

# KB KOOKMIN CARD SEVENTH INTERNATIONAL LTD.

(incorporated with limited liability under the laws of the Cayman Islands)

**SGD311,467,500 Class A2 1.02% Secured Notes due 2024**

**Issue Price 100%**

The SGD311,467,500 Class A2 1.02% Secured Notes due 2024 (each a "**Class A2 Note**" and, together, the "**Class A2 Notes**") of KB Kookmin Card Seventh International Ltd. (the "**Note Issuer**") will be issued pursuant to a note trust deed (the "**Note Trust Deed**") dated on or about 13 August 2020 (such date being the "**Closing Date**") between, among others, the Note Issuer and Citicorp International Limited (the "**Note Trustee**"). The Class A2 Notes are limited recourse obligations of the Note Issuer and are secured by, among other things, a SGD311,467,500 Class A2 1.02% Bond due 2024 (the "**Class A2 Bond**") issued to the Note Issuer by KB Kookmin Card Seventh Securitization Co., Ltd. (the "**Bond Issuer**"), a Korean limited liability company (*yuhanhoesa*) incorporated under the Act Concerning Asset Backed Securitisation of Korea and the Korean Commercial Code. The Class A2 Bond is indirectly backed by a pool of credit card receivables originated by KB Kookmin Card Co., Ltd. (the "**Originator**" or "**KB Kookmin Card**").

It is expected that the Class A2 Notes will, when issued, be assigned an "**AAAsf**" rating by Fitch (Hong Kong) Limited ("**Fitch**" and the "**Rating Agency**"). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

**Investing in the Class A2 Notes involves certain risks. See "Risk Factors" beginning on page 47.**

The transactions relating to the issuance of the Class A2 Notes are arranged by DBS Bank Ltd. ("**DBS**") as the Lead Manager (the "**Lead Manager**").

Application has been made to the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for the listing and quotation of the Class A2 Notes on the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed, or reports contained, herein. Admission of the Class A2 Notes to the Official List of the SGX-ST or quotation of any Class A2 Notes on the SGX-ST are not to be taken as an indication of the merits of the Note Issuer or the Class A2 Notes. There can be no assurance that such listing will be maintained.

**The Class A2 Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or under the securities laws of any state 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 U.S. Securities Act ("Regulation S")) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. Accordingly, the Class A2 Notes are being offered and sold only outside the United States to non-U.S. persons in accordance with Regulation S under the U.S. Securities Act.**

Interest on the Class A2 Notes is payable by reference to successive interest periods (each, an "**Interest Period**"). Interest is payable on the Class A2 Notes monthly in arrear on the 26<sup>th</sup> day of each calendar month or, if such day is not a Business Day, the next succeeding Business Day unless that day falls in the next calendar month, in which case the first preceding day which is a Business Day (each, a "**Note Payment Date**"), commencing in September 2020. Interest will accrue on the Principal Amount Outstanding (as defined herein) of the Class A2 Notes as of the first day of each relevant Interest Period on the basis of the actual number of days elapsed in such Interest Period and a 365-day year at 1.02 per cent. per annum. See Note Condition 3 in "*Terms and Conditions of the Class A2 Notes*". Payments of interest and principal on the Class A2 Notes will rank *pari passu* with payments on the Class A1 Notes (as defined herein). See "*Transaction Summary—The Class A1 Bond and the Class A1 Notes*" for a description of the Class A1 Notes.

Unless previously redeemed in full, the Note Issuer will redeem the Class A2 Notes in full on the Note Payment Date falling in November 2023 (the "**Note Expected Maturity Date**") at their Principal Amount Outstanding together with accrued interest. Principal of the Class A2 Notes will be paid on each Note Payment Date during the Controlled Amortisation Period in scheduled amortisation amounts. See Note Condition 4 in "*Terms and Conditions of the Class A2 Notes*". The Class A2 Notes will be issued in registered form in the minimum denomination of SGD250,000 and integral multiples of SGD2,500 in excess thereof. The Class A2 Notes will be exchangeable, and transfers thereof will be registrable, at the offices of Citibank, N.A., London Branch as Class A2 note registrar (the "**Class A2 Note Registrar**"). It is expected that the Class A2 Notes will be delivered through the facilities of Euroclear Bank S.A./N.V. as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**") on or about 13 August 2020.

**Lead Manager**

**DBS Bank Ltd.**

The date of this Prospectus is 13 August 2020.

In addition to the issuance of the Class A2 Notes, the Note Issuer will also issue U.S.\$275,000,000 Class A1 Floating Rate Secured Notes due 2024 (the "**Class A1 Notes**") on the Closing Date. The Class A1 Notes are not being offered under this Prospectus.

On the Closing Date, the Note Issuer will use the proceeds of the issue of: (a) the Class A2 Notes, to subscribe for the Class A2 Bond from the Bond Issuer and (b) the Class A1 Notes, to subscribe for a U.S.\$275,000,000 Class A1 Floating Rate Bond due 2024 (the "**Class A1 Bond**") from the Bond Issuer.

