rules of the SGX-ST so require, in the event that a Global Note is exchanged for definitive Notes, the Issuer will appoint and maintain a Paying Agent in Singapore, where the Notes may be presented or surrendered for payment or redemption. In addition, in the event that a Global Note is exchanged for definitive Notes, an announcement of such exchange shall 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 Notes, including details of the Paying Agent in Singapore.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 7(e). Any variation, termination, appointment or change with respect to any Paying Agent shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 15.

In acting under the Agency Agreement, the Paying Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

14. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 10.

15. NOTICES

All notices regarding the Bearer Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London. It is expected that such publication will be made in the Financial Times in London and the Asian Wall Street Journal. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Bearer Notes are for the time being listed or by which they have been admitted to listing. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange and the rules of that stock exchange (or any other relevant authority) so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear, Clearstream and/or DTC, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear, Clearstream, and/or DTC for communication by them to the Noteholders and, in addition, for so long as any Notes are listed on a stock exchange and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the Noteholders one day after the day on which the said notice was given to Euroclear, Clearstream and/or DTC.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Issuing and Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). While any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Issuing and Paying Agent or the Registrar through Euroclear, Clearstream and/or DTC, as the case may be, in such manner as the Issuing and Paying Agent, the Registrar and Euroclear, Clearstream and/or DTC, as the case may be, may approve for this purpose.

16. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer or Noteholders holding not less than 10% in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50% in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, Receipts or Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereof, reducing or canceling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, Receipts or Coupons), the quorum shall be one or more persons holding or representing in the aggregate not less than 75% in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing in the aggregate a clear majority, in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

The Issuing and Paying Agent and the Issuer may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to:

- (i) any modification (except as mentioned above) of any of the provisions of the Notes, the Receipts, the Coupons, the Conditions or the Agency Agreement which is not prejudicial to the interests of the Noteholders; or
- (ii) any modification of the Notes, the Receipts, the Coupons, the Conditions or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law of the jurisdiction in which the Issuer is incorporated.

Any determination as to prejudice to the interests of the Noteholders pursuant to this Condition 16 shall be made by the Issuer, and the Issuing and Paying Agent shall not have any responsibility or liability whatsoever with respect to such determinations. Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 15 as soon as practicable thereafter.

17. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

18. GOVERNING LAW AND SUBMISSION TO JURISDICTION

(a) Governing Law

The Agency Agreement, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, the law of the State of New York.

(b) Submission to Jurisdiction

To the fullest extent permitted by applicable law, the Issuer irrevocably submit to the non-exclusive jurisdiction of any federal or state court in the Borough of Manhattan, The City of New York, United States of America, in any suit, action or proceeding brought by any Noteholder, Receiptholder or Couponholder arising out of or based upon the Notes, the Receipts and/or the Coupons, and irrevocably agrees that all claims in respect of any such suit, action or proceeding may be determined in any such court. The Issuer irrevocably and to the fullest extent they are permitted to do so under applicable law waive any objection they may have to the laying of venue in any such court or the defense of an inconvenient forum to the maintenance of any such suit or proceeding to the extent permitted by applicable law. The Issuer hereby appoints the Law Debenture Corporate Services Inc., whose address as of the date hereof is 4th Floor, 400 Madison Avenue, New York, New York 10017, as their authorized agent (the “**Authorized Agent**,” which expression shall include any replacement authorized agent) upon whom process may be served in any such suit or proceeding set forth herein, it being understood that the designation and appointment of the Authorized Agent as such authorized agent shall become effective immediately without any further action on the part of the Issuer. The Issuer agrees to take any and all action as may be necessary, including the filing of any and all documents that may be necessary, to maintain such designation and appointment of the authorized agent in full force and effect. If for any reason the appointment of the Authorized Agent shall cease to be in force, the Issuer shall forthwith appoint a new agent to be the Authorized Agent and shall deliver to the Dealers and the Arranger a copy of the new Authorized Agent’s acceptance for that appointment within 30 days. Service of process upon the Authorized Agent shall be deemed, in every respect, effective service of process upon the Issuer. The parties hereto each hereby waive any right to trial by jury in any action, proceeding or counterclaim arising out of or relating to the Notes, the Receipts and/or Coupons.

(c) Waiver of immunity

The Issuer hereby irrevocably and unconditionally waives with respect to Notes, the Receipts and the Coupons any right to claim sovereign or other immunity from jurisdiction or execution and any similar defense and irrevocably and unconditionally consents to the giving of any relief or the issue of any process, including without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any proceedings.

(d) Other documents

In the Agency Agreement, the Issuer has submitted to the jurisdiction of the courts of the State of New York and appointed an agent for service of process in terms substantially similar to those set out above.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes or such other purposes as may be specified in the applicable Pricing Supplement.

EXCHANGE RATES

The table below sets forth, for the periods and dates indicated, information concerning the Market Average Exchange Rate, announced by Seoul Money Brokerage Services, Ltd., between Won and U.S. dollars and rounded to the nearest tenth of one Won. No representation is made that the Won or dollar amounts referred to herein could have been or could be converted into U.S. dollars or Won, as the case may be, at any particular rate or at all.

Year Ended December 31	At End of Period	Average Rate⁽¹⁾	High	Low
		(Won per U.S.\$1.00)		
2018.....	1,118.1	1,100.3	1,142.5	1,057.6
2019.....	1,157.8	1,165.7	1,218.9	1,111.6
2020.....	1,088.0	1,180.1	1,280.1	1,082.7
2021.....	1,185.5	1,144.4	1,199.1	1,083.1
2022.....	1,267.3	1,292.0	1,436.6	1,185.5
October.....	1,419.3	1,426.7	1,436.6	1,404.2
November	1,331.5	1,364.1	1,422.4	1,320.3
December.....	1,267.3	1,296.2	1,320.4	1,267.3
2023 (through April 11).....	1,320.0	1,279.4	1,325.7	1,219.3
January	1,228.7	1,247.3	1,274.7	1,228.7
February	1,219.3	1,317.4	1,270.7	1,317.4
March	1,303.8	1,305.7	1,325.7	1,287.2
April (through April 11).....	1,320.0	1,313.1	1,320.0	1,295.4

Source: Seoul Money Brokerage Services, Ltd.

- (1) The average rate for each year is calculated as the average of the Market Average Exchange Rates on each business day during the relevant year (or portion thereof). The average rate for a month is calculated as the average of the Market Average Exchange Rates on each business day during the relevant month (or portion thereof).

RISK FACTORS

Investing in the Notes involves risks and uncertainties. Prospective purchasers of the Notes are advised to review carefully all of the information contained elsewhere in this Offering Circular and should consider, in particular, the following risk factors before purchasing the Notes. The risks described below are not the only ones that may be relevant to the Issuer or the trading price of the Notes.

Risks Relating to Our Business

We are a statutory juridical corporation, and as a public entity that serves as the policy arm of the Government's mandate to promote the competitiveness of Korean maritime transport industry, our activities are heavily regulated and the Government could cause us to pursue policy objectives that may be against our best commercial interests.

The Government, as our controlling shareholder, appoints the non-standing directors on our board of directors as well as our president and influences the key management decisions of our operations. Although we have autonomy over our day-to-day operations, the Government exerts significant influence on our strategies, management, operations and budgets and may determine material policies affecting us. Furthermore, as we were established under the KOBC Act under the auspices of the MOF, we are subject to the rules and regulations thereunder and other acts governing us as well as the maritime transport industry, which is considered as the backbone industry for the Korean economy.

In addition, our public policy mandate requires us to undertake certain activities in furtherance of public policy considerations for the maritime transport industry as a whole, which may not be in our best commercial or financial interests. Although we carefully screen the candidates for our investment and guarantee support and take various preemptive risk management measures to maintain the financial health of our investments and assets, we may not be able to do so successfully or the Government's current and future policy initiatives may have an adverse effect on our business, financial condition and results of operations.

Although the Government has provided and is expected to continue to provide support for the continual growth and development of domestic maritime transport industry, it may be susceptible to unexpected changes or withdrawal, which may adversely affect our ability to support the maritime transport industry or force us to alter our investment plans or current portfolio.

As a statutory entity owned by the Government with the mandate to execute the Government's public policy objectives for maritime transport industry under the KOBC Act, our business objective is not the maximization of our profitability. Accordingly, we have experienced from time to time loss or deficit from certain of our projects and initiatives and have historically relied in conducting our businesses on significant capital injection and subsidies from the Government as well as its commitment to cover our losses. As of December 31, 2022, the cumulative amount of capital injection by the Government (including other Government-controlled and private entities) was Won 2.9 trillion. See "Business – Government Support".

While the Government has to date regularly provided financial support to us on a timely basis, the amount of capital contribution from the Government is subject to the ceiling of Won five trillion according to Article 5 of the KOBC Act, and an amendment, modification or repeal of the KOBC Act may further undermine the legal basis for such Government support. In addition, the actual capital contributions and other forms of financial support we receive from the Government are subject to prior authorization by the National Assembly of Korea as part of its budget approval process. Accordingly, there can be no assurance that the Government's support will continue and be provided on a timely basis in the future. The Government's inability to continue to provide financial support in the future or any decrease in such support could materially and adversely affect our ability to support the maritime transport industry or force us to alter our investment plans or current portfolio of investments.

We have significant exposure to Korean maritime transport markets, which are highly dependent on domestic and global economic conditions and subject to significant fluctuations caused by economic downturns, geopolitical challenges, seasonality and others.

We have made significant investments in both domestic and, to a lesser extent, international maritime transport markets in various forms including loans, guarantees, equity investments and others, and our investment return from such exposures depends heavily on a variety of factors affecting the industry, which are for the most part beyond our control. The profitability, volatility and cyclical nature of maritime transport industry have been historically affected by, among other things:

- global and regional economic and geopolitical events, including armed conflicts, terrorist activities, embargoes, strikes and trade wars;
- level of supply of and demand for commodities and industrial products worldwide and in certain key markets, such as China;
- developments in international trade, including imposition of tariffs, modification of trade agreements between states and other trade protectionism;
- fluctuations in currency exchange rates;
- prices of energy resources;
- environmental and other regulatory developments;
- changes in seaborne and other transportation patterns;
- changes in corporate structures of major players in global maritime transport industry, including mergers and acquisitions, bankruptcies, restructurings and alliances;
- changes in infrastructure and capabilities of ports and terminals;
- weather conditions;
- outbreaks of diseases, including the COVID-19 pandemic; and
- development of digital platforms to manage operations and customer relations of shipping companies.

For our ship financing support business in particular, our performance specifically depends on volatility of freight earnings and underlying ship values, which are affected in turn by the level of supply and demand for individual vessel types, transportation needs for different cargo types and general economic trends. Declining freight rates and market values for ships may reduce the value of the collaterals provided for loans and our exposure to losses will increase, which may have a negative effect on our business, financial condition and results of operations.

As the global economic conditions continue to change, it remains difficult to predict their impact on domestic and global maritime transport industries as well as on the businesses of domestic shipping companies who are the beneficiaries of our investments and guarantees. If domestic shipping companies are unable to adequately predict and respond to global economic conditions, their businesses may be negatively impacted, which in turn could have a material adverse effect on our business, financial condition and results of operations.

We are heavily invested in HMM Co., Ltd., the largest container transportation and shipping company in Korea, and our operating results and financial conditions may be negatively affected by its performance and any changes in its ownership structure.

Since our establishment, we have provided financial support in various forms to HMM Co., Ltd. (“HMM”) as part of the Government’s mandate to stabilize and improve its operation and financial conditions. Prior to our establishment, one of our predecessor entities, Korea Shipping & Maritime Transportation, had extended credits to HMM in the total amount of Won 1.33 trillion consisting of equity investments, convertible bonds and bonds with warrants and ship financing support with respect to 15 of its vessels. Upon our establishment, we inherited the full amount of such credit from Korea Shipping & Maritime Transportation and also subsequently purchased HMM’s convertible bonds and bonds with warrants of Won 1.34 trillion over five occasions between October 2018 and April 2020. In October 2021, we exercised our right to convert Won 600 billion of our convertible bonds and bonds with warrants into common shares of HMM, becoming the second largest shareholder of HMM, after the Korea Development Bank (“KDB”). We have also provided other forms of support to HMM, including guarantees on debt commitments, subsidies for purchase of and conversion to eco-friendly vessels and facilities, investments in HMM’s terminal investment projects, subsidies for membership funds to join THE Alliance and container box lease financing, among others. As of December 31, 2022, we held 19.96% equity interest in HMM and our credits (including loans, guarantees, equity investments and others) extended to HMM since our establishment totaled Won 3.65 trillion as of such date.

The gains and losses from the valuation of our investments and shareholdings in HMM directly affect our operating results. For instance, we recognized Won 5.49 trillion of gain and Won 2.97 trillion of loss from the valuation of our investments in HMM in 2021 and 2022, respectively. Although an increase in operating results and share value of HMM may positively affect our results of operation and financial conditions, it may also have a negative impact in the case of a decrease in operating results and share value.

As of December 31, 2022, Government-controlled entities, including KDB, us and the Korea Credit Guarantee Fund, collectively owned a 45.7% interest in HMM. In March, 2023, we and KDB together announced the initiation of a process for the sale of our respective equity stake in HMM. While the plan is still at a very early stage and no concrete plans for the privatization of HMM have been announced by the Government as of the date of this Offering Circular, if privatization is indeed implemented, such plan could include a divestiture of a significant portion of our interests in HMM and there can be no assurance that the price of our Notes, business, financial condition and results of operations will not be adversely affected.

We are exposed to contingent liabilities arising from guarantees extended to domestic shipping companies.

We support domestic shipping companies to secure financing and/or refinancing by providing guarantees to their financial obligations. With our high credit rating backed by the Government, our guarantees can help to boost the credits of the borrowing shipping companies in the eyes of the third-party creditors and financial institutions and also enable them to secure more favorable financing terms, including lower interest rates. As of December 31, 2022, we extended debt guarantees of more than Won 2.9 trillion to 51 domestic shipping companies on a cumulative basis since our establishment.

Most of the shipping companies are required to pledge their ships as collaterals and we typically provide guarantees that cover at least 95% of the underlying loan amount of the borrowing shipping companies. Any delinquency in payment obligations or default on the part of the borrowing shipping companies may force us to assume debts and fulfill payment obligations on behalf of such delinquent or defaulting borrowers, which may harm our operating results and financial conditions.

Fluctuations in interest rates and foreign exchange rates may negatively affect our operating results and financial conditions.

Interest rates in Korea have been subject to fluctuations in recent years. Between 2009 and 2019, the base interest rate set by the Bank of Korea, to which the market interest rates correlate, has fluctuated within a range of 1.25 per cent. and 3.25 per cent. In March 2020, amid growing concerns over the COVID-19 pandemic, the Bank of Korea cut the base interest rate by 50 basis points to 0.75 per cent. and in May 2020 further to 0.50 per cent. However, as the pandemic began to recede and the economy showed some signs of recovery starting from the second half of 2021, the Bank of Korea gradually raised the base interest rate multiple times to reach a pre-pandemic level of 1.25% from August 2021 through January 2022. More recently, in response to rising levels of inflation in Korea as well as globally, the Bank of Korea again raised the base interest rate to 1.50% in April 2022, 1.75% in May 2022, 2.25% in July 2022, 2.50% in August 2022, 3.00% in October 2022, 3.25% in November 2022 and 3.50% in January 2023 in an effort to address rising consumer prices.

An increase in interest rates may adversely affect our business, financial condition and results of operations in various ways, including (i) an increase in our funding costs; (ii) an increased risk of delinquency or default on the borrowings we either directly loaned or extended guarantees for; and (iii) a decrease in the level of investment or business activities by shipping companies due to higher funding costs.

In addition, as many domestic shipping companies generate substantial portion of their revenues in foreign currencies including U.S. dollars, their operating results and financial conditions may be negatively affected by fluctuations in foreign exchange rates or volatility and unpredictability resulting therefrom, which in turn could negatively impact our operating results and financial conditions.

The impact of future fluctuations in interest rates and foreign exchange rates on our results of operations and financial conditions cannot be accurately predicted, and there can be no assurance that such fluctuations will not in the future have a material adverse effect on our results of operations and financial condition or our attempt to mitigate the adverse effects of such fluctuations will be successful.

We were incorporated as a reorganized entity in July 2018 by combining three predecessor entities, and we have a limited operating history and unique business model, which make it difficult to evaluate our future prospects and the risks and challenges we may encounter.

We were established in July 2018 by combining Korea Maritime Guarantee Insurance, Korea Shipping & Maritime Transportation and Korea Maritime Exchange Information Center with a unique policy mandate to enhance the competitiveness of maritime transport industry in Korea. We are the only entity in Korea with such mandate, and there are very few companies or institutions worldwide with mandate or business model comparable to ours. Investors should consider our business in light of the unique risks and challenges we may encounter as a relatively new enterprise with rare business model.

In addition, as a successor entity, we inherited all of the outstanding contracts and liabilities from the predecessor entities, and therefore may be subject to contingent liabilities associated with such contracts, liabilities and business activities of the predecessor entities.

The maritime transport industry is highly competitive and subject to extensive government regulation and standards, international treaties and trade prohibitions and sanctions.

The maritime transport industry is highly competitive with limited barriers to entry, especially in international trade lanes. Ocean carriers can shift vessels in and out of trade lanes or can charter vessels to manage capacity and meet customer demands. For example, in 2020 and 2021, in response to rising demand, several new carriers entered the China trade lane in competition with existing ocean carriers. The entry of a new competitor or the addition of new vessels or capacity by existing competition on any of the routes of the domestic shipping companies we invested in could negatively impact the scale and profitability of such domestic shipping companies as a result of a decline in cargo volumes and shipping rates. This could cause our beneficiary domestic shipping companies to become unable to pay interest, principal or other amounts due to us or other creditors, which will negatively affect our operating results and financial condition as well.

Furthermore, the maritime transport industry is subject to extensive government regulation and supervision that change from time to time and differ depending on the jurisdictions. Changes to applicable regulations may have an adverse effect on domestic shipping companies' ability to maintain their current level of business activities and profitability, and any violations of applicable laws, regulations, treaties or prohibitions could result in revocation or non-renewal of their licenses. Under the rapidly evolving environmental, economic and trading sanction laws, governments may seek to implement additional requirements on domestic shipping companies or force them to significantly modify their current business practices, which may increase both operating and compliance costs and even subject domestic shipping companies to fines, penalties and other sanctions. Although we closely and consistently monitor the regulatory developments applicable to domestic shipping companies, the changes could be unpredictable and beyond our control, and there can be no assurance that our efforts would be successful in preparing domestic shipping companies and Korean maritime transport industry for the anticipated change.

The ongoing COVID-19 pandemic and the governmental responses thereto may adversely affect our business.

Since December 2019, there has been an outbreak of the COVID-19 which has since spread to many countries around the world, including Korea, and resulted in implementation of various restrictions intended to slow the spread of COVID-19, including quarantines, stay-at-home orders, restrictions on travel and public transport, prolonged closures of workplaces and other restrictions. Travel bans, quarantines and lockdown of major cities and key ports and terminals worldwide and in China in particular caused a serious disruption in global supply capacity and cargo traffics while increasing operating expenses of shipping companies. Domestic shipping companies also suffered from delays in and disruptions to their normal operations, which negatively impacted their operating results and financial conditions.

As a relief measure to mitigate the effects of COVID-19, we provided a cumulative amount of Won 742.7 billion of COVID-19 relief support as of December 31, 2022 in various forms, including by way of an extension of credit guarantees, purchase of bonds and remission of interests or other financial dues. Since our COVID-19 relief supports are pursuant to the Government's mandate to assist the strained financial conditions of domestic shipping companies, they are not necessarily in our best commercial interests and we might not be able to recoup the investments if the COVID-19 pandemic continues and the financial conditions of domestic shipping companies do not improve.

While in 2021 and 2022, the Korean and global economies showed some signs of recovery from the pandemic recession in 2020, it is not possible to predict the full magnitude and impact of COVID-19 to Korean shipping companies and maritime transport industry. In the event of another serious outbreak of COVID-19 or new variants in the future, it could have a material adverse effect on the businesses, financial conditions, results of operations and cash flows of domestic shipping companies, which in turn may negatively affect our operating results and financial conditions.

Climate change and greenhouse gas restrictions may adversely affect the operating results of domestic shipping companies, which in turn could increase pressure on our efforts to subsidize transition to eco-friendly ships and facilities.

In recent years, many governments and international governing bodies such as the International Maritime Organization ("IMO") has adopted more stringent environmental standards and regulations applicable to maritime transport industry in response to ever-growing concerns over the environment and the increased environmental awareness. The evolving body of such international rules and standards includes adoption of emission cap and trade regimes, imposition of carbon taxes and provision of incentives or mandates to use renewable energy source, among others. Compliance with such measures may increase the operating and compliance costs of domestic shipping companies in terms of dedicating resources to evaluate and monitor the constantly evolving international regulatory regimes, acquiring or converting to new environment-friendly ship models or facilities, purchasing emission allowances or paying greenhouse gas emission taxes. The domestic shipping companies may also need to modify or forgo opportunities for international expansion or revenue growth.

As part of our efforts to assist the transition of domestic shipping companies to evolving international standards, we provide various forms of financial support to domestic shipping companies, including by way of ship financing support to acquire environment-friendly ships, special guarantee program with MOF and subsidies to the purchase price of a new eco-friendly ship, among others. See “*Business – Environment*”. As of December 31, 2022, we provided a total of Won 742 billion in investments, guarantees and subsidies to 50 domestic shipping companies for their acquisition of or conversion to eco-friendly ships or facilities. As international efforts to curb climate change continue to increase, the pressure on us to provide necessary supports to domestic shipping companies may also increase.

Our equity investments in domestic and international port authorities are subject to certain risks applicable to the operation of ports and terminals.

As of December 31, 2022, we held 12.7% of ownership interests in each of the port authorities in Busan, Ulsan, Incheon and Yeosu as a result of the Government’s in-kind contribution of its interests in those port authorities in 2018. We also invested in port and logistics sector in Malaysia and Singapore, and the total amount of investment made by us in port authorities, terminals and logistics warehouses in Korea and worldwide was Won 16.5 billion in 2021 and Won 180 billion in 2022. The investments in port authorities, terminals and logistics warehouses therein involve long-term projects related to operation of ports and construction of necessary infrastructures and are heavily dependent on the policies of local governments of where they are located. The operation and profitability of ports and terminals are also closely related to volatility and cyclicity of global shipping and maritime transport industries, which have been historically affected by global economic conditions. Therefore, any changes in local government policies or global macroeconomic conditions may result in material adverse effects on operations or financial conditions of the port authorities, terminals and logistics warehouses we have invested in, which may in turn have an adverse effect on our business, financial condition and results of operations.

We may not be successful in implementing new business strategies and project initiatives.

As a policy arm of the Government with respect to maritime transport industry in Korea, we may enter into new business areas or undertake new types of project, subject to Government’s plans and approvals as well as the prevailing market conditions. Expanding the scope of our support and services or pursuing new business strategies may expose us to a number of additional risks and challenges and we may not be able to properly manage all investments and projects or make best use of our limited resources if we are overextended. Furthermore, the prospects of new initiatives may be uncertain, and they may end up being more difficult or costly to manage or less profitable than initially expected. If we are not successful in our new business endeavors, we may fail to recover our investments or expenditures, which together with associated opportunity costs, may have a material adverse effect on our business, financial condition and results of operations.

Our business may be materially and adversely affected by legal claims and regulatory actions against us.

We are subject to the risk of legal claims and regulatory actions in the ordinary course of our business, which may expose us to substantial monetary damages and legal costs, injunctive relief, criminal and civil penalties, sanctions against our management and employees, regulatory restrictions on our operations and significant reputational harm.

Our risk management system may not be fully effective at all times.

We preemptively monitor and manage our risk exposure through a centralized risk management and credit evaluation system using a variety of risk management strategies and techniques. Such strategies and techniques and the judgments accompanying their applications, however, cannot fully anticipate the economic and financial outcomes in all applicable market environments and may have limited effectiveness in times of significant market stress or other unforeseen circumstances in particular. Furthermore, our risk management strategies may not be effective in a difficult or less liquid market environment, as other market participants may be attempting to use the same or similar strategies as we are to deal with such market conditions. In such circumstances, it may be difficult for us to reduce our risk positions due to the activity of such other market participants.

Risks Relating to Korea

Unfavorable financial and economic conditions in Korea and globally may have a material adverse impact on our asset quality, liquidity and financial performance.

We are incorporated in Korea and substantially all of our operations and assets are located in Korea. As a result, our business and profits are subject to political, economic, legal and regulatory risks specific to Korea. The future of the Korean economy is subject to many factors beyond our control. In Korea, uncertainties remain as to the future directions of key macro- and microeconomic indicators such as exports, consumption, demand for business products and services, unemployment rates, debt service burden of households and businesses, general availability of credits and asset values of real estates.

In recent years, adverse conditions and volatility in international financial markets, fluctuations in oil, energy and commodity prices and general weakness of the global economy, mainly due to the COVID-19 pandemic and more recently due to Russia's invasion of Ukraine and ensuing sanctions against Russia, 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 in general and the U.S. dollar in particular has also fluctuated. Furthermore, as a result of adverse global and Korean economic conditions, there has been volatility in the stock prices of Korean companies in recent years. 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 or global economy could adversely affect our business, financial condition and results of operations.

Developments that could adversely affect Korea's economy in the future include the following:

- fiscal difficulties, political turbulence and increased sovereign default risks in select countries in Europe and the resulting adverse effects on the global financial markets;
- adverse change or increased volatility in macroeconomic indicators, including interest rates, inflation level, foreign currency reserve levels, commodity prices (including oil prices), exchange rates (including fluctuation of U.S. Dollar, Euro or Japanese Yen or revaluation of the Renminbi), stock market indices and inflows and outflows of foreign capital;
- occurrence of severe health epidemics in Korea or other parts of the world, such as the ongoing COVID-19 pandemic;
- continued volatility or deterioration in Korea's credit and capital markets;
- adverse developments in the economies of countries and regions that are Korea's important export markets (such as the United States, Europe, China and Japan or emerging market economies in Asia or elsewhere), as a result of economic and trade tensions between the United States and China and uncertain implications of the United Kingdom's exit from the European Union;
- deterioration in economic or diplomatic relations between Korea and its major trading partners or allies, as a result of trading or territorial disputes or disagreements in foreign policy;
- substantial decrease in the market prices of Korean real estate market;
- a continuing rise in the level of household debt and an increase in delinquency and credit default by retail or small- and medium-sized enterprise borrowers;
- a rise in unemployment or stagnation of real wages;
- an increase in social expenditures to support an ageing population or decreases in productivity due to shifting demographics;

- social and labor unrest;
- a decline in consumer confidence and a slowdown in consumer spending and corporate investments;
- a widening fiscal deficit from a decrease in tax revenues and an increase in the Government's expenditures for COVID-19 relief measures, fiscal stimulus, unemployment compensation and other economic and social programs;
- political gridlock within the government or in the legislature, which prevents or disrupts timely and effective policy making;
- political scandal, including but not limited to, bribery, power abuse and illegal dealings by the government officials;
- investigation on chaebols and arrest of their senior management, which causes volatility of the Korean stock market and delays decision making of major businesses in Korea;
- laws, regulations or other government actions (financial, economic or otherwise) that fail to achieve desired policy objectives, produce adverse unintended consequences or otherwise constrain or distort sound economic activities;
- loss of investor confidence arising from corporate accounting irregularities and corporate governance issues, including in respect of certain chaebols;
- any other developments that has a material adverse effect on the global or Korean economy, such geopolitical tensions (such as in the Middle East, the former republics of the Soviet Union and the Korean peninsula), an act of war, a terrorist act, a breakout of an epidemic or natural or man-made disasters; and
- 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) and the resulting adverse effects on the global supply of oil and other natural resources and the global financial markets.

Escalations in tensions between Korea and North Korea could have an adverse effect on us and the market value of the Notes.

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 programs as well as its hostile military actions against Korea. Some of the significant incidents in recent years include the following:

- In September 2020, a Korean official who went missing near the inter-Korean sea border while reportedly seeking to defect was shot dead and his body was cremated by North Korean soldiers.
- In June 2020, North Korea demolished a joint liaison office in Gaeseong and severed all lines of communication with Korea in retaliation of the leaflet campaign from Korean peace activists who have flown leaflets containing pro-democracy messages past the border via balloons.
- 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, which are more powerful than plutonium 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. 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, most recently in December 2017, in response to North Korea's intercontinental ballistic missile test in November 2017. Over the years, the United States and the European Union have also expanded their sanctions applicable to North Korea.

- In August 2015, two Korean soldiers were injured in a landmine explosion near the Korean demilitarized zone. Claiming the landmines were set by North Koreans, the Korean army reinitiated its propaganda program toward North Korea utilizing loudspeakers near the demilitarized 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.

Since April 2018, North Korea has held a series of bilateral summit meetings with Korea and the United States to discuss peace and denuclearization of the Korean peninsula. Most recently, at the end of July 2021, the inter-Korean communication lines were restored for the first time since June 2020, when North Korea severed all inter-Korean governmental communication, but days later, North Korea stopped answering routine calls from Korea in apparent protest of the joint U.S.-Korea military exercises scheduled for August 2021. Although in October 2021, North Korea began answering military and liaison office communication lines again, 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 Korean economy and us. Despite some mixed signs of improved relationship between North Korea and Korea as well as the United States in recent years, North Korea has not ceased its missile testing, heightening tensions, and the outlook of discussions with North Korea remains uncertain.

North Korea's economy also faces severe challenges, including severe inflation and food shortages, which may further aggravate social and political tensions within North Korea. In addition, reunification of Korea and North Korea may suddenly occur in the future, which would entail significant economic commitment and expenditure by Korea that may outweigh any resulting economic benefits of reunification. Any further increase in tension or uncertainty relating to the military, political or economic stability in the Korean peninsula, including a breakdown of diplomatic negotiations over the North Korean nuclear program, occurrence of military hostilities, heightened concerns about the stability of North Korea's political leadership or its actual collapse, a leadership crisis, a breakdown of high-level contacts or accelerated reunification could have a material adverse effect on our business, financial condition and results of operations, as well as the credit rating for Korean issuers, including us, or for the Notes.

There are special risks involved with investing in securities of Korean companies, including the possibility of restrictions being imposed by the Government in emergency circumstances as well as accounting and corporate disclosure standards that differ from those in other jurisdictions.

As we are a Korean company, there are risks associated with investing in our securities that are not typical for investments in securities of companies in other jurisdictions, including the U.S. and Europe. As a Korean company, we operate in a business and cultural environment that is different from that of other countries.

Under the Foreign Exchange Transaction Act of Korea, if the Government determines that certain emergency circumstances, including sudden fluctuations in interest rates or exchange rates, extreme difficulty in stabilizing the balance of payments or substantial disturbance in the Korean financial and capital markets, are likely to occur, it may impose any necessary restriction such as requiring Korean or foreign investors to obtain prior approval from the Minister of Economy and Finance of Korea for the acquisition of Korean securities or for the repatriation of interest, dividends or sales proceeds arising from Korean securities or from disposition of such securities or other transactions involving foreign exchange. In addition, if the Government determines it necessary on account of war, armed conflict, natural disaster or grave, sudden and significant changes in domestic or foreign economic circumstances or similar events or circumstances, it may temporarily suspend payment, receipt or performance under any or all foreign exchange transactions, in whole or in part, to which the Foreign Exchange Transaction Act of Korea applies (including suspension of payment and receipt of foreign exchange), impose an obligation to deposit, safe keep or sell precious metal or any means of payment to The Bank of Korea, a foreign exchange equalization fund, certain other governmental agencies or financial companies.

In addition, we prepare and present our financial statements in accordance with K-IFRS, which differs in material respects from accounting principles applicable to companies in certain other countries. We also will make public disclosure regarding other aspects of our business in accordance with the Act on the Management of Public Agencies and other laws applicable to us. These disclosure rules and practices differ in material respects from those applicable to companies in certain other countries. There may also be less publicly available information about Korean companies, such as us, than is regularly made available by public or non-public companies in other countries. In making an investment decision, investors must rely upon their own examination of our company, the terms of the Global Offering and the financial information contained in this Offering Circular.

Investors may not be able to enforce a judgment of a foreign court against us.

We are incorporated in Korea. All of our directors are non-U.S. residents, and a substantial majority of our assets and the personal assets of our directors and executive officers are located outside the United States. As a result, when compared to a U.S. company, it may be more difficult for investors to effect service of process in the United States upon us, our directors or executive officers or to enforce against us, our directors or executive officers, judgments obtained in U.S. courts predicated upon civil liability provisions of the federal or state securities laws of the United States or similar judgments obtained in other courts outside Korea. There is doubt as to the enforceability in Korean courts, in original actions or in actions for enforcement of judgments of U.S. courts, of civil liabilities predicated solely upon the federal and state securities laws of the United States.

In Korea, the procedures and requirements for the recognition of foreign judgments are set forth in the Civil Procedure Act. Under Article 217(1) of the Civil Procedure Act, for a foreign judgment to be recognized by a Korean court: (1) the judgment must be final and conclusive, and the jurisdiction of the foreign court that rendered the judgment must be recognized under the principles of international jurisdiction, pursuant to the statutes or treaties of Korea, (2) the defendant must have been duly served with process (otherwise than by publication or similar means), in sufficient time to defend the proceeding or must have responded without having been served with process, (3) in light of the substance of such judgment and the procedures of the proceeding, recognition of the judgment shall not be contrary to the public policy of Korea and (4) judgments of the courts of Korea are accorded reciprocal treatment in the jurisdiction of the court which had issued such judgment or the requirements for the recognition of a foreign judgment in such jurisdiction are neither manifestly inequitable nor substantially different in material respects from the requirements above. For compulsory execution of the judgment rendered by a foreign court, Article 26 of the Civil Execution Act requires an execution judgment by a Korean court. A foreign judgment may not be enforceable in Korea if it does not meet the requirements set forth in the Civil Procedure Act and the Civil Execution Act.

Risks Relating to the Notes

The Notes are not guaranteed by the Republic of Korea.

The Notes are not the obligations of, or guaranteed by, the Republic of Korea. Although under the KOBC Act, the Government is allowed to guarantee the bonds we offer, it is not providing a guarantee with respect to the Notes. In addition, under the KOBC Act, the Government is under no legal obligation to maintain our solvency although it may choose to do so. Therefore, investors should not rely on the Government to fulfill our obligations under the Notes in the event we are unable to do so.

The Notes are unsecured obligations and the ability of the holder of the Notes to receive payments under the Notes may be compromised under certain circumstances.

As the Notes are unsecured, they will be effectively subordinated to any existing and future secured debt incurred by us or our subsidiaries to the extent of the value of the assets securing any such secured debt. If we or our subsidiaries were unable to repay any of our respective secured indebtedness, the holders of such debt could proceed against the assets securing that debt and those assets would not be available to the holders of the Notes.

Furthermore, the Notes will be structurally subordinated to all indebtedness and other obligations of our subsidiaries. In the event of a bankruptcy, liquidation, rehabilitation or other winding-up proceedings of a subsidiary of ours, all of the creditors of that subsidiary, including trade creditors, will generally be entitled to be paid in full from the assets of such subsidiary before any of those assets are made available for distribution to us.

The Notes are subject to transfer restrictions.

The Notes will be offered and sold pursuant to an exemption from registration under the United States and applicable state securities laws. Therefore, holders of the Notes may transfer or resell the Notes in the United States only in a transaction registered under, or exempt from, the registration requirements of the United States and applicable state securities laws, and investors may be required to bear the risk of investment for an indefinite period of time. For a further discussion of the transfer restrictions applicable to the Notes, see “*Subscription and Sale and Transfer and Selling Restrictions*”.

The regulation or reform of certain benchmark rates may adversely affect the value of Notes linked to or referencing such benchmark rates.

The Euro Interbank Offered Rate (“**EURIBOR**”) and other interest rate or other types of rates and indices which are deemed to be benchmarks are the subject of ongoing national and international regulatory discussions and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to or referencing such a “benchmark”.

Regulation (EU) No. 2016/1011 (the “**EU Benchmarks Regulation**”) and Regulation (EU) No. 2016/1011 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the “**UK Benchmarks Regulation**”) apply to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the EU and the UK, respectively. The EU Benchmark Regulation and UK Benchmark Regulation could have a material impact on any Notes linked to EURIBOR or another benchmark rate or index, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the terms of the EU Benchmark Regulation or UK Benchmark Regulation, and such changes could (amongst other things) have the effect of reducing or increasing the rate or level, or affecting the volatility of the published rate or level, of the benchmark. More broadly, any of the international, national or other proposals for reform, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or contribute to certain “benchmarks,” trigger changes in the rules or methodologies used in certain “benchmarks” or lead to the discontinuance or unavailability of quotes of certain “benchmarks.”

As an example of such benchmark reforms, on September 21, 2017, the European Central Bank announced that it would be part of a new working group tasked with the identification and adoption of a “risk free overnight rate, “which can serve as a basis for an alternative to current benchmarks used in a variety of financial instruments and contracts in the euro area. On September 13, 2018, the working group on Euro risk-free rates recommended the new Euro short-term rate (“**€STR**”) as the new risk-free rate for the euro area. The €STR was published for the first time on October 2, 2019. Although EURIBOR has been reformed in order to comply with the terms of the Benchmark Regulation, it remains uncertain as to how long it will continue in its current form, or whether it will be further reformed or replaced with €STR or an alternative benchmark.

Where the Interest Rate specified in the relevant Pricing Supplement is SOFR, if we determine that a Benchmark Transition Event and its related Benchmark Replacement Date has occurred, the then-current Benchmark will be replaced by a Benchmark Replacement (determined by us in accordance with the Terms and Conditions of the Notes) for all purposes relating to the relevant Floating Rate Notes in respect of all determinations on such date and for all determinations on all subsequent dates. We will have to exercise our discretion to determine (or to elect not to determine) a Benchmark Replacement and, if applicable, a Benchmark Replacement Adjustment, in a situation in which we are presented with a conflict of interest.

The use of a Benchmark Replacement may result in interest payments that are substantially lower than or that do not otherwise correlate over time with the payments that could have been made on the relevant Floating Rate Notes if the relevant benchmark remained available in its current form.

Any of the above changes or any other consequential changes to benchmarks as a result of EU, UK, or other international, national, or other proposals for reform or other initiatives or investigations, or any further uncertainty in relation to the timing and manner of implementation of such changes could have a material adverse effect on the trading market for, value of and return on any Notes linked to such benchmark. Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmark Regulation reforms or possible cessation or reform of certain reference rates in making any investment decision with respect to any Notes linked to or referencing a benchmark.

The market continues to develop in relation to risk-free rates as a reference rate for Floating Rate Notes.

Investors should be aware that the market continues to develop in relation to risk-free rates, such as the Secured Overnight Financing Rate (“SOFR”). This relates not only to the substance of the calculation and the development and adoption of market infrastructure for the issuance and trading of bonds referencing such rates, but also how widely such rates and methodologies might be adopted.

The market or a significant part thereof may adopt an application of SOFR that differs significantly from that set out in the Terms and Conditions as applicable to the Notes. Furthermore, we may in future issue Notes referencing SOFR that differ materially in terms of interest determination when compared with the Notes.

In addition, the manner of adoption or application of SOFR reference rates in the Eurobond markets may differ materially compared with the application and adoption of SOFR in other markets, such as the derivatives and loan markets. Noteholders should carefully consider how any mismatch between the adoption of SOFR reference rates across these markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Notes referencing SOFR. In addition, the development of SOFR as an interest reference rate for the bond markets, as well as continued development of SOFR-based rates, indices and averages for such markets and the market infrastructure for adopting such rates, could result in reduced liquidity or increased volatility or could otherwise affect the market price of Notes referencing SOFR. Similarly, if SOFR does not prove to be widely used in securities such as the Notes referencing SOFR, investors may not be able to sell such Notes referencing SOFR at all or the trading price of the Notes referencing SOFR may be lower than those of bonds linked to indices that are more widely used.

The use of SOFR as a reference rate for bonds is nascent, and may be subject to change and development, both in terms of the substance of the calculation and in the development and adoption of market infrastructure for the issuance and trading of bonds referencing such rates. Notes referencing SOFR may have no established trading market when issued, and an established trading market may never develop or may not be very liquid which, in turn, may reduce the trading price of such Notes or mean that investors in such Notes may not be able to sell such Notes at all or may not be able to sell such Notes at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk. Investors should consider these matters when making their investment decision with respect to Notes referencing SOFR.

There is no existing trading market for the Notes and, therefore the Notes offer limited liquidity.

The Notes when issued may constitute a new issue of securities for which there will be no existing trading market. Although the Dealers may make a market in the Notes, they are not obligated to do so, and any market-making activity with respect to the Notes, if commenced, may be discontinued at any time without notice. No assurance can be given as to the liquidity of, or the development and continuation of an active trading market for, the Notes. If an active trading market for the Notes does not develop or is not maintained, the liquidity and market price of the Notes may be adversely affected. If such a market were to develop, the Notes could trade at prices that may be higher or lower than the price at which the Notes are issued depending on many factors, including, among others:

- prevailing interest rates;
- our results of operations, financial condition and prospects;
- the rate of exchange between Won and the currency of the Notes;
- political and economic developments in and affecting Korea and other regions;
- the financial condition and stability of the Korean financial and other sectors; and
- the market conditions for similar securities.

CAPITALIZATION

The following table sets forth the Company's consolidated capitalization (defined as the sum of long-term debt and owner's equity) as of December 31, 2022. The following table should be read in conjunction with "*Selected Consolidated Financial Information of the Company*" and the Company's audited consolidated financial statements and accompanying notes included elsewhere in this Offering Circular.

	As of December 31, 2022
	(In billions of Won)
Long-term debt:	
Long-term borrowings.....	₩ 2,634
Equity:	
Capital stock	₩ 2,994
Capital surplus	64
Capital adjustments.....	(163)
Accumulated other comprehensive income.....	92
Retained earnings	4,402
Non-controlling interests	0
Total equity	7,389
Total capitalization ⁽¹⁾	₩10,023

(1) Sum of long-term debt (excluding current portions and discounts) and total equity.

There has been no material change in the capitalization of the Company since December 31, 2022.

SELECTED FINANCIAL INFORMATION

The following tables present selected consolidated financial data of the Company. This data should be read in conjunction with the financial statements of the Company and the notes thereto and other historical financial information included elsewhere in, or incorporated by reference into, this Offering Circular. The selected financial data as of and for the years ended December 31, 2021 and 2022 set forth below have been extracted from the audited annual consolidated financial statements of the Company included in this Offering Circular.

Selected Statements of Financial Position Data

	As of December 31,	
	2021	2022
	(In billions of Won)	
Total assets.....	₩15,041	₩11,783
Total liabilities.....	5,845	4,394
Total equity	9,196	7,389
Capital stock.....	2,949	2,994
Total liabilities and equity	15,041	11,783

Selected Statement of Comprehensive Loss Data

	For the Year Ended December 31,	
	2021	2022
	(In billions of Won)	
Operating revenues.....	₩5,450	₩ 324
Operating expenses	492	2,141
Operating income (loss)	4,958	(1,817)
Non-operating revenues	877	1,839
Non-operating expenses	73	2,837
Net income (loss) before income taxes	5,762	(2,814)
Income tax expenses	1,575	(828)
Net income (loss) for the year	₩4,187	₩(1,986)
Other comprehensive income (loss)	18	71
Total comprehensive income (loss) for the year	₩4,206	₩(1,915)
Net income (loss) attributable to:		
Owners of the parent	4,188	(1,987)
Non-controlling interests	(0)	0
Net income (loss) for the year	₩4,187	₩(1,986)
Total comprehensive income (loss) attributable to:		
Owners of the parent	4,206	(1,916)
Non-controlling interests	(0)	0
Total comprehensive income (loss) for the year	₩4,206	₩(1,915)

Selected Statement of Cash Flows

	For the Year Ended December 31,	
	2021	2022
	(In billions of Won)	
Net cash provided by (used in) operating activities	₩(243)	₩ 796
Net cash provided by (used in) investing activities.....	175	(90)
Net cash provided by (used in) financing activities	375	(482)

BUSINESS

Overview

The Company is the flagship government-owned policy finance institution for domestic shipping companies that serves to implement the Government's strategy to enhance the competitiveness of the maritime transport industry of Korea. The Company is mandated to provide stable source of funding to Korean shipping companies and make various forms of investment to promote the overall growth and stability of the industry.

Established in July 2018 as a statutory entity that combines three predecessor entities of Korea Maritime Guarantee Insurance, Korea Shipping & Maritime Transportation and Korea Maritime Exchange Information Center pursuant to the KOBC Act under the auspices of the Five-Year Plan to Rebuild Maritime Transport Industry (the "**Five-Year Plan**"), the Company receives substantial financial support from the Government in the form of capital contributions and subsidies to undertake its operations. The Government exerts significant influence on the policies and operations of the Company through the MOF, the Company's primary regulator, and the MOEF, which together with the other government-controlled entities, including KDB, The Export-Import Bank of Korea ("**KEXIM**") and Korea Asset Management Corporation ("**KAMCO**"), owned 96.73% of the Company's equity as of December 31, 2022. The remaining 3.27% was owned by other private domestic shipping companies as of December 31, 2022. As a Government-controlled entity charged with executing public policy objectives, the Company's business objective is not the maximization of profitability and the scope of the Company's business is subject to extensive Government regulation.

The Company's principal business is to provide financial support to domestic shipping companies in order to stabilize the often strained financial conditions of Korean shipping companies and secure a steady supply of high-quality ships in operation. The Company also provides other ancillary non-financial support to domestic shipping companies and industry practitioners with a goal to improve the industry-wide competitiveness. The main businesses of the Company include the following:

- **Financial Support**, including (i) investments and guarantees in acquisition of new ships; (ii) sale and leaseback and debt guarantees on existing ships; (iii) container box lease financing support; and (iv) investments in shipping infrastructure including port authorities, terminals, logistics warehouses and port unloading facilities.
- **Non-Financial Support**, including (i) implementation of Government's National Mandatory Maritime System; (ii) implementation of Government's Certified Excellent Shipping Company and Shipper program; (iii) publication of freight charge and fare information and management of a call center for reporting unfair maritime market practice; (iv) hosting of maritime forums and conferences and training of maritime professionals; (v) publication of maritime transport market information; (vi) vessel value assessment services; and (vii) announcement and publication of shipping indexes.

The largest investment made by the Company to date is a total of Won 4.98 trillion of investments, loans, guarantees and subsidies extended to HMM, of which Won 1.33 trillion were inherited from Korea Shipping & Maritime Transportation, one of the Company's predecessor entities. Since its establishment to date, the Company has provided Won 3.65 trillion of support to HMM via purchase of bonds with warrants ("**BW**") and convertible bonds ("**CB**") issued by HMM, guarantees on HMM's debt commitments, subsidies to purchase of and conversion to eco-friendly vessels and facilities, investments in HMM's terminal investment projects, subsidies to HMM's membership funds to join THE Alliance, container box lease financing and others.

The Company's operating revenues amounted to Won 5,450 billion in 2021 and Won 324 billion in 2022. The Company recorded net loss for the year of Won 1,986 billion in 2022 compared to net income for the year of Won 4,187 billion in 2021. A large portion of the Company's operating revenues and expenses consist of gains or losses on valuation and disposal of financial instruments, which include gains or losses from our holdings in securities issued by HMM. As of December 31, 2022, the Company had total assets of Won 11,783 billion and total equity of Won 7,389 billion.

Government Ownership and Control

Background

In response to the depressed market conditions faced by domestic shipping companies, as represented by the receivership against HMM in 2016 and the bankruptcy of Hanjin Shipping Co., Ltd. in 2017, the MOF in April 2018 announced the Five-Year Plan setting forth three policy goals to rebuild the maritime transport industry of Korea: (i) securing stable supply of cargo based on competitive services and freight rates; (ii) securing low-cost and high-efficiency vessels in sufficient numbers; and (iii) stabilizing domestic shipping companies' operations and financial conditions.

During its five-year implementation period from 2018 to 2022, the Five-Year Plan brought about many positive outcomes, including, among others, new acquisitions of more than 116 ships, including more than 20 ultra-large container vessels, by domestic shipping companies, restructuring of maritime routes for domestic container carriers that increased operational efficiency, formation of K-Alliance and others.

Government Ownership

Key to the implementation of the Five-Year Plan, the Company was established in July 2018 by combining three of the Company's predecessor entities of (i) Korea Maritime Guarantee Insurance, (ii) Korea Shipping & Maritime Transportation and (iii) Korea Maritime Exchange Information Center in July 2018 pursuant to the KOBC Act. As of December 31, 2022, the Government, represented by the MOF and the MOEF, and other state-controlled entities, including KDB, KEXIM and KAMCO, held 96.73% of the ownership interest of the Company.

Government Control and Regulation

The Company's business operations and management are subject to strict regulation by the Government and are supervised and evaluated by different Government bodies, principally the MOF. In addition to working closely with the MOF in providing necessary support to various market participants in the maritime transport industry of Korea, the Company is also under the indirect purview of the MOEF, the Board of Audit and Inspection of Korea ("**BAI**") and the National Assembly, the main legislative body of Korea.

As the Company's primary regulator, the MOF is authorized to guide and supervise the Company's overall operations and management under the KOBC Act. The MOF is tasked to supervise the Company's long-term business plans, annual budgets, asset quality and capital adequacy levels and is authorized to require the Company to regularly report on material business and administrative matters such as accounting and internal audit results. The MOF is also entitled to evaluate the Company's performance and those of its management and, if necessary, may ask for improvement measures or impose disciplinary actions. Specifically, the Company's articles of incorporation require its president to enter into a management agreement with the MOF, which includes specific performance goals to be achieved during the term of the president, and to file a performance report every year. Furthermore, pursuant to the KOBC Act, the MOF approves the Company's plan for bond issuances and supervises the Company on matters related to its financing in order to maintain the soundness of financial structure and conditions of the Company.

Furthermore, under the Korea Ocean Business Corporation Supervision Regulations (the "**KOBC Supervision Regulations**"), the Minister of the MOF can also request the Company to implement various performance improvement measures, including but not limited to restructuring of the Company's operational systems, limitations on new investments and others, if the Company's capital adequacy ratio falls, or is expected to fall, below 8%. The KOBC Supervision Regulations also specify the mandatory management soundness ratio that the Company must keep at all times, as well as the standards by which the Company should allocate the level of their loan loss reserves.

The Company is audited on an ad hoc basis by the BAI which is an independent government agency that audits all governmental agencies and Government-controlled entities. Matters covered in the audit include a review of the Company's budget, an audit of its financial statements and an inspection of its business operations and performance. The BAI reports its audit results to the National Assembly and the President of Korea. The Company is also subject to inspections and investigations from time to time by the National Assembly pursuant to the Act on Inspection and Investigation of Government Administration of 1988, as amended.

Government Support

As a statutory juridical entity controlled by the Government to support the maritime transportation industry of Korea, the Company receives support from the Government both financially and operationally. The KOBC Act provides for various forms of discretionary Government support to the Company, including:

- contribution by the Government of the Company's authorized capital of Won 5 trillion (Article 5). To date, the Government (including other Government-controlled and private entities) has contributed approximately Won 2.9 trillion to the Company, the majority of which is in the form of cash contribution with the rest in the form of in-kind capital contribution;
- commitment to offset any deficit arising from the Company's net losses that cannot be covered by its reserves (Article 12);
- guarantees in respect of the Company's repayment obligations on bonds issued by the Company (Article 15). To date, the Government has not provided any such guarantees pursuant to this Article; and
- special financial assistance or subsidies for the Company's implementation of those projects entrusted by the Government or non-profitable public service projects under the KOBC Act (Article 16).

As a result of the Government's in-kind contribution of its interests in port authorities in Busan, Ulsan, Incheon and Yeosu in 2018, the Company also holds 12.7% of ownership interests in each of the port authorities as of the date of this Offering Circular.

Support to Restructuring and Normalization of HMM

As of December 31, 2022, the total amount of the Company's credit (including loans, guarantees equity investments, subsidies and others) extended to HMM as part of the Company's policy to support the restructuring and normalization of HMM was approximately Won 4.98 trillion, of which Won 1.33 trillion was inherited from Korea Shipping & Maritime Transportation, one of the Company's predecessor entities.

As part of its policy to support HMM's restructuring effort, the Company had injected approximately Won 1.34 trillion into HMM during the period from October 2018 to April 2020 by purchasing BWs and CBs issued by HMM. The Company has also provided other forms of support to HMM, including guarantees on debt commitments, subsidies to purchase of and conversion to eco-friendly vessels and facilities, investments in HMM's terminal investment projects, subsidies to membership funds to join THE Alliance, container box lease financing and others. In particular, the Company's ship financing support for HMM to acquire 20 ultra-large containerships consisting of twelve 24,000 and eight 16,000 TEU-class container vessels ordered in 2018 played a critical role in helping HMM to turn profit for the first time in 2020 after a decade of slump and to significantly improve its operational efficiency with the introduction of low-cost and high-efficiency vessels. The following table presents a breakdown of cumulative support provided by the Company to HMM as of December 31, 2022 for the periods indicated.

	Amount	Period	Note
	(billions of Won)		
Support provided as Korea Shipping & Maritime Transportation⁽¹⁾			
Capital increase.....	104	March 2017	—
Permanent CB/BW	600	March 2017	Fully converted to common shares of HMM on October 26, 2021
Vessels.....			
10 S&LBs.....	150	May 2017	—
5 Very Large Crude Carriers	474	April 2018	—
	1,329		

	Amount	Period	Note
	(billions of Won)		
Support provided as KOBC			
Permanent CB/BW	1,340	October 2018 – April 2020	Invested over five occasions
Alliance funds.....	15	April 2020	Fully repaid
Vessels			
12 24K-class vessels	777	September 2019	Guarantee on junior debts
8 16K-class vessels	654	April 2021	Guarantee on senior debts
Terminals.....			
HPNT ⁽²⁾	50	January 2019	Equity investments
	120	December 2022	Equity investments
PSA ⁽³⁾	20	October 2020	Equity investments
Container box leases.....	583	August 2019 – present	Leases on 152,880 container boxes in total
Eco-friendly facilities	78	April 2019 – December 2022	23 Scrubbers and 15 Ballast Water Management Systems
Vessel-disposal subsidies ⁽⁴⁾	9	October and November 2018	–
Compensation for loss of National Mandatory Maritime System ⁽⁵⁾	2	May 2020 – December 2022	–
	3,647		
Total	4,980		

(1) All investments made by Korea Shipping & Maritime Transportation were comprehensively transferred to KOBC on July 5, 2018

(2) HMM PSA New-port Terminal Co., Ltd.

(3) Port of Singapore Authority International

(4) Subsidies provided to support disposal of old vessels and acquisition of new eco-friendly vessels

(5) Compensation for loss resulting from using some of HMM-owned vessels as “national mandatory maritime ships”

With support from the Company, HMM recovered its credit rating from its previous default status in 2016 to investment grade in December 2021 and has turned profits for the first time in the second quarter of 2020 after recording operating losses every year since 2011. HMM has since recorded operating profit of Won 981 billion in 2020, Won 7,378 billion in 2021 and Won 9,952 billion in 2022, representing a successful leap from the previous operating loss of Won 559 billion in 2018 and Won 300 billion in 2019. The following table presents a history of annual operating result and financial condition of HMM on a consolidated basis before and after the Company’s involvement.

		Under creditors’ voluntary agreement			Under joint management by KDB and KOBC			Under management by KOBC
	2010 ⁽¹⁾	2016	2017	2018	2019	2020	2021	2022
		(In billions of Won, except for percentages)						
Revenue.....	8,124	4,585	5,028	5,222	5,513	6,413	13,794	18,583
Operating profit (loss)	570	(833)	(407)	(559)	(300)	981	7,378	9,952
Operating profit margin.....	7.0%	(18.2%)	(8.1%)	(10.7%)	(5.4%)	15.3%	53.5%	53.6%
Retained earnings.....	794	(1,513)	(2,718)	(3,589)	(4,477)	(4,444)	781	10,543
Debt-to-equity ratio	243%	362%	302%	296%	557%	455%	73%	26%
Total asset	8,872	4,398	3,602	4,121	7,160	9,373	17,876	25,973
Credit rating.....	A	D	BB0	BB0	BB0	BB0	BBB-	BBB+

(1) HMM’s best performance prior to the management under the creditors’ voluntary agreement.

Following an improvement in the financial performance of HMM, the KDB, the largest shareholder of HMM, exercised its right to convert Won 300 billion of its convertible bonds into 60 million common shares of HMM in June 2021, and in December 2021 terminated the joint management of HMM with the Company. As of the date of this Offering Circular, KDB remains as the largest shareholder of HMM with 20.69% shares in HMM, but the Company, the second largest shareholder of HMM with 19.96% interests, holds the sole management right with respect to HMM. Both the Company and KDB are currently pursuing the sale of their respective equity stake in HMM.

The gains and losses from the valuation of the Company's investments and shareholdings in HMM directly affect the operating results of the Company. For instance, the Company recognized Won 5.49 trillion of gain and Won 2.97 trillion of loss from the valuation of its investments in HMM in 2021 and 2022, respectively. Furthermore, the Company received dividend income of Won 58.5 billion in 2022 and plans to reinvest such dividend income and other profits from restructuring efforts of HMM into establishment of funds to support other small to medium-sized shipping companies in Korea.

Business Operations

The Company is primarily engaged in providing financial support as well as other ancillary non-financial support to domestic shipping companies, including those mandated by the Government to promote the competitiveness of Korean maritime transport industry. The Company divides its operations into two main business segments: (i) Financial Support and (ii) Non-Financial Support.

Financial Support

Since its inception in 2018 to December 31, 2022, the Company had provided financial support consisting of investments, guarantees, S&LB, debt guarantees, container box lease and various forms of subsidies in the amount of approximately Won 8.2 trillion to a total of 110 domestic shipping companies of varying size. The following table presents a breakdown of the Company's financial support by the size of the beneficiary Korean shipping companies as of December 31, 2022.

	Amount ⁽⁴⁾ (In billions of Won)	% of Total Financial Support
Large shipping companies ⁽¹⁾	₩4,218	51.38%
Medium-sized shipping companies ⁽²⁾	3,239	39.46%
Small shipping companies ⁽³⁾	752	9.16%
Total	₩8,208	100.0%

(1) Shipping companies with Won 5 trillion or more in total assets

(2) Shipping companies that are not classified as large or small shipping companies

(3) Shipping companies that meet the asset and revenue criteria under the Framework Act on Small and Medium Enterprises

(4) Consisting of investments, guarantees, S&LB, debt guarantees, container box lease and various forms of subsidies

The following table presents a breakdown of the Company's revenue in 2021 and 2022 by two main types of financial support, investment and guarantee, as well as income from insurance activities which were inherited from the Company's predecessor. The Company is not engaged in any insurance business and has not derived any income from the inherited insurance activities since 2022.

	For the Year Ended December 31,	
	2021	2022
	(In billions of Won)	
Income from Investment Activities	₩5,405	₩281
Income from Insurance Activities	12	—
Income from Guarantee Activities	33	43
Total	₩5,450	₩324

Investments and Guarantees in Acquisition of New Ships: The Company provides financial support in the forms of investment and guarantee to domestic shipping companies in their acquisition of new ships.

Investments

The Company invested approximately Won 187 billion in 2021 and Won 600 billion in 2022 to support domestic shipping companies in their acquisition of newly built or used ships.

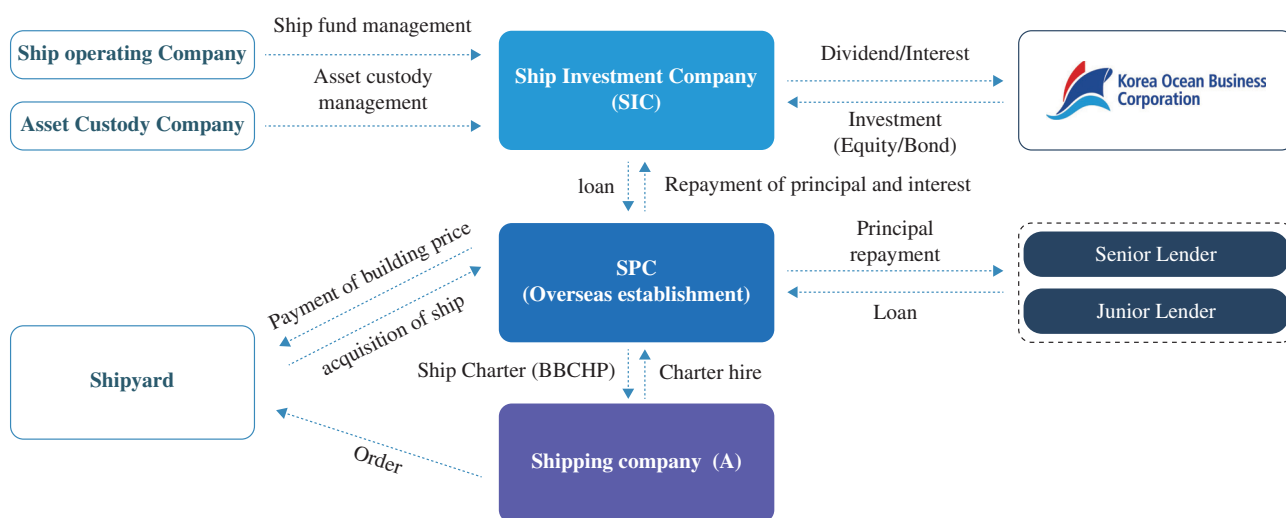
When selecting candidates for investment, the Company first engages in preliminary discussion with potential candidate and, if deemed eligible from such preliminary discussion, accepts formal investment application from such candidate. During its review process, the Company examines financial conditions as well as profitability of the candidate's business in details. If the candidate is considered to be eligible after such review, the Company and the candidate negotiate major terms of the investment, which are subsequently reviewed by Company's Investment Deliberation Committee. If approved by the Company's Investment Deliberation Committee, the parties then enter into formal investment agreements.

The amount of investment committed by the Company is dependent on various factors including the total value of the underlying ships, credit rating of the beneficiary shipping companies, present and/or future profitability of the beneficiary shipping companies' businesses and others, but usually amounts to at least 60% of the underlying ship value.

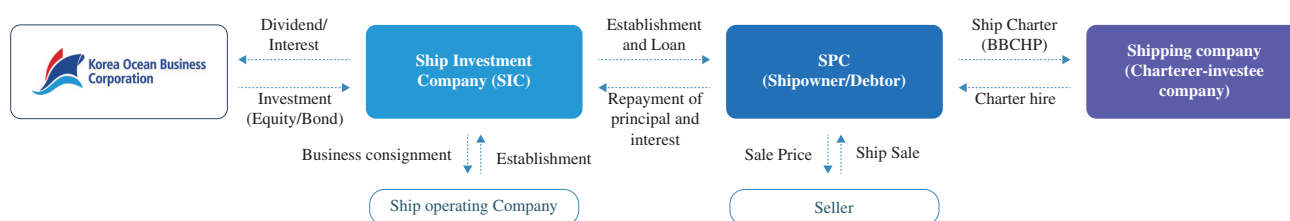
When investing in acquisition of new ships, the Company invests through an entity called the Ship Investment Company (the "SIC"), which is initially set up by a ship operating company but is counted as a consolidated subsidiary of the Company in most cases. The ship operating company usually owns only a nominal percentage of equity interest in the SIC and a separate asset custody company provides asset management support to the SIC while the Company either makes equity investments into the SIC or purchases bonds issued by the SIC. In return for its investments into the SIC, the Company receives dividend (in case of equity investments) or interest (in case of bond) income from the SIC.

The SIC makes a loan to a special purpose company ("SPC"), which is a wholly owned subsidiary of the SIC, and with the capital injected from SIC and/or third-party lenders, the SPC pays for and takes ownership of the ship from a shipyard (in the case of purchasing newly built ships) or a third-party seller (in the case of purchasing used ships) becoming the nominal owner of the ship as well as the borrower to the SIC and/or third-party lenders. The SPC then leases the ship to beneficiary shipping company and in return receives a certain amount of lease fees as well as installment for the full price of the ship during a set period of lease term. At the end of the lease term and upon full payment of the ship price by the beneficiary shipping company, the SPC transfers the ship ownership to the beneficiary shipping company, completing the purchase of a new ship by the beneficiary shipping company.

Investing in Purchase of Newly Built Ships



Investing in Purchase of Used Ships



Guarantees

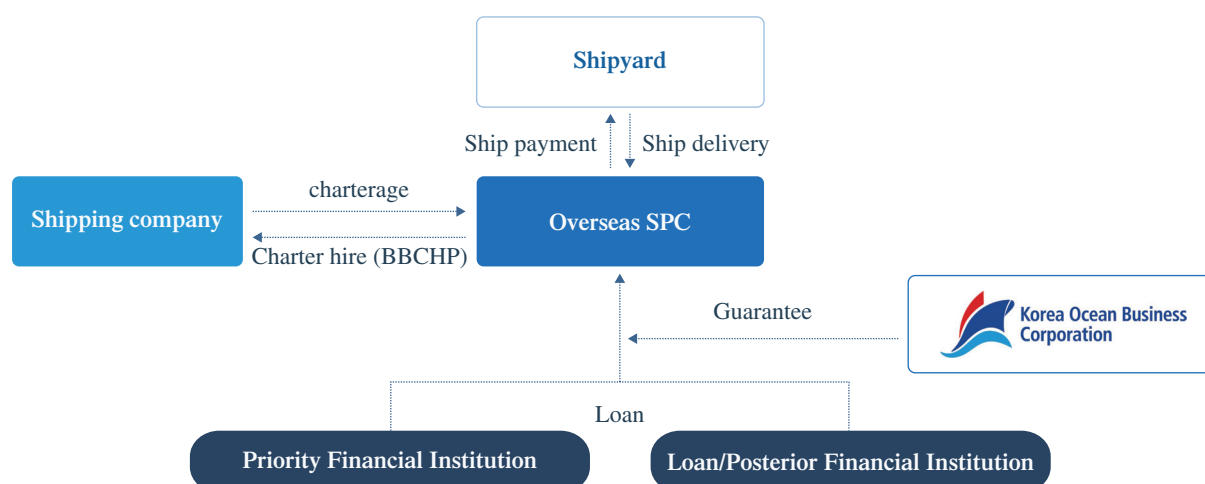
The Company also provides guarantee to support domestic shipping companies in their acquisition of newly built or used ships. The total amount of such guarantee provided by the Company was approximately Won 107 billion in 2021 and Won 99 billion in 2022.

When selecting candidates for guarantee, the Company first engages in preliminary discussion with potential candidate and, if deemed eligible from such preliminary discussion, accepts formal guarantee application from the candidate. During its review process, the Company examines the financial conditions as well as the profitability of the candidate's business in details. If the candidate is considered to be eligible after such review, the Company and the candidate negotiate major terms of the guarantee, which are subsequently reviewed by Company's Guarantee Deliberation Committee. If approved by the Company's Guarantee Deliberation Committee, the parties then enter into formal guarantee agreements.

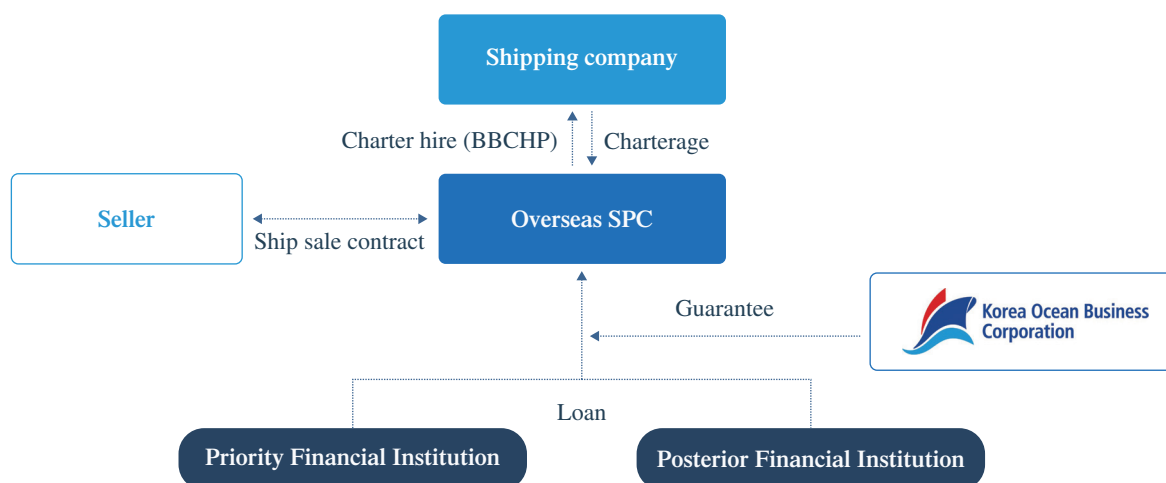
The Company typically provides guarantees in the amount that covers at least 95% of the underlying loan amount depending on the credit rating of the beneficiary shipping company.

In providing guarantee to support the acquisition of ships, an SPC becomes the nominal owner of the ship as well as the borrower of the loan from third-party lenders while the Company acts the guarantor for the SPC in exchange of certain guarantee commissions from the SPC. The SPC then leases the ship to beneficiary shipping company and in return receives a certain amount of lease fees as well as installment for the full price of the ship during a set period of lease term. At the end of the lease term and upon full payment of the ship price by the beneficiary shipping company, the SPC transfers the ship ownership to the beneficiary shipping company, completing the purchase of a new ship by the beneficiary shipping company.

Guaranteeing Purchase of Newly Built Ships



Guaranteeing Purchase of Used Ships



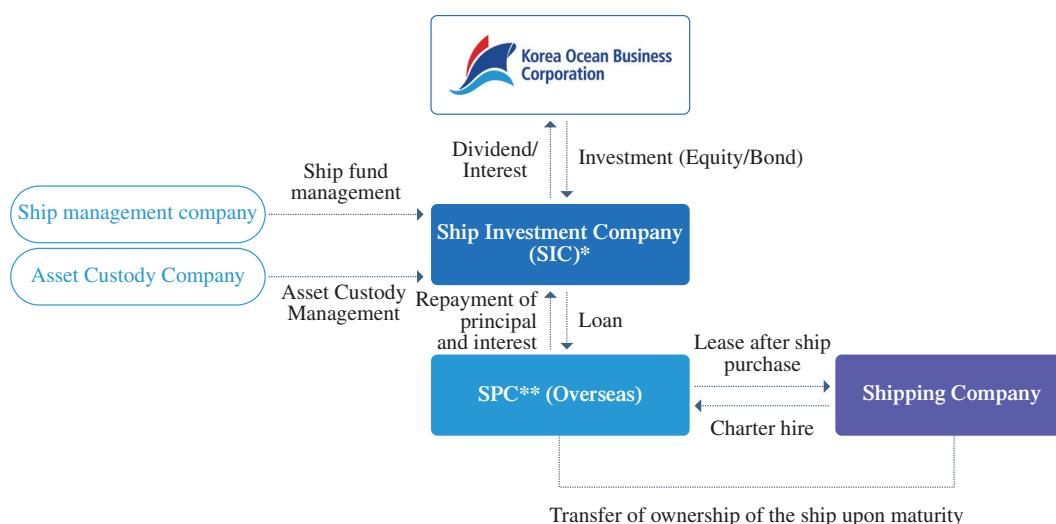
Sale and Leaseback (“S&LB”) and Debt Guarantees on Existing Ships: The Company provides additional liquidity support to Korean shipping companies through S&LB programs or debt guarantees with respect to the existing ships owned by the domestic shipping companies.

Sale and Leaseback Programs

The Company’s investments into the existing ships owned by domestic shipping companies are conducted through its S&LB program consisting of two main forms of charter – Bare Boat Charter Hire Purchase (“**BBCHP**”) and Bare Boat Charter (“**BBC**”). The total amount of investment made by the Company through S&LB was approximately Won 204 billion in 2021 and Won 243 billion in 2022, and a total of 31 domestic shipping companies and 52 ships was subject to the program as of December 31, 2022 on a cumulative basis.

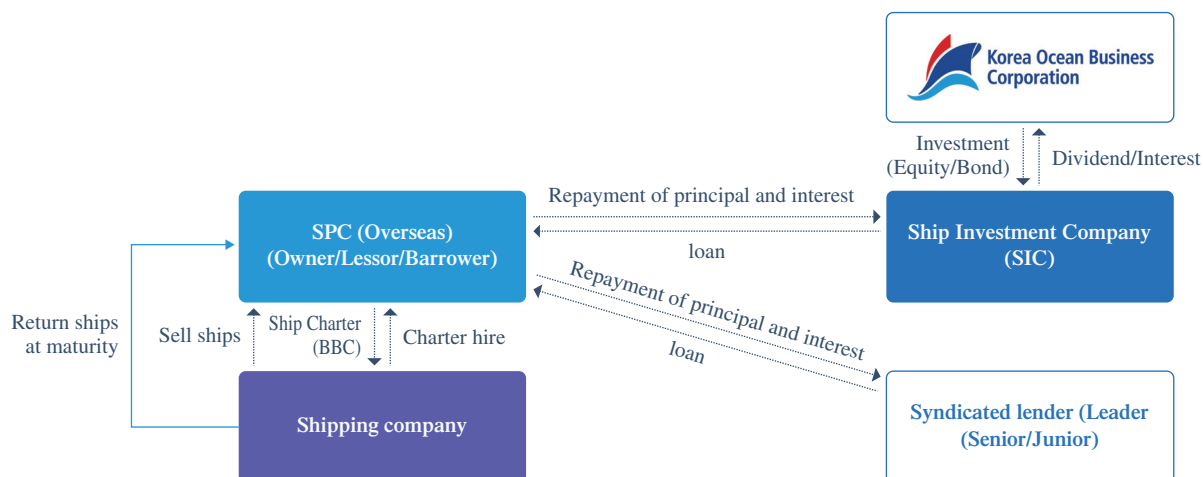
Under the BBCHP structure, the Company injects capital to an SIC in the form of either equity investment or bond purchase, which in return provides such investment and/or loan to an overseas SPC, which is a wholly-owned subsidiary of the SIC. The SPC then purchases a ship from a Korean shipping company and leases it back to the same shipping company for normal operation in exchange of certain amount of lease fees as well as installments for the full ship purchase price. The lease term usually does not exceed five years from the date of purchase by SPC, and at the end of the lease term and upon full payment of the purchase price by the shipping company, the ownership to the ship is transferred from the SPC to the shipping company, the original owner of the ship.

S&LB (BBCHP)



The BBC structure is identical to the BBCHP structure except that the ownership to the ship remains with the SPC both during and after the end of the lease term. The SPC is thus entitled to receive a certain amount of lease fees only and, at the end of the lease term, the shipping company should return the ship to the SPC. The amount of lease fee is usually determined in consideration of the prevailing market price for time charter rate and the level of expected operational expenses.

S&LB (BBC)

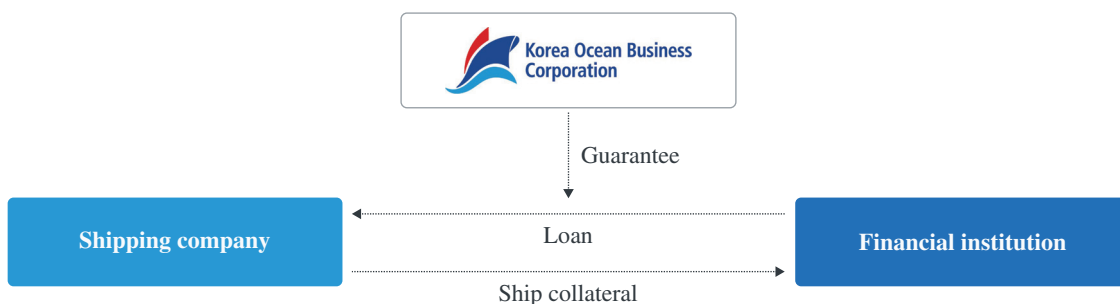


In furtherance of public policy considerations and the Government's broader objectives to prevent the ships of domestic shipping companies from being sold to foreign shipyards or lease companies at a bargain price in the period of economic downturn, the Company has so far acquired a total of 15 ships in BBC structure and plans to establish a subsidiary dedicated to securing additional ships of up to 50 ships by 2026.

Debt Guarantees

Shipping companies are generally required to pledge their ships as collaterals for their borrowing from third-party financial institutions. In order to prevent such collateralized ships from being turned over to creditors in the event of default and to help domestic shipping companies to secure financing more easily and on more favorable financial terms, the Company provides debt guarantees that typically cover at least 95% of the underlying loan amount of the borrowing shipping companies. The amount of such guarantee provided by the Company was approximately Won 190 billion in 2021 and Won 155 billion in 2022.

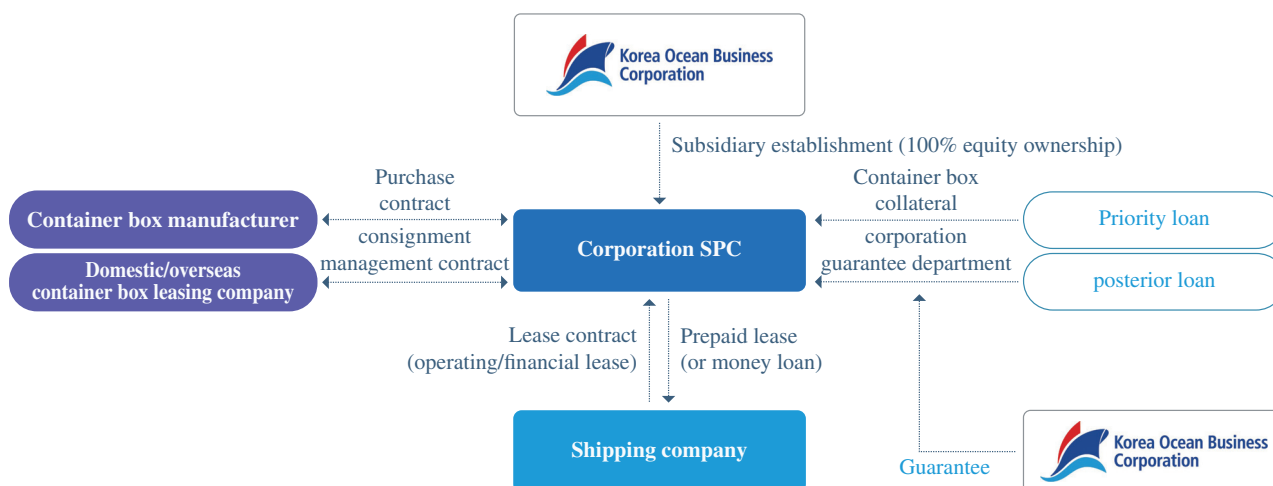
Debt Guarantee



Container Box Lease Program: The Company helps to reduce financial and operational costs and uncertainties of Korean shipping companies by ensuring a stable supply of container boxes via its container box lease program. The total amount of investment made by the Company under its container box lease program was approximately Won 19 billion in 2021 and Won 51 billion in 2022 involving a total of approximately 3,500 and 18,000 container boxes in 2021 and 2022, respectively.

Under its lease platform model, the Company utilizes an SPC, which is a wholly-owned subsidiary of the Company, as a direct contracting party in various types of agreements, including purchase agreements with container box manufacturers and consignment operating agreements with domestic and international container box leasing companies. The SPC secures funding from third-party financial institutions, and due to high credit rating of the Company, who acts as a guarantor for the SPC, the SPC is able to secure funding at low interest rates. Ultimately, by entering into lease agreements with the Company's SPC, domestic shipping companies can secure a large amount of container boxes at rates that are more favorable than the prices that they can get on their own and also often at shorter notice.

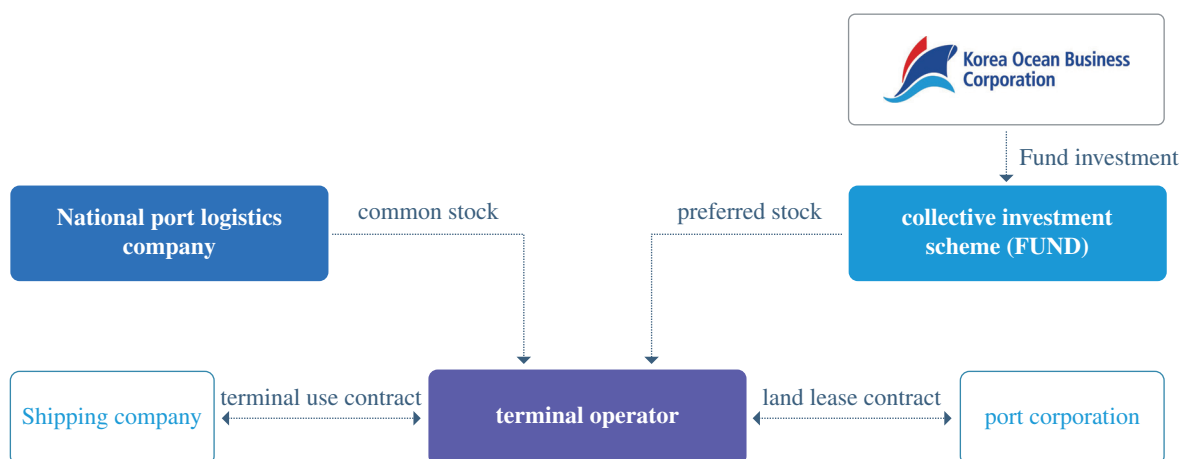
Container Box Lease Program



Investment in Port Authorities, Terminals and Logistics Warehouses: The Company invests in various port authorities, terminals and logistics warehouses, including container yards and container freight stations, in Korea and worldwide, such as Malaysia and Singapore, in order to support Korean shipping companies and port operators to secure domestic and overseas logistics networks and to reinforce coordination with global terminal operators. The total amount of investment made by the Company in port authorities, terminals and logistics warehouses was Won 16.5 billion in 2021 and Won 180 billion in 2022.

When investing in port and logistics sector, the Company usually invests through an acquisition of beneficiary securities of a private project fund, which is formed for the purpose of investing in stocks, mezzanine securities, bonds of domestic and foreign port terminals and logistics warehouses.

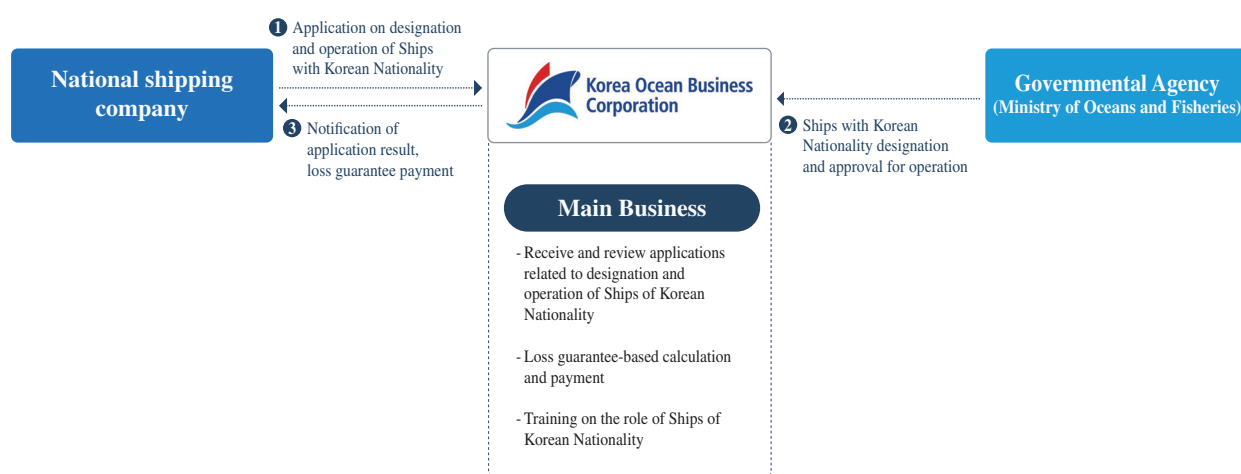
Equity Investment in Port Authority



Non-Financial Support

National Mandatory Maritime System: The Company supports the Government's implementation of the Act on Maintaining Marine Transportation and Port Functions to Prepare for Emergencies, according to which at least 88 ships of domestic shipping companies are designated as the "national mandatory maritime ships" in order to ensure that a minimum number of ships are in operation per government mandate even in times of economic downturn or national emergency. The designated "national mandatory maritime ships" are committed to maintain operation at least for 320 days a year and also keep the number of their foreign crewmen onboard to below six at all times in exchange of government subsidies from the MOF as well as discounts on usage fees for certain port facilities. On behalf of the MOF, the Company accepts and reviews applications from domestic shipping companies for designation, calculates the amount of government subsidies to be distributed, executes the actual distribution of government subsidies to the selected shipping companies and provides training on the roles and responsibilities of "mandatory ships". For the year ended December 31, 2022, the Company executed subsidies to a total of 88 ships designated as "national mandatory maritime ships".

National Mandatory Maritime System



Certified Excellent Shipping Company and Shipper ("CESS"): The Company accepts and reviews applications for CESS mark which is granted by the MOF and designed to promote cooperation and eliminate unfair maritime market practice among Korean shipping companies and shippers. The Company is the only certification center authorized by the MOF and has in place the CESS Certification Committee comprised of three committee members. The CESS Certification Committee evaluates the eligibility of CESS applicants and refers its review opinion to the MOF for final determination. The benefits to certified shipping companies and shippers include favorable interest rates for financing support, bonus points for government project biddings and discounts on port dues, among others.

Publication of Freight Charge and Fare Information and Call Center for Reporting of Unfair Maritime Market Practice: Under the Port Management Information System ("PORT-MIS"), the Government requires certain shipping companies to post their freight charge and fare information on a quarterly basis in order to prevent unfair maritime market practice and excessive competition. Also, the PORT-MIS publicizes the information of common freight charges and fares that are levied on shipping companies. Entrusted by the MOF, the Company monitors the postings on PORT-MIS and also evaluates eligibilities of certain shipping companies for grant of waiver. All information on PORT-MIS is available to the public free of charge. In addition, together with the MOF, Korea Shipowners' Association and Korea International Trade Association, the Company runs a call center for reports of unfair maritime market practices.

Hosting of Maritime Forum and Conferences and Training of Maritime Professionals: As part of its investment into Korean maritime transport industry, the Company also sponsors hosting of forums and conferences at which domestic and international experts, global maritime research institutes and financial institutions are invited to discuss industry trends and major developments in ship financing, maritime transport and shipbuilding sectors. The Company has hosted its annual KOBIC Maritime Conference every year since 2019. Furthermore, the Company offers government-subsidized training programs targeting maritime port logistics professionals and also plans to collaborate with other educational institutes for the training of ship financing professionals via its self-funded training programs.

Maritime Transport Market Information Provider: The Company has built integrated maritime data base platform that provides the latest on maritime transport industry trends and other useful information. Such platform is easily accessible by the public via popular SNS channels such as Kakao Talk. The Company also publishes free daily, weekly, quarterly and yearly periodicals on market conditions as well as occasional in-depth market analysis reports on key topics in the industry.

Maritime Data Base Platform

한국해양진흥공사
친구 1,727

한국해양진흥공사 공식 해운시황 정보 채널
해운정보서비스입니다.

소식

소식 최신

Weekly Market Report
Weekly Summary
Drybulk: Easter Week
Tanker: OPEC+ 감산, 시장 심리 위축
Container: 북미노선 상승 전환
Sale & Purchase: 신조선가 경제 지속

Macro Indicators
Foreign Exchange: USD Index & CNY
Interest Rates: US 10 Year Treasury & SHIBOR
Commodity Index: Bloomberg & Reuters Commodity Index
Stock Market: Dow Jones & Shanghai Composite Index

(일간) 4/10 KOBC 건화물선
시황 보고서
KOBC Drybulk Daily Rep...

(주간) 4/10 KOBC 주간 통
합 시황 보고서
KOBC Weekly Market Re...

Korea Ocean Business Corporation
Apr 10, 2023

Weekly Market Report

본 리포트는 최신 시장 정보를 위한 정보 제공을 목적으로 발행하는 것으로 법적 책임 소재 등에 대한 책임은 수 없습니다.

Weekly Summary

Drybulk	Easter Week
Tanker	OPEC+ 감산, 시장 심리 위축
Container	북미노선 상승 전환
Sale & Purchase	신조선가 경제 지속

Macro Indicators

Foreign Exchange
USD Index & CNY

Interest Rates
US 10 Year Treasury & SHIBOR

Commodity Index
Bloomberg & Reuters Commodity Index

Stock Market
Dow Jones & Shanghai Composite Index

Vessel Value Assessment Services: The Company provides objective and credible ship valuation services to domestic shipping and ship financing companies on the value of their assets and collaterals. The Company utilizes independent and data-driven quantitative indices as well as professional panelists to secure objectivity and also regularly collaborates with other global maritime forecasting and strategic advisors such as Vessels Value and MSI for added technical expertise. The Company has MOUs in place with Vessels Value since February 2019 and MSI since May 2019.

Announcement and Development of Shipping Indexes: In order to better serve the needs of Korean shipping companies for more accurate freight fare indexes for container ship routes and drybulk ships, the Company developed KOBC Container Composite Index (“KCCI”) and KOBC Drybulk Composite Index (“KDCI”) in 2022 and 2020, respectively.

The KCCI is a weekly freight index that reflects the actual port traffic and freight charges on 13 routes departing to Asia, North America and Europe from Busan, Korea’s largest port on the country’s southeast coast. The Company publishes KCCI on its website every Monday at 2:00 pm and utilizes freight charge data provided by logistics companies and shipping companies registered with the Company for the index. The KCCI addresses the problems posed by traditional Shanghai Containerized Freight Index which is more centered on China departing cargo data and thus lacks accuracy for Korean shipping companies.

The KDCI is a daily freight index for 27 routes of four different ship sizes and is published on the Company’s website every day.

Capital Adequacy and Asset Quality

The Company calculates its capital adequacy ratio by dividing its total capital by risk-weighted assets, which is similar to the calculation method used by banks. The Company's Risk Management Committee sets a target minimum capital adequacy ratio each year in light of the general economic conditions, which is generally higher than the minimum capital adequacy ratio statutorily required under the KOBC Supervision Regulations. As of December 31, 2022, the Company maintained capital adequacy ratio of 26.13%, which was significantly higher than the minimum capital adequacy ratio of 8.0% required under the KOBC Supervision Regulations.

	As of December 31, 2022
	(In billions of Won, except for percentages)
Total capital ⁽¹⁾	7,376
Risk-weighted assets	28,231
Capital adequacy ratio	26.13%

(1) Defined as a sum of common equity capital, other basic capital and supplementary capital.

In order to prevent a decline in the quality of its financial assets, the Company classifies its assets into five classes of normal, precautionary, substandard, doubtful and estimated loss, as Korean banks are generally required under the asset classification guidelines of the FSC. The amount of the Company's total exposure decreased from Won 15,930 billion in 2021 to Won 13,303 billion in 2022 while the ratio of the Company's non-performing assets, which refer to assets classified as substandard or below, to total assets remained stable at 0.24% as of December 31, 2021 and 2022, respectively.

	As of December 31, 2021	As of December 31, 2022
	(In billions of Won, except for percentages)	
Normal	₩15,600	₩13,271
Precautionary	292	—
Substandard	32	13
Doubtful	—	—
Estimated Loss	6	19
Total	15,930	13,303
NPL Ratio⁽¹⁾	0.24%	0.24%

(1) Refers to ratio of the Company's non-performing assets, which refer to assets classified as substandard or below, to its total assets

Pursuant to the KOBC Supervision Regulations, the Company also sets aside different levels of allowance based on the quality of the underlying financial asset and maintains the ratio of allowance for non-performing assets to non-performing assets at a level that is significantly higher than the minimum level of 100.0% required under the KOBC Supervision Regulation. The Company's ratio of allowance for non-performing assets to non-performing assets was 213% and 216% as of December 31, 2021 and 2022, respectively.

	As of December 31, 2021	As of December 31, 2022
	(In billions of Won, except for percentages)	
Non-performing assets	₩ 38	₩ 32
Allowance for non-performing assets	81	70
Ratio of allowance for non-performing assets to non-performing assets	213%	216%

Risk Management

The Company maintains an effective risk management process that is implemented across various functions and levels within the Company.

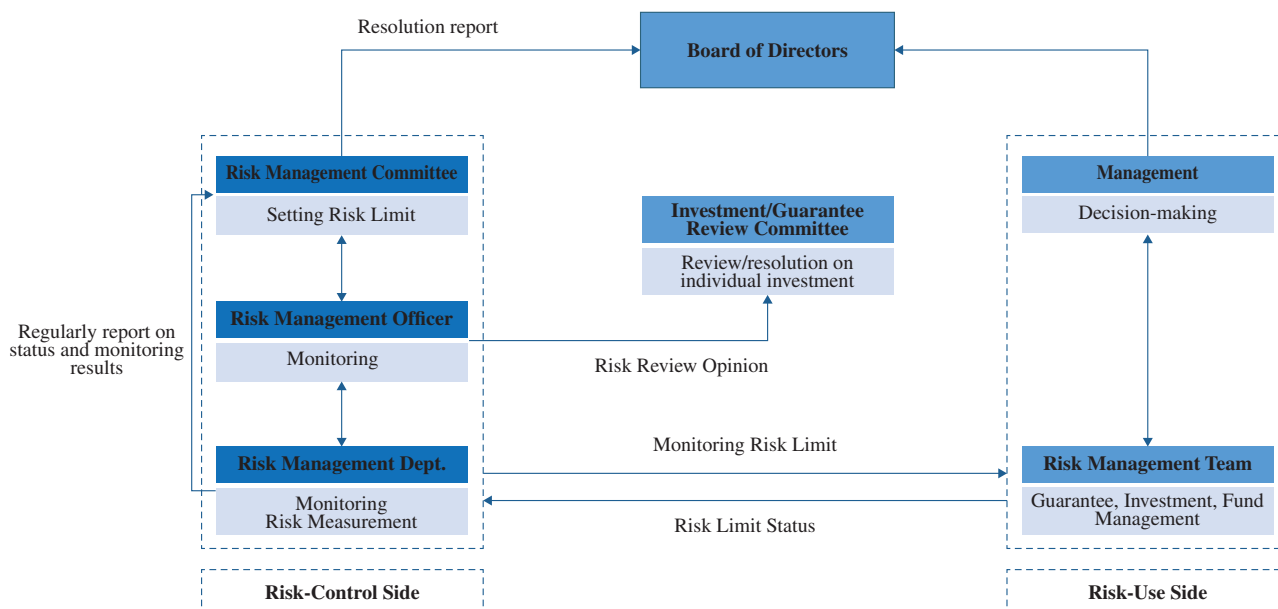
The overall responsibility of the Company's credit risk management rests with its Risk Management Committee, which was established by the board of directors of the Company. The Risk Management Committee meets regularly and reports directly to the board of directors of the Company and the Chairman of the Risk Management Committee is appointed by the board of directors of the Company.

In addition to the Risk Management Committee, the Company also maintains designated risk management personnel and departments that monitor the status on an ongoing basis.

As part of its risk management process, the Company maintains rigorous credit risk limits at both individual level for each project and collective level for all projects, assesses and analyzes credit and repayment capability of its investment or guarantee beneficiaries and constantly monitors profitability targets to maintain a healthy asset portfolio. For example, the Company implements a stress test methodology and has created stress test models for each of the Company's projects. By performing extensive simulations under the stress test methodology using a variety of assumptions relating to major macro-economic indicators such as probability of default and levels of interest rate and exchange rate, the Company tests the resilience and financial health of its assets under negative market conditions and other scenarios.

When undertaking a new investment or guarantee, the Company performs initial credit check based on investment or guarantee applications and required supporting documents. Following the initial credit check, the application undergoes a thorough and standardized credit assessment process with the individual risk management personnel, who screens the applicant and delivers its review opinion to Risk Management Committee and Investment/Guarantee Deliberation Committee. The Risk Management Committee sets a risk limit to the project under review while the Investment/Guarantee Deliberation Committee decides either to reject or approve the application. Ultimately, the application will be (i) approved and a credit limit will be set; (ii) rejected; or (iii) reconsidered after additional or supplemental documentation is provided to the Company.

Risk Management Organization Chart



Properties

The Company's registered office and corporate headquarters are located at 38, Marine city 2-ro, Haeundae-gu, Busan, Korea. The Company also owns and leases additional office space and housing facilities for its employees in Busan and Seoul.

Type	Location	Size (m ²)	Ownership Since/Effective Lease Term	Usage
Owned	Busan	26.86	December 28, 2018	Housing facility for employees
	Busan	29.02		
	Busan	26.86		
	Busan	39.29		
	Busan	27.23	December 23, 2020	Housing facility for employees
	Seoul	28.80		
	Busan	1,430.78	January 22, 2015	Leased to Korea Housing-Finance Corporation
Leased	Busan	5th Floor: 1,032.22 6th Floor: 450,31 7th Floor: 2,378.25	5th Floor: From October 1, 2021 till July 10, 2023 6th Floor (Room 606 – 607): From January 17, 2022 till July 10, 2023 7th Floor: From July 11, 2021 till July 10, 2023	Headquarters
	Seoul	197	From May 1, 2020 till April 30, 2023 ⁽¹⁾	Office space
	Busan	85.95	From May 2, 2021 till July 15, 2023	Housing facility for Head Director
	Busan	83.01	From July 1, 2020 till July 15, 2023	Housing facility for Head Director
	Busan	85.00	From March 16, 2021 till July 15, 2023	Housing facility for officers and directors
	Busan	84.48	From August 20, 2021 till August 19, 2024	Housing facility for officers and directors

(1) The lease is subject to renewal upon expiration of the current lease term.

Information Technology

The Company relies on its information technology (“IT”) systems for its daily operations, including billing and accounting, risk assessment and management, client service support and recordkeeping. The Company established and is in operation of a comprehensive information platform specialized in ship financing and adheres to strict government standards of data security and protection of personal data required under the applicable laws and regulations. All customer and ship financing related data and servers are subject to protection from security breaches through extensive security systems and firewall software. The Company continually upgrades its security systems for handling personal and other sensitive data relating to its customers and partners in order to minimize the risk of leakage of confidential customer information. The Company is also in the process of establishing a cloud-based IT platform for enhanced accessibility and data security against potential incidents and security breaches.

Insurance

The Company maintains insurance to cover risks associated with the ordinary operation of its business, including fidelity guarantee coverage for its employees and liability insurance coverage for its directors and officers, as well as comprehensive fire damage insurance for its headquarters and offices. All of its policies are underwritten with reputable insurance providers in Korea and the Company is not delinquent on any of its insurance payments. The Company does not anticipate having any significant difficulties in renewing any of its material insurance policies.

Employees

As of December 31, 2022, the Company had 173 regular employees and 16 contract employees.

Some of the Company's eligible employees are members of its labor union. The Company negotiates a collective bargaining agreement as well as a wage agreement on an annual basis with its labor union. The latest collective bargaining agreement came into effect in July 2021 for a one-year term. The collective bargaining agreement is automatically renewed every year unless a proposal for the revision of the agreement is submitted 30 days in advance of the expiration of the latest collective bargaining agreement. The collective bargaining agreement provides for, among other things, various employment benefits, the scope of union activities and negotiation procedures. The Company has not experienced any strikes, work stoppages, labor disputes or actions which affected the operation of any of the Company's businesses, and the Company considers its relations with its workforce to be generally good.

Legal Matters

The Company is involved from time to time in legal proceedings arising in the ordinary course of its business, including claims and pending actions against the Company seeking damages or clarification of legal rights and regulatory inquiries regarding business practices.

The Company is not a party to any legal or administrative proceedings and no proceedings are known by the Company to be contemplated by governmental authorities or third parties, which, if adversely determined, may have a material adverse effect on the Company's results of operations or financial condition.

Consolidated Subsidiaries And Affiliates

As of the date of this Offering Circular, the Company holds 19.96% of the outstanding shares of HMM, an affiliate of the Company.

The Company's consolidated subsidiaries as of December 31, 2022 were comprised of 61 SICs, 71 SPCs and one private equity fund established to support the Company's ship financing projects in Korea and Hong Kong and as part of the Company's risk management strategy to isolate potential financial risk involved with various financing projects.

For further description of the Company's subsidiaries, affiliates and related party transactions, see Note 1 of the notes to the audited financial statements of the Company as of and for the years ended December 31, 2021 and 2022 included elsewhere in the Offering Circular.

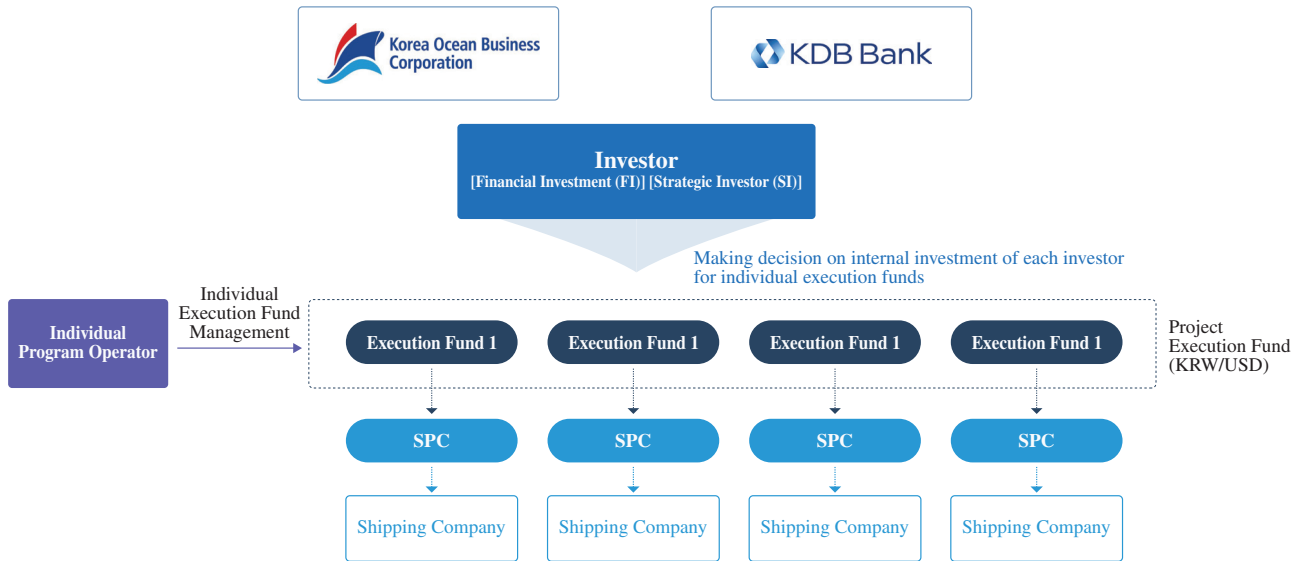
Environment

Support to Acquire or Convert to Eco-friendly Ships and Facilities

In response to ever-growing concerns over the environment and the increased environmental awareness that resulted in more stringent environmental standards and regulations by international governing bodies such as IMO, the Company provides various forms of investment, subsidy and guarantee to domestic shipping companies seeking to make transitions to more eco-friendly business models. As of December 31, 2022, the Company provided a total of approximately Won 742 billion in investments, guarantees and subsidies to 50 domestic shipping companies to support their acquisition of or conversion to eco-friendly ships or facilities.

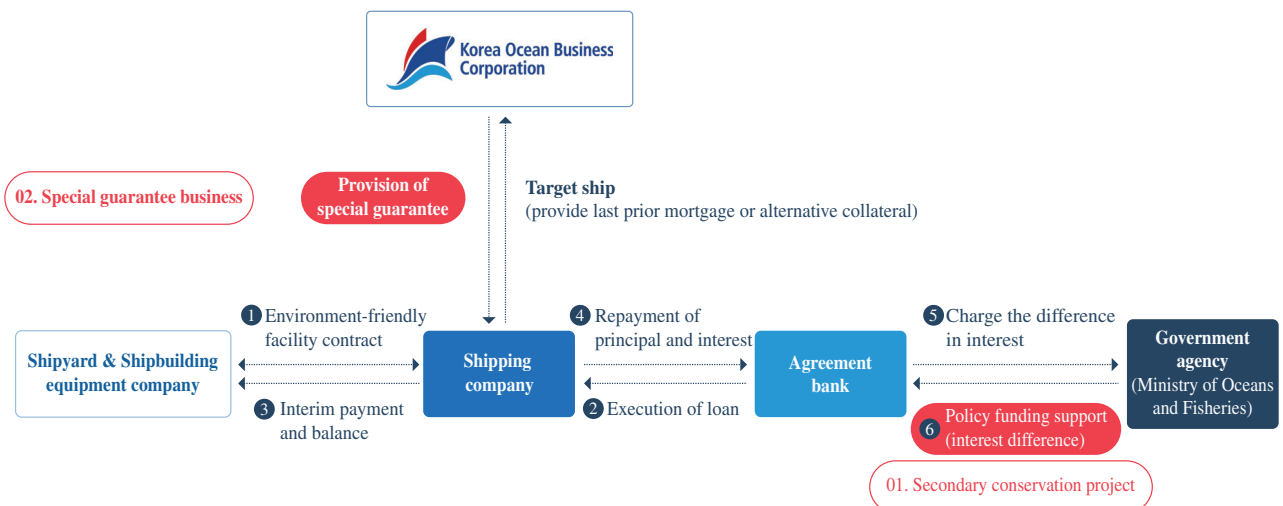
For supporting the acquisition of eco-friendly ships by domestic shipping companies, the Company provides subsidies in the amount of up to 10% of the purchase price of a new ship to eligible shipping companies who are trying to replace their aged ships with new eco-friendly ships. Furthermore, the Company runs a joint financing program with KDB whereby the Company and KDB as financial or strategic investors make joint investment decisions in managing project funds that provide financing to SPCs to support purchase of eco-friendly ships by domestic shipping companies.

Joint Financing with KDB



In addition to providing financing support for the purchase of new eco-friendly ships, the Company also runs a special guarantee program in collaboration with the MOF under which domestic shipping companies seeking to finance the conversion of their old facilities to certain eligible eco-friendly models can benefit from low interest rate which is usually lower by up to 2% compared to the prevailing market rate. In order to secure such lower interest rate, the Company collaborates with the MOF whereby the Company guarantees up to 100% of the borrower's total loan commitment while the MOF compensates the financial institutions for the spread difference between the low interest rate offered to the borrower and the normal market rate. While most of the traditional guarantees involving shipping companies require the shipping companies to pledge their ships as collaterals, the guarantees provided by the Company under this special guarantor program usually do not require the posting of any collaterals, except in certain instances involving BBCHP.

Special Guarantee Program with the MOF



MANAGEMENT

The Company's articles of incorporation currently provide for one chief executive officer, one standing director, up to six non-standing directors and one auditor. Pursuant to the articles of incorporation, more than half of the members of the board of directors shall consist of non-standing directors. All non-standing directors are independent. The directors have terms of two years, with the exception of the president of the Company, whose term is for three years. The activities within the discretion of the board of directors are subject to applicable Korean laws, including the KOBC Act, as well as the Company's articles of incorporation and its internal regulations, and include establishing the budget, issuing debentures and amending the Company's articles of incorporation when necessary.

The president of the Company represents the Company, oversees its operations and thus administers most of the day-to-day business that is not specifically designated as a responsibility of the board of directors. The Company's president is responsible for the Company's overall management and must enter into a management contract with the Company pursuant to which the president must meet a certain minimum level of performance each year. Under the articles of incorporation of the Company, if the Minister of the MOF determines that the president's ability to perform its duties have been seriously impaired (due to reasons such as the president's violation of applicable laws or the Company's articles of incorporation, or the president's failure to diligently perform its duties), the Minister of the MOF may dismiss the president by way of a resolution of the Company's board of directors.

Under the articles of incorporation of the Company, an officer recommendation committee ("**Officer Recommendation Committee**") recommends a pool of presidential candidates. After deliberations on the recommended candidates, the Minister of the MOF appoints the Company's president.

The standing directors, who are appointed by the president of the Company, assist the president and serve as executive officers of the Company. The non-standing directors are appointed and removed by the Minister of the MOF from a pool of candidates recommended by the Officer Recommendation Committee. Each director is responsible for reviewing the proposed agenda and participating in the voting process.

Pursuant to the articles of incorporation of the Company or, if applicable, as mandated by applicable laws, the board of directors of the Company may establish resolution committees tasked to carry out various management functions. The Officer Recommendation Committee and the Risk Management Committee have been established pursuant to the articles of incorporation of the Company. The Company's board of directors does not currently maintain a remuneration committee and an audit committee.

The articles of incorporation of the Company require that the board of directors of the Company establish a risk management committee (the "**Risk Management Committee**") and the regulations on the Risk Management Committee require that such committee be composed of three directors and that more than half of the committee members consist of non-standing directors. The Risk Management Committee is currently composed of one standing director and two non-standing directors. The Risk Management Committee is responsible for risk management involved with the businesses and operations of the Company and is charged with establishing risk management principles and internal policies, determining appropriate risk and exposure levels and monitoring and evaluating compliance with the overall risk management framework.

The Officer Recommendation Committee is responsible for the selection and recommendation of candidates to serve as the president, directors and auditor of the Company. The regulations on the operation of Officer Recommendation Committee require that such committee be composed of non-standing directors and members appointed by the board of directors, which must not be less than one third of the total members of the Committee. The regulations also provide for the Officer Recommendation Committee of five to ten members, not less than half of whom must be non-standing directors.

The directors' address is 38 Marine City 2-ro, Haeundae-gu, Busan 48120, Korea. Summary biographical information regarding the Company's directors is set out below.

Name	Age	Title	Position Held Since
Yang-Soo Kim	55	Standing Director; President and Chief Executive Officer	August 2021
Woo-Ho Kim	60	Standing Director	August 2022
Byung-Tae Kang	63	Non-standing Director	July 2021
Sang-Yeol Kim	53	Non-standing Director	July 2021
Jae-Geun Seol.....	58	Non-standing Director	July 2021
Sam-Dong Park.....	69	Non-standing Director	December 2022
Jin-Soo Lee	58	Non-standing Statutory Auditor	July 2021

Yang-Soo Kim has served as a standing director, acting president and chief executive officer of the Company since August 2021. He previously served as the vice minister of the MOF. Mr. Kim holds a Ph.D. in logistics from Incheon University and a master's degree in marine affairs from University of Washington.

Woo-Ho Kim has served as a standing director of the Company since August 2022. He previously served as the managing vice president at Korea Maritime Institute. Mr. Kim holds a Ph.D. in economics from Kyeongpook National University and a master's degree in public policies from University of Birmingham.

Byung-Tae Kang has served as a non-standing director of the Company since July 2021. Mr. Kang is currently a visiting professor at Korea Maritime University and previously served as the vice president of the Korea Trade Insurance Corporation. Mr. Kang holds a Ph.D. in business administration from Korea Maritime University.

Sang-Yeol Kim has served as a non-standing director of the Company since July 2021. Mr. Kim is currently a professor at the Graduate School of International Studies at Pusan University. He previously served as an assistant professor at Dongeui University. Mr. Kim holds a Ph.D. in international logistics from Cardiff University.

Jae-Geun Seol has served as a non-standing director of the Company since July 2021. Mr. Seol is currently the representative director of Fresco International and previously served as a managing director of Hyundai Cosmo Petrochemical. Mr. Kim holds a master's degree in Chinese economy from Seoul National University.

Sam-Dong Park has served as a non-standing director of the Company since December 2022. Mr. Park is currently the chairman of the Life Sharing Foundation. He previously served as a member of the 10th and 11th Local Council of Gyeongsangnam-do. Mr. Park holds a master's degree in public administration from Kyungnam University.

Jin-Soo Lee has served as a non-standing statutory auditor of the Company since July 2021. Mr. Lee is currently a professor at Pukyong National University. He previously served as a non-standing director and audit committee member of the Port Committee at Busan Port Authority. Mr. Lee holds master's and doctorate degrees in business administration from Pusan National University.

Compensation of Directors and Executive Officers

The aggregate remuneration paid and benefits in kind granted to the Company's directors and executive officers was Won 1.0 billion in 2022. As of December 31, 2022, no loans were granted by the Company to its directors and executive officers.

REGULATION

The Company was established as a statutory juridical entity under the KOBC Act and is subject to the KOBC Act and the rules and regulations thereunder. The Company is also subject to all general rules and regulations applicable to corporations under the Commercial Code of Korea, unless otherwise provided for in the KOBC Act and the Act on the Management of Public Agencies (“MOPA”).

The KOBC Act

Under the KOBC Act, the Company was established as a statutory juridical entity for the purposes of supporting Korean shipping companies with acquisition of vessels and securing access to liquidity; providing such services as necessary for the growth of the Korean maritime transport industry; and strengthening Korea’s competitiveness in the industry. In order to achieve these objectives, the KOBC Act allows the Company to undertake, among others, the following activities:

- investment in assets related to the shipping and port services sectors, such as vessels and terminals;
- provision of guarantees in relation to financial indebtedness incurred by a person engaged in the shipping and port services sectors (as defined in the KOBC Act) (i) for the purposes of acquiring the above-mentioned assets or (ii) which financial indebtedness has been secured by the above-mentioned assets;
- in circumstances where support for the shipping and port services sectors is necessary (such as economic or social emergencies), providing guarantees in relation to financial indebtedness extended by a “financial company, etc.” (as defined therein) under the Credit Guarantee Fund Act to a person engaged in the shipping and port services sectors (as defined in the KOBC Act);
- provision of tender guarantees and performance guarantees in relation to freight contracts entered into by a person engaged in the shipping and port services sectors (as defined in the KOBC Act);
- acquisition of, and intermediation with respect to, bonds and securities related to the shipping and port services sectors;
- acquisition, management, disposal and accepting delegations thereof concerning vessels, terminals and other assets related to the shipping and port services sectors;
- performing the functions of a specialized maritime industry supporting institution (as referred to in the KOBC Act);
- nurturing of professional talent in relation to shipping, port services and logistics;
- research and studies in relation to the above functions;
- performance of such functions as may be delegated to it by national, regional and other public institutions;
- provision of support funds for persons engaged in the shipping and port services sectors (as defined in the KOBC Act) pursuant to government policies;

Other than the functions described above, the Company (by way of resolution of its board of directors) is permitted to provide finance or investment to corporate entities engaged in functions similar to the above.

Under the KOBC Act, the MOF is granted the power to direct and supervise the Company’s activities in accordance with the MOPA.

The Company (with the approval of the MOF) (as defined in the KOBC Act) may issue certain bonds for its business purposes in an aggregate principal amount not exceeding 400% of the sum of the Company's capital and reserve at any time. In order to proceed with such bond issuances, the Company must (prior to the occurrence of any bond issuances for the relevant year) (i) prepare a memorandum for all bond issuances proposed to take place in the relevant year (specifying such matters as use of proceeds, manner of issuance, aggregate principal amount, nominal value and interest rate for the bonds concerned) and (ii) have such memorandum approved by its board of directors as well as by the MOF. With the approval of its board of directors, the Company is able to raise finance or acquire assets as may be necessary for the performance of its functions. The Government may guarantee the repayment of the principal and interest on loans and bonds incurred or issued (as applicable) by the Company. For the avoidance of doubt, the Notes subject to this offering circular are not being guaranteed by the Government.

The Company's annual net losses for each fiscal year shall be debited to its reserve funds. If such reserve funds are not sufficient to cover the losses, the Government may assume the remaining losses.

Legislation Relating to the Operation and Management of the Company

The MOPA

The KOBC Act stipulates that, for matters within the purview of the KOBC Act and the MOPA, such matters be governed by such legislation; and that, for all other matters, the regulations applicable to limited companies (as defined therein) under the Commercial Act be applied to the Company. As a non-classified public agency under the MOPA, the Company is required to publicly disclose many aspects of its affairs including, among others, the objectives of management, its budget and business plan, its financial statements and supplementary documents, status of personnel including directors and officers, its articles of incorporation, its bond register, its internal regulations and the minutes of the board of directors (but confidential information on the management provided for in the minutes of board of directors need not be disclosed to the public) and the audit report of its auditor.

Regulations on Contractual Business of Non-Classified Public Agency

Contracts entered into by the Company must conform to the Regulations on Contractual Business of Non-Classified Public Agency (the "**Regulations on Contractual Business**") determined by the MOEF in accordance with MOPA. According to the Regulations on Contractual Business, if it is deemed necessary for the business characteristics of non-classified public agencies or for fairness and transparency, or if there are any other inevitable reasons, a standard or procedure different from those set forth in the Regulations on Contractual Business may be newly established with the approval of the MOEF. For those matters not specified in the Regulations on Contractual Business, the laws relating to contracts entered into by the Government will be applied. In principle, contracts must be made through open bids, but if it is deemed necessary, nominated competitive bids or private contracts may also be made.

TAXATION

Korean Taxation

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

The taxation of non-resident individuals and non-Korean corporations (“**Non-Residents**”) depends on whether they have a “permanent establishment” (as defined under Korean law and applicable tax treaties) 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.

Income Tax and Corporation Tax on Interest

Interest on the Notes paid to Non-Residents is exempt from income tax and corporation tax (whether payable by withholding or otherwise) pursuant to the Special Tax Treatment Control Law (the “**STTCL**”), provided that the Notes are “foreign currency denominated bonds” issued outside of Korea under the STTCL. The term “foreign currency denominated bonds” in this context is not defined under the STTCL. In this regard, the Korean tax authority issued an authoritative ruling to the effect that “Notes Issuance Facility, USCP, Euro CP and Banker’s Acceptance, etc.” are not treated as “foreign currency denominated bonds.”

If not exempt under the STTCL, the rate of income tax or corporation tax applicable to interest or any premium on the Notes, for a Non-Resident, is currently 14%. In addition, a tax surcharge, called a local income tax, is imposed at the rate of 10% of the income or corporation tax (raising the total tax rate to 15.4%).

The tax rates may be reduced by applicable tax treaty, convention or agreement between Korea and the country of the recipient of the interest. The relevant tax treaties are discussed below. Effective July 1, 2012, in order to obtain the benefit of the reduced withholding tax rates available under the relevant tax treaties, a Non-Resident holder should submit an application for entitlement to reduced tax rate to the payor of the interest.

In order to obtain the benefit of a tax exemption available under applicable tax treaties, a Non-Resident holder should submit an application for exemption to the payor of the interest, together with a certificate of the Non-Resident holder’s tax residence issued by a competent authority of the Non-Resident holder’s residence country. The payor of the interest is required to submit the application for exemption together with the certificate of the Non-Resident holder’s tax residence to its district tax office no later than the ninth day of the month following the month in which the interest is paid. However, this requirement does not apply to exemptions under Korean tax law.

Capital Gains Tax

The Korean tax laws currently exclude from Korean taxation gains made by a Non-Resident from the sale of Notes to another non-resident (other than to the other non-resident’s Permanent Establishment in Korea). In addition, capital gains earned by a Non-Resident from the transfer outside Korea of the Notes are currently exempt from taxation by virtue of the STTCL, provided that the issuance of the Notes is deemed to be an overseas issuance.

In the absence of an applicable tax treaty or any other special tax laws reducing or eliminating the capital gains tax, the applicable rate of tax is the lower of 11% (including local income tax) of the gross realization proceeds (the “**Gross Realization Proceeds**”) and (subject to the production of satisfactory evidence of the acquisition cost and certain direct transfer cost of the relevant Notes) 22% (including local income tax) of the gain made. There is no provision under the relevant Korean law for offsetting gains and losses or otherwise aggregating transactions for the purpose of computing the net gain attributable to sales of securities of Korean companies.

The purchaser or any other designated withholding agent of Notes is obliged under Korean law to withhold the applicable amount of Korean tax and make payment thereof to the relevant Korean tax authority. Unless the seller can claim the benefit of an exemption from the tax under an applicable tax treaty, in the absence of the seller producing satisfactory evidence of his or her acquisition cost and certain direct transfer cost in relation to the Notes being sold, the purchaser or such withholding agent must withhold an amount equal to 11% of the Gross Realization Proceeds. Any amounts withheld by the purchaser or such withholding agent must be paid to the relevant Korean tax authority no later than the tenth day of the month following the month in which the payment for the sale of the relevant Notes occurred. Failure to transmit the withheld tax to the Korean tax authorities in time technically subjects the purchaser or the withholding agent to penalties under Korean tax laws and a Non-Resident who is liable for payment of any Korean tax on gains, either as a seller of Notes or as a purchaser or the withholding agent who is obliged to withhold such tax, is subject to the Korean tax authorities seeking enforcement through attachment of, or other legal proceedings against, payments due to it from its Korean investments and to enforcement against the assets or revenues of any of the Non-Resident's branch or representative offices in Korea.

In addition, in order to obtain the benefit of a tax exemption available under applicable tax treaties, a Non-Resident holder should submit to the purchaser or the withholding agent an application for exemption, together with a certificate of the Non-Resident holder's tax residence issued by a competent authority of the Non-Resident holder's residence country. The purchaser or the withholding agent is required to submit the application for exemption together with the certificate of the Non-Resident holder's tax residence to its district tax office no later than the ninth day of the month following the month in which sale proceeds are paid. However, this requirement does not apply to exemptions under Korean tax law.

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 or her death he or she was domiciled in Korea or had resided in Korea for at least 183 days immediately prior to his or her death and (b) all property located in Korea which passes on death (irrespective of the domicile or residence of the deceased). Gift tax is imposed under similar circumstances as aforementioned at the time the gift is made. The taxes are imposed if the value of the relevant property is above a certain limit and the rate varies from 10% to 50% according to the value of the property and the identity of the parties involved. At present, Korea has not entered into any tax treaties regarding its inheritance or gift taxes.

Under the Korean inheritance and gift tax laws, notes 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 Notes by inheritance or gift. Prospective purchasers should consult their personal tax advisers regarding the consequences of the imposition of the Korean inheritance or gift tax.

Stamp Duty and Securities Transaction Tax

No stamp, issue or registration duties will be payable in Korea by Non-Resident holders of Notes in connection with the issue of the Notes 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 Notes.

Tax Treaties

At the date of the 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 and the United States of America under which the rate of withholding tax on interest is reduced, generally to between 5% and 16.5% (13.2% under the treaty with the United States) (including local income surtax), and the tax on capital gains is often eliminated (as it is generally under the treaty with the United States).

Each Non-Resident holder should enquire for himself whether he is entitled to the benefit of a tax treaty. It is the responsibility of the party claiming the benefits of a tax treaty in respect of interest payments to file with the Issuer a certificate as to his or her residence. In the absence of sufficient proof, the Issuer must withhold taxes in accordance with the above discussion.

Withholding and Gross-up

As mentioned above, interest on the Notes is exempt from any withholding or deduction on account of income tax or corporation tax pursuant to the STTCL. However, in the event that the Issuer is required by law to make any withholding or deduction for or on account of any Korean taxes, the Issuer has agreed, subject to certain customary exceptions, to pay such additional amounts as may be necessary in order that the net amounts received by the Noteholder after such withholding or deduction shall equal the respective amounts received by the Noteholder in the absence of such withholding or deduction.

The Proposed Financial Transaction Tax (“FTT”)

On February 14, 2013, the European Commission published a proposal (the “**Commission’s proposal**”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**participating Member States**”). However, Estonia has ceased to participate.

The Commission’s proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Under the Commission’s proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

BOOK-ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg (each a “Clearing System” and together, the “Clearing Systems”) currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but none of the Issuer nor any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the Arranger, any Dealer nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. The relevant Pricing Supplement will specify the Clearing System(s) applicable for each Series.

Book-entry Systems

DTC

DTC has advised the Issuer that it is a limited purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants (“**Participants**”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“**DTCC**”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC System is also available to others such as securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“**Indirect Participants**”).

Under the rules, regulations and procedures creating and affecting DTC and its operations (the “**Rules**”), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC’s book-entry settlement system (“**DTC Notes**”) as described below and receives and transmits distributions of principal and interest on DTC Notes. The Rules are on file with the United States Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes (“**Owners**”) have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC’s records. The ownership interest of each actual purchaser of each DTC Note (“**Beneficial Owner**”) is in turn to be recorded on the Direct and Indirect Participant’s records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co, or such other name as may be requested by an authorized representative of DTC. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to DTC Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Issuing and Paying Agent on the due date for payment in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Note, will be legended as set forth under "*Subscription and Sale and Transfer and Selling Restrictions.*"

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other. Euroclear and Clearstream, Luxembourg customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

Book-entry Ownership of and Payments in respect of DTC Notes

The Issuer and may apply to DTC in order to have any Tranche of Notes represented by a Registered Global Note accepted in its book-entry settlement system. Upon the issue of any such Registered Global Note, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Registered Global Note will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation S Global Note, the respective depositaries of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Registered Global Note accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Registered Global Note accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Note.

The Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer also expects that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Issuing and Paying Agent, the Registrar, or the Issuer. Payment of principal, premium, if any, and interest, if any, on Notes to DTC is the responsibility of the Issuer.

Transfers of Notes Represented by Registered Global Notes

Transfers of any interests in Notes represented by a Registered Global Note within DTC, Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Registered Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Registered Global Note accepted by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Registered Global Note accepted by DTC to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a direct or indirect participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under “*Subscription and Sale and Transfer and Selling Restrictions*,” cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Issuing and Paying Agent and any custodian (“**Custodian**”) with whom the relevant Registered Global Notes have been deposited.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream, Luxembourg and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Registered Global Notes will be effected through the Registrar, the Issuing and Paying Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have, in the program agreement dated April 12, 2023, as amended, supplemented and/or restated from time to time (the “**Program Agreement**”), agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes or, in the case of Definitive IAI Registered Notes, procure purchasers of Notes. Any such agreement will extend to those matters stated under “*Form of the Notes*” and “*Terms and Conditions of the Notes*” above. In the Program Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Program and the issue of Notes under the Program and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

In order to facilitate the offering of any Tranche of the Notes, certain persons participating in the offering of the Tranche may to the extent permitted by applicable laws and regulations engage in transactions that stabilize, maintain or otherwise affect the market price of the relevant Notes during and after the offering of the Tranche. Specifically, such persons may over-allot or create a short position in the Notes for their own account by selling more Notes than have been sold to them by the Issuer. Such persons may also elect to cover any such short position by purchasing Notes in the open market. In addition, such persons may stabilize or maintain the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Notes are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilization transactions or otherwise. The effect of these transactions may be to stabilize or maintain the market price of the Notes at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilizing or other transactions. Such transactions, if commenced, may be discontinued at any time. Stabilization activities are subject to certain prescribed time limits in certain jurisdictions.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and any Dealer (as described in the Offering Circular) or any affiliate of a Dealer is a licensed 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.

Certain Relationships

Certain of the Dealers and their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. Each of the Dealers may have engaged in, and may in the future engage in, various investment banking, commercial banking or advisory services in the ordinary course of business with the Issuer, its subsidiaries, jointly controlled entities, associated companies or affiliates, for which they have received and may in the future receive customary compensation. In the ordinary course of their various business activities, the Dealers or their affiliates may make or hold (on their own account, on behalf of clients or in their capacity of investment advisers) 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 and enter into other transactions, including credit derivatives (such as asset swaps, repackaging and credit default swaps) in relation thereto. Such transactions, investments and securities activities may involve securities and instruments of the Issuer or its subsidiaries, jointly controlled entities or associated companies, including Notes issued under the Program, may be entered into at the same time or proximate to offers and sales of Notes or at other times in the secondary market and be carried out with counterparties that are also purchasers, holders or sellers of Notes. The Dealers or their affiliates may purchase the Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code – 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 the relevant offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealers in respect of each offering of Notes under the Program.

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

CMIIs are informed that, unless otherwise specified in the applicable Pricing Supplement, the marketing and investor targeting strategy for such offering may include institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions and any MiFID II product governance language or any UK MiFIR product governance language set out elsewhere in this Offering Circular and/or the applicable Pricing Supplement.

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 relevant Notes (except for omnibus orders where underlying investor information should be provided to the 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. CMIIs should not place “X-orders” into the order book.

CMIIs 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.

CMIIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer. In addition, CMIIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the relevant Notes. CMIIs are informed that a private bank rebate may be payable as stated above and in the applicable Pricing Supplement, or as otherwise notified to prospective investors on or prior to the launch of an offering of Notes under the Program.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Dealers in control of the order book should consider disclosing order book updates to all CMIIs.

When placing an order for the relevant Notes, private banks should disclose, at the same time, if such order is placed other than on a “principal” basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a “principal” basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a “principal” basis may require the relevant affiliated Dealer(s) to categorize it as a proprietary order and apply the “proprietary orders” of the SFC Code to such order and will result in that private bank not being entitled to, and not being paid, any rebate.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) are requested to provide the following underlying investor information, preferably in Excel Workbook format, 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;
- the unique identification number of 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 the Managers named in the relevant Pricing Supplement.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to the OCs; (B) that they have obtained the necessary consents from the underlying investors to disclose such information to the OCs. By submitting an order and providing such information to the 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 the OCs and/or any other third parties as may be required by the SFC Code, including to the Issuers, 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 such offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in such offering. The Dealers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Dealer with such evidence within the timeline requested.

Selling Restrictions

United States of America

The Notes have not been and will not be registered under the Securities Act, or the securities laws of any state or other jurisdiction of the United States, 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 under the Securities Act.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended (the Code) and Treasury regulations promulgated thereunder. The applicable Pricing Supplement will identify whether U.S. Treasury regulation section 1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for the purposes of section 4701 of the Code) (the TEFRA C Rules) or U.S. Treasury regulation section 1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for the purposes of section 4701 of the Code) (the TEFRA D Rules) are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

Each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it will not offer, sell or deliver Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Program will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Each issuance of Notes which are also Index Linked Interest Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the relevant Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement.

European Economic Area

If the applicable Pricing Supplement in respect of any Notes includes a legend entitled “Prohibition of Sales to EEA Retail Investors” or otherwise specifies “Prohibition of Sales to EEA Retail Investors” as “Applicable”, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Program will be required to represent, warrant and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the pricing supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision, the expression “**retail investor**” means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**EU MiFID II**”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II; or (iii) not a qualified investor as defined in the EU Prospectus Regulation. Consequently no key information document required by Regulation (EU) No. 1286/2014 (the “**EU PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

If the applicable Pricing Supplement in respect of any Notes specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, in relation to each member state of the European Economic Area (each a “**Member State**”), each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Member State except that it may make an offer of such Notes to the public in that Member State:

1. at any time to any legal entity which is a qualified investor as defined in the EU Prospectus Regulation;
2. at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the EU Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
3. at any time in any other circumstances falling within Article 1(4) of the EU Prospectus Regulation,

provided that no such offer of Notes referred to in (i) to (iii) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the EU Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the EU Prospectus Regulation.

For the purposes of this provision, the expression “an offer of Notes to the public” in relation to any Notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression “**EU Prospectus Regulation**” means Regulation (EU) 2017/1129.

United Kingdom

If the applicable Pricing Supplement in respect of any Notes includes a legend entitled “Prohibition of Sales to UK Retail Investors” or otherwise specifies “Prohibition of Sales to UK Retail Investors” as “Applicable”, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Program will be required to represent, warrant and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the pricing supplement in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of the following: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “**EUWA**”); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “**FSMA**”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a “qualified investor” as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of the domestic law of the UK by virtue of the EUWA (the “**UK Prospectus Regulation**”). Consequently no key information document required by Regulation (EU) No. 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

If the applicable Pricing Supplement in respect of any Notes specifies the “Prohibition of Sales to UK Retail Investors” as “Not Applicable”, each Dealer has represented and agreed and each further Dealer appointed under the Program will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Offering Circular as completed by the Pricing Supplement in relation thereto to the public in the United Kingdom except that it may make an offer of such Notes to the public in the United Kingdom:

- (i) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation; or
- (ii) at any time to fewer than 150 persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (iii) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Notes referred to in (i) to (iii) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression “**an offer of Notes to the public**” in relation to any Notes means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes and the expression “**UK Prospectus Regulation**” means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

Other UK regulatory restrictions

Each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that:

- (a) *No deposit-taking*: in relation to any Notes having a maturity of less than one year:
 - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
 - (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
 - A. whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
 - B. who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer.
- (b) *Financial promotion*: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any 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 it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) *General compliance*: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes 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 “FIEA”) and, accordingly, each Dealer has represented and agreed that has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan or to others for re-offering or resale, directly or indirectly, in Japan or to any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws and regulations of Japan. As used in this paragraph, “resident of Japan” means any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Program will be required to acknowledge, that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act 2001 of Singapore (the “SFA”). Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Program will be required to represent, warrant and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 of Singapore, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- 1. to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;
- 2. where no consideration is or will be given for the transfer;
- 3. where the transfer is by operation of law;
- 4. as specified in Section 276(7) of the SFA; or
- 5. as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Hong Kong

Each Dealer has represented, warranted and agreed that:

- 1. it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes (except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) (the "**SFO**") other than (a) to "professional investors" as defined in 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
- 2. it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, 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 Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Korea

The Notes have not been and will not be registered under the FSCMA. Accordingly, each Dealer severally but not jointly has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that the Notes 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 Korean resident (as such term is defined in the Foreign Exchange Transactions Law of Korea and its Enforcement Decree), or to any other person for reoffering, resale or re-delivery, directly or indirectly, in Korea or to, or for the account or

benefit of, any resident of Korea, except as otherwise permitted under applicable Korean laws and regulations. Each Dealer severally but not jointly undertakes, and each further Dealer appointed under the Program will be required to undertake, to use commercially reasonable best measures as a Dealer in the ordinary course of its business so that any securities dealer to which it sells the Notes confirms that it is purchasing such Notes as principal and agrees with such Dealer that it will comply with the restrictions described above.

General

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Notes is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisors as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorized.

No action has been or will be taken in any jurisdiction by the Issuer or the Dealers that would permit a public offering, or any other offering under circumstances not permitted by applicable law, of the Notes, or possession or distribution of this Offering Circular, any amendment or supplement thereto issued in connection with the proposed resale of the Notes or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

INDEPENDENT AUDITORS

The consolidated financial statements of the Company as of and for the years ended December 31, 2021 and 2022 contained in this Offering Circular have been prepared in accordance with K-IFRS and have been audited by Nexia Samduk, independent auditors, as stated in their report appearing herein.

INDEX TO FINANCIAL STATEMENTS

Audited Annual Consolidated Financial Statements of the Company for the Years Ended December 31, 2022 and 2021

Independent auditors' report	F-4
Consolidated statements of financial position as of December 31, 2022 and 2021	F-7
Consolidated statements of comprehensive income for the years ended December 31, 2022 and 2021	F-8
Consolidated statements of changes in equity for the years ended December 31, 2022 and 2021	F-10
Consolidated statements of cash flows for the years ended December 31, 2022 and 2021	F-11
Notes to the consolidated financial statements	F-13

Korea Ocean Business Corporation and Subsidiaries

Consolidated Financial Statements

December 31, 2022 and 2021

(With Independent Auditors' Report Thereon)

Table of Contents

	Page
Independent Auditors' Report	1
Consolidated Financial Statements	
Consolidated Statements of Financial Position	4
Consolidated Statements of Comprehensive Income	5
Consolidated Statements of Changes in Equity	7
Consolidated Statements of Cash Flows	8
Notes to the Consolidated Financial Statements	10

Independent Auditors' Report
(Based on a report originally issued in Korean)

**To the Shareholders and Board of Directors of
Korea Ocean Business Corporation**

Opinion

We have audited the consolidated financial statements of Korea Ocean Business Corporation and subsidiaries (the "Group"), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS").

Basis for Opinion

We conducted our audit in accordance with 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 Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Nekia Samduk

Seoul, Korea
March 29, 2023

This report is effective as of the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Korea Ocean Business Corporation and Subsidiaries

Consolidated financial statements
December 31, 2022 and 2021

“The accompanying consolidated financial statements, including all footnotes and disclosures,
have been prepared by, and are the responsibility of, the Group.”

KIM YANG SOO
President and Chief Executive Officer
Korea Ocean Business Corporation

Address: 38, Marine city 2-ro, Haeundae-gu, Busan, Republic of Korea
TEL: 051-795-1500

Korea Ocean Business Corporation and Subsidiaries
Consolidated Statements of Financial Position
As of December 31, 2022 and 2021

(In Won)	Notes	2022	2021
Assets			
Cash and due from banks	5,30,33	₩ 990,901,168,721	903,991,191,845
Financial assets	6,30,33	7,548,891,755,542	10,109,663,918,435
Financial assets measured at FVTPL		5,339,706,769,508	7,299,497,510,586
Financial assets measured at FVOCI		1,401,732,277,995	1,421,013,118,493
Financial assets measured at amortized cost		784,921,028,992	1,378,314,415,485
Financial guarantee assets		4,188,776,820	8,407,056,176
Derivative financial assets		18,342,902,227	2,431,817,695
Investments in associates	7	2,441,934,853,452	3,306,265,644,132
Finance lease receivables	8,33	334,042,810,588	254,943,716,801
Leased assets	9	424,311,446,007	427,814,562,994
Investment property	10	7,715,093,606	7,923,361,629
Property and equipment	11	5,000,346,250	6,380,393,729
Intangible assets	12	7,182,936,909	3,191,211,687
Other assets		22,965,522,522	20,584,773,726
Net defined benefit assets	16	1,185,743,284	124,510,213
Current tax assets		124,410	4,528,920
Other receivables	13,30,33	18,155,099,589	18,639,116,587
Other assets	13	1,555,672,757	1,816,618,006
Indemnity receivables	13,33	2,068,882,482	-
Total assets		11,782,945,933,597	15,040,758,774,978
Liabilities			
Insurance contract liabilities	14	-	4,896,887,681
Financial liabilities	15,30	2,874,968,325,430	3,493,575,180,866
Borrowings		2,755,396,981,226	3,346,670,409,081
Financial guarantee liabilities		118,064,723,048	143,909,593,905
Derivative financial liabilities		997,446,578	1,896,408,687
Lease liabilities		493,218,978	1,086,252,193
Other financial liabilities		15,955,600	12,517,000
Other liabilities		1,518,853,744,852	2,346,589,881,330
Provisions	17	2,073,698,366	2,582,231,021
Current tax liabilities		29,637,526,223	9,456,676,507
Deferred income tax liabilities	28	1,446,739,663,515	2,298,399,938,151
Other payables	18,30	37,587,749,275	33,644,712,468
Other liabilities	18	2,815,107,473	2,506,323,183
Total liabilities		4,393,822,070,282	5,845,061,949,877
Equity			
Capital stock	1,19	2,994,057,405,000	2,949,325,855,000
Additional paid in other capital	19	63,514,950,344	-
Capital adjustments	19	(162,844,846,031)	(163,406,253,071)
Accumulated other comprehensive income	20	91,848,591,294	20,905,111,065
Retained earnings	21	4,402,281,129,193	6,388,795,416,640
(Regulatory reserve for bad debts as of December 31, 2022 and 2021 is ₩67,855,527,658 and ₩77,818,254,401, respectively.			
Regulatory reserve for bad debts to be reserved as of December 31, 2022 and 2021 is nil.			
Expected reversal of regulatory reserve for bad debts as of December 31, 2022 and 2021 is ₩26,593,233,331 and ₩9,962,726,743, respectively.)			
Total equity attributable to owners of the Group		7,388,857,229,800	9,195,620,129,634
Non-controlling interests		266,633,515	76,695,467
Total equity		7,389,123,863,315	9,195,696,825,101
Total liabilities and equity		₩ 11,782,945,933,597	15,040,758,774,978

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

Korea Ocean Business Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2022 and 2021

(In Won)	Notes	2022	2021
Operating revenues			
Insurance income	22 ₩	-	12,214,640,391
Investment income	23	324,012,480,530	5,437,901,341,018
Interest income		131,184,973,534	120,339,899,692
Fees and commission income		174,625,306,477	87,176,865,854
Dividend income		7,011,053,508	7,931,703,178
Gains on valuation and disposal of financial instruments		1,429,151,069	5,131,879,431,755
Reversal of credit losses		8,704,891,591	90,308,161,323
Reversal of other provision		676,768,406	25,066,339
Other operating revenue		380,335,945	240,212,877
		<u>324,012,480,530</u>	<u>5,450,115,981,409</u>
Operating expenses			
Insurance expense	22	-	(43,600,100)
Investment expense	24	(2,102,343,012,137)	(465,108,708,825)
Interest expense		(71,495,198,029)	(57,907,835,929)
Fees and commission expenses		(5,042,231,077)	(3,250,406,301)
Depreciation of leased assets		(26,407,668,959)	(25,492,751,474)
Losses on valuation and disposal of financial instruments		(1,977,387,392,339)	(366,971,740,703)
Provision for credit losses		(20,546,788,137)	(9,697,325,278)
Provision for other provision		-	(158,701,080)
Other expenses		(1,463,733,596)	(1,629,948,060)
General and administrative expenses	25	(38,411,627,250)	(26,742,698,370)
		<u>(2,140,754,639,387)</u>	<u>(491,895,007,295)</u>
Operating income (loss)		<u>(1,816,742,158,857)</u>	<u>4,958,220,974,114</u>
Non-operating revenues	26	1,839,311,133,486	877,340,370,870
Non-operating expenses	27	<u>(2,836,735,734,450)</u>	<u>(73,065,401,812)</u>
Net income(loss) before income taxes		<u>(2,814,166,759,821)</u>	<u>5,762,495,943,172</u>
Income tax expenses (benefits)	28	<u>827,850,768,221</u>	<u>(1,575,046,059,398)</u>
Net income (loss) for the year	₩	<u>(1,986,315,991,600)</u>	<u>4,187,449,883,774</u>
(Adjusted net income (loss) for the year after provision for (reversal of) regulatory reserve for bad debts for the years ended December 31, 2022 and 2021 are ₩(1,959,722,758,269) and ₩4,197,412,610,517, respectively)			

(Continued)

Korea Ocean Business Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income, continued
For the years ended December 31, 2022 and 2021

(In Won)	Notes	2022	2021
Other comprehensive income, net of tax			
Items will not be reclassified to profit or loss			
Net gain (loss) on valuation of financial assets measured at FVOCI	20,28 ₩	(6,816,251,033)	7,293,440,907
Share of other comprehensive income of associates	20,28	63,537,277,698	-
Remeasurements of defined benefit liabilities	20,28	327,027,063	(48,805,745)
		<u>57,048,053,728</u>	<u>7,244,635,162</u>
Items that are or may be reclassified subsequently to profit or loss			
Share of other comprehensive income (loss) of associates	20,28	(314,194,546)	5,826,212,948
Exchange differences on translation of foreign operations	20,28	1,111,794,654	196,017,683
Valuation gain on cash flow hedge	20,28	13,097,826,393	4,861,663,147
		<u>13,895,426,501</u>	<u>10,883,893,778</u>
Other comprehensive income, net of tax		<u>70,943,480,229</u>	<u>18,128,528,940</u>
Total comprehensive income (loss) for the year		<u>(1,915,372,511,371)</u>	<u>4,205,578,412,714</u>
Net income (loss) attributable to:			
Owners of the Group		(1,986,514,287,447)	4,187,673,188,307
Non-controlling interests		198,295,847	(223,304,533)
Net income(loss) for the year		<u>(1,986,315,991,600)</u>	<u>4,187,449,883,774</u>
Total comprehensive income (loss) attributable to:			
Owners of the Group		(1,915,570,807,218)	4,205,801,717,247
Non-controlling interests		198,295,847	(223,304,533)
Total comprehensive income (loss) for the year		<u>(1,915,372,511,371)</u>	<u>4,205,578,412,714</u>
Earnings (losses) per share			
Basic and diluted earnings (losses) per share	29 ₩	<u>(3,359)</u>	<u>7,130</u>

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

Korea Ocean Business Corporation and Subsidiaries
Consolidated Statements of Changes in Equity
For the years ended December 31, 2022 and 2021

	Attributable to owners of the Group				
	Capital stock	Additional paid in other capital	Capital adjustments	Accumulated other comprehensive income	Retained earnings
<i>(In Won)</i>					
Balance at January 1, 2021	<u>₩ 2,919,325,855,000</u>	-	(163,258,383,071)	2,776,582,125	4,960,189,586,920
Net income (loss) for the year	-	-	-	-	4,187,673,188,307
Other comprehensive income	-	-	-	18,128,528,940	18,128,528,940
Remeasurements of defined benefit liabilities	-	-	-	(48,805,745)	-
Net gain on valuation of financial assets	-	-	-	-	(48,805,745)
Net loss on valuation of financial assets	-	-	-	-	-
Share of other comprehensive income of measured at FVOCI	-	-	-	7,293,440,907	7,293,440,907
Share of other comprehensive income of associates	-	-	-	-	-
Exchange differences on translation of foreign operations	-	-	-	5,826,212,948	5,826,212,948
Valuation gain on cash flow hedge	-	-	-	196,017,683	196,017,683
Valuation gain on cash flow hedge	-	-	-	4,861,663,147	4,861,663,147
Total comprehensive income	-	-	-	18,128,528,940	4,187,673,188,307
Paid in capital increase	30,000,000,000	-	(147,870,000)	-	29,852,130,000
Acquisition and disposal of subsidiaries	-	-	-	-	-
Transaction with owners	30,000,000,000	-	(147,870,000)	-	29,852,130,000
Others	-	-	-	-	(223,304,533)
Balance at December 31, 2021	<u>₩ 2,949,325,855,000</u>	-	(163,406,253,071)	20,905,111,065	6,388,795,416,640
Balance at January 1, 2022	<u>₩ 2,949,325,855,000</u>	-	(163,406,253,071)	20,905,111,065	6,388,795,416,640
Net income (loss) for the year	-	-	-	-	(1,986,514,287,447)
Other comprehensive income	-	-	-	70,943,480,229	70,943,480,229
Remeasurements of defined benefit liabilities	-	-	-	327,027,063	327,027,063
Net loss on valuation of financial assets	-	-	-	-	-
Net gain on valuation of financial assets	-	-	-	-	-
Share of other comprehensive income of measured at FVOCI	-	-	-	(6,816,251,033)	(6,816,251,033)
Share of other comprehensive income of associates	-	-	-	-	-
Exchange differences on translation of foreign operations	-	-	-	63,223,083,152	63,223,083,152
Valuation gain on cash flow hedge	-	-	-	1,111,794,654	1,111,794,654
Valuation gain on cash flow hedge	-	-	-	13,097,826,393	13,097,826,393
Total comprehensive income	-	-	-	70,943,480,229	(1,986,514,287,447)
Paid in capital increase	44,731,550,000	63,514,950,344	561,407,040	-	108,807,907,384
Acquisition and disposal of subsidiaries	-	-	-	-	-
Annual Dividends	-	-	-	-	(3,600)
Transaction with owners	44,731,550,000	63,514,950,344	561,407,040	-	108,807,907,384
Balance at December 31, 2022	<u>₩ 2,994,057,405,000</u>	<u>63,514,950,344</u>	<u>(162,844,846,031)</u>	<u>91,848,591,294</u>	<u>7,389,123,863,315</u>

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

Korea Ocean Business Corporation and Subsidiaries
Consolidated Statements of Cash Flows
For the years ended December 31, 2022 and 2021

<i>(In Won)</i>	2022	2021
Cash flows from operating activities		
Net income (loss) for the year	₩ (1,986,315,991,600)	4,187,449,883,774
Adjustments		
Interest income	(131,184,973,534)	(120,339,899,692)
Interest expense	71,495,198,029	57,907,835,929
Income tax expense (benefits)	(827,850,768,221)	1,575,046,059,398
Dividend income	(7,011,053,508)	(7,931,703,178)
Loss (Gain) of financial assets measured at FVTPL	1,974,960,794,692	(4,764,907,691,052)
Loss on valuation of derivatives	997,446,578	1,096,118
Provision for (reversal of) loan losses	13,093,149,187	(52,441,667,808)
Decrease of insurance contract liabilities	-	(12,214,640,391)
Decrease of provision for insurance contract liabilities	(1,171,149,522)	(683,362,488)
Reversal of credit losses	(318,925,019)	(27,486,901,867)
Increase of other provision	717,330,610	955,113,737
Loss on credit loss of derivatives	5,379,355	-
Fee income from payment guarantee	(42,746,496,833)	(32,249,843,824)
Severance payment	1,090,663,158	1,042,408,294
Depreciation of property and equipment	1,711,366,036	1,605,308,669
Depreciation of investment property	208,268,023	208,268,902
Amortization of intangible assets	739,417,816	976,837,332
Depreciation of leased assets	26,126,963,727	24,623,898,357
Impairment loss on leased assets	280,705,232	868,853,117
Loss (Gain) on foreign currency translation	13,958,888,374	(2,844,803,840)
Gain related to equity method	1,000,326,722,928	(799,394,413,284)
Gain on indemnity receivables	(18,955,182,342)	-
Others	(172,324,263)	(918,523,820)
Gain on disposal of subsidiaries	26,319,448	-
	<u>2,076,327,739,991</u>	<u>(4,158,177,771,391)</u>
Change in operating assets and liabilities		
Due from banks	127,290,617,893	22,851,181,970
Loan measured at FVTPL	(15,170,053,614)	(35,805,232,230)
Loan measured at amortized cost	387,736,654,109	(157,457,062,575)
Debt instruments measured at amortized cost	210,543,607,577	8,275,000,000
Financial lease receivables	(63,942,193,580)	(247,133,514,309)
Financial guarantee assets	5,794,227,437	19,702,417,827
Other receivables	319,914,580	(1,946,810,224)
Other assets	(46,942,643)	99,782,526
Net defined benefit liabilities	(1,699,738,158)	(1,481,830,234)
Financial guarantee liabilities	5,628,733,376	52,222,132,948
Other payables	26,121,056,116	9,640,852,319
Other liabilities	351,703,815	1,569,085,133
Provisions	(1,259,020,850)	(838,291,470)
	<u>681,668,566,058</u>	<u>(330,302,288,319)</u>
Interest received	115,142,317,391	120,165,584,504
Interest paid	(69,035,474,432)	(57,193,473,533)
Dividends received	7,011,053,508	7,931,703,178
Income taxes paid	(28,678,373,086)	(12,431,532,053)
Net cash provided by (used in) operating activities	<u>796,119,837,830</u>	<u>(242,557,893,840)</u>

(Continued)

Korea Ocean Business Corporation and Subsidiaries
Consolidated Statements of Cash Flows, continued
For the years ended December 31, 2022 and 2021

<i>(In Won)</i>	2022	2021
Cash flows from investing activities		
Acquisition of financial assets measured at FVTPL	₩ -	(21,321,624,658)
Disposal of financial assets measured at FVTPL	-	136,335,276,769
Disposal of financial assets measured at FVOCI	10,000,000,000	-
Acquisition of financial assets measured at amortized cost	-	(40,000,000)
Repayment of financial assets measured at amortized cost	-	62,786,473,600
Acquisition of investment in associates	(179,920,990,036)	(27,992)
Reduction of capital of investment in associates	2,757,294,319	-
Disposal of and dividend from investment in associates	127,076,228,240	2,000,000,000
Acquisition of property and equipment	(91,770,500)	(2,681,439,057)
Disposal and impairment of property and equipment	-	1,038,130,753
Acquisition of intangible assets	(4,395,000,310)	(2,493,974,030)
Acquisition of leased assets	(45,809,103,944)	-
Receipt of subsidy	-	89,000,000
Increase of other receivables	(60,000,000)	(1,820,000,000)
Decrease of other receivables	-	1,180,000,000
Net cash provided by (used in) investing activities	(90,443,342,231)	175,071,815,385
Cash flows from financing activities		
Increase of borrowings	123,681,460,290	192,778,270,080
Repayment of borrowings	(433,256,626,561)	(47,438,819,552)
Issuance of debentures	-	199,957,068,400
Repayment of debentures	(280,000,000,000)	-
Decrease of lease liabilities	(813,099,606)	(766,341,976)
Increase of paid-in capital	108,807,907,384	30,152,130,000
Net cash provided by (used in) financing activities (Note 32)	(481,580,358,493)	374,682,306,952
Effects from changes in foreign currency exchange rate for cash and cash equivalents held	(9,800,649,996)	3,493,076,755
Net increase in cash and cash equivalents	214,295,487,110	310,689,305,252
Cash and cash equivalents at the beginning of year	493,742,405,833	183,053,100,581
Cash and cash equivalents at the end of year (Note 32)	₩ 708,037,892,943	493,742,405,833

The accompanying notes are an integral part of these consolidated financial statements

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

1. Summary of the Reporting Entity

The accompanying consolidated financial statements comprise Korea Ocean Business Corporation (the “Company”) and subsidiaries (collectively the “Group”). General information of the Company and subsidiaries is stated below.

(1) Controlling company

Korea Ocean Business Corporation was established on July 5, 2018 to support shipping companies with a stable supply of tonnage and secure liquidity and to provide service needed to growth of shipping industry. Issued capital of the Company as of December 31, 2022 is ₩2,994,057 million.

The shareholders of the Company as of December 31, 2022 are as follow:

Shareholder	Number of shares	Ownership
Government of the Republic of Korea		
Ministry of Economy and Finance	249,297,013	41.63%
Ministry of Oceans and Fisheries	69,164,626	11.55%
Korea Development Bank	130,392,669	21.78%
The Export-Import Bank of Korea	109,557,908	18.30%
Others	40,399,265	6.74%
	<u>598,811,481</u>	<u>100.00%</u>

(2) Consolidated subsidiaries

1) The Company’s consolidated subsidiaries as of December 31, 2022 and 2021 are as follows:

Subsidiaries	Subsidiaries of subsidiaries	Industry	Country (*1)	Ownership (%)	
				2022	2021
Korea Shipping Global No.1 Investment Company (*2)	Ship owner Investment CO No.1 ~ 6 S.A.	Tonnage investment	Korea	100.00	100.00
Korea Shipping Global No.2 Investment Company (*2)	Ship owner Investment CO No.7 ~ 10 S.A.	Tonnage investment	Korea	100.00	100.00
Korea Shipping Global No.4 Investment Company (*2)	Ship owner Investment CO No.12 S.A.	Tonnage investment	Korea	100.00	100.00
Korea Ocean No.2 Investment Company (*2)	Ocean Trinity SH No.2	Tonnage investment	Korea	100.00	100.00
Korea Ocean No.4 Investment Company (*2)	Ocean Trinity SH No.4	Tonnage investment	Korea	100.00	100.00
Korea Ocean No.5 Investment Company (*2)	Ocean Trinity SH No.5	Tonnage investment	Korea	100.00	100.00
Korea Ocean No.6 Investment Company (*2)	Ocean Trinity SH No.6	Tonnage investment	Korea	100.00	100.00
Korea Ocean No.7 Investment Company (*2)	Ocean Trinity SH No.7	Tonnage investment	Korea	100.00	100.00
Korea Ocean No.8 Investment Company (*2)	Ocean Trinity SH No.8	Tonnage investment	Korea	100.00	100.00
Korea Ocean No.10 Investment Company (*2)	Ocean Trinity SH No.10 S.A.	Tonnage investment	Korea	-	100.00
Korea Ocean No.11 Investment Company (*2)	Ocean Trinity SH No.11 S.A.	Tonnage investment	Korea	100.00	100.00
Korea Ocean No.12 Investment Company (*2)	Ocean Trinity SH No.12 S.A.	Tonnage investment	Korea	100.00	100.00
Korea Ocean No.13 Investment Company (*2)	Ocean Trinity SH No.13 S.A.	Tonnage investment	Korea	-	100.00

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

1. Summary of the Reporting Entity, continued

Subsidiaries	Subsidiaries of subsidiaries	Industry	Country (*1)	Ownership (%)	
				2022	2021
Korea Ocean No.14	Ocean Trinity SH No.14 S.A.	Tonnage	Korea		
Investment Company (*2)		investment		100.00	100.00
Korea Ocean No.15	Ocean Trinity SH No.15 S.A.	Tonnage	Korea		
Investment Company (*2)		investment		100.00	100.00
Korea Ocean No.16	Ocean Trinity SH No.16 S.A.	Tonnage	Korea		
Investment Company (*2)		investment		100.00	100.00
Korea Ocean No.17	Ocean Trinity SH No.17 S.A.	Tonnage	Korea		
Investment Company (*2)		investment		100.00	100.00
Korea Ocean No.18	Ocean Trinity SH No.18 S.A.	Tonnage	Korea		
Investment Company (*2)		investment		100.00	100.00
Korea Ocean No.19	Ocean Trinity SH No.19 S.A.	Tonnage	Korea		
Investment Company (*2)		investment		100.00	100.00
Korea Ocean No.20	Ocean Trinity SH No.20 S.A.	Tonnage	Korea		
Investment Company (*2)		investment		100.00	100.00
Korea Ocean No.21	Ocean Trinity SH No.21 S.A.	Tonnage	Korea		
Investment Company (*2)		investment		100.00	100.00
Korea Ocean No.22	Ocean Trinity SH No.22 S.A.	Tonnage	Korea		
Investment Company (*2)		investment		100.00	100.00
Korea Ocean No.25	Ocean Trinity SH No.25 S.A.	Tonnage	Korea		
Investment Company (*2)		investment		-	100.00
Korea Ocean No.26	Ocean Trinity SH No.26 S.A.	Tonnage	Korea		
Investment Company (*2)		investment		100.00	100.00
Korea Ocean No.27	Ocean Trinity SH No.27 S.A.	Tonnage	Korea		
Investment Company (*2)		investment		-	100.00
Korea Ocean No.28	Ocean Trinity SH No.28 S.A.	Tonnage	Korea		
Investment Company (*2)		investment		100.00	100.00
Korea Ocean No.29	Ocean Trinity SH No.29 S.A.	Tonnage	Korea		
Investment Company (*2)		investment		-	100.00
Korea Ocean No.30	Ocean Trinity SH No.30 S.A.	Tonnage	Korea		
Investment Company (*2)		investment		100.00	100.00
Korea Ocean No.31	Ocean Trinity SH No.31 S.A.	Tonnage	Korea		
Investment Company (*2)		investment		100.00	100.00
Korea Ocean No.32	Ocean Trinity SH No.32 S.A.	Tonnage	Korea		
Investment Company (*2)		investment		100.00	100.00
Korea Ocean No.33	Ocean Trinity SH No.33 S.A.	Tonnage	Korea		
Investment Company (*2)		investment		100.00	100.00
Korea Ocean No.34	Ocean Trinity SH No.34 S.A.	Tonnage	Korea		
Investment Company (*2)		investment		100.00	100.00
Korea Ocean No.35	Ocean Trinity SH No.35 S.A.	Tonnage	Korea		
Investment Company (*2)		investment		100.00	-
Korea Ocean No.36	Ocean Trinity SH No.36 S.A.	Tonnage	Korea		
Investment Company (*2)		investment		100.00	-
Korea Ocean No.37	Ocean Trinity SH No.37 S.A.	Tonnage	Korea		
Investment Company (*2)		investment		100.00	-
Ocean Business No.1 Ship	Ocean Trinity PO No.1 S.A.	Tonnage	Korea		
Investment Company (*2)		investment		100.00	100.00
Ocean Business No.2 Ship	Ocean Trinity PO No.2 S.A.	Tonnage	Korea		
Investment Company (*3)		investment		-	-
Ocean Business No.3 Ship	Ocean Trinity PO No.3 S.A.	Tonnage	Korea		
Investment Company (*3)		investment		-	-

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

1. Summary of the Reporting Entity, continued

Subsidiaries	Subsidiaries of subsidiaries	Industry	Country (*1)	Ownership (%)	
				2022	2021
KSF No.1 Investment Company (*3)	-	Tonnage investment	Korea	-	-
KSF No.2 Investment Company (*3)	-	Tonnage investment	Korea	-	-
KSF No.7 Investment Company (*3)	-	Tonnage investment	Korea	-	-
KSF No.8 Investment Company (*3)	-	Tonnage investment	Korea	-	-
KSF No.9 Investment Company (*3)	KSF Global No. 9 S.A.	Tonnage investment	Korea	-	-
KSF No.10 Investment Company (*3)	KSF Global No. 10 S.A.	Tonnage investment	Korea	-	-
KSF No.11 Investment Company (*3)	KSF Global No. 11 S.A.	Tonnage investment	Korea	-	-
KSF No.12 Investment Company (*3)	KSF Global No. 12 S.A.	Tonnage investment	Korea	-	-
KSF No.14 Investment Company (*3)	KSF Global No. 14 S.A.	Tonnage investment	Korea	-	-
KSF No.15 Investment Company (*3)	KSF Global No. 15-1~2 S.A.	Tonnage investment	Korea	-	-
KSF No.16 Investment Company (*3)	KSF Global No. 16 S.A.	Tonnage investment	Korea	-	-
KSF No.17 Investment Company (*3)	KSF Global No. 17-1~2 S.A.	Tonnage investment	Korea	-	-
KSF No.19 Investment Company (*3)	KSF Global No. 19 S.A.	Tonnage investment	Korea	-	-
KSF No.20 Investment Company (*3)	KSF Global No. 20 S.A.	Tonnage investment	Korea	-	-
KSF No.21 Investment Company (*3)	KSF Global No. 21 S.A.	Tonnage investment	Korea	-	-
KSF No.22 Investment Company (*3)	KSF Global No. 22-1~2 S.A.	Tonnage investment	Korea	-	-
KSF No.23 Investment Company (*3)	KSF Global No. 23 S.A.	Tonnage investment	Korea	-	-
International No.28 Investment Company (*3)	-	Tonnage investment	Korea	-	-
International No.30 Investment Company (*3)	KMARIN NO. 30A S.A.	Tonnage investment	Korea	-	-
International No.32 Investment Company (*3)	KMARIN NO. 32A S.A.	Tonnage investment	Korea	-	-
International No.34 Investment Company (*3)	KMARIN NO. 34A~B S.A.	Tonnage investment	Korea	-	-
International No.35 Investment Company (*3)	KMARIN NO. 35A S.A.	Tonnage investment	Korea	-	-
Ocean New Building No. 1 Ship Investment Company (*3)	Ocean Trinity New No. 1 S.A.	Tonnage investment	Korea	-	-
Ocean New Building No. 2 Ship Investment Company (*3)	Ocean Trinity New No. 2 S.A.	Tonnage investment	Korea	-	-

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

1. **Summary of the Reporting Entity, continued**

Subsidiaries	Subsidiaries of subsidiaries	Industry	Country (*1)	Ownership (%)	
				2022	2021
GMF No.1 Ship Investment Company (*3)	-	Tonnage investment	Korea	-	-
GMF No.2 Ship Investment Company (*3)	GMF CM No.1 S.A	Tonnage investment	Korea	-	-
GMF No.3 Ship Investment Company (*3)	GMF SKR No.1~2 S.A	Tonnage investment	Korea	-	-
GMF No.4 Ship Investment Company (*3)	GMF SNK No.1 S.A	Tonnage investment	Korea	-	-
KOBC Container Leasing No. 1 Limited (*4)	-	Shipping container rental business	Hong Kong	100.00	100.00
KOBC Container Leasing No. 2 Limited (*4)	-	Shipping container rental business	Hong Kong	100.00	100.00
KOBC Container Leasing No. 3 Limited (*4)	-	Shipping container rental business	Hong Kong	100.00	100.00
Multi Asset KOBC Container Professional Investment Private Investment Trust No.1 (*5)	KOSM Container Co., Ltd	Financial service	Korea	100.00	100.00

(*1) The subsidiary's country is defined by its place of incorporation and sales.

(*2) The Company holds 100% of ownership of the subsidiaries, which are established as paper companies under the Ship Investment Company Act for the purpose of investing in vessels and distributing the investment income to their stockholders. The subsidiaries establish paper companies by acquired vessels and hold them as sub-subsidiaries.

(*3) The Group invests in subordinated debts issued by the subsidiaries to provide funds for shipbuilding. The subsidiaries have been consolidated even though the Group's ownership is not over 50%, because the Group has power over the subsidiaries to control the exposure or rights to variable returns from its involvement with the subsidiaries and the ability to use its power over the subsidiaries to affect those returns.

(*4) The Group establishes a special purpose company as 100% of ownership. The special purpose company place an order for containers and acquires them, which are rented out to domestic shipping service companies. To support the funding required by the special purpose company, the Group also provides guarantees for the mezzanine borrowings of the special purpose company.

(*5) The Group invests in the beneficiary certificate of the private investment trust. The trust invests in the privately placed corporate bonds issued by special purpose companies that purchase container boxes and lease the container boxes to the domestic shipping companies. As an investor of the beneficiary certificate, the Group has power over the subsidiaries to control the exposure or rights to variable returns from its involvement with the subsidiary and the ability to use its power over the subsidiaries to affect those returns.

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

1. Summary of the Reporting Entity, continued

2) Subsidiaries that are newly included in the consolidated financial statements and those that are excluded from the consolidated financial statements for the year ended December 31, 2022 are as follows:

	Changes	Reasons for changes
Korea Ocean No.35 Investment Company	Newly included	New equity investment
Korea Ocean No.36 Investment Company	Newly included	New equity investment
Korea Ocean No.37 Investment Company	Newly included	New equity investment
KSF No.16 Investment Company	Newly included	Subordinated bond investment
KSF No.17 Investment Company	Newly included	Subordinated bond investment
KSF No.19 Investment Company	Newly included	Subordinated bond investment
KSF No.20 Investment Company	Newly included	Subordinated bond investment
KSF No.21 Investment Company	Newly included	Subordinated bond investment
KSF No.22 Investment Company	Newly included	Subordinated bond investment
KSF No.23 Investment Company	Newly included	Subordinated bond investment
International No.34 Investment Company	Newly included	Subordinated bond investment
International No.35 Investment Company	Newly included	Subordinated bond investment
Ocean New Building No. 2 Ship Investment Company	Newly included	Subordinated bond investment
GMF No.3 Ship Investment Company	Newly included	Subordinated bond investment
GMF No.4 Ship Investment Company	Newly included	Subordinated bond investment
Ocean Business No.2 Ship Investment Company	Newly included	Subordinated bond investment
Ocean Business No.3 Ship Investment Company	Newly included	Subordinated bond investment
Korea Shipping Global No.3 Investment Company	Excluded	Liquidation
Korea Ocean No.10 Investment Company	Excluded	Liquidation
Korea Ocean No.13 Investment Company	Excluded	Liquidation
Korea Ocean No.25 Investment Company	Excluded	Liquidation
Korea Ocean No.27 Investment Company	Excluded	Liquidation
Korea Ocean No.29 Investment Company	Excluded	Liquidation
KSF No.6 Investment Company	Excluded	Liquidation
KSF No.13 Investment Company	Excluded	Liquidation

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

1. **Summary of the Reporting Entity, continued**

3) The financial information of investments in subsidiaries (based on consolidated financial statements of subsidiaries) as of December 31, 2022 and 2021 are as follows (In thousands of won):

		December 31, 2022				
		Assets	Liabilities	Equity	Operating revenue	Net income (loss)
Korea Shipping Global No.1 Investment Company	₩	42,760,487	18,701,225	24,059,262	59,217,272	56,638,205
Korea Shipping Global No.2 Investment Company		58,212,271	2,185,056	56,027,215	11,985,283	4,391,843
Korea Shipping Global No.4 Investment Company		11,803,225	620,885	11,182,340	2,504,086	2,456,967
Korea Ocean No.2 Investment Company		11,405,134	359,864	11,045,270	483,293	466,781
Korea Ocean No.4 Investment Company		2,424,389	290,142	2,134,247	120,999	104,999
Korea Ocean No.5 Investment Company		6,089,377	208,875	5,880,502	268,988	252,988
Korea Ocean No.6 Investment Company		9,185,335	180,487	9,004,848	645,293	485,293
Korea Ocean No.7 Investment Company		3,343,436	178,020	3,165,416	150,820	121,861
Korea Ocean No.8 Investment Company		12,677,952	671,844	12,006,108	490,281	461,077
Korea Ocean No.11 Investment Company		7,733,563	315,093	7,418,470	426,714	398,705
Korea Ocean No.12 Investment Company		17,076,671	591,729	16,484,942	937,626	910,126
Korea Ocean No.14 Investment Company		14,267,859	481,438	13,786,421	633,018	635,123
Korea Ocean No.15 Investment Company		11,564,650	247,070	11,317,580	448,959	419,397
Korea Ocean No.16 Investment Company		2,731,689	133,669	2,598,020	120,264	89,690
Korea Ocean No.17 Investment Company		8,687,536	280,114	8,407,422	374,788	356,519
Korea Ocean No.18 Investment Company		5,269,169	277,828	4,991,341	209,601	189,172
Korea Ocean No.19 Investment Company		5,836,013	350,452	5,485,561	256,574	236,236
Korea Ocean No.20 Investment Company		6,523,102	261,105	6,261,997	240,151	219,574
Korea Ocean No.21 Investment Company		5,151,903	126,405	5,025,498	198,432	178,432
Korea Ocean No.22 Investment Company		11,471,809	242,511	11,229,298	427,179	407,179
Korea Ocean No.26 Investment Company		5,338,130	167,160	5,170,970	195,326	175,326
Korea Ocean No.28 Investment Company		30,691,498	986,058	29,705,440	886,042	864,530
Korea Ocean No.30 Investment Company		7,383,037	364,122	7,018,915	253,890	232,760
Korea Ocean No.31 Investment Company		23,119,785	737,165	22,382,620	664,691	642,899
Korea Ocean No.32 Investment Company		3,891,438	292,354	3,599,084	130,943	109,092
Korea Ocean No.33 Investment Company		5,737,167	213,314	5,523,853	177,097	159,537
Korea Ocean No.34 Investment Company		7,116,644	24,489	7,092,155	215,109	190,765
Korea Ocean No.35 Investment Company		11,315,307	472,981	10,842,326	193,099	118,335
Korea Ocean No.36 Investment Company		3,622,312	179,535	3,442,777	46,753	25,034
Korea Ocean No.37 Investment Company		10,150,185	449,378	9,700,807	105,034	52,395
Ocean Business No.1 Ship Investment Company		5,445,096	289,270	5,155,826	190,763	171,327
Ocean Business No.2 Ship Investment Company		14,541,761	14,527,207	14,554	387,615	14,454
Ocean Business No.3 Ship Investment Company		22,774,602	22,887,682	(113,080)	714,717	(113,180)

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

1. Summary of the Reporting Entity, continued

		December 31, 2022				
		Assets	Liabilities	Equity	Operating revenue	Net income (loss)
KSF No.1 Investment Company	₩	7,361,983	7,385,961	(23,978)	402,430	(24,734)
KSF No.2 Investment Company		23,370,366	23,638,840	(268,474)	1,005,347	(269,233)
KSF No.7 Investment Company		21,273,589	21,612,538	(338,949)	705,407	(339,700)
KSF No.8 Investment Company		8,900,628	8,920,221	(19,593)	349,314	(12,339)
KSF No.9 Investment Company		31,972,753	31,971,324	1,429	986,959	436
KSF No.10 Investment Company		12,489,387	12,491,688	(2,301)	446,258	(3,090)
KSF No.11 Investment Company		14,701,233	14,737,185	(35,952)	480,068	(36,784)
KSF No.12 Investment Company		13,738,301	13,789,020	(50,719)	451,651	(51,547)
KSF No.14 Investment Company		12,373,067	12,378,949	(5,882)	421,250	(6,722)
KSF No.15 Investment Company		34,271,098	34,403,338	(132,240)	2,146,440	(130,194)
KSF No.16 Investment Company		10,117,832	10,228,782	(110,950)	439,196	(111,700)
KSF No.17 Investment Company		20,469,552	20,692,854	(223,302)	544,730	(224,052)
KSF No.19 Investment Company		5,806,850	5,806,018	832	143,671	83
KSF No.20 Investment Company		17,325,389	17,411,657	(86,268)	461,763	(87,018)
KSF No.21 Investment Company		62,229,889	62,670,510	(440,621)	1,896,671	(441,367)
KSF No.22 Investment Company		30,713,422	30,716,166	(2,744)	180,089	(3,494)
KSF No.23 Investment Company		13,295,099	13,350,222	(55,123)	98,288	(55,873)
International No.28 Investment Company		31,623,439	31,996,261	(372,822)	1,143,565	(783,166)
International No.30 Investment Company		6,200,405	6,197,335	3,070	228,796	(5,332)
International No.32 Investment Company		6,131,787	6,134,706	(2,919)	227,986	11,338
International No.34 Investment Company		6,328,388	6,505,671	(177,283)	218,424	(177,383)
International No.35 Investment Company		17,562,698	17,614,052	(51,354)	160,522	(51,454)
Ocean New Building No. 1 Ship Investment Company		25,873,436	25,910,021	(36,585)	367,673	(27,975)
Ocean New Building No. 2 Ship Investment Company		25,805,442	25,832,286	(26,844)	349,477	(26,944)
GMF No.1 Ship Investment Company		20,057,804	20,057,777	27	799,103	(7,536)
GMF No.2 Ship Investment Company		19,028,219	19,112,652	(84,433)	649,570	(57,241)
GMF No.3 Ship Investment Company		18,773,969	18,776,089	(2,120)	548,363	(2,140)
GMF No.4 Ship Investment Company		76,502,723	77,219,698	(716,975)	1,979,090	(716,995)
KOBC Container Leasing No. 1 Limited		179,521,446	170,372,556	9,148,890	20,039,037	1,948,174
KOBC Container Leasing No. 2 Limited		192,036,406	167,810,451	24,225,955	17,078,208	308,894
KOBC Container Leasing No. 3 Limited		202,442,352	201,034,509	1,407,843	12,222,267	2,995,439
Multi Asset KOBC Container Professional Investment Private Investment Trust No.1		16,867,379	107,265	16,760,114	833,956	768,193

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

1. Summary of the Reporting Entity, continued

		December 31, 2021				
		Assets	Liabilities	Equity	Operating revenue	Net income (loss)
Korea Shipping Global No.1 Investment Company	₩	35,856,565	8,332,681	27,523,884	8,057,624	6,813,026
Korea Shipping Global No.2 Investment Company		65,410,854	2,764,457	62,646,397	11,963,832	4,383,687
Korea Shipping Global No.3 Investment Company		20,527,077	59,022	20,468,055	27,117,703	19,757,808
Korea Shipping Global No.4 Investment Company		10,312,987	616,802	9,696,185	2,972,368	2,926,615
Korea Ocean No.2 Investment Company		12,331,395	355,649	11,975,746	641,861	626,080
Korea Ocean No.4 Investment Company		3,463,051	290,142	3,172,909	198,290	182,290
Korea Ocean No.5 Investment Company		6,619,983	208,875	6,411,108	757,034	741,034
Korea Ocean No.6 Investment Company		9,648,315	180,487	9,467,828	919,333	903,333
Korea Ocean No.7 Investment Company		3,849,248	174,907	3,674,341	205,743	177,666
Korea Ocean No.8 Investment Company		13,799,157	785,374	13,013,783	1,448,287	1,418,861
Korea Ocean No.10 Investment Company		8,202,290	238,010	7,964,280	281,276	253,132
Korea Ocean No.11 Investment Company		8,630,747	313,092	8,317,655	818,495	790,359
Korea Ocean No.12 Investment Company		18,764,104	591,728	18,172,376	1,440,980	1,413,480
Korea Ocean No.13 Investment Company		6,866,399	275,310	6,591,089	793,449	765,949
Korea Ocean No.14 Investment Company		15,649,062	479,600	15,169,461	1,298,787	1,274,972
Korea Ocean No.15 Investment Company		12,043,848	246,220	11,797,627	1,141,422	1,117,404
Korea Ocean No.16 Investment Company		3,095,467	133,051	2,962,416	358,367	335,498
Korea Ocean No.17 Investment Company		9,591,208	280,557	9,310,651	302,412	286,382
Korea Ocean No.18 Investment Company		5,703,083	314,632	5,388,451	242,654	223,445
Korea Ocean No.19 Investment Company		6,333,048	403,013	5,930,036	793,878	774,604
Korea Ocean No.20 Investment Company		7,197,257	261,374	6,935,883	333,699	314,609
Korea Ocean No.21 Investment Company		5,475,311	126,405	5,348,906	249,933	229,933
Korea Ocean No.22 Investment Company		12,032,594	242,510	11,790,084	1,112,939	1,092,939
Korea Ocean No.25 Investment Company		12,669,277	328,432	12,340,845	1,291,609	1,278,498
Korea Ocean No.26 Investment Company		5,697,676	167,159	5,530,517	212,244	192,244
Korea Ocean No.27 Investment Company		43,740,502	1,551,363	42,189,139	1,876,337	1,865,247
Korea Ocean No.28 Investment Company		33,945,479	983,250	32,962,229	1,312,555	1,288,441
Korea Ocean No.29 Investment Company		4,166,672	145,595	4,021,076	193,433	175,286
Korea Ocean No.30 Investment Company		8,170,005	383,945	7,786,060	274,877	254,952

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

1. Summary of the Reporting Entity, continued

		December 31, 2021				
		Assets	Liabilities	Equity	Operating revenue	Net income (loss)
Korea Ocean No.31 Investment Company	₩	25,254,293	732,737	24,521,555	2,448,939	2,423,287
Korea Ocean No.32 Investment Company		4,573,853	301,010	4,272,843	195,142	173,076
Korea Ocean No.33 Investment Company		6,359,155	212,846	6,146,308	257,464	239,459
Korea Ocean No.34 Investment Company		7,928,062	25,387	7,902,675	83,624	52,973
Ocean Business No.1 Ship Investment Company		6,392,937	288,592	6,104,345	180,090	162,380
KSF No.1 Investment Company		8,353,236	8,352,481	755	468,479	26,315
KSF No.2 Investment Company		24,936,903	24,936,145	758	1,456,249	401,511
KSF No.6 Investment Company		20,307,049	20,306,280	769	885,563	1,538
KSF No.7 Investment Company		21,623,865	21,623,115	751	1,041,767	338,121
KSF No.8 Investment Company		9,739,446	9,746,700	(7,254)	340,494	(8,004)
KSF No.9 Investment Company		36,373,116	36,372,123	993	817,220	243
KSF No.10 Investment Company		13,585,222	13,584,433	789	270,121	39
KSF No.11 Investment Company		16,610,316	16,609,485	831	266,404	81
KSF No.12 Investment Company		15,616,395	15,615,566	829	251,113	79
KSF No.13 Investment Company		34,767,175	34,766,309	866	545,493	116
KSF No.14 Investment Company		14,097,275	14,096,435	841	230,001	91
KSF No.15 Investment Company		86,745,018	86,747,065	(2,047)	66,196	(2,797)
International No.28 Investment Company		34,152,276	33,741,933	410,343	1,476,174	749,936
International No.30 Investment Company		6,864,207	6,855,804	8,403	90,737	8,303
International No.32 Investment Company		6,737,429	6,751,686	(14,257)	84,686	(14,357)
Ocean New Building No. 1 Ship Investment Company		6,470,605	6,461,934	8,670	100,555	8,570
GMF No.1 Ship Investment Company		18,705,317	18,697,754	7,563	43,418	7,543
GMF No.2 Ship Investment Company		20,986,824	21,014,016	(27,192)	109,560	(27,212)
KOBC Container Leasing No. 1 Limited		171,595,857	171,340,286	255,571	17,639,531	1,012,495
KOBC Container Leasing No. 2 Limited		175,515,347	163,249,887	12,265,459	15,012,559	(73,696)
KOBC Container Leasing No. 2 Limited		203,423,999	202,142,666	1,281,334	7,059,126	1,158,289
Multi Asset KOBC Container Professional Investment Private Investment Trust No.1		19,114,720	123,365	18,991,355	56,543	(313,542)

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

2. Basis of Preparation

(1) Application of accounting standards

The consolidated financial statements have been prepared in accordance with Korean International Financial Reporting Standards (“K-IFRS”), as prescribed in the Act on External Audits of Corporations Article 5-1(1) in the Republic of Korea.

(2) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statements of financial position:

- Financial instruments measured at fair value
- Liabilities for defined benefit plans, which are recognized as net of the total present value of defined benefit obligations less the fair value of plan assets.

(3) Basis of consolidation

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power of the entity. When the Group evaluates its control over another entity, it considers the potential voting rights held by itself as well as the potential voting rights held by the other party.

Consolidated financial statements summarize the assets, liabilities, capital, income, expense and cash flows of the parent and subsidiaries on the same basis and the carrying amount of the investment of each subsidiary in the parent and the equity of the parent in each subsidiary are offset, intra-group balances, income and expenses, unrealized gain and loss and dividends resulting from intra-group transactions are fully eliminated. The revenues and expenses of the subsidiaries are included in the consolidated financial statements from the Group obtains control of the subsidiaries until lose it.

The financial statements of the parent and subsidiaries used in preparing the consolidated financial statements have the same reporting period end date. If the end of the reporting date of the parent company and subsidiary differ from each other, the subsidiary shall prepare the additional financial statements in such a way that the parent company can consolidate the subsidiary's financial information. If the subsidiary can not practically apply, the parent uses the most recent financial statements of the subsidiary that adjusted the effect of significant transactions or events. In any case, the difference between the financial statement date of the subsidiary and the consolidated financial statements date does not exceed three months, and the length of the reporting period and the differences in the financial statement dates apply equally to each period.

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

2. Basis of Preparation, continued

If a subsidiary of the Group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

Non-controlling interests in a subsidiary are accounted for separately from the parent's ownership interests in a subsidiary. Each component of net profit or loss and other comprehensive income is attributed to the owners of the parent and non-controlling interest holders, even when the allocation reduces the non-controlling interests balance below zero.

Changes in the parent company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions with owners in their capacity as owners.

If the parent loses control of the subsidiary, the Group derecognizes the assets and liabilities of the former subsidiary in the consolidated statement of financial position and recognizes the remaining investment in the previous subsidiary as a fair value when the entity ceases to have control. Investments in and receivables from subsidiaries are accounted for in accordance with K-IFRS and recognize gains or losses related to loss of control attributable to previous controlling interests.

(4) Functional and presentation currency

These consolidated financial statements are presented in Korean won ("₩"), which is the Group's functional currency and the currency of the primary economic environment in which the Group operates.

(5) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with K-IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Management's estimates of outcomes may differ from actual outcomes if management's estimates and assumptions based on management's best judgment at the reporting date are different from the actual environment.

Estimates and assumptions are continually evaluated and any change in an accounting estimate is recognized prospectively by including it in profit or loss in the period of the change, if the change affects that period only.

(i) Uncertainty of assumptions and estimation

The following are the key sources of estimation and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities. Details are disclosed in Note 4:

- Fair value of financial instruments
- Assessment of impairment
- Appropriateness assessment of insurance contract liabilities
- Defined benefit liabilities
- Income tax expense

(ii) Measurement of fair value

The Group primarily uses observable inputs in the market where available for the measurement of financial instruments. The fair value of the financial instruments is classified into the following three-level hierarchy based on the inputs used in valuation technique.

- Level 1: Unadjusted quoted prices from accessible active markets of same assets and liabilities on measuring date
- Level 2: Directly or indirectly observable inputs except quoted prices of level 1
- Level 3: Unobservable inputs

When various inputs used to measure the fair value of assets and liabilities, the Group classifies entire fair value as the same level of input that the lowest in the fair value hierarchy. And the Group recognizes transfers between levels at the ending of reporting period when events or changes in circumstances causing the transfers between levels have occurred.

3. Significant Accounting Policies

The significant accounting policies applied by the Group in preparation of its consolidated financial statements are included below.

(1) Cash and cash equivalents

Investment assets whose original maturities is three months or less from the date of acquisition is classified as cash and cash equivalents. Equity securities are excluded from cash equivalents, but are included in cash equivalents if the redemption date is fixed and the period from acquisition date to redemption date is short-term such as preferred stock.

(2) Non-derivative financial assets

The Group recognizes a financial asset or a financial liability in its statements of financial position when the Group becomes a party to the contractual provisions of the instrument. At initial recognition, a financial asset is measured at its fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. In the case of a financial asset at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset are recognized to profit or loss immediately.

A regular way purchase or sale of financial assets is recognized and derecognized using trade date accounting. A regular way purchase or sale is a contract that purchases or sells financial assets in accordance with the terms and conditions of the delivery of the financial instrument within generally established period by the regulations or practices in the relevant market.

(i) Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument including all the fees and points paid to or received from parties to the contract that are an integral part of the effective interest rate, including transaction costs, and all other premiums or discounts.

Interest income of debt instruments is recognized in the effective interest method except when the debt instruments are classified as financial assets measured at FVTPL.

(ii) Financial assets at fair value through profit or loss

Any non-derivative financial asset classified as held for trading or not classified as financial assets at fair value through other comprehensive income or financial assets measured at amortized cost is categorized under financial assets at fair value through profit or loss.

The Group may designate certain financial assets upon initial recognition as at fair value through profit or loss when the designation eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

After initial recognition, a financial asset at fair value through profit or loss is measured at fair value and gains or losses arising from a change in the fair value are recognized in profit or loss. Interest income and dividend income from financial assets at fair value through profit or loss are also recognized in the statements of comprehensive income.

3. Significant Accounting Policies, continued

(iii) Financial assets at fair value through other comprehensive income

The Group classifies financial assets as financial assets at fair value through other comprehensive income if they meet the following conditions: 1) debt instruments that are a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and consistent with representing solely payments of principal and interest on the principal amount outstanding or 2) equity instruments, not held for trading with the objective of generating a profit from short-term fluctuations in price or dealer's margin, designated as financial assets at fair value through other comprehensive income. After initial recognition, a financial asset at fair value through other comprehensive income is measured at fair value. Gain and loss from changes in fair value, other than dividend income and interest income amortized using effective interest method and exchange differences arising on monetary items which are recognized directly in income as interest income or expense, are recognized as other comprehensive income in equity.

At disposal of financial assets at fair value through other comprehensive income, cumulative gain or loss is recognized as profit or loss for the reporting period. However, cumulative gain or loss of equity instrument designated as fair value through other comprehensive income are not recycled to profit or loss at disposal.

Financial assets at fair value through other comprehensive income denominated in foreign currencies are translated at the closing rate. Exchange differences resulting from changes in amortized cost are recognized in profit or loss, and other changes are recognized as equity.

(iv) Financial assets measured at amortized cost

A financial asset, which are held within the business model whose objective is to hold assets in order to collect contractual cash flows and consistent with representing solely payments of principal and interest on the principal amount outstanding, are classified as a financial asset at amortized cost. Financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method after initial recognition and interest income is recognized using the effective interest method.

The Group defers LOF/LOCs associated with originating loans and LOCs that have future economic benefits. Loan balances are reported net of these LOF/LOCs. The deferred LOF/LOCs are amortized based on the effective interest rate method with the amortization recognized as adjustments to interest income.

(v) Expected Credit Loss of Financial Assets

The Group measures expected credit loss and recognizes loss allowance at the end of the reporting period for financial assets measured at amortized cost and fair value through other comprehensive income with the exception of financial asset measured at fair value through profit or loss.

The expected credit loss ("ECL") is the weighted average amount of possible outcomes within a certain range, reflecting the time value of money, estimates on the past, current and future situations, and information accessible without excessive cost of effort.

The Group uses the following three measurement techniques in accordance with K-IFRS:

- General approach: for financial assets and off-balance-sheet unused credit line that are not applied below two approaches
- Simplified approach: for receivables, contract assets and lease receivables
- Credit-impaired approach: for purchased or originated credit-impaired financial assets

The general approach is applied differently depending on the significance of the increase of the credit risk. If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, an entity shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. If the credit risk on that financial instrument has increased significantly since initial recognition, an entity shall measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses at each reporting date.

3. Significant Accounting Policies, continued

The approach requires expected lifetime losses to be recognized from initial recognition of the financial assets. Under credit-impaired approach, the Group shall only recognize the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance for purchased or originated credit-impaired financial assets.

The following non-exhaustive list of information may be relevant in assessing changes in credit risk:

- Significant changes in internal price indicators of credit risk as a result of a change in credit risk since inception
- Other changes in the rates or terms of an existing financial instrument that would be significantly different
- An actual or expected significant change in the financial instrument's external credit rating.
- An actual or expected internal credit rating downgrade for the borrower or decrease in behavioural scoring used to assess credit risk internally
- An actual or expected significant change in the operating results of the borrower
- Past due information

a) Considering forward-looking information

The Group uses forward-looking information, when it determines whether the credit risk has increased significantly since initial recognition and measures expected credit losses.

The Group assumes the risk component has a certain correlation with the business cycle, and calculates the expected credit loss by reflecting the forward-looking information with macroeconomic variables on the measurement inputs.

Forward looking information used in calculation of expected credit loss is derived after comprehensive consideration of a variety of factors including worst-case scenario and others.

b) Measuring expected credit losses on financial assets at amortized cost

The amount of the loss on financial assets at amortized cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The Group estimates expected future cash flows for financial assets that are individually significant (individual assessment of impairment).

For financial assets that are not individually significant, the Group collectively estimates expected credit loss by grouping loans with homogeneous credit risk profile (collective assessment of impairment).

① Individual assessment of impairment

Individual assessment of impairment losses is calculated using management's best estimate on present value of expected future cashflows. The Group uses all the available information including operating cash flow of the borrower and net realizable value of any collateral held.

② Collective assessment of impairment

Collective assessment of loss allowance involves historical loss experience along with incorporation of forward-looking information. Such process incorporates factors such as type of product and borrowers, credit rating, size of portfolio and recovery period and applies probability of default on a group of assets and loss given default by type of recovery method. Also, the expected credit loss model involves certain assumption to determine input based on loss experience and forward-looking information. These models and assumptions are periodically reviewed to reduce gap between loss estimate and actual loss experience.

The expected credit loss for financial assets measured at amortized cost is recognized as the loss allowance, and when the financial asset is determined to be irrecoverable, the carrying amount and loss allowance are decreased. If financial assets previously written off are recovered, the loss allowance is increased and the difference is recognized in the current profit or loss.

3. Significant Accounting Policies, continued

c) Measuring expected credit losses on financial assets at fair value through other comprehensive income
Measuring method of expected credit losses on financial assets at fair value through other comprehensive income is equal to the method of financial assets at amortized cost, except for changes in loss allowances that are recognized as other comprehensive income. Amounts recognized in other comprehensive income for sale or repayment of financial assets at fair value through other comprehensive income are reclassified to profit or loss.

(vi) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire or the financial assets have been transferred and substantially all the risks and rewards of ownership of the financial assets are also transferred, or all the risks and rewards of ownership of the financial assets are neither substantially transferred nor retained and the Group has not retained control. If the Group neither transfers nor disposes of substantially all the risks and rewards of ownership of the financial assets, the Group continues to recognize the financial asset to the extent of its continuing involvement in the financial asset.

If the Group transfers the contractual rights to receive the cash flows of the financial asset, but retains substantially all the risks and rewards of ownership of the financial asset, the Group continues to recognize the transferred asset in its entirety and recognize a financial liability for the consideration received.

When the entire financial asset is derecognized, the difference between the total amount received, cumulative gain or loss previously recognized in other comprehensive income and the carrying amount of the asset is recognized in profit or loss.

Unless the entire amount of the financial asset is derecognized, the Group allocates the existing carrying amount of the financial asset to the part that is continuously recognized and no longer recognized, according to the extent of continuing involvement, based on the relative fair value of each part as of the transfer date. The difference between the amount received and the cumulative gain or loss recognized in other comprehensive income allocated to the portion removed, and the carrying amount allocated to the portion that is no longer recognized is recognized in profit or loss. Cumulative gain or loss recognized in other comprehensive income is allocated to the portion that is recognized continuously and no longer recognized based on the relative fair value of each portion.

(vii) Offsetting

Financial assets and liabilities are offset and the net amount reported in the statements of financial position where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously.

3. Significant Accounting Policies, continued

(3) Investments in associates

Investments in associates are accounted using the equity method of except where the investments are classified as held for sale.

Associates are companies in which the Group has control or significant influence. When evaluating whether the Group has control or significant influence, the Group consider the existence and impact of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities.

The equity method report investments in associates at cost initially, and the Group's share of the changes in net assets of the investees after acquisition is added or subtracted to the investment assets. The Group's profit or loss includes the amount of the investor's portion of the net profit or loss of the investee. The other comprehensive income includes the amount of the investor's portion of the other comprehensive income of the investee.

Among the difference between the cost of the investment and the fair value of the identifiable assets and liabilities of the investee, the goodwill related to the subsidiary and the associate is included in the carrying amount of the investment and is not amortized. The portion of the net fair value of the identifiable assets and liabilities of the investee that exceeds the cost of the investment is included in the income when determining the portion of the net profit or loss of the subsidiary and associate in the period in which the investment is acquire. And accounting is conducted to adjust the Group's portion of net profit or loss of the associates after the acquisition.

The Group recognizes gains and losses only not related to the portion of associates in 'upward' or 'downward' transactions between the Group and its associates.

If the end of the reporting period of the subsidiaries and affiliates used for the application of the equity method is different from the end of the reporting period of the Group's financial statements, the effect of significant transactions or events between the reporting date of the Group's financial statements and the reporting date of the associates' financial statements is applied. In this case, the difference between the end of the period is less than three months, the difference between the length of the reporting period and the ending date of the reporting period is applied equally.

The Group adopts the same accounting policies for the same transactions and events that occur under similar circumstances. If the associates do not use the same accounting policies as the Group's for the same transactions and events in similar circumstances, the Group adjust the accounting policies of its associates as consistent with its when the Group uses the financial statements of associates in order to apply the equity method.

If the Group's portion of losses from associates is greater than or equal to the investment in associates, the Group ceases to recognize losses in excess of investment. Investments in associates are sum of carrying amount of investment for associates determined using equity method and long-term investment that practically constitute the net investment in the associates. After the Group's equity is reduced to zero, if the Group has a legal or constructive obligation or is required to make payments on behalf of its associates the Group only recognizes losses and liabilities up to that amount. If the subsidiary and associates report profits in the future, the Group resumes recognition of its interest in the share, but recognizes only the excess of the unrecognized losses.

The Group applies K-IFRS 1028 'Investments in Associates and Joint Ventures' to determine whether it is necessary to recognize additional impairment losses on the net investment in associates. Goodwill, which is a part of the carrying amount of investments in associates, is not separately recognized and therefore is not tested for impairment. Instead, whenever an indication of impairment exists, the carrying amount of the investment is tested for impairment as a single asset by comparing to recoverable amount (the greater amount between net fair value and usage value). Impairment losses recognized in these circumstances are not allocated to any assets (including goodwill) that constitute the carrying amount of the associates, and all reversal of the impairment loss are recognized as the recoverable amount of these investments increases subsequently.

3. Significant Accounting Policies, continued

The Group ceases the use of the equity method from the date that the investment does not meet the definition of associates. If the remaining equity in the former subsidiary and associate is a financial asset, the residual equity is measured at fair value. The difference between fair value of the remaining equity, fair value of the consideration received as a result of a partial disposal of the equity in associates and difference in carrying amount of investment assets when the equity method is discontinued is recognized in profit or loss. When the equity method is discontinued, the Group accounts for all amounts recognized in other comprehensive income in the same manner as the investee directly disposed the related asset or liability.

(4) Lease

(i) Lessee accounting

The Group recognizes a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments at the commencement date of the lease. The Group elected not to apply the requirements to the short-term leases and low value assets.

① Right-of-use asset

The right-of-use asset is measured at its cost less subsequent accumulated depreciation and accumulated impairment loss with adjustments reflected arising from remeasurements of the lease liability. The cost of the right-of-use asset comprise the amount of the initial measurement of the lease liability, any initial direct costs incurred by the lessee and any lease payments made at or before the commencement date, less any lease incentive received. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis from the commencement date of the lease.

② Lease liabilities

At the commencement date, the lease liability is measured at present value of the lease payments that are not paid at that date. Lease payments include fixed payments (including in-substance fixed payments), less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers those payments occurs.

When measuring the present value, the lease payments are discounted using the interest rate implicit in the lease. If such implicit rate cannot be readily determined, the Group uses the Group's incremental borrowing rate. The lease liability is subsequently increased by the amount of interest expenses recognized on the lease liability and reduced by the lease payments made.

Lease liabilities are remeasured when the future lease payments are changed due to the following:

- Changes in an index or a rate;
- Changes in amounts expected to be payable by the lessee under residual value guarantees;
- Changes in the assessment of whether a purchase option or an option to renew is reasonably certain to be exercised; or
- Changes in the assessment of whether it is reasonably certain that an option to terminate the lease will not be exercised.

③ Leases of low-value assets and short-term leases

The Group applies the recognition exemption for leases of low-value assets and short-term leases (i.e., leases with a lease term of 12 months or less). In these cases, lease payments are charged to profit or loss on a straight-line basis over the period of lease.

3. Significant Accounting Policies, continued

(ii) Lessor accounting

The classification of leases is based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor.

① Finance lease

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases, and the Group presents them as a receivable at an amount equal to the net investment in the lease. Also, initial direct cost that includes directly and additionally incurred commission fee, legal expenses, and internal accrued costs are included in finance lease receivables. The Group accounts for lease payment by apportioning into finance lease receivables and interest revenue, and interest revenue is recognized using the EIR method on uncollected finance lease net investment.

② Operating lease

A lease is classified as operating lease if it does not transfer substantially all the risks and rewards incidental to ownership, and the related asset is presented as acquisition cost less accumulated depreciation. Moreover, the minimum lease payment excluding guaranteed residual value is recognized as revenue on a straight line basis over the lease term. Initial direct costs incurred by lessors in negotiating and arranging an operating lease shall be added to the carrying amount of the leased asset and recognized as an expense over the lease term, and the depreciation method and useful lives of operating lease assets are as follows:

Type	Useful lives (years)	Depreciation method
Ship	3 ~ 8	Straight-line method
Shipping container	15	Straight-line method

(5) Property and equipment

Property and equipment are initially measured at cost. The cost of a property and equipment includes costs that are directly attributable to the location and condition necessary to operate the asset in an intended manner by management, and costs that are estimated to be necessary to dismantle, remove, or recover the property.

The Group's property and equipment are recognised at the carrying amount at historical costs less accumulated depreciation and accumulated impairment in value.

Subsequent costs are recognised in the carrying amount of assets or, if appropriate, as separate assets if the probabilities future economic benefits associated with the assets will flow into the Group and the costs can be measured reliably; the carrying amount of the replaced part is derecognised. Furthermore, any other repairs or maintenances are charged to profit or loss as incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to the amount of residual value less acquisition cost over the following estimated useful lives.

Any gain or loss arising from the disposal of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in non-operating income (expense) in the statements of comprehensive income.

Useful lives of property and equipment are as follows:

Type	Useful lives (years)
Building	40
Equipment	5
Others	5

The Group assesses residual value, economic life and depreciation method of its assets at each reporting date and adjusts these as change of estimates when necessary.

3. Significant Accounting Policies, continued

(6) Investment property

The Group classifies property held for rental income or benefits from capital appreciation as investment property. Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, the cost model is applied. Subsequent to initial recognition, an item of investment property is carried at its cost less any accumulated depreciation and any accumulated impairment loss.

Subsequent costs are recognised in the carrying amount of assets or, if appropriate, as separate assets if the probabilities future economic benefits associated with the assets will flow into the Group and the costs can be measured reliably; the carrying amount of the replaced part is derecognised. Furthermore, any other repairs or maintenances are charged to profit or loss as incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to the amount of residual value less acquisition cost over estimated useful lives of 40 years.

The Group assesses residual value, economic life and depreciation method of its assets at each reporting date and adjusts these as change of estimates when necessary.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the statements of comprehensive income in the period of de-recognition.

(7) Intangible assets

Intangible assets are recognised at the acquisition cost, and subsequently, the cost less accumulated depreciation and accumulated impairment is recognised as the carrying amount.

Amortization of intangible assets is calculated using the straight-line method over estimated useful lives of 4 years from when available. Residual value of intangible assets is zero ("0").

In case of intangible assets with finite lives, the Group assesses economic life and amortization method at each reporting date. Furthermore, the Group reviews intangible assets with indefinite useful lives to determine whether it is appropriate to consider these assets to have indefinite useful lives. If in the case the Group concludes an asset is not qualified to be classified as non-finite, prospective measures are taken to consider such an asset as finite.

(i) Research & Development

Expenditures for the research or the research stage of internal project are recognized as an expense when incurred. Expenditure at the development stage is recognized as an intangible asset when the Group can present both the technical feasibility of completing the asset, the intent and ability of the Group to use or sell the asset, the availability of the necessary resources, the future economic benefits of the intangible asset and the associated expenditure is measured reliably. And other development expenditures are recognized as an expense when incurred.

(ii) Subsequent costs

Subsequent costs are recognised in the carrying amount of assets if the probabilities future economic benefits associated with the assets will flow into the Group and any other expenditures are recognized as an expense when incurred include internally generated goodwill and brand name.

3. Significant Accounting Policies, continued

(8) Impairment of non-financial assets

The Group tests for any evidence of impairment in assets and reviews whether the impairment has taken place by estimating the recoverable amount, at the end of each reporting period.

The recoverable amount is estimated for each individual asset or, if the recoverable amount of an individual asset cannot be estimated, for each cash-generating unit to which the asset belongs. The recoverable amount is the greater of the value in use and the net fair value. The value in use is calculated by discounting the expected future cash flows expected to be generated by the asset or cash-generating unit with an appropriate discount rate reflecting the time value and the current market's assessment of the unique risk.

If the recoverable amount of an asset or cash-generating unit is less than its carrying amount, the carrying amount of the asset is reduced and that amount is recognized immediately in profit or loss.

(9) Non-derivative financial liabilities

The Group recognizes a financial liability in its statements of financial position when the Group becomes a party to the contractual provisions of the instrument. At initial recognition, a financial liability is measured at its fair value plus or minus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the issue of the financial liability. In the case of a financial liability at fair value through profit or loss, transaction costs that are directly attributable to the issue of the financial liability are recognized to profit or loss immediately.

The Group classifies financial liabilities as financial liabilities at fair value through profit or loss, or other liabilities.

(i) Financial liabilities at fair value through profit or loss

Any non-derivative financial liabilities classified as held for trading or designated as financial liabilities at fair value through profit or loss is categorized under financial liabilities at fair value through profit or loss.

Financial liabilities classified as held for trading are as follows:

- If it is issued for the purpose of repurchasing in the short term
- At initial recognition, there is evidence that the most recent actual operation is for short-term gain and liabilities are part of a portfolio of jointly managed financial instruments
- Derivatives that are designated as hedging instruments and are not effective for hedging

Financial liabilities other than classified as held for trading can be designated as financial liabilities at fair value through profit or loss at initial recognition. Details are as follows:

- If it is designated as an item of recognized profit or loss, it is possible to eliminate or significantly reduce discrepancies of measurement or recognition if not designated.
- A financial liability is a component of a financial instrument set (a set of financial assets, financial liabilities or a combination of financial assets and financial liabilities) in accordance with the Group's documented risk management or investment strategy, is managed and evaluated on a fair value basis, and providing that information internally.
- Financial liability is part of an agreement that includes one or more embedded derivatives and the entire hybrid contract is classified as financial liabilities at fair value through profit or loss in accordance with K-IFRS 1109 "Financial Instruments".

Financial liabilities at fair value through profit or loss is measured as fair value and gains and losses on valuation recognized in profit or loss. For the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, the Group present this change in other comprehensive income. Meanwhile, transaction costs that are directly attributable to the issue of the financial liability are recognized to profit or loss immediately.

3. Significant Accounting Policies, continued

(ii) Other liabilities

Other liabilities are recognised subsequently at amortized costs and interest expense is recognized using the EIR.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating the interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument including all the fees and points paid to or received from parties to the contract that are an integral part of the effective interest rate, including transaction costs, and all other premiums or discounts.

(iii) Derecognition of financial liabilities

Financial liabilities are derecognized from the statements of financial position when the obligation specified in the contract is discharged, cancelled or expires. The difference between payment cost and carrying amounts of financial liabilities are recognized as profit or loss.

(iv) Interest Rate Benchmark Reform

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changes as a result of interest rate benchmark reform, then the Group updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform only if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes are made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. Additional changes are then handled by applying existing accounting policies.

(10) Financial guarantee contracts

In financial guarantee contracts, the issuer (the Group) must pay a specific amount to compensate for losses incurred to the holder due to the failure to pay on the payment due date by a specific debtor according to the initial or changed contract terms of the debt instruments.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the greater of the following:

- Provision for loss calculated in accordance with the K-IFRS 1109
- Initial recognition amount after deducting accumulated profits recognized in accordance with K-IFRS 1115

(11) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are employee benefits that are due to be settled wholly before 12 months after the end of the period in which the employees render the related service. When an employee has rendered service to the Group during an accounting period, the Group recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service.

3. Significant Accounting Policies, continued

(ii) Retirement benefits

The Group operates both defined benefit plans and defined contribution plans.

- Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. If the net value of the defined benefit obligation less the fair value of the plan assets is an asset then the Group recognizes its assets at the present value of the economic benefits available.

When an amendment or reduction of plans, the gain or loss resulting from the change or decrease in the benefits to the past service is immediately recognized in profit or loss. The branch recognizes the gain or loss on settlement when the settlement of defined benefit plans occurs.

- Defined contribution plans

The Group pays a fixed amount of contributions to a separate fund and contributions are recognized as expenses when employees provide service.

(12) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation because of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, and when determining the Group considers the unavoidable risks and uncertainties of the related event and circumstances. If the time value effect is important, the provision is evaluated as the present value of the expenditure expected to fulfil the obligation, and the discount rate is the pre-tax rate reflecting the current market's assessment of the inherent risk and the time value of the money. The risks reflected in the discount rate do not reflect the risks considered when estimating future cash flows. If there is sufficient and objective evidence that a future event will occur that will affect the amount of expenditure required to meet the present obligation, the amount of the provision is estimated based on such future events and expected disposal gain is not considered.

If it is probable that a third party will repay part or all of the expenditure required to settle the obligation, the repayment amount will be recognized and accounted for as a separate asset only when it is almost certain that the obligation will be reimbursed and the amount recognized as an asset can not exceed the related provision.

At the end of each reporting period, the Group reviews the balance of the provision, adjusts it to reflect the best estimate, and if the probability of outflow of resources having economic benefits is no longer high, the related provision is reversed. Provisions are only used for expenditures related to initial recognition.

3. Significant Accounting Policies, continued

(13) Foreign exchange

Transactions in foreign currencies are translated to the functional currency of the Group, at exchange rates of the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on translation are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(14) Paid in capital

Common stock is classified as equity. Incremental costs directly attributable to equity transactions are deducted from equity as a net amount reflecting tax effects.

(15) Recognition of revenue and expenses

(i) Financial income and financial expenses

Financial income includes interest income from investments including available-for-sale financial assets and gains or losses on disposal of available-for-sale financial assets. Interest income is recognized in profit or loss using the effective interest method. Financial expenses include interest expense on borrowings

(16) Income tax expense

Income tax expense consists of current tax and deferred tax and is recognized in profit or loss except which is directly recognized in other comprehensive income, equity or arises from business combinations.

(i) Current tax

Current tax is calculated based on taxable income for the year. Taxable income differs from profit or loss in the statements of comprehensive income because it excludes income and loss items that are added or deducted in other taxation periods and items that are not tax deducted from income before income taxes. Current tax liabilities related to current tax are calculated using tax rates enacted or substantively enacted.

(ii) Deferred income tax

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects to recover or settle the carrying amount of the related assets and liabilities at the end of the reporting period.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and the carrying amount of the deferred income tax asset is reduced when there is no longer sufficient taxable income to arise to cover the benefits of the deferred income tax asset.

Deferred income tax assets and liabilities are measured using tax rates that are expected to be applied to the periods in which the asset is realized or the liability is settled, based on tax legislation enacted or substantively enacted at the end of the reporting period.

Deferred income tax assets and liabilities are off-set only if the assets and liabilities relate to income tax levied by the same tax authority and the Group has a legally enforceable right to off-set the related current income tax assets and liabilities, and intend to settle on a net basis. If an additional income tax expense is recognized as a result of dividend payments, the Group recognizes income tax expense when liabilities related to the payment of dividends recognized.

3. Significant Accounting Policies, continued

(17) Earnings per share

The Group represents its basic earnings per common share in the separate statements of comprehensive income. Basic earnings per share (EPS) is calculated by dividing net profit attributable to shareholders of the Group by the weighted average number of common shares outstanding during the reporting period.

(18) Business combination of entities under common control

The assets and liabilities acquired under business combinations under common control are recognised at the carrying amounts recognised previously in the financial statement. The difference between consideration transferred and carrying amounts of net assets acquired is recognised as part of capital adjustments.

(19) Changes of accounting policies and disclosure

(i) New and amended standards and interpretations adopted

The Group newly applied the following amended and enacted standards and interpretations for the annual period beginning on January 1, 2022. The nature and the impact of each new standard or amendment are described below:

Effective January 1, 2022, the Group has applied the loss-counted contract-contract performance cost amendments (IAS 37 Provisions, Contingent Liabilities, Contingent Assets). As a result, the accounting policy for performing the loss-bearing contract evaluation has been changed. When evaluating whether a contract is a loss-bearing contract, we included only the incremental cost of executing the contract before the policy change. The changed policy includes the incremental cost of performing the contract and other cost allocations directly related to performing the contract when assessing whether the contract is a loss-bearing contract.

(ii) New standards and interpretations issued but not effective

The following new standards, interpretations and amendments to existing standards have been issued but not effective for annual periods beginning after January 1, 2022, and the Group has not early adopted them. The Group did not apply the following amendments and interpretations early when preparing financial statements, and does not expect the amendments to have a significant effect on the amount recognized in the Group's financial statements.

i) Amendments to K-IFRS 1012 'Income Tax'(Amended) – Deferred Tax on Assets and Liabilities Arising from a Single Transaction

A narrow range of amendments to apply an exemption from initial recognition if the initial recognition of right-of-use asset, lease liabilities, recovery provisions and related assets results in the same amounts of temporary differences to be added and temporary differences to be deducted. The amendment is applicable for the first fiscal year beginning on or after January 1, 2023.

For a single transaction that generates right-of-use asset, lease liabilities, recovery provisions and related assets, the deferred tax assets and liabilities involved should be recognized by adjusting the cumulative effects of initial application to retained earnings (or other components of equity) at the earliest period presented.

This amendment applies to all transactions that have occurred since the foundation point of the earliest period indicated.

ii) K-IFRS 1001 'Presentation of Financial Statements' - Current/Non-current classification of liabilities

This amendment was published in 2020 to clarify the requirements for the classification of liabilities' liquidity. The amendments will take effect for the first time since January 1, 2023. However, IASB issued an amendment delaying the effective date of this amendment to the fiscal year beginning on or after 1 January 2024, and the KASB will also amend the K-IFRS to reflect this. The group cannot determine the impact of the application of the amendments and is monitoring the revision process.

iii) The following amendments are not considered to have a material impact on the Group.

- IFRS 17 Insurance Contracts and their amendments
- Disclosure of accounting policies (K-IFRS 1001 'Presentation of Financial Statements')
- Definition of accounting estimates (K-IFRS 1008 'Accounting Policies, Changes in Accounting Estimates and Errors')

4. Use of estimates and judgments

The following are the key assumptions at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities:

(1) Fair value of financial instruments

The fair value of financial instruments which are not traded in active market is estimated by a valuation technique in principle requiring management's assumption on the expected future cash flows and discount rate. Based on major present market condition, the Group decides assumptions to apply and adapts various valuation techniques. Diverse valuation techniques are used to determine the fair value of financial instruments, from generally accepted market valuation models to internally developed valuation models that incorporate various types of assumptions and variables.

(2) Impairment assessment

The Group assesses impairment on the basis of individual assessment or collective assessment, and reflects the impairment on carrying amounts. Accuracy of provisions for credit losses is dependent upon estimation of expected cash flows of the borrower for individually assessed allowances of loans, and upon assumptions and methodology used for collectively assessed allowances for groups of loans.

(3) Defined benefit liabilities

The Group operates a defined benefit plan. Defined benefit liability is calculated by annual actuarial valuations as of the reporting date. To perform the actuarial valuations, assumptions for discount rates, future salary increases and others are required to be estimated. Defined benefit plans contain significant uncertainties in estimations due to its long-term nature. The present value of the defined benefit obligation can vary depending on various factors that are determined by actuarial methods. The assumptions used to determine the defined benefit obligation include the discount rate and any changes in these assumptions will affect the carrying amount of the defined benefit obligation. The Group determines the appropriate discount rate at the end of each year, which represents the interest rate that should be used to determine the present value of the estimated future cash outflows expected to be incurred in settlement of the defined benefit obligation.

(4) Income tax

The Group have a number of different types of transactions and calculations that will uncertain the final tax value in the normal business. The Group recognized the future tax effects of current operations as the current and deferred tax. However, the ultimate income tax may not be consistent with the recognized assets and liabilities. Such differences may affect the current and deferred income tax assets and liabilities when the final tax effect is finalized.

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

5. **Cash and Due from Banks**

Cash and due from banks as of December 31, 2022 and 2021 are as follows (In thousands of won):

	December 31, 2022	December 31, 2021
Cash	₩ -	274,814
Due from banks in Korean won :		
Demand deposits	314,637,544	384,703,890
Time deposits	523,695,921	375,901,409
Other deposits	803,036	5,899,767
	<u>839,136,501</u>	<u>766,505,066</u>
Due from banks in foreign currency :		
Demand deposits	127,380,015	49,430,997
Time deposits	18,930,698	15,878,696
Other deposits	5,453,955	71,901,619
	<u>151,764,668</u>	<u>137,211,312</u>
	<u>₩ 990,901,169</u>	<u>903,991,192</u>

(2) Restricted due from banks as of December 31, 2022 and 2021 are as follows (In thousands of won):

	December 31, 2022	December 31, 2021	Financial institution	Reason for restriction
Demand deposits				Cooperative fund for
	₩ 26,979,666	22,481,066	Busan Bank and others	low-interest loans, pledged and others
Time deposits			Industrial Bank of Korea and others	Cooperative fund for
	143,883,610	167,579,872		low-interest loans, pledged and others
	<u>₩ 170,863,276</u>	<u>190,060,938</u>		

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

6. **Financial Assets**

(1) Financial assets measured at FVTPL

1) Financial assets measured at FVTPL as of December 31, 2022 and 2021 are as follows (In thousands of won):

December 31, 2022		
	Carrying amounts	Fair value
Corporate bonds	₩ 6,416,375	6,416,375
Privately placed corporate bonds	61,559,137	61,559,137
Equity instruments	5,233,567,860	5,233,567,860
Beneficiary certificates	38,163,398	38,163,398
	₩ 5,339,706,770	5,339,706,770

December 31, 2021		
	Carrying amounts	Fair value
Corporate bonds	₩ 4,526,861	4,526,861
Privately placed corporate bonds	55,859,653	55,859,653
Equity instruments	7,202,373,780	7,202,373,780
Beneficiary certificates	36,737,217	36,737,217
	₩ 7,299,497,511	7,299,497,511

2) Details of equity instruments as of December 31, 2022 and 2021 are as follows (In thousands of won):

December 31, 2022						
	Interest rate	Issuing date	Maturity date	Par value	Fair value	Carrying amounts
HMM Co., Ltd. convertible bond No. 192 (*1)	3.00%	October 25, 2018	October 25, 2048	₩ 200,000,000	781,030,430	781,030,430
HMM Co., Ltd. bond with warrant No. 193 (*1)	3.00%	October 25, 2018	October 25, 2048	300,000,000	1,171,545,645	1,171,545,645
HMM Co., Ltd. convertible bond No. 194 (*1)	3.00%	May 24, 2019	May 24, 2049	50,000,000	195,380,895	195,380,895
HMM Co., Ltd. convertible bond No. 195 (*1)	3.00%	June 27, 2019	June 27, 2049	100,000,000	391,033,023	391,033,023
HMM Co., Ltd. convertible bond No. 196 (*1)	3.00%	October 28, 2019	October 28, 2049	330,000,000	1,288,781,911	1,288,781,911
HMM Co., Ltd. convertible bond No. 197 (*1)	3.00%	April 23, 2020	April 23, 2050	360,000,000	1,405,795,956	1,405,795,956
				₩ 1,340,000,000	5,233,567,860	5,233,567,860

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

6. **Financial Assets, continued**

(*1) Details of convertible bonds and bond with warrants are as follows:

	Convertible right (or warrant)	Call option of issuer	Interest rate / Maturity date
HMM Co., Ltd. convertible bond No. 192	- Conversion period: October 25, 2019 ~ September 25, 2048 - Conversion price: 5,000 won - Conversion ratio: par value / adjusted conversion price on conversion date - Underlying shares: HMM Co., Ltd. ordinary shares	- Early redemption period: once every three months from October 25, 2023 - Early redemption price: or per 10 billion won or principal	
HMM Co., Ltd. bond with warrant No. 193	- Exercise period: October 25, 2019 ~ September 25, 2048 - Exercise price: 5,000 won - Exercise ratio: par value / adjusted exercise price on exercise date - Underlying shares: HMM Co., Ltd. ordinary shares		
HMM Co., Ltd. convertible bond No. 194	- Conversion period: May 24, 2020 ~ April 24, 2049 - Conversion price: 5,000 won - Conversion ratio: par value / adjusted conversion price on conversion date - Underlying shares: HMM Co., Ltd. ordinary shares	- Early redemption period: once every three months from May 24, 2024 - Early redemption price: per 10 billion won or principal	The interest rate of 3% is applied during five years from the issuing date and after that will be adjusted. The maturity date could be extended by the issuer's decision.
HMM Co., Ltd. convertible bond No. 195	- Conversion period: June 28, 2020 ~ May 26, 2049 - Conversion price: 5,000 won - Conversion ratio: par value / adjusted conversion price on conversion date - Underlying shares: HMM Co., Ltd. ordinary shares	- Early redemption period: once every three months from June 27, 2024 - Early redemption price: per 10 billion won or principal	
HMM Co., Ltd. convertible bond No. 196	- Conversion period: October 29, 2020 ~ September 27, 2049 - Conversion price: 5,000 won - Conversion ratio: par value / adjusted conversion price on conversion date - Underlying shares: HMM Co., Ltd. ordinary shares	- Early redemption period: once every three months from October 28, 2024 - Early redemption price: per 10 billion won or principal	
HMM Co., Ltd. convertible bond No. 197	- Conversion period: April 24, 2021 ~ March 22, 2050 - Conversion price: 5,000 won - Conversion ratio: par value / adjusted conversion price on conversion date - Underlying shares: HMM Co., Ltd. ordinary shares	- Early redemption period: once every three months from April 23, 2025 - Early redemption price: per 10 billion won or principal	

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

6. **Financial Assets, continued**

December 31, 2021							
	Interest rate	Issuing date	Maturity date		Par value	Fair value	Carrying amounts
HMM Co., Ltd. convertible bond No. 192 (*1)	3.00%	October 25, 2018	October 25, 2048	₩	200,000,000	1,074,882,030	1,074,882,030
HMM Co., Ltd. bond with warrant No. 193 (*1)	3.00%	October 25, 2018	October 25, 2048		300,000,000	1,612,323,045	1,612,323,045
HMM Co., Ltd. convertible bond No. 194 (*1)	3.00%	May 24, 2019	May 24, 2049		50,000,000	268,843,895	268,843,895
HMM Co., Ltd. convertible bond No. 195 (*1)	3.00%	June 27, 2019	June 27, 2049		100,000,000	537,958,923	537,958,923
HMM Co., Ltd. convertible bond No. 196 (*1)	3.00%	October 28, 2019	October 28, 2049		330,000,000	1,773,637,051	1,773,637,051
HMM Co., Ltd. convertible bond No. 197 (*1)	3.00%	April 23, 2020	April 23, 2050		360,000,000	1,934,728,836	1,934,728,836
				₩	1,340,000,000	7,202,373,780	7,202,373,780

(*1) Details of convertible bonds and bond with warrants are as follows:

	Convertible right (or warrant)	Call option of issuer	Interest rate / Maturity date
HMM Co., Ltd. convertible bond No. 192	- Conversion period: October 25, 2019 ~ September 25, 2048 - Conversion price: 5,000 won - Conversion ratio: par value / adjusted conversion price on conversion date - Underlying shares: HMM Co., Ltd. ordinary shares	- Early redemption period: once every three months from October 25, 2023 - Early redemption price: or per 10 billion won or principal	The interest rate of 3% is applied during five years from the issuing date and after that will be adjusted. The maturity date could be extended by the issuer's decision.
HMM Co., Ltd. bond with warrant No. 193	- Exercise period: October 25, 2019 ~ September 25, 2048 - Exercise price: 5,000 won - Exercise ratio: par value / adjusted exercise price on exercise date - Underlying shares: HMM Co., Ltd. ordinary shares		
HMM Co., Ltd. convertible bond No. 194	- Conversion period: May 24, 2020 ~ April 24, 2049 - Conversion price: 5,000 won - Conversion ratio: par value / adjusted conversion price on conversion date - Underlying shares: HMM Co., Ltd. ordinary shares	- Early redemption period: once every three months from May 24, 2024 - Early redemption price: per 10 billion won or principal	
HMM Co., Ltd. convertible bond No. 195	- Conversion period: June 28, 2020 ~ May 26, 2049 - Conversion price: 5,000 won - Conversion ratio: par value / adjusted conversion price on conversion date - Underlying shares: HMM Co., Ltd. ordinary shares	- Early redemption period: once every three months from June 27, 2024 - Early redemption price: per 10 billion won or principal	
HMM Co., Ltd. convertible bond No. 196	- Conversion period: October 29, 2020 ~ September 27, 2049 - Conversion price: 5,000 won - Conversion ratio: par value / adjusted conversion price on conversion date - Underlying shares: HMM Co., Ltd. ordinary shares	- Early redemption period: once every three months from October 28, 2024 - Early redemption price: per 10 billion won or principal	
HMM Co., Ltd. convertible bond No. 197	- Conversion period: April 24, 2021 ~ March 22, 2050 - Conversion price: 5,000 won - Conversion ratio: par value / adjusted conversion price on conversion date - Underlying shares: HMM Co., Ltd. ordinary shares	- Early redemption period: once every three months from April 23, 2025 - Early redemption price: per 10 billion won or principal	

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

6. **Financial Assets, continued**

(2) Financial assets measured at FVOCI

1) Financial assets measured at FVOCI as of December 31, 2022 and 2021 are as follows (In thousands of won):

		December 31, 2022	
		Carrying amounts	Fair value
Stocks	₩	1,350,278,863	1,350,278,863
Equity instruments		51,453,415	51,453,415
	₩	1,401,732,278	1,401,732,278

		December 31, 2021	
		Carrying amounts	Fair value
Stocks	₩	1,350,000,000	1,350,000,000
Equity instruments		71,013,118	71,013,118
	₩	1,421,013,118	1,421,013,118

2) Stocks as of December 31, 2022 and 2021 are as follows (In thousands of won):

		December 31, 2022	December 31, 2021
Busan Port Authority	₩	541,038,327	541,038,327
Ulsan Port Authority		117,315,415	117,315,415
Incheon Port Authority		490,839,177	490,839,177
Yeosu Gwangyang Port Authority		200,807,081	200,807,081
Polaris Shipping Co., Ltd. (perpetual convertible bond)		51,453,415	71,013,118
KM CARGO SERVICES SDN.BHD		278,863	-
	₩	1,401,732,278	1,421,013,118

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

6. **Financial Assets, continued**

(3) Financial assets measured at amortized cost

1) Financial assets measured at amortized cost as of December 31, 2022 and 2021 are as follows (In thousands of won):

		December 31, 2022	
		Carrying amounts	Fair value
Employee loans	₩	40,000	39,991
Less: Allowance for credit losses		(9)	
		39,991	39,991
Ship financing receivables		695,184,115	689,529,593
Less: Allowance for credit losses		(5,654,522)	
		689,529,593	689,529,593
Corporate bonds		95,575,000	95,351,446
Less: Allowance for credit losses		(223,554)	
		95,351,446	95,351,446
	₩	784,921,030	784,921,030

		December 31, 2021	
		Carrying amounts	Fair value
Loans (*)	₩	433,256,626	432,482,284
Employee loans		40,000	40,000
Less: Allowance for credit losses		(774,342)	
		432,522,284	432,522,284
Ship financing receivables		647,548,164	642,996,853
Less: Allowance for credit losses		(4,551,311)	
		642,996,853	642,996,853
Corporate bonds		306,125,000	302,515,644
Others		298,746	279,634
Less: Allowance for credit losses		(3,628,468)	
		302,795,278	302,795,278
	₩	1,378,314,415	1,378,314,415

(*) The Group has loaned to Sparta International 1 ~ 5 S.A. which were established by HMM Co., Ltd. for the purpose of acquiring ships. USD 418,869 thousand that was the total of the subordinated loan amounting to USD 167,548 thousand and the senior loan amounting to USD 251,321 thousand was loaned until the time of the acquisition of the ships for each special purpose company. As a result of collections of some senior loans, the balances of senior loans and subordinated loans as of December 31, 2021 are USD 197,916 thousand and USD 167,548 thousand, respectively. Relating to the subordinated loan, the Group has acquired the rights that the special purpose company owns as ship-owner and the rights that HMM Co., Ltd. owns as charterer in charter contract. Additionally, the Group have set a pledge for the issued stocks and bank accounts of special purpose companies, and charterer.

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

6. **Financial Assets, continued**

2) Changes in allowance for loan losses for the years ended December 31, 2022 and 2021 are as follow (In thousands of won):

2022				
	12-month expected credit loss	Lifetime expected credit loss		Total
		Non-credit- impaired	Credit- impaired	
Beginning balance	₩ 4,516,688	-	4,437,433	8,954,121
Reversal of credit loss	(895,964)	-	(2,160,961)	(3,056,925)
Others	(19,111)	-	-	(19,111)
Ending balance	₩ 3,601,613	-	2,276,472	5,878,085

2021				
	12-month expected credit loss	Lifetime expected credit loss		Total
		Non-credit- impaired	Credit- impaired	
Beginning balance	₩ 7,248,011	29,509,096	27,026,141	63,783,248
Changes in beginning balance				
Transfer to 12-month expected credit loss	26,127,366	(26,127,366)	-	-
Reversal of credit loss	(28,858,689)	(3,381,730)	(22,588,708)	(54,829,127)
Ending balance	₩ 4,516,688	-	4,437,433	8,954,121

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

6. **Financial Assets, continued**

3) Changes in exposures of credit risk related to financial assets measured at amortized cost for the years ended December 31, 2022 and 2021 are as follow (In thousands of won):

		2022			
		Lifetime expected credit loss			
		12-month expected credit loss	Non-credit- impaired	Credit- impaired	Total
Beginning balance	₩	1,265,938,409	86,734,412	34,595,715	1,387,268,536
Changes in beginning balance					
Transfer to 12-month expected credit loss		38,318,303	(38,318,303)	-	-
Acquisition		268,686,610	-	3,762,193	272,448,803
Redemption		(796,591,901)	(48,416,109)	(24,901,238)	(869,909,248)
Foreign currency translation		1,289,770	-	-	1,289,770
Others		(298,746)	-	-	(298,746)
Ending balance	₩	777,342,445	-	13,456,670	790,799,115

		2021			
		Lifetime expected credit loss			
		12-month expected credit loss	Non-credit- impaired	Credit- impaired	Total
Beginning balance	₩	578,865,133	637,205,636	49,368,190	1,265,438,959
Changes in beginning balance					
Transfer to 12-month expected credit loss		583,047,931	(574,697,081)	(8,350,850)	-
Acquisition		261,307,520	86,734,412	-	348,041,932
Redemption		(193,119,975)	(62,508,555)	(6,421,625)	(262,050,155)
Foreign currency translation		35,837,800	-	-	35,837,800
Ending balance	₩	1,265,938,409	86,734,412	34,595,715	1,387,268,536

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

6. Financial Assets, continued

(4) Derivative assets

- 1) For the purpose of hedging the exposure to the variability of future cash flows of borrowings in foreign currencies by changes in interest rate, the Group uses interest swaps and applies cash flow hedge accounting.
- 2) The notional amounts outstanding for derivative contracts and the carrying amounts of the derivative assets as of December 31, 2022 and 2021 and details of gain on valuation of derivative assets for the years ended December 31, 2022 and 2021 are as follows (USD, in thousands of won):

	Notional amount	Carrying amount (Fair value)	Valuation gain (loss) (*)
Interest rate swaps	USD 216,024,538	₩ 18,349,378	17,812,873
Credit risk valuation adjustment		(6,476)	(5,505)
		₩ 18,342,902	17,807,368

(*) Applying the cash flow hedge accounting, gain on valuation of derivative assets is recognized as other comprehensive income.

	Notional amount	Carrying amount (Fair value)	Valuation gain (loss) (*)
Interest rate swaps	USD 100,637,440	₩ 2,432,789	2,432,789
Credit risk valuation adjustment		(971)	(971)
		₩ 2,431,818	2,431,818

(*) Applying the cash flow hedge accounting, gain on valuation of derivative assets is recognized as other comprehensive income

7. Investments in Associates

- (1) Investments in associates as of December 31, 2022 and 2021 are as follows (In thousands of won):

	December 31, 2022	December 31, 2021
HMM Co., Ltd.	₩ 2,268,598,005	3,243,092,060
Yuanta HPNT PEF	-	62,760,003
IGIS UNCT Infra Fund	57,778,228	-
KIAMCO New Build Promotion Special Asset Private Investment Trust No.1	19,407,182	-
Multi Asset KDB&KOBK Green Ocean Private Investment Trust No.1	10,932,644	-
Multi Asset KDB&KOBK Green Ocean Private Investment Trust No.2	26,253,716	-
Multi Asset K-Container Box General Private Investment Trust Fund No.1	3,203,463	-
KIAMCO Shipping Investment Private Investment Trust No.3	15,956,662	-
KIAMCO Shipping Investment Private Investment Trust No.4	20,171,190	-
KIAMCO Shipping Investment Private Investment Trust No.5	19,633,700	-
Others	64	413,581
	₩ 2,441,934,854	3,306,265,644

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

7. **Investments in Associates, continued**

(2) The market value of marketable investments in associates as of December 31, 2022 and 2021 are as follow (In thousands of won):

	December 31, 2022		December 31, 2021	
	Market value	Carrying amounts	Market value	Carrying amounts
HMM Co., Ltd.	₩ 1,907,901,293	2,268,598,005	2,625,194,107	3,243,092,060

(3) Changes in investments in associates for the years ended December 31, 2022 and 2021 are as follow (In thousands of won):

	2022							
	Beginning balance	Acquisition /disposal	Valuation gain (loss) on equity method	Impairment loss (*)	Gain on disposal	Dividends	Share of other comprehensive income	Ending balance
HMM Co., Ltd.	₩3,243,092,060	-	1,701,951,909	(2,705,264,835)	-	(58,554,515)	87,373,386	2,268,598,005
Yuanta HPNT PEF	62,760,003	(61,400,000)	2,068,417	-	(1,428,420)	(2,000,000)	-	-
IGIS UNCT Infra Fund	-	57,242,727	1,113,309	-	-	(577,808)	-	57,778,228
KIAMCO New Build Promotion Special Asset Private Investment Trust No.1	-	19,728,671	426,725	-	-	(642,655)	(105,559)	19,407,182
Multi Asset KDB&KOB Green Ocean Private Investment Trust No.1	-	11,758,447	(242,440)	-	-	(633,349)	49,986	10,932,644
Multi Asset KDB&KOB Green Ocean Private Investment Trust No.2	-	27,079,920	(60,574)	-	-	(168,023)	(597,607)	26,253,716
Multi Asset K-Container Box General Private Investment Trust Fund No.1	-	3,856,361	(138,594)	-	-	(113,792)	(400,512)	3,203,463
KIAMCO Shipping Investment Private Investment Trust No.3	-	16,455,404	614,508	-	-	(995,362)	(117,888)	15,956,662
KIAMCO Shipping Investment Private Investment Trust No.4	-	20,521,673	792,148	-	-	(995,362)	(147,269)	20,171,190
KIAMCO Shipping Investment Private Investment Trust No.5	-	20,520,514	254,623	-	-	(995,362)	(146,075)	19,633,700
Others	413,581	(19)	(413,498)	-	-	-	-	64
	₩3,306,265,644	115,763,698	1,706,366,533	(2,705,264,835)	(1,428,420)	(65,676,228)	85,908,462	2,441,934,854

(*) The Group determined the signs of impairment in accordance with K-IFRS 1028 due to the continuous decline in the share price of its associate HMM Co., Ltd. and recognized the impairment loss by calculating the recoverable amount in accordance with K-IFRS 1036.

	2021							
	Beginning balance	Acquisition /disposal	Valuation gain on equity method	Impairment loss	Gain on disposal (*2)	Dividends	Share of other comprehensive income	Ending balance
HMM Co., Ltd. (*1)	₩ 61,422,660	2,459,222,064	603,152,075	-	111,259,107	-	8,036,154	3,243,092,060
Yuanta HPNT PEF	48,251,534	-	16,508,469	-	-	(2,000,000)	-	62,760,003
Others	169,816	28	509,835	(266,100)	-	-	2	413,581
	₩ 109,844,010	2,459,222,092	620,170,379	(266,100)	111,259,107	(2,000,000)	8,036,156	3,306,265,644

(*1) The Group exercised the conversion rights included in HMM Co., Ltd. convertible bond No. 191 and acquired the shares of HMM Co., Ltd. for the year ended December 31, 2021. The shares were classified as investments in associates.

(*2) The effect of changes in the Group's share of net assets of HMM Co., Ltd. due to change in share ratio resulting from the transactions such as unequal rights offering is recognized as gain or loss on disposal of investments in associates.

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

7. **Investments in Associates, continued**

(4) The financial information and ownership of investments in associates as of December 31, 2022 and 2021 are as follows (In thousands of won):

	December 31, 2022								
	Country	Fiscal year end	Industry	Assets	Liabilities	Equity	Operating revenue	Net income (loss)	Owner-ship (%)
HMM Co., Ltd. (*1)	Korea	December	Shipping	₩ 25,973,454,984	5,285,543,164	20,687,911,820	18,582,770,291	10,085,439,278	19.96
IGIS UNCT Infra Fund (*2)	Korea	December	Financial investment business	85,042,299	31,952	85,010,347	2,730,423	2,209,263	68.03
KIAMCO New Build Promotion Special Asset Private Investment Trust No.1	Korea	December	Financial investment business	77,671,788	43,059	77,628,729	3,540,256	1,706,900	25.00
Multi Asset KDB&KOB Green Ocean Private Investment Trust No.1 (*2)	Korea	December	Financial investment business	21,868,181	2,893	21,865,288	1,770,043	(484,881)	50.00
Multi Asset KDB&KOB Green Ocean Private Investment Trust No.2 (*2)	Korea	December	Financial investment business	52,514,880	7,449	52,507,431	483,689	(121,149)	50.00
Multi Asset K-Container Box General Private Investment Trust Fund No.1 (*2)	Korea	December	Financial investment business	6,410,936	4,011	6,406,925	240,512	(277,187)	50.00
KIAMCO Shipping Investment Private Investment Trust No.3 (*2)	Korea	December	Financial investment business	31,913,954	629	31,913,325	2,027,888	1,229,016	50.00
KIAMCO Shipping Investment Private Investment Trust No.4 (*2)	Korea	December	Financial investment business	40,343,164	785	40,342,379	2,036,373	1,584,296	50.00
KIAMCO Shipping Investment Private Investment Trust No.5 (*2)	Korea	December	Financial investment business	39,268,183	785	39,267,398	2,036,371	509,247	50.00

(*1) Even though the Group's shareholding in HMM Co., Ltd. is less than 20%, the equity method is applied as the Group has a significant influence on the financial and business policies of HMM Co., Ltd. considering the Group's potential voting rights of HMM Co., Ltd..

(*2) Even though the Group's shareholding in the associates are more than 50%, these were classified as associates because the Group did not have control and had significant influence under the trust contract.

	December 31, 2021								Owner-ship (%)
	Country	Fiscal year end	Industry	Assets	Liabilities	Equity	Operating revenue	Net income	
HMM Co., Ltd. (*)	Korea	December	Shipping	₩ 17,876,099,866	7,517,803,937	10,358,295,929	13,794,148,402	5,337,151,256	19.96
Yuanta HPNT PEF	Korea	December	Private equity fund	226,035,703	262,467	225,773,236	6,330,717	5,965,391	22.23

(*) Even though the Group's shareholding in HMM Co., Ltd. is less than 20%, the equity method is applied as the Group is considered to have significant influence over HMM Co., Ltd. by exercising rights to elect board of directors and etc.

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

- (5) The relationship between the associates' financial information and carrying amount as of December 31, 2021 and 2022 are as follows (In thousands of won):

	2022				
	Net assets (*1)	Ownership (%)	The Company's share of net assets	Others	Carrying amount
HMM Co., Ltd. (*1) (*2)	₩ 18,006,440,085	19.96	3,594,085,441	(1,325,487,436)	2,268,598,005
IGIS UNCT Infra Fund (*3)	84,930,514	68.03	57,775,859	2,369	57,778,228
KIAMCO New Build Promotion Special Asset Private Investment Trust No.1	77,628,729	25.00	19,407,182	-	19,407,182
Multi Asset KDB&KOBK Green Ocean General Private Equity Investment Trust No. 1	21,865,289	50.00	10,932,644	-	10,932,644
Multi Asset KDB&KOBK Green Ocean General Private Equity Investment Trust No. 2	52,507,432	50.00	26,253,716	-	26,253,716
Multi Asset K-Container Box General Private Equity Investment Trust No. 1	6,406,925	50.00	3,203,463	-	3,203,463
KIAMCO Shipping Investment Private Investment Trust No.3	31,913,324	50.00	15,956,662	-	15,956,662
KIAMCO Shipping Investment Private Investment Trust No.4	40,342,379	50.00	20,171,190	-	20,171,190
KIAMCO Shipping Investment Private Investment Trust No.5	39,267,399	50.00	19,633,700	-	19,633,700

- (*1) The amount of the net assets of HMM Co., Ltd. reflects the effects such as adjustments on hybrid securities issued by HMM Co., Ltd..
- (*2) Others consist of the fair value adjustment incurred at the time of acquisition and impairment loss. As of December 31, 2022, it includes ₩1,380,591,251 thousand in fair value adjustments such as goodwill and ₩2,705,264,835 thousand in impairment losses recognized in accordance with the review of investment stocks of associates.
- (*3) Others consists of the preferred distribution amount of type 1 beneficiary certificates etc. In accordance with the trust contract, the Group will first receive the amount applied with an annual conversion dividend rate of 3.7% of the investment trust paid to the beneficiary certificate as an investor in the type 1 beneficiary certificate.

	2021				
	Net assets (*1)	Ownership (%)	The Group's share of net assets	Others (*2)	Carrying amount
HMM Co., Ltd.	₩ 7,666,436,568	19.96	1,530,220,739	1,712,871,321	3,243,092,060
Yuanta HPNT PEF	286,190,882	22.23	63,632,987	(872,984)	62,760,003

- (*1) The amount of the net assets of HMM Co., Ltd. reflects the effects such as adjustments on hybrid securities and perpetual bonds issued by HMM Co., Ltd. The amount of net assets of Yuanta HPNT PEF reflects the adjustment of investment on Waskka Inc that is owned by Yuanta HPNT PEF.
- (*2) The amounts of others consist of the effects such as the adjustments in fair values. The amount related to HMM Co., Ltd. includes the goodwill amounting to ₩2,143,108,280 thousand acquired by the exercise of the conversion right of the HMM Co., Ltd. convertible bond No. 191.

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

8. Finance Lease Receivables

(1) Finance lease receivables as of December 31, 2022 and 2021 are as follows (In thousands of won):

	December 31, 2022	December 31, 2021
Finance lease receivables	₩ 335,670,047	257,310,708
Less: Allowance for credit losses	(1,627,237)	(2,366,992)
	₩ 334,042,810	254,943,716

(2) Gross investment in the lease and present value of minimum lease payment as of December 31, 2022 and 2021 are as follows (In thousands of won):

December 31, 2022		
Period	Gross investment in the lease	Present value of minimum lease payment
Within 1 year	₩ 45,866,475	41,746,822
Over 1 year through 2 years	56,421,817	50,628,445
Over 2 years through 3 years	40,650,341	35,204,488
Over 3 years through 4 years	44,385,118	38,082,661
Over 4 years through 5 years	55,513,290	48,498,028
Over 5 years	140,248,569	121,509,603
	₩ 383,085,610	335,670,047

December 31, 2021		
Period	Gross investment in the lease	Present value of minimum lease payment
Within 1 year	₩ 31,799,461	31,564,867
Over 1 year through 2 years	31,484,260	29,670,754
Over 2 years through 3 years	42,045,104	38,142,129
Over 3 years through 4 years	26,901,775	23,272,891
Over 4 years through 5 years	30,950,703	25,857,488
Over 5 years	142,311,821	108,802,579
	₩ 305,493,124	257,310,708

(3) Unearned finance income related to finance lease as of December 31, 2022 and 2021 are as follows (In thousands of won):

	December 31, 2022	December 31, 2021
Gross investment in the lease	₩ 383,085,610	305,493,124
Net investment in the lease		
Present value of minimum lease payment	306,493,840	233,736,433
Present value of unguaranteed residual value	29,176,207	23,574,275
	335,670,047	257,310,708
Unearned finance income	₩ 47,415,564	48,182,416

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

8. **Finance Lease Receivables, continued**

(4) Changes in allowance for credit losses for the years ended December 31, 2022 and 2021 are as follows (In thousands of won):

2022				
	12-month expected credit loss	Lifetime expected credit loss		Total
		Non-credit- impaired	Credit- impaired	
Beginning balance	₩ 2,366,992	-	-	2,366,992
Reversal of credit loss	(739,755)	-	-	(739,755)
Ending balance	₩ 1,627,237	-	-	1,627,237

2021				
	12-month expected credit loss	Lifetime expected credit loss		Total
		Non-credit- impaired	Credit- impaired	
Beginning balance	₩ -	-	-	-
Provision for credit loss	2,366,992	-	-	2,366,992
Ending balance	₩ 2,366,992	-	-	2,366,992

(5) Changes in exposures of credit risk related to finance lease receivables for the years ended December 31, 2022 and 2021 is as follows (In thousands of won):

2022				
	12-month expected credit loss	Lifetime expected credit loss		Total
		Non-credit- impaired	Credit- impaired	
Beginning balance	₩ 257,310,708	-	-	257,310,708
Origination	92,829,108	-	-	92,829,108
Collection	(14,469,769)	-	-	(14,469,769)
Ending balance	₩ 335,670,047	-	-	335,670,047

2021				
	12-month expected credit loss	Lifetime expected credit loss		Total
		Non-credit- impaired	Credit- impaired	
Beginning balance	₩ -	-	-	-
Origination	257,310,708	-	-	257,310,708
Ending balance	₩ 257,310,708	-	-	257,310,708

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

9. **Leased Assets**

(1) Leased assets as of December 31, 2022 and 2021 are as follows (In thousands of won):

		December 31, 2022		
		Acquisition cost	Accumulated depreciation	Carrying amount
Operating leased assets				
Ships	₩	150,377,890	(56,954,493)	93,423,397
Shipping container		378,439,949	(47,551,900)	330,888,049
	₩	528,817,839	(104,506,393)	424,311,446
		December 31, 2021		
		Acquisition cost	Accumulated depreciation	Carrying amount
Operating leased assets				
Ships	₩	150,377,890	(49,320,198)	101,057,692
Shipping container		354,296,924	(27,540,053)	326,756,871
	₩	504,674,814	(76,860,251)	427,814,563

(2) Changes in leased assets for the years ended December 31, 2022 and 2021 are as follows (In thousands of won):

		2022					
		Beginning balance	Impairment	Depreciation	Foreign currency translation	Others	Ending balance
Ships	₩	101,057,692	-	(7,634,295)	-	-	93,423,397
Shipping container		326,756,871	(280,705)	(18,492,669)	24,143,025	(1,238,473)	330,888,049
	₩	427,814,563	(280,705)	(26,126,964)	24,143,025	(1,238,473)	424,311,446
		2021					
		Beginning balance	Impairment	Depreciation	Foreign currency translation	Others	Ending balance
Ships	₩	109,246,531	-	(8,188,839)	-	-	101,057,692
Shipping container		316,333,979	(868,853)	(16,435,059)	28,764,935	(1,038,131)	326,756,871
	₩	425,580,510	(868,853)	(24,623,898)	28,764,935	(1,038,131)	427,814,563

(3) Future minimum lease payments expected under leased assets as of December 31, 2022 and 2021 are as follows (In thousands of won):

	December 31, 2022	December 31, 2021
Within 1 year	₩ 48,876,881	49,106,965
Over 1 year through 5 years	118,132,039	123,915,021
Over 5 years	-	9,201,993
	₩ 167,008,920	182,223,979

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

10. **Investment Property**

(1) Changes in investment property for the years ended December 31, 2022 and 2021 are as follows (In thousands of won):

		2022		
		Land	Buildings	Total
Beginning balance	₩	1,015,776	6,907,586	7,923,362
Depreciation		-	(208,269)	(208,269)
Ending balance		1,015,776	6,699,317	7,715,093
Acquisition cost	₩	1,015,776	8,330,756	9,346,532
Accumulated depreciation		-	(1,631,439)	(1,631,439)

		2021		
		Land	Buildings	Total
Beginning balance	₩	1,015,776	7,115,855	8,131,631
Depreciation		-	(208,269)	(208,269)
Ending balance		1,015,776	6,907,586	7,923,362
Acquisition cost	₩	1,015,776	8,330,756	9,346,532
Accumulated depreciation		-	(1,423,170)	(1,423,170)

(2) Gain or loss recognized in comprehensive income related to investment property for the years ended December 31, 2022 and 2021 are as follow (In thousands of won):

		2022	2021
Rental income	₩	39,481	210,735
Rental expense		255,528	450,380

(3) The fair value of investment property as of December 31, 2022 and 2021 are as follow (In thousands of won):

		December 31, 2022		December 31, 2021	
		Carrying amounts	Fair value	Carrying amounts	Fair value
Buildings	₩	7,715,093	8,996,758	7,923,362	8,996,758

The fair value of the investment property is determined on the basis of average sale price of the sale agency and rental ratio. Additionally, fair value of investment property is classified as level 3.

Valuation technique	Unobservable inputs	Effect of unobservable inputs to fair value
Sale price	Similar trade price	Fair value increases when sale price increases

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

11. Property and Equipment

(1) Changes in property and equipment for the years ended December 31, 2022 and 2021 are as follow (In thousands of won):

		2022					
		Land	Buildings	Equipment	Others	Right-of-use assets	Total
Beginning balance ₩		729,646	2,813,342	380,813	1,135,166	1,321,426	6,380,393
Acquisition		-	-	86,819	4,952	183,357	275,128
Disposal		-	-	-	-	(24,704)	(24,704)
Others		-	-	-	-	80,895	80,895
Subsidy depreciation		-	-	16,398	-	-	16,398
Depreciation		-	(73,132)	(160,155)	(498,857)	(995,621)	(1,727,765)
Ending balance		729,646	2,740,210	323,875	641,261	565,353	5,000,345
Acquisition cost ₩		729,646	2,926,441	2,531,486	3,086,948	3,773,765	13,048,286
Subsidy		-	-	(72,602)	-	-	(72,602)
Accumulated depreciation		-	(186,231)	(2,135,009)	(2,445,687)	(3,208,412)	(7,975,339)

		2021					
		Land	Buildings	Assets under construction	Equipment	Others	Right-of-use assets
Beginning balance ₩		248,686	817,719	226,800	296,646	1,565,580	2,080,517
Acquisition		415,838	1,727,544	177,724	298,194	62,138	157,315
Reclassification		65,122	339,402	(404,524)	-	-	-
Subsidy		-	-	-	(89,000)	-	-
Depreciation		-	(71,323)	-	(125,027)	(492,552)	(916,406)
Ending balance		729,646	2,813,342	-	380,813	1,135,166	1,321,426
Acquisition cost ₩		729,646	2,926,441	-	2,444,667	3,081,996	3,610,560
Subsidy		-	-	-	(89,000)	-	-
Accumulated depreciation		-	(113,099)	-	(1,974,854)	(1,946,830)	(2,289,134)

(2) Details of right-of-use assets as of December 31, 2022 and 2021 are as follows (In thousands of won):

		December 31, 2022		
		Acquisition cost	Accumulated depreciation	Carrying value
Buildings	₩	3,649,964	(3,150,944)	499,020
Vehicles		123,801	(57,468)	66,333
	₩	3,773,765	(3,208,412)	565,353

		December 31, 2021		
		Acquisition cost	Accumulated depreciation	Carrying value
Buildings	₩	3,482,444	(2,196,395)	1,286,049
Vehicles		128,116	(92,739)	35,377
	₩	3,610,560	(2,289,134)	1,321,426

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

11. Property and Equipment, continued

(3) Changes in right-of-use assets for the years ended December 31, 2022 and 2021 are as follow (In thousands of won):

		2022				
		Beginning balance	Acquisition	Depreciation	Cancellation	Ending balance
Buildings	₩	1,286,049	86,625	(954,549)	-	499,020
Vehicles		35,377	96,732	(41,072)	(24,704)	66,333
	₩	<u>1,321,426</u>	<u>183,357</u>	<u>(995,621)</u>	<u>(24,704)</u>	<u>565,353</u>

		2021				
		Beginning balance	Acquisition	Depreciation	Cancellation	Ending balance
Buildings	₩	1,996,353	155,547	(865,851)	-	1,286,049
Vehicles		84,164	1,768	(50,555)	-	35,377
	₩	<u>2,080,517</u>	<u>157,315</u>	<u>(916,406)</u>	<u>-</u>	<u>1,321,426</u>

(4) The amounts related to lease recognized in the consolidated statements of comprehensive income for the years ended December 31, 2022 and 2021 are as follow (In thousands of won):

		2022	2021
Interest expenses on the lease liabilities	₩	16,141	29,532
Expense relating to leases of low-value assets		89,353	66,391

12. Intangible Assets

Changes in intangible assets for the years ended December 31, 2022 and 2021 are as follow (In thousands of won):

		2022		
		Development costs	Software	Total
Beginning balance	₩	2,318,453	872,759	3,191,212
Acquisition		3,211,107	1,183,893	4,395,000
Amortization		(188,489)	(550,929)	(739,418)
Others		-	336,143	336,143
Ending balance		<u>5,341,071</u>	<u>1,841,866</u>	<u>7,182,937</u>
Acquisition cost	₩	12,556,632	3,017,670	15,574,302
Accumulated amortization		(7,215,561)	(1,175,804)	(8,391,365)

		2021		
		Development costs	Software	Total
Beginning balance	₩	868,179	805,896	1,674,075
Acquisition		2,129,955	364,019	2,493,974
Amortization		(679,681)	(297,156)	(976,837)
Ending balance		<u>2,318,453</u>	<u>872,759</u>	<u>3,191,212</u>
Acquisition cost	₩	9,345,525	1,497,634	10,843,159
Accumulated amortization		(7,027,072)	(624,875)	(7,651,947)

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

13. Other Receivables, Other Assets and Indemnity receivables

(1) Other receivables and other assets as of December 31, 2022 and 2021 are as follows (In thousands of won):

	December 31, 2022	December 31, 2021
Other receivables		
Accounts receivable	₩ 787,231	1,995,773
Accrued interest	14,455,710	13,826,200
Tenancy deposit	2,911,868	2,816,855
Others	290	289
	<u>18,155,099</u>	<u>18,639,117</u>
Other assets		
Advance payments	1,406,219	1,785,062
Prepaid expenses	89,644	-
Value added tax refundable	59,810	31,556
	<u>1,555,673</u>	<u>1,816,618</u>
	<u>₩ 19,710,772</u>	<u>20,455,735</u>

(2) Indemnity receivables as of December 31, 2022 are as follows (In thousands of won):

	December 31, 2022
Indemnity receivables (*)	₩ 18,955,182
Less: Allowance for Indemnity receivables	(16,886,300)
	<u>₩ 2,068,882</u>

(*) The amount paid in accordance with the insurance contract was recognized as indemnity receivables.

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

14. Insurance Contract Liabilities

(1) Liabilities recognized by insurance contracts

Insurance contract liabilities as of December 31, 2022 and 2021 are as follows (In thousands of won):

	December 31, 2022	December 31, 2021
Unearned premium reserve (A)	₩ -	1,350,662
Reserve for outstanding claims (B=B1+B2)		
Incurred but not reported (IBNR) (B1)	-	18,670
Reserve as evaluation of minimum reserve (B2) (*1)	-	2,356,406
	-	2,375,076
Provision for insurance contract liabilities (C) (*2)	-	1,171,150
Insurance liabilities (D=A+B+C) (*)	₩ -	4,896,888

(*) All of the Group's insurance liabilities have been reclassified to financial guarantee liabilities in 2022

(2) Changes in liabilities recognized due to insurance contracts for the years ended December 31, 2022 and 2021 are as follows (In thousands of won):

1) Unearned premium reserve

	2022
Beginning balance	₩ 1,350,662
Reclassification	(1,350,662)
Ending balance	₩ -
	2021
Beginning balance	₩ 2,817,837
Premium Income	-
Earned Premium	(1,467,175)
Ending balance	₩ 1,350,662

2) Reserve for outstanding claims

	2022
Beginning balance	₩ 2,375,076
Reclassification	(2,375,076)
Ending balance	₩ -
	2021
Beginning balance	₩ 13,122,541
Decrease of incurred but not reported (IBNR)	(38,193)
Contribution to minimum reserve as valuation	(10,709,272)
Ending balance	₩ 2,375,076

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

14. Insurance Contract Liabilities, continued

3) Changes in provision for insurance contract liabilities for the years ended December 31, 2022 and 2021 are as follows (In thousands of won):

		2022
Beginning balance	₩	1,171,150
Reversal of provision for insurance contract liabilities (*)		(1,171,150)
Ending balance	₩	-

(*) All of the Group's insurance liabilities were reclassified to financial guarantee liabilities in 2022, and the provision was fully reversed.

		2021
Beginning balance	₩	1,854,512
Reversal of provision for insurance contract liabilities		(683,362)
Ending balance	₩	1,171,150

15. Financial Liabilities

(1) Borrowings

Borrowings as of December 31, 2022 and 2021 are as follows (In thousands of won):

	Interest rate (%)	December 31, 2022	December 31, 2021
Borrowings in foreign currencies	Libor 3M + 1.18 ~ 5.00 SOFR(overnight rate, average of compound interest) + 0.90~1.00		
		₩ 646,470,723	957,980,077
Debentures in Korean won	1.101~2.303	2,110,000,000	2,390,000,000
		2,756,470,723	3,347,980,077
Discount on bond issuance		(1,073,742)	(1,309,668)
		₩ 2,755,396,981	3,346,670,409

(2) Financial guarantee liabilities

1) Financial guarantee liabilities as of December 31, 2022 and 2021 are as follows (In thousands of won):

		December 31, 2022	December 31, 2021
Loss allowance	₩	8,602,991	6,703,874
Adjustment (*)		109,461,732	137,205,720
	₩	118,064,723	143,909,594

(*) If the initial recognition amount of financial guarantees liability less accumulated profit recognized according to K-IFRS 1115 is greater than loss allowance for credit losses, the difference is adjusted.

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

15. Financial Liabilities, continued

2) Changes in loss allowance related to financial guarantee contracts for the years ended December 31, 2022 and 2021 are as follows (In thousands of won):

		2022			
		Lifetime expected credit loss			
		12-month expected credit loss	Non-credit impaired	Credit impaired	Total
Beginning balance	₩	5,927,150	776,724	-	6,703,874
Changes in beginning balance					
Transfer to 12-month expected credit loss		776,724	(776,724)	-	-
Changes in financial guarantees liabilities (*)		1,109,667	-	-	1,109,667
Reversal of credit loss		789,450	-	-	789,450
Ending balance	₩	8,602,991	-	-	8,602,991

(*) The amounts include changes of the loss allowance recognized as financial guarantees liability less accumulated profit recognized according to K-IFRS 1115 at the initial recognition.

		2021			
			Lifetime expected credit loss		
		12-month expected credit loss	Non-credit impaired	Credit impaired	Total
Beginning balance	₩	6,332,066	67,741,017	-	74,073,083
Changes in beginning balance					
Transfer to 12-month expected credit loss		65,401,263	(65,401,263)	-	-
Changes in financial guarantees liabilities (*)		(39,443,848)	(438,459)	-	(39,882,307)
Reversal of credit loss		(26,362,331)	(1,124,571)	-	(27,486,902)
Ending balance	₩	5,927,150	776,724	-	6,703,874

(*) The amounts include changes of the loss allowance recognized as financial guarantees liability less accumulated profit recognized according to K-IFRS 1115 at the initial recognition.

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

15. **Financial Liabilities, continued**

3) Changes in exposures of credit risk related to financial guarantee contracts for the years ended December 31, 2022 and 2021 are as follows (In thousands of won):

	2022			
	12-month expected credit loss	Lifetime expected credit loss		Total
		Non-credit impaired	Credit impaired	
Beginning balance	₩ 2,476,546,597	7,149,753	-	2,483,696,350
Changes in beginning balance				
Transfer to 12-month expected credit loss	7,149,753	(7,149,753)	-	-
Changes in financial guarantees contract	36,037,207	-	-	36,037,207
Ending balance	₩ 2,519,733,557	-	-	2,519,733,557

	2021			
	12-month expected credit loss	Lifetime expected credit loss		Total
		Non-credit impaired	Credit impaired	
Beginning balance	₩ 555,334,387	1,003,220,918	-	1,558,555,305
Changes in beginning balance				
Transfer to 12-month expected credit loss	987,113,925	(987,113,925)	-	-
Changes in financial guarantees contract	934,098,285	(8,957,240)	-	925,141,045
Ending balance	₩ 2,476,546,597	7,149,753	-	2,483,696,350

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

15. Financial Liabilities, continued

(3) Lease liabilities

Changes in lease liabilities for the years ended December 31, 2022 and 2021 are as follows (In thousands of won):

		2022
Beginning balance	₩	1,086,252
New lease contracts		140,028
Interest expense		16,141
Lease payment		(813,100)
Others (*)		63,898
Ending balance	₩	493,219

(*) Changes caused by changes, cancellation, etc. of existing lease contracts

		2021
Beginning balance	₩	1,762,924
New lease contracts		60,139
Interest expense		29,532
Lease payment		(766,343)
Ending balance	₩	1,086,252

(4) Derivative financial liabilities

1) For the purpose of hedging the exposure to the variability of future cash flows of borrowings in foreign currencies by changes in interest rate, the Group uses interest swaps and applies cash flow hedge accounting.

2) Derivative liabilities as of December 31, 2022 and 2021 are as follows (USD, in thousands of won):

		December 31, 2022
		Carrying amount (Fair value)
		Valuation gain(loss)
Call options and Put options (*)	₩	997,447 (997,447)

(*) The Group has signed a call option and put option contract with HMM Co., Ltd. using the shares of KTB Terminal Invest Professional Investment Type Private Trust No.41 as the options' underlying asset. The Group is the put option buyer, and HMM Co., Ltd. is the call option buyer.

		December 31, 2021
		Carrying amount (Fair value)
		Valuation gain (*)
Interest rate swaps	Notional amount USD 94,377,904	₩ 1,896,283 3,408,390
Credit risk valuation adjustment		125 125
	₩	1,896,408 3,408,515

(*) Applying the cash flow hedge accounting, loss on valuation of derivative liabilities is recognized as other comprehensive income.

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

16. Net Defined Benefit Assets

The Group operates a defined benefit plan and defined contribution plan. The plan assets are in trusts with Korea Investment & Securities Co., Ltd. and Woori Bank and others.

- (1) Components of financial position due to the duty of Group related to the defined benefit plan as of December 31, 2022 and 2021 are as follows (In thousands of won):

	December 31, 2022	December 31, 2021
Fair value of plan assets	₩ 5,227,081	3,724,469
Present value of defined benefit obligation	(4,041,338)	(3,599,959)
Net defined benefit assets	₩ 1,185,743	124,510

- (2) Changes in present value of defined benefit obligation for the years ended December 31, 2022 and 2021 are as follows (In thousands of won):

	2022
Beginning balance	₩ 3,599,959
Current service costs	1,044,617
Interest expense	102,711
Payments from the plan	(218,207)
Remeasurements of defined benefit liabilities:	(487,742)
Changes in financial assumption	(888,638)
Changes in demographic assumptions	-
Experience adjustment	400,896
Ending balance	₩ 4,041,338
	2021
Beginning balance	₩ 2,672,861
Current service costs	1,015,918
Interest expense	62,322
Payments from the plan	(133,732)
Change of plan	(89,454)
Remeasurements of defined benefit liabilities:	72,044
Changes in financial assumption	(185,809)
Changes in demographic assumptions	-
Experience adjustment	257,853
Ending balance	₩ 3,599,959

- (3) Changes in fair value of plan assets for the years ended December 31, 2022 and 2021 are as follows (In thousands of won):

	2022
Beginning balance	₩ 3,724,469
Expected interest income	106,403
Contribution	1,650,000
Payments from the plan	(218,207)
Remeasurements of defined benefit liabilities	(35,584)
Ending balance	₩ 5,227,081
	2021
Beginning balance	₩ 2,442,587
Expected interest income	56,740
Contribution	1,400,861
Payments from the plan	(56,964)
Change of plan	(106,161)
Remeasurements of defined benefit liabilities	(12,594)
Ending balance	₩ 3,724,469

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

16. Net Defined Benefit Assets, continued

(4) Fair value of plan assets as of December 31, 2022 and 2021 are as follows (In thousands of won):

		December 31, 2022		December 31, 2021	
		Amount	Ratio	Amount	Ratio
Cash and cash equivalents	₩	5,227,081	100%	3,724,469	100%

(5) The actuarial assumptions used as of December 31, 2022 and 2021 are as follows:

	December 31, 2022	December 31, 2021
Discount rate (*)	5.34%	2.97%
Future salary increasing rate	4.04%	3.98%

(*) The market interest rate of AA+ rating non-guaranteed corporate bond considering expected severance payment schedule is applied.

(6) Weighted average maturity of defined benefit obligation as of December 31, 2022 and 2021 are 8.36 years and 9.51 years, respectively.

(7) Sensitivity analysis

Changes of present value of defined benefit liabilities as changes in principal assumptions as of December 31, 2022 and 2021 are as follows (In thousands of won):

		December 31, 2022	
		1% increase in assumption	1% decrease in assumption
Discount rate	₩	(294,811)	338,263
Future salary increasing rate		346,837	(306,843)

		December 31, 2021	
		1% increase in assumption	1% decrease in assumption
Discount rate	₩	(305,759)	355,341
Future salary increasing rate		355,498	(311,474)

(8) The amount of severance payment related to the defined contribution plan for year ended December 31, 2022 is ₩36,973 thousand.

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

17. **Provisions**

(1) Provisions as of December 31, 2022 and 2021 are as follows (In thousands of won):

		December 31, 2022	December 31, 2021
Provision for employee incentives (*1)	₩	1,701,147	1,819,837
Provision for restoration (*2)		120,149	603,693
Lawsuit provision (*3)		-	158,701
Provision for unused credit lines		252,402	-
	₩	<u>2,073,698</u>	<u>2,582,231</u>

- (*1) The estimated incentives granting to employee according to management performance and evaluation are recognized as provision. These estimates are subject to change.
(*2) The Group recognizes its restoration liabilities as present value of expenses incurred in restoring a rented building.
(*3) The Group estimates the amounts of salaries to be paid retroactively according to the results of litigation related to the Group's executives and employees and recognizes lawsuit provision corresponding to the estimated amount in 2021, and the full provision for unused credit lines were reversed accordingly in 2022.

(2) Changes in provisions for the years ended December 31, 2022 and 2021 are as follows (In thousands of won):

		2022		
		Beginning balance	Increase (Decrease)	Ending balance
Provision for employee incentives	₩	1,819,837	(118,690)	1,701,147
Provision for restoration		603,693	(483,544)	120,149
Lawsuit provision		158,701	(158,701)	-
Provision for unused credit lines		-	252,402	252,402
	₩	<u>2,582,231</u>	<u>(508,533)</u>	<u>2,073,698</u>

		2021		
		Beginning balance	Increase (Decrease)	Ending balance
Provision for employee incentives	₩	1,878,672	(58,835)	1,819,837
Provision for restoration		551,380	52,313	603,693
Lawsuit provision		-	158,701	158,701
	₩	<u>2,430,052</u>	<u>152,179</u>	<u>2,582,231</u>

(3) Changes in provisions for unused credit lines for the years ended December 31, 2022 is as follows (In thousands of won):

		2022		
		Beginning balance	Increase (Decrease)	Ending balance
Beginning balance	₩	-	-	-
Provision		252,402	-	252,402
Ending balance	₩	<u>252,402</u>	<u>-</u>	<u>252,402</u>

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

18. Other Payables and Other Liabilities

Other payables and other liabilities as of December 31, 2022 and 2021 are as follows (In thousands of won):

	December 31, 2022	December 31, 2021
Other payables		
Security deposit	₩ 6,542,570	6,542,570
Present value discount	(195,765)	(229,242)
Accrued expense	5,681,420	6,094,081
Accounts payable	1,761,011	7,680,755
Other deposit	23,155,192	12,921,383
Others	643,322	635,165
	<u>37,587,750</u>	<u>33,644,712</u>
Other liabilities		
Advance receipts	55,004	101,420
Unearned income	2,760,103	2,404,903
	<u>2,815,107</u>	<u>2,506,323</u>
	<u>₩ 40,402,857</u>	<u>36,151,035</u>

19. Capital Stock and Capital Adjustments

(1) Capital stock and capital adjustments as of December 31, 2022 and 2021 are as follows (Share, In thousands of won):

	December 31, 2022	December 31, 2021
Number of authorized shares	₩ 1,000,000,000	1,000,000,000
Par value per share (won)	5,000	5,000
Number of issued shares	598,811,481	589,865,171
Capital stock	<u>2,994,057,405</u>	<u>2,949,325,855</u>
Additional paid in other capital	63,514,950	-
Capital adjustments		
Discount on capital stock	-	(561,407)
Other capital adjustment (*)	(162,844,846)	(162,844,846)
	<u>₩ (162,844,846)</u>	<u>(163,406,253)</u>

(*) The amount is the difference of the acquired net assets and the paid consideration as a result of business comprehensive succession of Korea Shipping and Maritime Transportation and Korea Maritime Guarantee Insurance Co., Ltd.

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

19. Capital Stock and Capital Adjustments, continued

(2) Changes in capital stock, capital adjustments and additional paid in other capital as of December 31, 2022 and 2021 are as follows (Share, In thousands of won):

		2022				
		Number of issued shares	Capital stock	Additional paid in other capital	Discount on capital stock	Other capital adjustment
Beginning balance	₩	589,865,171	2,949,325,855	-	(561,407)	(162,844,846)
Increase (Decrease)		8,946,310	44,731,550	63,514,950	561,407	-
Ending balance	₩	<u>598,811,481</u>	<u>2,994,057,405</u>	<u>63,514,950</u>	<u>-</u>	<u>(162,844,846)</u>

		2021			
		Number of issued shares	Capital stock	Discount on capital stock	Other capital adjustment
Beginning balance	₩	583,865,171	2,919,325,855	(413,537)	(162,844,846)
Increase (Decrease)		6,000,000	30,000,000	(147,870)	-
Ending balance	₩	<u>589,865,171</u>	<u>2,949,325,855</u>	<u>(561,407)</u>	<u>(162,844,846)</u>

20. Accumulated Other Comprehensive Income

Changes of accumulated other comprehensive income for the years ended December 31, 2022 and 2021 are as follows (In thousands of won):

		2022			
		Beginning balance	Increase (Decrease)	Income tax effect	Ending balance
Net gain (loss) on valuation of financial assets measured at FVOCI	₩	15,234,509	(9,559,704)	2,743,453	8,418,258
Remeasurements of defined benefit liabilities		(384,909)	452,158	(125,131)	(57,882)
Share of other comprehensive income of associates		5,826,212	85,908,465	(22,685,382)	69,049,295
Exchange differences on translation of foreign operations		(159,667)	1,515,642	(403,848)	952,127
Valuation gain (loss) on cash flow hedge		388,966	17,812,873	(4,715,046)	13,486,793
	₩	<u>20,905,111</u>	<u>96,129,434</u>	<u>(25,185,954)</u>	<u>91,848,591</u>

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

20. Accumulated Other Comprehensive Income, continued

	2021			
	Beginning balance	Increase (Decrease)	Income tax effect	Ending balance
Net gain (loss) on valuation of financial assets measured at FVOCI ₩	7,941,069	10,059,918	(2,766,478)	15,234,509
Remeasurements of defined benefit liabilities	(336,104)	(84,637)	35,832	(384,909)
Share of other comprehensive income of associates	(1)	8,036,155	(2,209,942)	5,826,212
Exchange differences on translation of foreign operations	(355,685)	217,573	(21,555)	(159,667)
Valuation gain (loss) on cash flow hedge	(4,472,697)	6,705,742	(1,844,079)	388,966
₩	<u>2,776,582</u>	<u>24,934,751</u>	<u>(6,806,222)</u>	<u>20,905,111</u>

21. Retained Earnings

(1) Composition of retained earnings as of December 31, 2022 and 2021 are as follows (In thousands of won):

	December 31, 2022	December 31, 2021
Legal reserve (*) ₩	1,353,262,740	517,137,170
Reserve for guarantees performance (*)	1,353,262,740	517,137,170
Regulatory reserve for bad debts	69,801,418	70,823,010
Unappropriated retained earnings	1,625,954,232	5,283,698,066
₩	<u>4,402,281,130</u>	<u>6,388,795,416</u>

(*) In accordance with the Korea Ocean Business Corporation Act, in case of net income as a result of settlement, the Company must accumulate at least 20% of the net income as legal reserve at each settlement period until it reaches the capital, and accumulate at least 20% of the net income as reserve for guarantees performance at each settlement period until it reaches half of the capital. The reserve can only be used to transfer to capital and preserve deficit.

(2) Regulatory reserve for bad debts

The Group's reserve for bad debts is calculated and disclosed in accordance with Article 6 in Regulation on Supervision of Korea Ocean Business Corporation ("the Regulation"). When the total sum of allowance for credit losses under K-IFRS is lower than the amount prescribed in the Regulation, the Group records the difference as regulatory reserve for bad debts at the end of each reporting period. In the case that the existing regulatory reserve for credit losses exceeds the amount needed to be set aside at the reporting date, the surplus may be reversed. Furthermore, in the case that undisposed deficit exists, regulatory reserve for bad debts is saved from the time the undisposed deficit is disposed.

1) Regulatory reserve for bad debts as of December 31, 2022 and 2021 are as follows (In thousands of won):

	December 31, 2022	December 31, 2021
Regulatory reserve for bad debts ₩	67,855,528	77,818,254
Expected provision for (reversal of) regulatory reserve for credit losses	(26,593,233)	(9,962,727)

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

21. Retained Earnings, continued

2) Provision of reserve for bad debts and adjusted net income (loss) after reflecting reserve for bad debts for the years ended December 31, 2022 and 2021 are as follows (In thousands of won):

	2022	2021
Net income (loss) for the year	₩ (1,986,315,992)	4,187,449,884
Reversal of (provision for) regulatory reserve for bad debts	26,593,233	9,962,727
Adjusted net income (loss) after regulatory reserve for bad debts	₩ (1,959,722,759)	4,197,412,611
Adjusted basic and diluted earnings per share after regulatory reserve for bad debts (In Won)	(3,314)	7,147

22. Insurance Income and Expense

(1) Insurance income for the years ended December 31, 2022 and 2021 are as follows (In thousands of won):

	2022	2021
Reversal of insurance contract liabilities	₩ -	12,214,640

(2) Insurance expense for the years ended December 31, 2022 and 2021 are as follows (In thousands of won):

	2022	2021
Cancellation refund	₩ -	43,600

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

23. Investment Income

Investment income for the years ended December 31, 2022 and 2021 are as follows (In thousands of won):

	2022	2021
Interest income		
Due from banks	₩ 18,318,457	6,569,297
Financial assets measured at FVTPL	41,909,631	55,470,409
Financial assets measured at FVOCI	4,059,616	3,941,096
Financial assets measured at amortized cost	51,391,872	45,527,327
Finance lease receivables	14,413,278	7,533,371
Others	1,092,120	1,298,399
	131,184,974	120,339,899
Fees and commission income		
Guarantees fee	42,746,497	32,249,844
Gain on Indemnity receivables	18,955,182	-
Others	5,321,259	2,529,204
Charter revenue	70,821,679	19,776,083
Lease payment	36,780,689	32,621,735
	174,625,306	87,176,866
Dividend income	7,011,054	7,931,703
Gain on valuation and disposal of financial instruments		
Gain on valuation of financial assets measured at FVTPL	1,429,151	5,131,869,551
Gain on disposal of financial assets measured at FVTPL	-	9,881
	1,429,151	5,131,879,432
Reversal of credit losses		
Financial assets measured at amortized cost	6,409,472	62,128,752
Finance lease receivables	739,755	-
Other receivables	19,865	9,145
Provision for financial guarantees liabilities	364,650	27,486,902
Provision for insurance contract liabilities	1,171,150	683,362
	8,704,892	90,308,161
Reversal of other provision		
Restoration liability	518,067	25,066
Lawsuit liability	158,701	-
	676,768	25,066
Others	380,336	240,213
	₩ 324,012,481	5,437,901,340

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

24. Investment Expense

Investment expense for the years ended December 31, 2022 and 2021 are as follows (In thousands of won):

	2022	2021
Interest expense		
Borrowings	₩ 12,978,825	7,866,378
Debentures	38,869,194	35,714,519
Others	19,647,179	14,326,939
	71,495,198	57,907,836
Fees and commission expenses	5,042,231	3,250,406
Depreciation of leased assets	26,407,669	25,492,751
Losses on valuation and sale of financial instruments		
Loss on valuation of financial assets measured at FVTPL	1,976,389,945	8,331,775
Loss on disposal of financial assets measured at FVTPL	-	44,692
Loss on conversion of financial assets measured at FVTPL (*)	-	358,595,274
Loss on valuation of derivatives	997,447	-
	1,977,387,392	366,971,741
Provision for credit losses		
Financial assets measured at amortized cost	2,515,560	7,299,625
Financial lease receivables	-	2,366,992
Other receivables	846,801	30,708
Indemnity receivables	16,886,300	-
Provision for financial guarantees	45,725	-
Provision for unused credit line in won	252,402	-
	20,546,788	9,697,325
Increase in other provision		
Lawsuit provision	-	158,701
Other expense	1,463,734	1,629,948
	₩ 2,102,343,012	465,108,708

(*) The Group exercised the conversion rights included in HMM Co., Ltd. convertible bond No. 191 and acquired the shares of HMM Co., Ltd. for the year ended December 31, 2021. The shares were classified as investments in associates. The Group recognized loss on conversion of financial assets measured at FVTPL relating to the conversion.

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

25. General and Administrative Expenses

General and administrative expenses for the years ended December 31, 2022 and 2021 are as follows (In thousands of won):

	2022	2021
Salaries	₩ 11,675,246	10,753,527
Incentives	1,140,332	779,456
Severance payment	1,090,663	1,042,408
Employee welfare benefits	4,755,548	533,650
Taxes and dues	2,782,150	2,000,267
Fees and commission	4,002,608	1,813,922
Service fee	4,748,544	4,217,311
Event fee	189,256	111,317
Rental expenses	869,389	791,656
Depreciation	1,727,765	1,605,309
Amortization	739,418	976,837
Others	4,690,708	2,117,038
	₩ <u>38,411,627</u>	<u>26,742,698</u>

26. Non-Operating Revenues

Non-operating revenues for the years ended December 31, 2022 and 2021 are as follows (In thousands of won):

	2022	2021
Valuation gain on equity method (*1)	₩ 1,707,221,639	688,135,306
Gain on disposal of subsidiaries	1,397	992,079
Gain on disposal of investments in associates (*2)	-	137,423,076
Foreign currency transaction gain	110,126,255	2,530,958
Foreign currency translation gain	20,038,280	46,865,339
Others	1,923,563	1,393,613
	₩ <u>1,839,311,134</u>	<u>877,340,371</u>

(*1) The Group recognized valuation gain ₩1,701,951,909 thousand on equity method in relation to associates, HMM Co., Ltd. equity securities for the year ended December 31, 2022 (See Note 7).

(*2) The effect of changes in the Group's share of net assets of HMM Co., Ltd. due to change in share ratio resulting from the transactions such as unequal rights offering is recognized as gain or loss on disposal of investments in associates.

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

27. Non-Operating Expense

Non-operating expense for the years ended December 31, 2022 and 2021 are as follows (In thousands of won):

	2022	2021
Impairment on equity method (*1)	₩ 2,705,264,835	-
Loss on disposal of subsidiaries	-	133,394
Loss on disposal of investments in associates (*2)	855,106	26,163,969
Foreign currency translation loss	33,997,168	44,020,535
Foreign currency transaction loss	94,111,931	1,345,823
Depreciation of investment property	208,268	208,269
Interest expense on lease liabilities	16,141	29,532
Interest expense on security deposit	33,477	218,237
Others	2,248,808	945,643
	₩ 2,836,735,734	73,065,402

(*1) The Group recognized an impairment loss in relation to its related company, HMM Co., Ltd. equity securities for the year ended December 31, 2022 (See Note 7).

(*2) The Group recognized the loss on disposal of investments in associate in for the year ended December 31, 2022 as The Group disposed of Yuanta HPNT PEF, an associate. The effect of changes in the Group's share of net assets of HMM Co., Ltd. due to change in share ratio resulting from the transactions such as unequal rights offering is recognized as gain or loss on disposal of investments in associates for the year ended December 31, 2021.

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

28. Income Tax Expenses (Benefits)

(1) Income tax expenses (benefits) for the years ended December 31, 2022 and 2021 are as follows (In thousands of won):

	2022	2021
Current income tax	₩ 49,002,284	22,494,628
Adjustments for prior years (*)	(6,823)	(615,495)
Changes in deferred income tax due to temporary differences:		
Recognition of deferred income tax on increase or decrease of temporary difference for the current period	(851,660,275)	1,559,973,148
	(851,660,275)	1,559,973,148
Income tax expenses that recognized directly to equity		
Other comprehensive income	(25,185,954)	(6,806,222)
	(25,185,954)	(6,806,222)
	₩ (827,850,768)	1,575,046,059

(*) Changes due to final income tax return are included.

(2) Net income before income taxes and income tax expenses (benefits) for the years ended December 31, 2022 and 2021 are as follows (In thousands of won):

	2022	2021
Net income (loss) before income taxes	₩ (2,814,166,760)	5,762,495,943
Income taxes calculated using enacted tax rates	(309,558,344)	1,574,324,384
Adjustments		
Effect of recognition of unrecognized income tax in the past period:		
Changes in final tax return on the prior year	(6,824)	(615,495)
	(6,824)	(615,495)
Income taxes on non-deductible losses and non-taxable income	(359,929)	87,889
Effect of tax rate fluctuation	(83,578,180)	-
Difference of tax rates and others	(434,347,491)	1,249,281
Income tax expenses (benefits)	₩ (827,850,768)	1,575,046,059
Effective tax rate	-	27.33%

(*) The Group did not calculate the average effective tax rate because the company has net loss for the year in 2022

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

28. **Income Tax Expenses (Benefits), continued**

(3) Changes in temporary differences and deferred income tax assets (liabilities) for the years ended December 31, 2022 and 2021 are as follows (In thousands of won):

		2022					
		Temporary differences			Deferred income tax assets (liabilities)		
		Beginning balance	Increase (decrease)	Ending balance	Beginning balance	Increase (decrease)	Ending balance
Financial assets measured at FVOCI	₩	(21,013,118)	9,559,703	(11,453,415)	(5,778,608)	2,743,453	(3,035,155)
Financial assets measured at FVTPL		(5,850,819,446)	1,974,958,014	(3,875,861,432)	(1,608,975,347)	581,872,068	(1,027,103,279)
Equity method stocks		(2,520,122,657)	970,605,927	(1,549,516,730)	(693,033,730)	282,411,797	(410,621,933)
Accrued interest income		(11,731,101)	(1,868,318)	(13,599,419)	(3,226,053)	(377,793)	(3,603,846)
Allowance for loan losses		(12,230,776)	26,074,161	13,843,385	(3,363,463)	7,031,960	3,668,497
Property and equipment and intangible assets		924,340	(465,151)	459,189	254,193	(132,508)	121,685
Borrowings		26,212,487	(26,212,487)	-	7,208,434	(7,208,434)	-
Financial guarantee liability		533,612	(318,926)	214,686	146,743	(89,851)	56,892
Policy reserves		4,896,888	(4,385,972)	510,916	1,346,644	(1,211,251)	135,393
Provisions		2,448,060	98,117	2,546,177	673,217	1,520	674,737
Indemnities		17,795,564	(17,795,564)	-	4,893,780	(4,893,780)	-
Right-in-use assets		(1,321,426)	756,073	(565,353)	(363,392)	213,573	(149,819)
Lease liabilities		1,086,252	(593,033)	493,219	298,719	(168,016)	130,703
Derivative liabilities		-	997,447	997,447	-	264,323	264,323
Others		5,523,365	(32,986,992)	(27,463,627)	1,518,925	(8,796,786)	(7,277,861)
		(8,357,817,956)	2,898,422,999	(5,459,394,957)	(2,298,399,938)	851,660,275	(1,446,739,663)
Tax rate		27.50%		26.50%			
Deferred income tax liabilities	₩	(2,298,399,938)	851,660,274	(1,446,739,664)	(2,298,399,938)	851,660,275	(1,446,739,663)

		2021					
		Temporary differences			Deferred income tax assets (liabilities)		
		Beginning balance	Increase (decrease)	Ending balance	Beginning balance	Increase (decrease)	Ending balance
Financial assets measured at FVOCI	₩	(10,953,200)	(10,059,918)	(21,013,118)	(3,012,130)	(2,766,478)	(5,778,608)
Financial assets measured at FVTPL		(2,877,179,235)	(2,973,640,211)	(5,850,819,446)	(791,224,290)	(817,751,057)	(1,608,975,347)
Equity method stocks		84,327,489	(2,604,450,146)	(2,520,122,657)	23,190,076	(716,223,806)	(693,033,730)
Accrued interest income		(12,953,107)	1,222,006	(11,731,101)	(3,562,104)	336,051	(3,226,053)
Allowance for loan losses		2,470,994	(14,701,770)	(12,230,776)	679,523	(4,042,986)	(3,363,463)
Property and equipment and intangible assets		1,432,134	(507,794)	924,340	393,837	(139,644)	254,193
Borrowings		33,134,663	(6,922,176)	26,212,487	9,112,032	(1,903,598)	7,208,434
Financial guarantee liability		41,361,702	(40,828,090)	533,612	11,374,468	(11,227,725)	146,743
Policy reserves		17,794,891	(12,898,003)	4,896,888	4,893,595	(3,546,951)	1,346,644
Provisions		2,334,835	113,225	2,448,060	642,080	31,137	673,217
Severance payment		122,818	(122,818)	-	33,775	(33,775)	-
Indemnities		17,795,564	-	17,795,564	4,893,780	-	4,893,780
Right-in-use assets		(2,080,517)	759,091	(1,321,426)	(572,142)	208,750	(363,392)
Lease liabilities		1,762,923	(676,671)	1,086,252	484,804	(186,085)	298,719
Others		15,439,719	(9,916,354)	5,523,365	4,245,906	(2,726,981)	1,518,925
		(2,685,188,327)	(5,672,629,629)	(8,357,817,956)	(738,426,790)	(1,559,973,148)	(2,298,399,938)
Tax rate		27.50%		27.50%			
Deferred income tax liabilities	₩	(738,426,790)	(1,559,973,148)	(2,298,399,938)	(738,426,790)	(1,559,973,148)	(2,298,399,938)

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

28. Income Tax Expenses (Benefits), continued

- (4) Deferred income tax that recognized directly to equity for the year ended December 31, 2022 and 2021 is as follows (In thousands of won):

		2022		
		Before tax effect	Income tax effect	After tax effect
Other comprehensive income:				
Net loss on valuation of financial assets measured at FVOCI	₩	(9,559,704)	2,743,453	(6,816,251)
Remeasurements of defined benefit liabilities		452,158	(125,131)	327,027
Share of other comprehensive income of associates		85,908,465	(22,685,382)	63,223,083
Exchange differences on translation of foreign operations		1,515,642	(403,848)	1,111,794
Valuation gain (loss) on cash flow hedge		17,812,873	(4,715,047)	13,097,826
	₩	<u>96,129,434</u>	<u>(25,185,955)</u>	<u>70,943,479</u>
		2021		
		Before tax effect	Income tax effect	After tax effect
Other comprehensive income:				
Net gain on valuation of financial assets measured at FVOCI	₩	10,059,918	(2,766,478)	7,293,440
Remeasurements of defined benefit liabilities		(84,637)	35,832	(48,805)
Share of other comprehensive income of associates		8,036,155	(2,209,942)	5,826,213
Exchange differences on translation of foreign operations		217,573	(21,555)	196,018
Valuation gain (loss) on cash flow hedge		6,705,742	(1,844,079)	4,861,663
	₩	<u>24,934,751</u>	<u>(6,806,222)</u>	<u>18,128,529</u>

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

29. Earnings (Losses) per Share

(1) Diluted and basic earnings (losses) per share for the year ended December 31, 2022 and 2021 are equal because there is no potential dilutive instrument. Basic earnings (losses) per share for the years ended December 31, 2022 and 2021 are as follows (In won, share):

		2022	2021
Net income (loss) for the year	₩	(1,986,315,991,600)	4,187,449,883,774
Weighted-average number of ordinary shares outstanding		591,311,287	587,317,226
Basic earnings (losses) per share	₩	(3,359)	7,130

(2) Weighted-average number of ordinary shares outstanding

	2022		
	Number of ordinary shares outstanding	Days	Weighted-average number of ordinary shares outstanding
Beginning balance of ordinary shares (a)	589,865,171	365	589,865,171
Increased paid-in capital (b) November 3, 2022	8,946,310	59	1,446,116
Weighted-average number of ordinary shares outstanding (a+b)			591,311,287

	2021		
	Number of ordinary shares outstanding	Days	Weighted-average number of ordinary shares outstanding
Beginning balance of ordinary shares(a)	583,865,171	365	583,865,171
Increased paid-in capital (b) June 5, 2021	6,000,000	210	3,452,055
Weighted-average number of ordinary shares outstanding (a+b)			587,317,226

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

30. Fair Value Hierarchy of Financial Instruments

The Group classifies fair value of the financial instruments into the following three-level hierarchy:

- Level 1: Measure at quoted prices from active markets
- Level 2: Measure using valuation techniques where all significant inputs are observable market data
- Level 3: Measure using valuation techniques where one or more significant inputs are not based on observable market data

(1) The fair value hierarchy of financial instruments measured at fair value as of December 31, 2022 and 2021 is as follows (In thousands of won):

		December 31, 2022			
		Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets measured at FVTPL	₩	-	67,975,512	5,271,731,258	5,339,706,770
Financial assets measured at FVOCI		-	-	1,401,732,278	1,401,732,278
Derivative financial assets		-	18,342,902	-	18,342,902
		-	86,318,414	6,673,463,536	6,759,781,950
Financial liabilities					
Derivative financial liabilities	₩	-	-	997,447	997,447
		December 31, 2021			
		Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets measured at FVTPL	₩	-	60,386,514	7,239,110,997	7,299,497,511
Financial assets measured at FVOCI		-	-	1,421,013,118	1,421,013,118
Derivative financial assets		-	2,431,818	-	2,431,818
		-	62,818,332	8,660,124,115	8,722,942,447
Financial liabilities					
Derivative financial liabilities	₩	-	1,896,408	-	1,896,408

(2) There is no transfer of financial instrument measured at fair value between level 1 and level 2 for the years ended December 31, 2022 and 2021.

(3) Details of valuation technique and input variable used in the fair value measurement categorized within level 2 of the fair value hierarchy of financial instruments as of December 31, 2022 and 2021 are as follows (In thousands of won):

		December 31, 2022		
		Amount	Valuation technique	Input variable
Financial assets				
Financial assets measured at FVTPL	₩	67,975,512	Discounted cash flow method	Discount rate
Derivative financial liabilities		18,342,902	Discounted cash flow method	Discount rate
		December 31, 2021		
		Amount	Valuation technique	Input variable
Financial assets				
Financial assets measured at FVTPL	₩	60,386,514	Discounted cash flow method	Discount rate
Derivative financial liabilities		2,431,818	Discounted cash flow method	Discount rate
Financial liabilities				
Derivative financial liabilities		1,896,408	Discounted cash flow method	Discount rate

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

30. Fair Value Hierarchy of Financial Instruments, continued

(4) The Group's policies for measuring fair value of financial instruments at amortized costs are as follows:

Classification	Method of measuring fair value
Cash and due from banks	The fair value of cash is considered equivalent to the carrying amount. As due from banks is mostly consist of short-term instruments, the carrying amount is assumed as the fair value.
Loans	The fair value of the loans is estimated as present value of cash flow expected to receive.
Borrowings in foreign currencies	As the carrying amount is considered a close estimate of the fair value, the carrying amount is assumed as the fair value.

(5) The fair value hierarchy of financial instruments that are not measured but disclosed at fair value as of December 31, 2022 and 2021 are as follows (In thousands of won):

		December 31, 2022			
		Level 1	Level 2	Level 3	Total
Financial assets					
Cash and due from banks	₩	-	990,901,169	-	990,901,169
Financial assets at amortized cost		-	-	784,921,030	784,921,030
Other receivables		-	-	18,155,099	18,155,099
Indemnity receivables		-	-	2,068,882	2,068,882
		-	990,901,169	805,145,011	1,796,046,180
Financial liabilities					
Borrowings		-	-	646,470,723	646,470,723
Debentures		-	-	2,108,926,258	2,108,926,258
Other financial liabilities		-	-	15,956	15,956
Other payables		-	-	37,587,750	37,587,750
	₩	-	-	2,793,000,687	2,793,000,687
		December 31, 2021			
		Level 1	Level 2	Level 3	Total
Financial assets					
Cash and due from banks	₩	-	903,716,378	-	903,716,378
Financial assets at amortized cost		-	-	1,378,314,415	1,378,314,415
Other receivables		-	-	18,639,117	18,639,117
		-	903,716,378	1,396,953,532	2,300,669,910
Financial liabilities					
Borrowings		-	-	957,980,077	957,980,077
Debentures		-	-	2,388,690,332	2,388,690,332
Other financial liabilities		-	-	12,517	12,517
Other payables		-	-	33,644,712	33,644,712
	₩	-	-	3,380,327,638	3,380,327,638

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

31. Related Party Transactions

(1) Related parties as of December 31, 2022 and 2021 are as follows:

December 31, 2022	
Classification	Corporate name
Companies that have an influence on the Group:	
Significant influence companies	Government of the Republic of Korea, Korea Development Bank
Companies that the Group has an influence on:	
Associates (*)	HMM Co., Ltd., IGIS UNCT Infra Fund, KIAMCO New Build Promotion Special Asset Private Investment Trust No.1, KIAMCO Shipping Investment Private Investment Trust No.3, KIAMCO Shipping Investment Private Investment Trust No.4, KIAMCO Shipping Investment Private Investment Trust No.5, Multi Asset KDB&KOB Green Ocean General Private Equity Investment Trust No. 1, Multi Asset KDB&KOB Green Ocean General Private Equity Investment Trust No. 2, Multi Asset K-Container Box General Private Equity Investment Trust No. 1,

(*) Subsidiaries of associates are not disclosed.

December 31, 2021	
Classification	Corporate name
Companies that have an influence on the Group:	
Significant influence companies	Government of the Republic of Korea, Korea Development Bank
Companies that the Group has an influence on:	
Associates (*)	HMM Co., Ltd., Yuanta HPNT PEF

(*) Subsidiaries of associates are not disclosed.

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

31. **Related Party Transactions, continued**

(2) Significant financing transactions with related parties for the years ended December 31, 2022 and 2021 are as follows. The transactions with subsidiaries of HMM Co., Ltd. are included (In thousands of won):

Related parties	2022									
	Loans and repayment (*1)	Borrowing and repayment (*2)	Interest receipts	Other receipts	Interest and fees Payment	Increase of paid-in capital	Stock purchase / liquidation	Capital reduction with refund	Dividends	Total
Significant influence companies:										
Government of the Republic of Korea	₩ -	-	-	-	-	29,999,995	-	-	-	29,999,995
Korea Development Bank	-	(278,766,849)	117,456	15,000,000	(5,937,472)	-	-	-	-	(269,586,865)
	₩ -	(278,766,849)	117,456	15,000,000	(5,937,472)	29,999,995	-	-	-	(239,586,870)
Associates:										
HMM Co., Ltd.	₩ 516,567,157	-	43,466,844	1,614,999	-	24,796,011	-	-	58,554,515	644,999,526
Yuanta HPNT PEF (*3)	-	-	-	-	-	-	61,400,000	-	2,000,000	63,400,000
IGIS UNCT Infra Fund	-	-	-	-	-	-	(60,000,000)	2,757,273	577,808	(56,664,919)
KIAMCO New Build Promotion Special Asset Private Investment Trust No.1	-	-	-	-	-	-	(19,728,671)	-	642,655	(19,086,016)
KIAMCO SHIPPING General Private Equity Trust No. 3	-	-	-	-	-	-	(16,455,404)	-	995,362	(15,460,042)
KIAMCO SHIPPING General Private Equity Trust No. 4	-	-	-	-	-	-	(20,521,673)	-	995,362	(19,526,311)
KIAMCO SHIPPING General Private Equity Trust No. 5	-	-	-	-	-	-	(20,520,514)	-	995,362	(19,525,152)
Multi Asset KDB&KOBK Green Ocean General Private Equity Investment Trust No. 1	-	-	-	-	-	-	(11,758,447)	-	633,349	(11,125,098)
Multi Asset KDB&KOBK Green Ocean General Private Equity Investment Trust No. 2	-	-	-	-	-	-	(27,079,920)	-	168,023	(26,911,897)
Multi Asset K-Container Box General Private Equity Investment Trust No. 1	-	-	-	-	-	-	(3,856,361)	-	113,792	(3,742,569)
	₩ 516,567,157	-	43,466,844	1,614,999	-	24,796,011	(118,520,990)	2,757,273	65,676,228	536,357,522

(*1) Receivable and repayment amount are included.

(*2) Payable and repayment amount are included.

(*3) Those entities are excluded from related parties in 2022

Related parties	2021								
	Loans and repayment (*1)	Borrowing and repayment (*2)	Interest receipts	Other receipts	Interest and fees Payment	Increase of paid-in capital	Stock purchase / liquidation	Dividends	Total
Significant influence companies:									
Government of the Republic of Korea	₩ -	-	-	-	-	30,000,000	-	-	30,000,000
Korea Development Bank	(40,000,000)	(24,042,662)	-	-	(3,240,822)	-	-	-	(67,283,484)
	₩ (40,000,000)	(24,042,662)	-	-	(3,240,822)	30,000,000	-	-	(37,283,484)
Associates:									
HMM Co., Ltd.	₩ 38,542,662	-	61,896,965	62,026,114	-	-	-	-	162,465,741
Yuanta HPNT PEF	-	-	-	-	-	-	-	2,000,000	2,000,000
	₩ 38,542,662	-	61,896,965	62,026,114	-	-	-	2,000,000	164,465,741

(*1) Receivable and repayment amount are included.

(*2) Payable and repayment amount are included.

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

31. **Related Party Transactions, continued**

- (3) Details of outstanding balances with related parties arising from the transactions as of December 31, 2022 and 2021 are as follow (In thousands of won):

December 31, 2022			
Related parties	Classification		Amount
Korea Development Bank	Time deposits in Korean won	₩	25,000,000
	Accrued expense		171,852
HMM Co., Ltd.	Financial assets measured at FVTPL		5,233,567,860
	Accrued interest (*)		6,715,890
	Derivative liabilities		997,447

- (*) The transactions with subsidiaries of HMM Co., Ltd. are included and for these transactions, there are details of the establishment of the pledge on the stocks of the subsidiaries and others (See Note 6).

December 31, 2021			
Related parties	Classification		Amount
Korea Development Bank	Time deposits in Korean won	₩	40,000,000
	Accrued interest		236,400
	Borrowings in foreign currency		15,237,353
	Accrued expense		252,601
HMM Co., Ltd.	Financial assets measured at FVTPL		7,202,373,780
	Financial assets at amortized costs (*)		433,256,627
	Accrued interest (*)		7,797,695

- (*) The transactions with subsidiaries of HMM Co., Ltd. are included and for these transactions, there are details of the establishment of the pledge on the stocks of the subsidiaries and others (See Note 6).

- (4) Significant transactions with related parties for the years ended December 31, 2022 and 2021 are as follows. The transactions with subsidiaries of HMM Co., Ltd. (formerly Hyundai Merchant Marine Co., Ltd.) are included (In thousands of won):

December 31, 2022				
	Interest income	Interest expenses	Fees and commission income	Fees and commission expenses
Korea Development Bank	₩ 117,456	(5,685,871)	-	(251,600)
HMM Co., Ltd.	58,159,944	-	1,391,190	-
	₩ 58,277,400	(5,685,871)	1,391,190	(251,600)

December 31, 2021				
	Interest income	Interest expenses	Fees and commission income	Fees and commission expenses
Korea Development Bank	₩ 236,400	(3,327,794)	-	(241,721)
HMM Co., Ltd.	70,234,122	-	331,553	-
	₩ 70,470,522	(3,327,794)	331,553	(241,721)

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

31. **Related Party Transactions, continued**

(5) Details of payment guarantees provided by the Group to the related parties as of December 31, 2022 and 2021 are as follows (In thousands of won):

December 31, 2022				
Classification	Provided to	Credit providers	Amounts	
Financial guarantees for shipbuilding	Meritz Taurus 1 S.A.	Meritz Securities Co., Ltd., Hanwha Investment & Securities Co., Ltd.	₩	64,725,125
	Meritz Taurus 2 S.A.	Meritz Securities Co., Ltd., Hanwha Investment & Securities Co., Ltd.		64,719,996
	Meritz Taurus 3 S.A.	Meritz Securities Co., Ltd., Hanwha Investment & Securities Co., Ltd.		64,713,857
	Meritz Taurus 4 S.A.	Meritz Securities Co., Ltd., Hanwha Investment & Securities Co., Ltd.		68,937,318
	Meritz Taurus 5 S.A.	Meritz Securities Co., Ltd., Hanwha Investment & Securities Co., Ltd.		68,573,603
	Meritz Taurus 6 S.A.	Meritz Securities Co., Ltd., Hanwha Investment & Securities Co., Ltd.		68,573,603
	MA Taurus D1-4319 S.A.	Mirae Assets Securities Co., Ltd.		64,721,240
	MA Taurus D2-4321 S.A.	Mirae Assets Securities Co., Ltd.		64,687,125
	MA Taurus D3-4323 S.A.	Mirae Assets Securities Co., Ltd.		64,663,501
	MA Taurus S1-2288 S.A.	Mirae Assets Securities Co., Ltd.		68,573,603
	MA Taurus S2-2290 S.A.	Mirae Assets Securities Co., Ltd.		68,573,603
	MA Taurus S3-2292 S.A.	Mirae Assets Securities Co., Ltd.		68,573,603
	GARAMGARAM S.A.	STANDARD CHARTERED BANK (HONG KONG) LIMITED		80,911,085
	HANBADAHANBADA S.A.	STANDARD CHARTERED BANK (HONG KONG) LIMITED		80,911,085
	RAONRAON S.A.	STANDARD CHARTERED BANK (HONG KONG) LIMITED		80,911,085
	MIRMIR S.A.	STANDARD CHARTERED BANK (HONG KONG) LIMITED		80,911,085
	DAONDAON S.A.	STANDARD CHARTERED BANK (HONG KONG) LIMITED		80,911,085
	HANULHANUL S.A.	STANDARD CHARTERED BANK (HONG KONG) LIMITED		80,911,085
	NURINURI S.A.	STANDARD CHARTERED BANK (HONG KONG) LIMITED		78,984,631
	GAONGAON S.A.	STANDARD CHARTERED BANK (HONG KONG) LIMITED		78,984,631
Financial guarantees for scrubber equipment	HMM Co., Ltd.	Shinhan Bank, Hana Bank		41,265,473
Financial guarantees for container box	KOBC Container Leasing No. 1 Limited	Suhyup Bank, Nonghyup Bank, HMM Co., Ltd.		141,876,894
	KOBC Container Leasing No. 2 Limited	Samsung Life Insurance Co., Ltd., Suhyup Bank, HMM Co., Ltd.		136,823,953
	KOBC Container Leasing No. 3 Limited	STANDARD CHARTERED BANK (HONG KONG) LIMITED, Nonghyup Bank		137,330,711
			₩	<u>1,900,768,980</u>

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

31. Related Party Transactions, continued

December 31, 2021			
Classification	Provided to	Credit providers	Amounts
Financial guarantees for shipbuilding	Meritz Taurus 1 S.A.	Meritz Securities Co., Ltd., Hanwha Investment & Securities Co., Ltd.	₩ 64,725,125
	Meritz Taurus 2 S.A.	Meritz Securities Co., Ltd., Hanwha Investment & Securities Co., Ltd.	64,719,996
	Meritz Taurus 3 S.A.	Meritz Securities Co., Ltd., Hanwha Investment & Securities Co., Ltd.	64,713,857
	Meritz Taurus 4 S.A.	Meritz Securities Co., Ltd., Hanwha Investment & Securities Co., Ltd.	64,487,644
	Meritz Taurus 5 S.A.	Meritz Securities Co., Ltd., Hanwha Investment & Securities Co., Ltd.	64,147,405
	Meritz Taurus 6 S.A.	Meritz Securities Co., Ltd., Hanwha Investment & Securities Co., Ltd.	64,147,405
	MA Taurus D1-4319 S.A.	Mirae Assets Securities Co., Ltd.	64,721,240
	MA Taurus D2-4321 S.A.	Mirae Assets Securities Co., Ltd.	64,687,125
	MA Taurus D3-4323 S.A.	Mirae Assets Securities Co., Ltd.	64,663,501
	MA Taurus S1-2288 S.A.	Mirae Assets Securities Co., Ltd.	64,147,405
	MA Taurus S2-2290 S.A.	Mirae Assets Securities Co., Ltd.	64,147,405
	MA Taurus S3-2292 S.A.	Mirae Assets Securities Co., Ltd.	64,147,405
	GARAMGARAM S.A.	STANDARD CHARTERED BANK (HONG KONG) LIMITED	82,896,977
	HANBADAHANBADA S.A.	STANDARD CHARTERED BANK (HONG KONG) LIMITED	82,896,977
	RAONRAON S.A.	STANDARD CHARTERED BANK (HONG KONG) LIMITED	82,896,977
	MIRMIR S.A.	STANDARD CHARTERED BANK (HONG KONG) LIMITED	82,896,977
	DAONDAON S.A.	STANDARD CHARTERED BANK (HONG KONG) LIMITED	82,896,977
	HANULHANUL S.A.	STANDARD CHARTERED BANK (HONG KONG) LIMITED	82,896,977
	NURINURI S.A.	STANDARD CHARTERED BANK (HONG KONG) LIMITED	81,094,868
	GAONGAON S.A.	STANDARD CHARTERED BANK (HONG KONG) LIMITED	81,094,868
Financial guarantees for scrubber equipment	HMM Co., Ltd.	Shinhan Bank	49,981,054
Financial guarantees for container box	KOBC Container Leasing No. 1 Limited	Suhyup Bank, Nonghyup Bank, HMM Co., Ltd.	132,719,212
	KOBC Container Leasing No. 2 Limited	Samsung Life Insurance Co., Ltd., Suhyup Bank, HMM Co., Ltd.	127,992,422
	KOBC Container Leasing No. 3 Limited	STANDARD CHARTERED BANK (HONG KONG) LIMITED	128,466,470
			₩ <u>1,872,186,269</u>

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

31. Related Party Transactions, continued

(6) Commitment on the trading of investment trusts made with associates

1) The Group invested ₩19,602,000 thousand (80% equity ratio) in KTB Terminal Invest Professional Investment Type Private Trust No.41, and HMM Co., Ltd., a related party of the Group, invested 20%, ₩4,901,000 thousand. When there is a request for sale by HMM Co., Ltd. for the shares held by the Group, 31% of the total trust shares must be sold at the amount paid on the 3 years from the date of payment of the original trust (October 13, 2023). When the Group makes a request for the purchase of shares to HMM Co., Ltd., HMM Co., Ltd. must purchase the shares under the same conditions as the sale request contract.

2) The Group has a commitment for callable preferred stocks of HMM TERMINAL SINGAPORE(HTS) PTE. LTD. held by KTB Terminal Invest Professional Investment Type Private Trust No.41 to request HMM Co., Ltd. for the purchase of all callable preferred stocks held for 6, 9, 12, and 15 years from the issuance date (October 14, 2020).

(7) Implementation agreement of competitiveness enhancement plan with HMM Co., Ltd.

The Company signed an agreement to enhance the competitiveness of HMM Co., Ltd., and the main contents of the agreement are as follows:

	Contents
Agreement implementer	Korea Ocean Business Corporation and HMM Co., Ltd.
Main contents of agreement	1. General rules - Objectives - Definition of terms 2. Provision and management of credit facility - Provision of credit facility - Management of credit facility 3. competitiveness enhancement plan - Management of HMM. Co., Ltd. - Operation of advisory group and management recommendation committee - Dispatch of management support group - Prior consultation and prior report items - Information submission of management plan - Submission of executive evaluation results - Treatment of executives - Management improvement 4. Implementation and termination of the agreement - Inspection of contract performance - Actions on non-implementation - Effect of agreement - Termination and cancellation of agreement 5. Others - Change of agreement - Interpretation of agreement - Competent court - Responsibilities of Korea Ocean Business Corporation and HMM Co., Ltd. - Others
Period of agreement implementation	From December 31, 2021 to December 31, 2023 The agreement termination date is automatically extended for one year if neither party gives written notice of termination of the contract three months prior to the end of the period.

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

31. Related Party Transactions, continued

(8) Collateral provided to or received from related parties

HMM Co., Ltd., a related party of the Group, provided the Group with the Universal Leader and 4 ships as third-tier collateral for loans, and the ships were provided as first and second-tier collateral for the Group's borrowing.

Recipient	Provider	2022		2021	
		Received collateral	Provided collateral	received collateral	Provided collateral
Korea Ocean Business Corporation	HMM Co., Ltd.	₩ -	-	396,964,416	-

(*) Borrowings related to the above collateral amount was repaid in 2022.

(9) Compensation for the key management

The Group judged registered executive officers, non-registered executive officers, internal auditors and chief managers of each business department as key management personnel who have significant authority and responsibility for the planning, operating and controlling of business activities. Details of compensation to key management personnel for the years ended December 31, 2022 and 2021 are as follows (In thousands of won):

	2022	2021
Short-term employee payment	₩ 1,023,400	1,052,286
Severance payment	60,742	68,287
	₩ 1,084,142	1,120,573

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

32. Statements of Cash Flows

(1) The details of cash and cash equivalents as of December 31, 2022 and 2021 are as follows (In thousands of won):

	2022	2021
Cash	₩ -	274,814
Deposits in Korean won	839,136,501	766,505,066
Deposits in foreign currencies	151,764,668	137,211,312
	990,901,169	903,991,192
Less: Restricted due from bank	(170,863,276)	(190,060,938)
Due from banks with a maturity of three months or more at acquisition	(112,000,000)	(220,187,848)
	₩ 708,037,893	493,742,406

(2) Significant transactions not involving cash and cash equivalents for the years ended December 31, 2022 and 2021 are as follows (In thousands of won):

	2022	2021
Insurance contract liabilities transferred to		
Financial guarantee liabilities	₩ 3,725,738	-
Reclassification from financial assets measured at		
FVTPL to investments in associates	-	2,459,222,065
Reclassification of beneficiary certificates	-	19,602,000

(3) Changes in liabilities arising from financing activities for the years ended December 31, 2022 and 2021 are as follow (In thousands of won):

		2022				
		Non-cash flow change				
		Beginning	Cash flow	Increase (decrease)	Interest expense	Change of exchange rate
Borrowings	₩	3,346,670,409	(621,965,188)	-	32,625,949	(1,934,188)
Lease liabilities		1,086,252	(813,100)	203,885	16,182	-
Security deposit		6,313,328	-	-	33,477	-
	₩	3,354,069,989	(622,778,288)	203,885	32,675,608	(1,934,188)
						Ending balance
						2,755,396,982
						493,219
						6,346,805
						2,762,237,006
		2021				
		Non-cash flow change				
		Beginning	Cash flow	Increase (decrease)	Interest expense	Change of exchange rate
Borrowings	₩	2,928,209,269	345,296,518	-	238,746	72,925,876
Lease liabilities		1,762,924	(766,342)	60,138	29,532	-
Security deposit		6,095,091	-	-	218,237	-
	₩	2,936,067,284	344,526,294	60,139	486,515	72,925,876
						Ending balance
						3,346,670,409
						1,086,252
						6,313,328
						3,354,069,989

33. Risk Management

(1) Objectives

Risk management aims to maintain our management stability by effectively managing risks that may arise in management activities. Risk management is regulated by the following principles.

- Risk is managed comprehensively and independently
- Risk is managed to balance benefits
- Risk is accurately recognized, measured, assessed and properly managed
- Risks are appropriately distributed to prevent bias
- Allowance limits are set and managed to prevent excessive risk exposure

(2) Risk management policy and strategy

The types of risks the Company can be exposed to include credit, market, liquidity and operational risks. The Group supports to realize profits reliably through the recognition, measurement, evaluation, control, monitoring and reporting of significant risks. The Group recognizes and measures various risks quickly and accurately and manages them at an appropriate level so that the Group can efficiently respond to internal and external risk factors in a rapidly changing financial environment.

(3) Risk management organization

Risk management organization consists of the board of directors, the risk management committee, risk management council, the risk management officer, the risk management department and the department conducting risk management. The Group's risk management system quantifies various risks and manages them at an appropriate level to efficiently respond to internal and external risk factors and supports them to be used for efficient management decisions. The company is also striving to communicate throughout the company to spread the risk management culture.

(i) The risk management committee

The risk management committee oversees risk management activities such as effective supervision of risks arising from the management, establishes risk management policies and delegates to the board of directors the authority to make decisions related to risks and business decisions that involve risks. The risk management committee consists of one non-standing director and two standing directors.

(ii) Risk Management Council

Risk Management Council is operated as an affiliated organization that supports decision-making by the Risk Management Committee and plays a major consultation and coordination role between the control organization and the field department on risk management work. The Risk Management Council consists of one chairperson and five members.

(iii) The risk management officer

The risk management officer reviews and analyzes the operation of risk limits, operates a risk management system, and timely provides risk management information to the risk management committee and the Company's management. Currently, the risk management team leader is assigned as the risk management officer.

(iv) The risk management general department

The risk management department integrally operates risk management tasks, manages and supports the committee, analyzes the Group's enterprise risk, prepares internal and external reporting, establishes and maintains a risk management system. The department manages capital adequacy, asset soundness, liquidity, and credit limit, and establishes and distributes each type of risk limits. The department monitors the Group's risk management, prepares and reports its risk analysis reports. The department develops and operates key indicators for risk management, implements and reports crisis analysis and stress testing, and disseminates risk management culture.

(v) The risk management department

The department conducting risk management performs its risk management tasks such as reviewing and monitoring of various risk limits allocated to business units.

33. Risk Management, continued

(4) Risk management procedures

The Group's risk management procedures consist of identifying, measuring, analysing, monitoring, controlling and reporting its risks. Details of activities of each procedure are as follows:

(i) Identification

The identification procedures recognize the risks arising from the Group's business activities as type of guarantee, credit, market, interest rate, liquidity and operational risk.

(ii) Measuring

The measuring procedures measure and manage the risk exposures arising from guarantees, credit, market, interest rate and operational risks recognized as the Group's significant risks in accordance with the supplementary 2 in the Group's supervisory regulation.

(iii) Analysis

The analysis procedures collect the information of the Group's enterprise risk management status and analyse the impact on the Group.

(iv) Monitoring and controlling

In order to avoid, accept, transfer, or mitigate risks, the monitoring and controlling procedures set an appropriate level of risk limit, monitoring whether the limit is exceeded, and adjusting the limit if necessary.

(v) Reporting

The reporting procedures periodically report the monitoring results of the risk factors and countermeasures to the risk management committee and management.

(5) Setting and managing of risk limits

(i) Set up of risk capital

Based on the Group's capital, set the total amount of risk capital reflecting risk propensity and approve it by the Risk Management Committee.

(ii) Risk capital allocation

Allocate and manage the risk capital by each division, the allocation of risk capital for each division manages it within the limits allocated by the risk management committee calculating the integrated risk considering the correlation.

(iii) Risk capital limit management

Each department primarily monitors the use of risk capital and the general manage department monitors the management of limit in terms of company-wide integrated risk and establishes a quarterly reporting system to the risk management committee.

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

33. **Risk Management, continued**

(6) Capital management

The Group complies with the capital adequacy standard by maintaining at least 8% of the ratio of risk-weighted assets to equity capital (hereinafter referred to as the "BIS capital ratio") under the supervisory regulations of the Korea Ocean Business Corporation.

The Group calculate risk-weighted assets by integrating our credit, market, and operating risks, evaluate the adequacy of our holdings by comparing them with equity capital, and establish and operate internal management procedures to maintain an appropriate level of equity capital ratio. BIS capital ratio and equity capital are calculated based on consolidated financial statements.

According to the supervisory regulations of the Korea Ocean Business Corporation, the equity capital of the consolidated entity is classified into common capital, other equity capital, and supplementary capital.

- Basic capital: the sum of common capital and other basic capital stock, common capital includes capital, additional paid in other capital, capital adjustment, retained earnings, accumulated other comprehensive income, and other basic capital includes capital securities and additional paid in other capital.

- Complementary capital: includes not more than 1.25% of credit risk-weighted assets, such as provisions accumulated for assets classified as normal or important.

Risk-weighted assets refer to the size of an asset that reflects the amount of risk that the company must bear, including the risks inherent in the asset and the risks of loss due to internal processes and external events. Based on the supervisory regulations of the Korea Ocean Business Corporation, risk-weighted assets by risk are calculated and used to calculate BIS capital ratio.

BIS capital ratio for the year ended December 31, 2022 and 2021 are as follows (In thousands of won):

	December 31, 2022	December 31, 2021
Equity capital		
Common capital stock	₩ 7,367,001,757	9,191,915,442
Other capital stock	-	-
Basic capital	7,367,001,757	9,191,915,442
Complementary capital stock	8,996,211	7,493,770
	<u>7,375,997,968</u>	<u>9,199,409,212</u>
Total risk-weighted asset		
Total credit risk-weighted asset	10,615,505,497	13,485,295,182
Total market risk-weighted asset	11,564,674,943	15,714,888,371
Total operating risk-weighted asset	6,050,957,317	4,960,108,727
	<u>₩ 28,231,137,757</u>	<u>34,160,292,280</u>
BIS capital ratio	<u>26.13%</u>	<u>26.93%</u>

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

33. **Risk Management, continued**

(7) **Matters concerning risk management by type**

(i) ***Credit risk***

a) Outline of credit risk

Credit risk is the risk (unexpected loss) that exceeds estimated loss if a counterparty fails to meet its contractual obligations or goes into defaults.

b) Measure and management of credit risk

The Group's management soundness ratio calculation standard requires the Group to calculate the Credit risk by applying risk reflect weights that the type of asset, the credit rating of the counterparty, the effect of credit mitigation through collateral and guarantee and so on. The Group evaluate the domestic counterparty's credit rating through a qualified credit rating institute.

Assets exposed to credit risk include deposits, securities, and others whose value or profit or loss is fluctuated due to bankruptcy or default of counterparty.

To manage credit risk, the Group set limits such as loss limits, operational limits, Risk management department regularly monitors and reports to the committee whether each department abide by these limits.

c) Maximum exposure to credit risk

1) Maximum exposure to credit risk as of December 31, 2022 and 2021 are as follows (In thousands of won):

	December 31, 2022	December 31, 2021
Due from banks	₩ 990,901,169	903,991,192
Financial assets measured at FVTPL	5,339,706,770	7,299,497,511
Financial assets measured at FVOCI	51,732,278	71,013,118
Financial assets at amortized costs	784,921,029	1,378,314,415
Derivative financial assets	18,342,902	2,431,818
Financial lease receivables	334,042,811	254,943,717
Indemnity receivables	2,068,882	-
Other receivables	18,155,100	18,639,117
	₩ 7,539,870,941	9,928,830,888

2) Maximum exposure to credit risk related to off-balance accounts as of December 31, 2022 and 2021 are as follows (In thousands of won):

	December 31, 2022	December 31, 2021
Financial guarantees	₩ 2,935,979,802	2,949,017,797
Unused credit lines	58,626,627	-

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

33. **Risk Management, continued**

d) Credit risk mitigation by collateral and other credit enhancements

The quantification of the extent to which collateral and other credit enhancements mitigate credit risk as of December 31, 2022 and 2021, are as follows (In thousands of won):

December 31, 2022			
	Exposures	Credit risk mitigation	Exposures after credit risk mitigation
Due from banks	₩ 990,901,169	-	990,901,169
Financial assets measured at FVTPL	5,339,706,770	55,644,390	5,284,062,380
Financial assets measured at FVOCI	51,732,278	-	51,732,278
Financial assets measured at amortized cost	790,799,106	533,395,871	257,403,235
Derivative financial assets	18,349,378	-	18,349,378
Financial lease receivables	335,670,047	120,030,072	215,639,975
Indemnity receivables	18,955,182	2,068,882	16,886,300
Other assets	18,155,767	-	18,155,767
	₩ 7,564,269,697	711,139,215	6,853,130,482
December 31, 2021			
	Exposures	Credit risk mitigation	Exposures after credit risk mitigation
Due from banks	₩ 903,991,192	-	903,991,192
Financial assets measured at FVTPL	7,299,497,511	-	7,299,497,511
Financial assets measured at FVOCI	71,013,118	-	71,013,118
Financial assets measured at amortized cost	1,387,268,537	1,034,873,236	352,395,301
Derivative financial assets	2,432,788	-	2,432,788
Financial lease receivables	257,310,709	-	257,310,709
Other assets	18,658,744	-	18,658,744
	₩ 9,940,172,599	1,034,873,236	8,905,299,363

e) Credit quality of loans and others

1) Credit quality is classified based on external credit grades as follows:

	External credit rate
Grade 1	Risk free
Grade 2	AAA
Grade 3	AA+ ~ BBB-
Grade 4	Below BB+ or unrated

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

33. **Risk Management, continued**

- 2) The gross carrying amount of financial assets and other assets by credit risk grade as of December 31, 2022 and 2021 are as follows (In thousands of won):

< Loans measured at FVTPL >

December 31, 2022				
		Lifetime expected credit loss		
	12-month expected credit loss	Non-credit impaired	Credit impaired	Total
Grade 1	₩ -	-	-	-
Grade 2	-	-	-	-
Grade 3	-	-	-	-
Grade 4	61,559,137	-	-	61,559,137
₩	61,559,137	-	-	61,559,137

December 31, 2021				
		Lifetime expected credit loss		
	12-month expected credit loss	Non-credit impaired	Credit impaired	Total
Grade 1	₩ -	-	-	-
Grade 2	-	-	-	-
Grade 3	20,148,052	-	-	20,148,052
Grade 4	40,238,462	-	-	40,238,462
₩	60,386,514	-	-	60,386,514

< Indemnity receivables >

December 31, 2022				
		Lifetime expected credit loss		
	12-month expected credit loss	Non-credit impaired	Credit impaired	Total
Grade 1	₩ -	-	-	-
Grade 2	-	-	-	-
Grade 3	-	-	-	-
Grade 4	-	-	18,955,182	18,955,182
₩	-	-	18,955,182	18,955,182

December 31, 2021				
		Lifetime expected credit loss		
	12-month expected credit loss	Non-credit impaired	Credit impaired	Total
Grade 1	₩ -	-	-	-
Grade 2	-	-	-	-
Grade 3	-	-	-	-
Grade 4	-	-	-	-
₩	-	-	-	-

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

33. Risk Management, continued

< Loans measured at amortized cost >

December 31, 2022				
		Lifetime expected credit loss		
	12-month expected credit loss	Non-credit impaired	Credit impaired	Total
Grade 1	₩ -	-	-	-
Grade 2	-	-	-	-
Grade 3	-	-	-	-
Grade 4	620,368,692	13,296,277	-	633,664,969
	₩ 620,368,692	13,296,277	-	633,664,969
December 31, 2021				
		Lifetime expected credit loss		
	12-month expected credit loss	Non-credit impaired	Credit impaired	Total
Grade 1	₩ -	-	-	-
Grade 2	-	-	-	-
Grade 3	747,623,918	-	-	747,623,918
Grade 4	211,850,745	86,734,412	34,595,715	333,180,872
	₩ 959,474,663	86,734,412	34,595,715	1,080,804,790

< Other receivables at amortized cost >

December 31, 2022				
		Lifetime expected credit loss		
	12-month expected credit loss	Non-credit impaired	Credit impaired	Total
Grade 1	₩ -	-	-	-
Grade 2	3,536,990	-	-	3,536,990
Grade 3	5,262,740	-	-	5,262,740
Grade 4	9,356,037	-	-	9,356,037
	₩ 18,155,767	-	-	18,155,767
December 31, 2021				
		Lifetime expected credit loss		
	12-month expected credit loss	Non-credit impaired	Credit impaired	Total
Grade 1	₩ 123,977	-	-	123,977
Grade 2	1,965,119	-	-	1,965,119
Grade 3	13,035,408	136,750	-	13,172,158
Grade 4	3,397,490	-	-	3,397,490
	₩ 18,521,994	136,750	-	18,658,744

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

33. **Risk Management, continued**

<Debt instruments at FVOCI>

December 31, 2022				
		Lifetime expected credit loss		
	12-month expected credit loss	Non-credit impaired	Credit impaired	Total
Grade 1	₩ -	-	-	-
Grade 2	-	-	-	-
Grade 3	-	-	-	-
Grade 4	51,732,278	-	-	51,732,278
	₩ 51,732,278	-	-	51,732,278

December 31, 2021				
		Lifetime expected credit loss		
	12-month expected credit loss	Non-credit impaired	Credit impaired	Total
Grade 1	₩ -	-	-	-
Grade 2	-	-	-	-
Grade 3	71,013,118	-	-	71,013,118
Grade 4	-	-	-	-
	₩ 71,013,118	-	-	71,013,118

<Debt instruments at amortized cost>

December 31, 2022				
		Lifetime expected credit loss		
	12-month expected credit loss	Non-credit impaired	Credit impaired	Total
Grade 1	₩ -	-	-	-
Grade 2	-	-	-	-
Grade 3	83,400,000	-	-	83,400,000
Grade 4	12,175,000	-	-	12,175,000
	₩ 95,575,000	-	-	95,575,000

December 31, 2021				
		Lifetime expected credit loss		
	12-month expected credit loss	Non-credit impaired	Credit impaired	Total
Grade 1	₩ -	-	-	-
Grade 2	40,000	-	-	40,000
Grade 3	296,850,000	-	-	296,850,000
Grade 4	9,573,746	-	-	9,573,746
	₩ 306,463,746	-	-	306,463,746

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

33. **Risk Management, continued**

< Financial lease receivables >

December 31, 2022				
	12-month expected credit loss	Lifetime expected credit loss		Total
		Non-credit Impaired	Credit impaired	
Grade 1	₩ -	-	-	-
Grade 2	-	-	-	-
Grade 3	335,670,047	-	-	335,670,047
Grade 4	-	-	-	-
	₩ 335,670,047	-	-	335,670,047
December 31, 2021				
	12-month expected credit loss	Lifetime expected credit loss		Total
		Non-credit impaired	Credit impaired	
Grade 1	₩ -	-	-	-
Grade 2	-	-	-	-
Grade 3	257,310,709	-	-	257,310,709
Grade 4	-	-	-	-
	₩ 257,310,709	-	-	257,310,709

- 3) Exposure to credit risk for payment guarantee contracts by credit risk grade as of December 31, 2022 and 2021 are as follows (In thousands of won):

December 31, 2022				
	12-month expected credit loss	Lifetime expected credit loss		
		Non-credit- impaired	Credit- impaired	
Grade 1	₩ -	-	-	-
Grade 2	-	-	-	-
Grade 3	2,171,533,153	-	-	-
Grade 4	764,446,649	-	-	-
	₩ 2,935,979,802	-	-	-
December 31, 2021				
	12-month expected credit loss	Lifetime expected credit loss		
		Non-credit- impaired	Credit- impaired	
Grade 1	₩ -	-	-	-
Grade 2	-	-	-	-
Grade 3	2,522,425,473	-	-	-
Grade 4	414,486,891	7,149,752	-	3,337,968
	₩ 2,936,912,364	7,149,752	-	3,337,968

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

33. **Risk Management, continued**

- 4) Exposure to credit risk for unused credit lines by credit risk grade as of December 31, 2022 is as follows (In thousands of won):

		December 31, 2022	
		Lifetime expected credit loss	
	12-month expected credit loss	Non-credit-impaired	Credit-impaired
Grade 1	₩ -	-	-
Grade 2	-	-	-
Grade 3	22,417,027	-	-
Grade 4	36,209,600	-	-
	₩ 58,626,627	-	-

- f) Credit risk concentration by industry

Credit risk concentration by industry of debt instruments and others as of December 31, 2022 and 2021 are as follows (In thousands of won):

		December 31, 2022				
		Government and public administration	Financial services	Manufacturing	Service business	Total
Due from banks	₩	-	990,901,169	-	-	990,901,169
Financial assets measured at FVTPL		-	6,416,375	-	5,333,290,395	5,339,706,770
Financial assets measured at FVOCI		-	-	-	51,732,278	51,732,278
Financial assets at amortized cost		-	-	-	790,799,106	790,799,106
Derivative financial assets		-	18,349,378	-	-	18,349,378
Finance lease receivables		-	-	-	335,670,047	335,670,047
Indemnity receivables			-		18,955,182	18,955,182
Other receivables		<u>1,495,017</u>	<u>3,382,724</u>	<u>-</u>	<u>13,278,026</u>	<u>18,155,767</u>
		<u>1,495,017</u>	<u>1,019,049,646</u>	<u>-</u>	<u>6,543,725,034</u>	<u>7,564,269,697</u>
Financial guarantees		-	-	-	2,935,979,802	2,935,979,802
Unused credit lines		-	-	-	58,626,627	58,626,627
		<u>-</u>	<u>-</u>	<u>-</u>	<u>2,994,606,429</u>	<u>2,994,606,429</u>
	₩	<u>1,495,017</u>	<u>1,019,049,646</u>	<u>-</u>	<u>9,538,331,463</u>	<u>10,558,876,126</u>

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

December 31, 2021					
	Government and public administration	Financial services	Manufacturing	Service business	Total
Due from banks	₩ 40,000,000	863,991,192	-	-	903,991,192
Financial assets measured at FVTPL	-	4,526,861	-	7,294,970,650	7,299,497,511
Financial assets measured at FVOCI	-	-	-	71,013,118	71,013,118
Financial assets at amortized cost	79,261,778	1,299,052,637	-	-	1,378,314,415
Derivative financial assets	-	2,431,818	-	-	2,431,818
Finance lease receivables	-	-	-	254,943,717	254,943,717
Other receivables	893,859	2,824,223	-	14,921,035	18,639,117
	<u>120,155,637</u>	<u>2,172,826,731</u>	<u>-</u>	<u>7,635,848,520</u>	<u>9,928,830,888</u>
Financial guarantees	-	-	-	2,949,017,797	2,949,017,797
	<u>₩ 120,155,637</u>	<u>2,172,826,731</u>	<u>-</u>	<u>10,584,866,317</u>	<u>12,877,848,685</u>

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

33. **Risk Management, continued**

g) Credit risk concentration by country

Credit risk concentration by country of financial instruments and payment guarantee contracts as of December 31, 2022 and 2021 are as follows (In thousands of won):

		December 31, 2022		
		Korea	Others	Total
Due from banks	₩	990,901,169	-	990,901,169
Financial assets measured at FVTPL		5,339,706,770	-	5,339,706,770
Financial assets measured at FVOCI		51,453,415	278,863	51,732,278
Financial assets at amortized cost		790,799,106	-	790,799,106
Derivative financial assets		18,349,378	-	18,349,378
Finance lease receivables		335,670,047	-	335,670,047
Indemnity receivables		18,955,182	-	18,955,182
Other receivables		18,155,767	-	18,155,767
		7,563,990,834	278,863	7,564,269,697
Financial guarantees		2,935,979,802	-	2,935,979,802
Unused credit lines		58,626,627	-	58,626,627
		2,994,606,429	-	2,994,606,429
	₩	10,558,597,263	278,863	10,558,876,126

		December 31, 2021		
		Korea	Others	Total
Due from banks	₩	903,991,192	-	903,991,192
Financial assets measured at FVTPL		7,299,497,511	-	7,299,497,511
Financial assets measured at FVOCI		71,013,118	-	71,013,118
Financial assets at amortized cost		1,378,015,669	298,746	1,378,314,415
Derivative financial assets		2,431,818	-	2,431,818
Finance lease receivables		254,943,717	-	254,943,717
Other receivables		18,639,117	-	18,639,117
		9,928,532,142	298,746	9,928,830,888
Financial guarantees		2,947,313,036	-	2,947,313,036
	₩	12,875,845,178	298,746	12,876,143,924

(ii) ***Operational risk***

Operational risk refers to incur losses due to improper or inadequate internal procedures, personnel and systems, or external events. The Group measures the operating risk based on supervisory regulations of the Korea Ocean Business Corporation. As of December 31, 2022 and 2021, the amount of operation risk is ₩6,050,957,317 thousand and ₩4,960,108,727 thousand, respectively.

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

33. Risk Management, continued

(iii) Market risk

a) Outline of market risk

Market risk means the possibility of a loss due to a decline in the value of an asset caused by fluctuations in market prices such as stock prices, interest rates, and exchange rates.

b) Measure and management of market risk

Market risk is measured according to the Group's management soundness ratio standard. The market risk is calculated by dividing financial assets held-for-trading, exchange-traded derivatives, assets and liabilities denominated in foreign currency into risk items by risk factors. The total market risk as of December 31, 2022 and 2021 amount to ₩11,564,674,943 thousand and ₩15,714,888,371 thousand, respectively.

c) Sensitivity analysis about risk factors such as interest rate and others

Sensitivity analysis analyse the changes in the market price of the underlying assets due to changes of risk factors. The Group's change of solvency amount is affected by interest rate, stock price and exchange rate. (In thousands of won):

		December 31, 2022	
		100bp increase	100bp decrease
Increase (decrease) of income	₩	(103,818,282)	103,818,282
Increase (decrease) of equity		(3,715,871)	3,715,871
		December 31, 2021	
		100bp increase	100bp decrease
Increase (decrease) of income	₩	(48,512,121)	48,512,121
Increase (decrease) of equity		(6,284,150)	6,284,150

(iv) Interest rate risk

a) Outline of interest rate risk

Interest rate risk refers to the risk that the net asset value decreases due to the economic loss caused by the future market interest rate fluctuation and the maturity structure of assets and liabilities.

b) Measure and management of interest rate risk

The Group calculates interest rate VaR, interest rate gap, duration gap, etc. to measure the sensitivity of our economic value due to interest rate fluctuations.

In addition, interest rate risk is managed stably by estimating interest rate sensitivity reflecting the capital raising plan.

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

33. **Risk Management, continued**

(v) **Liquidity risk**

a) Outline of interest liquidity risk

Liquidity risk refers to confront of insolvency due to shortage of funds such as unexpected outflow, or danger to get loss due to the procurement of high interest funds, adverse sale of securities for solving the shortage of funds.

b) Measure and management of liquidity risk

Liquidity risk is managed through the won liquidity ratio and the foreign currency liquidity ratio. The Company measures the liquidity ratio of won and foreign currency every month and estimate the liquidity ratio reflecting the financing plan to manage liquidity risk stably

c) The remaining maturity structure of financial liabilities as of December 31, 2022 and 2021 are as follows (In thousands of won):

December 31, 2022						
	Less than 3 months	Less than 6 months	Less than 1 year	Less than 5 years	More than 5 years	Total
Borrowings	₩ 8,898,417	330,569,397	147,788,916	1,115,731,991	1,152,408,261	2,755,396,982
Lease liabilities	16,688	14,936	399,416	62,179	-	493,219
Off-balance accounts:						
Derivative instruments	4,892,937	4,892,937	9,785,875	311,814,598	-	331,386,347
Financial guarantees	15,545,141	-	27,094,790	2,678,844,722	214,495,149	2,935,979,802
Unused credit lines	-	-	-	-	58,626,627	58,626,627
	₩ 29,353,183	335,477,270	185,068,997	4,106,453,490	1,425,530,037	6,081,882,977
December 31, 2021						
	Less than 3 months	Less than 6 months	Less than 1 year	Less than 5 years	More than 5 years	Total
Borrowings	₩ 8,324,053	5,556,676	299,327,948	1,316,897,531	1,716,564,202	3,346,670,410
Lease liabilities	37,828	-	-	1,048,424	-	1,086,252
Off-balance accounts:						
Derivative instruments	4,577,114	1,809,737	11,921,607	189,149,486	123,250,422	330,708,366
Financial guarantees	10,290,140	9,328,949	123,127,990	2,235,030,936	569,535,021	2,947,313,036
	₩ 23,229,135	16,695,362	434,377,545	3,742,126,377	2,409,349,645	6,625,778,064

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

34. Unconsolidated Structured Entities

The nature and risks of the Group's interests in unconsolidated structured entities that does not have control in accordance with K-IFRS 1110 are as follows.

The Group's interests in unconsolidated structured entities are classified into asset securitization, structured finance and investment funds according to the nature and purpose of the structured company.

	Main characteristics
Asset securitization	An asset securitization company is a party that purchases assets from asset holders and issues asset-backed securities based on this, and was established to improve the soundness of financial structure by facilitating corporate financing. The Group purchased securitized stock issued by an unconsolidated structured entities using corporate bonds as underlying assets. In the following cases, the Group does not consolidate the securitization company. (i) If the Group is unable to modify the terms of contract for securities issued by the specific securitization company or to determine or approve the disposal of the assets of the specific securitization company. (ii) (Although (i) is possible) if the Group does not have the exclusive or major power to do so (iii) If the Group is not exposed to the significant variable profit or does not have the right as a result of purchase (or purchase agreement) of asset securitization stock or subordinated bonds issued by asset securitization company, or provide other forms of credit enhancement.
Structured finance	Structured entities for structured finance include ship finance or special purpose companies for port terminal business. Each entity is established as a separate company with a limited purpose in order to efficiently promote the business, and finances are raised through equity investment or loans from financial institutions and participating institutions. 'Structured Finance' is a method of financing for large-scale risky projects. Investments are made in the relevant company based on the economics of a specific project, rather than the credit or material security of the project proprietor and investors take the profits generated from the project. The Group provides funds in the form of loans, equity investments, etc. or provides various types of credit grants as needed to structured entities for structured finance. In regard to this, the Group recognizes interest income, gains or losses on equity investment valuation or dividend income. Failure to recover funds according to the planned schedule or interruption of the project may result in loss of principal due to a decrease in the value of the investment or loss due to the inability to recover loans.
Investment fund	Investment funds are investment trusts, private equity firms and associations that raise funds by issuing beneficiary certificates to investors, invest in stocks or bonds, and distribute the profits to investors. The Group is investing in equity in investment funds. An investment trusts are structured in which investment and management are instructed to a trust business entity in accordance with a trust agreement, and the operating income is distributed to the investment trust investors. Private equity firms are structured to raise investment funds privately in equity securities to participate in management rights and improve corporate governance, and distribute the resulting profits among the investors. As an investor in an investment fund, the Group recognizes gains or losses on valuation of equity investments and dividend income in proportion to the equity ratio, and may be exposed to loss of principal if the value of the investment fund decreases.

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

Unconsolidated
Structured Entities

"HL ICONIC 1 S.A.", "HL ICONIC 2 S.A.", "VP-21 SHIPPING INC.", "VP-22 SHIPPING INC.", "VP-23 SHIPPING INC.", "VP-24 SHIPPING INC.", "VP-25 SHIPPING INC.", "HLC S.A.", "SMKLC VLCC1 S.A.", "SMKLC VLCC2 S.A.", "SMKLC VLCC3 S.A.", "SMKLC VLCC4 S.A.", "SM GEMINI1 S.A.", "SM GEMINI2 S.A.", "SQX SHIPPING INC.", "SRS SHIPPING INC.", "SSB SHIPPING INC.", "STT SHIPPING INC.", "SUS SHIPPING INC.", "S830 INTERNATIONAL S.A.", "S831 INTERNATIONAL S.A.", "KOVF HL 1 S.A.", "HL OCEAN 2 S.A.", "EWP-2 MARITIME INC.", "SMKLC LNG3 S.A.", "SMKLC LNG4 S.A.", "HL DELTA S.A.", "HL CHAMP S.A.", "KIAMCO New Build Promotion Special Asset Private Investment Trust No.1", "Multi asset KDB&KOB Green Ocean Private Investment Trust No.1", "Multi asset KDB&KOB Green Ocean Private Investment Trust No.2", "KIAMCO Shipping Investment Private Investment Trust No.3", "KIAMCO Shipping Investment Private Investment Trust No.4", "KIAMCO Shipping Investment Private Investment Trust No.5", SINGAPORE ENERGY 1 S.A., HMD MR 01 SHIPHOLDING S.A., DSME VLCC SHIPHOLDING S.A., DAT OCEAN GRACE 1 S.A., DAT OCEAN GRACE 2 S.A., SHO VLCC1 SHIPHOLDING S.A., "T1 VLGC SHIPHOLDING S.A.", "T2 VLGC SHIPHOLDING S.A.", "T3 VLGC SHIPHOLDING S.A.", "T4 VLGC SHIPHOLDING S.A.", "T5 VLGC SHIPHOLDING S.A.", "RD1 VLCC SHIPHOLDING S.A.", "RD2 VLCC SHIPHOLDING S.A.", "NO.3 HONGKONG CHEMICALS S.A.", "VLGC 3 SHIPHOLDING S.A." "Kodit 2020 the 9th Securitization Specialty Co., Ltd.", "Kodit 2020 the 11th Securitization Specialty Co., Ltd.", "Kodit 2020 the 15th Securitization Specialty Co., Ltd.", "Kodit 2020 the 18th Securitization Specialty Co., Ltd.", "Kodit 2021 the 2nd Securitization Specialty Co., Ltd.", "Kodit 2021 the 6th Securitization Specialty Co., Ltd.", "Kodit 2021 the 8th Securitization Specialty Co., Ltd.", "Kodit 2021 the 11th Securitization Specialty Co., Ltd.", "Kodit 2021 the 14th Securitization Specialty Co., Ltd.", "Kodit 2021 the 15th Securitization Specialty Co., Ltd.", "Kodit 2021 the 16th Securitization Specialty Co., Ltd.", "Kodit 2021 the 20th Securitization Specialty Co., Ltd.", "Kodit 2022 the 1st Securitization Specialty Co., Ltd.", "Kodit 2022 the 5th Securitization Specialty Co., Ltd.", "Kodit Global the 1st Securitization Specialty Co., Ltd.", "Kodit 2021 the 9th Securitization Specialty Co., Ltd.", "Kodit 2022 the 13th Securitization Specialty Co., Ltd.", "Merits Taurus 1 S.A.", "Merits Taurus 2 S.A.", "Merits Taurus 3 S.A.", "Merits Taurus 4 S.A.", "Merits Taurus 5 S.A.", "Merits Taurus 6 S.A.", "MA Taurus D1-4319 S.A.", "MA Taurus D2-4321 S.A.", "MA Taurus D3-4323 S.A.", "MA Taurus S1-2288 S.A.", "MA Taurus S2-2290 S.A.", "MA Taurus S3-2292 S.A.", "NuriNuri S.A.", "GaonGaon S.A.", "GaramGaram S.A.", "MirMir S.A.", "HanbadaHanbada S.A.", "RaonRaon S.A.", "DaonDaon S.A.", "HanulHanul S.A.", "KM CARGO SERVICES SDN. BHD.", "Leading Incheon Newport PEF", "IGIS UNCT Infra fund "

Korea Ocean Business Corporation and Subsidiaries
Notes to the Consolidated Financial Statements, continued
December 31, 2022 and 2021

34. Unconsolidated Structured Entities, continued

The asset size of the unconsolidated structured entities as of December 31, 2022 and 2021 are as follows (In thousands of won):

		December 31, 2022			
		Asset securitization	Structured finance	Investment fund	Total
Assets of unconsolidated structured entities	₩	6,247,045,151	4,128,946,445	315,623,597	10,691,625,183
		December 31, 2021			
		Asset securitization	Structured finance	Investment fund	Total
Assets of unconsolidated structured entities	₩	4,424,371,501	2,410,732,369	263,904,743	7,099,008,613

Maximum exposure to loss from its interests in unconsolidated structured entities as December 31, 2022 and 2021 are as follows (In thousands of won):

		December 31, 2022		
		Asset securitization	Structured finance	Investment fund
Maximum exposure to loss (*)				
Assets	₩	7,902,125	319,360	-
Commitment on capital call		-	-	114,962,723
Commitment on loan		-	-	74,290,200
Guarantees and unused credit offering		-	2,126,206,798	-
	₩	7,902,125	2,126,526,158	189,252,923
Items considered to determine maximum exposure		Notional amount of credit offering, purchase agreement, guarantee and commitment on loan	Notional amount of commitment on capital call, purchase agreement and guarantee	Notional amount of commitment on capital call

(*) Maximum exposure includes the amount of assets recorded by the Group, and the amount of assets is the balance after adjusting the amount of losses recognized by the Group (provision for credit losses and impairment losses, etc.)

		December 31, 2021		
		Asset securitization	Structured finance	Investment fund
Maximum exposure to loss (*)				
Assets	₩	5,090,743	233,515	67,787,279
Commitment on loan		-	404,668,817	16,500,000
Guarantees and unused credit offering		-	2,550,388,164	-
	₩	5,090,743	2,955,290,496	84,287,279
Items considered to determine maximum exposure		Notional amount of credit offering, purchase agreement, guarantee and commitment on loan	Notional amount of commitment on loan, capital call, purchase agreement and guarantee	Notional amount of commitment on capital call

(*) Maximum exposure includes the amount of assets recorded by the Group, and the amount of assets is the balance after adjusting the amount of losses recognized by the Group (provision for credit losses and impairment losses, etc.)

THE ISSUER

Korea Ocean Business Corporation

7th Floor, Bldg. C1
38 Marine City 2-ro, Haeundae-gu,
Busan 48120
Korea

ISSUING AND PAYING AGENT, TRANSFER AGENT AND CALCULATION AGENT

Citibank, N.A., London Branch

Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

FISCAL AGENT AND REGISTRAR

Citicorp International Limited

20/F, Citi Tower, One Bay East
83 Hoi Bun Road
Kwun Tong, Kowloon
Hong Kong

LEGAL ADVISERS

To the Issuer as to Korean law

Lee & Ko

18th Fl., Hanjin Main Building
63 Namdaemun-ro, Jung-gu
Seoul 04532
Korea

To the Dealers as to United States law

Paul Hastings LLP

33/F West Tower, Mirae Asset Center 1
26 Eulji-ro 5-gil, Jung-gu
Seoul 04539
Korea

INDEPENDENT AUDITORS

Nexia Samduk

3rd Floor, S&S Bldg 48,
Ujeongguk-ro, Jongno-gu
Seoul 03145
Korea

DEALERS

Citigroup Global Markets Limited

Citigroup Centre
Canada Square, Canary Wharf
London E14 5LB
United Kingdom

The Hongkong and Shanghai Banking Corporation Limited

Level 17, HSBC Main Building
1 Queen's Road Central
Hong Kong

ING Bank N.V., Singapore Branch

1 Wallich Street
#12-01 Guoco Tower
Singapore 078881

Standard Chartered Bank

One Basinghall Avenue
London EC2V 5DD
United Kingdom

SINGAPORE LISTING AGENT

Shook Lin & Bok LLP

1 Robinson Road
#18-00 AIA Tower
Singapore 048542