The Bond Issuer will use the proceeds of the issue of the Class A1 Bond and the Class A2 Bond (together, the "**Bonds**") to subscribe for a KRW599,499,460,450 interest (the "**Investor Interest**") in the assets of a trust (the "**Trust**") established pursuant to a trust agreement (the "**Trust Agreement**") dated 29 July 2020 among, *inter alia*, the Originator, Citibank Korea Inc. (the "**Trustee**") and the Bond Issuer. In accordance with the Trust Agreement, the Originator will entrust on the Closing Date certain credit card receivables existing as of 30 June 2020 (the "**Initial Cut-off Date**") and will entrust credit card receivables arising thereafter from time to time in certain designated credit card accounts to the Trustee. The Bond Issuer, as holder of the Investor Interest, will be entitled to receive certain distributions from the assets of the Trust, as more fully described in "*Transaction Overview—The Trust*". The Bond Issuer will make payments of interest and principal on the Class A2 Bond through an interest rate and currency swap agreement (the "**Class A2 Swap Agreement**") entered into with DBS Bank Ltd., Seoul Branch ("**Class A2 Swap Provider**") following receipt of distributions of profit and principal on the Investor Interest on each Trust Distribution Date (as defined herein). The Note Issuer will make payments of interest and principal on the Class A2 Notes following receipt of payments of interest and principal on the Class A2 Bond from the Bond Issuer through the Class A2 Swap Agreement. The Note Issuer, among others, will have the benefit of security to be granted by the Bond Issuer over its assets, including the Investor Interest, as well as a pledge of the equity in the Bond Issuer. See "*Transaction Overview—The Class A2 Bond—Bond Security*".

### IMPORTANT NOTICE

*This Prospectus contains only limited information in relation to, and does not constitute an offer of, or a Prospectus in relation to, the Class A1 Notes to be issued by the Note Issuer or the Class A1 Bond or the Class A2 Bond to be issued by the Bond Issuer.*

None of the Lead Manager, the Class A2 Initial Subscriber, the Back-up Servicer, the Bond Agents, the Note Agents or the Note Issuer Administrator (each as defined herein) has verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability (whether arising in tort or contract or otherwise) is accepted by the Lead Manager, the Class A2 Initial Subscriber, the Back-up Servicer, the Bond Agents, the Note Agents, the Note Issuer Administrator or any of their respective affiliates or advisers as to the accuracy or completeness of the information contained in this Prospectus or as to the future performance of the Class A2 Notes, the Receivables, the Class A2 Bond or the Class A2 Swap. Nothing contained in this Prospectus is, or shall be relied upon as, a promise, representation or warranty by the Lead Manager, the Class A2 Initial Subscriber, the Back-up Servicer, the Bond Agents, the Note Agents, the Note Issuer Administrator or any of their respective affiliates or advisers.

No person is or has been authorised in connection with the issue, offering, subscription or sale of the Class A2 Notes to give any information or to make any representation not contained in this Prospectus and any information or representation not contained in this Prospectus must not be relied upon as having been authorised by the Note Issuer, the Bond Issuer, the Originator, the Lead Manager, the Class A2 Initial Subscriber, the Back-up Servicer, the Bond Agents, the Note Agents, the Note Issuer Administrator, the Class A2 Swap Provider or any other person. Neither the delivery of this Prospectus at any time nor any sale or allotment made in connection with the issue of the Class A2 Notes shall under any circumstances constitute a representation or create any implication that the

information contained herein is correct at any time after the date hereof or that there has been no change in the affairs of any party herein mentioned since that date.

Potential investors of the Class A2 Notes should determine for themselves the relevance of the information contained in this Prospectus or any part thereof and their purchase of any Class A2 Notes should be based upon such investigation as they themselves deem necessary. The Lead Manager, the Class A2 Initial Subscriber, the Bond Agents, the Note Agents or any of their respective affiliates have not undertaken, do not undertake and will not undertake to review the financial condition or affairs of the Note Issuer, the Bond Issuer, the Originator, the Class A2 Swap Provider, the Servicer, the Back-up Servicer, the Bond Agents, the Note Agents or any other party to the transaction on, prior to or after the date of this Prospectus and shall not advise any investor or potential investor in the Class A2 Notes of any information coming to their attention after the date of this Prospectus. This Prospectus is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Lead Manager, the Class A2 Initial Subscriber, the Bond Agents, the Note Agents, the Back-up Servicer or the Note Issuer Administrator that any recipient of this Prospectus should purchase the Class A2 Notes.

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "SFA") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "CMP Regulations 2018"), the Note Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309(A)(1) of the SFA), that the Class A2 Notes are capital markets products other than prescribed capital markets products (as defined in the CMP Regulations 2018) and 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).

The Class A2 Notes do not represent deposits with, or other liabilities of, any of the Lead Manager, the Class A2 Initial Subscriber, the Class A2 Swap Provider, the Bond Agents, the Note Agents, the Agents, the Back-up Servicer, the Note Issuer Administrator, and/or any of their respective subsidiaries or associated companies. The Class A2 Notes are subject to investment risks (see the section "*Risk Factors*"), including, without limitation, prepayment or interest rate or credit risks, possible delays in repayment and loss of income and principal moneys invested. Subscribers or purchasers of the Class A2 Notes should conduct such independent investigation and analysis as they deem appropriate to evaluate the merits and risks of investment in the Class A2 Notes. None of the Lead Manager, the Class A2 Initial Subscriber, the Class A2 Swap Provider, the Bond Agents, the Note Agents, the Back-up Servicer, the Note Issuer Administrator nor any of their respective subsidiaries or associated companies in any way stands behind or makes any representation, warranty, covenant or guarantee as to the capital value or performance of the Class A2 Notes or of any assets of, or held by, the Note Issuer or the Bond Issuer. The obligations of the Lead Manager, the Class A2 Initial Subscriber, the Class A2 Swap Provider, the Bond Agents, the Note Agents, the Back-up Servicer, the Note Issuer Administrator and their respective subsidiaries or associated companies to the Note Issuer and the holders of the Class A2 Notes are limited to those expressed in the Transaction Documents (as defined herein) to which the Lead Manager, the Class A2 Initial Subscriber, the Class A2 Swap Provider, the Bond Agents, the Note Agents, the Back-up Servicer, and/or the Note Issuer Administrator is or are parties.

**The contents of this Prospectus should not be construed as providing legal, business, accounting or tax advice. Each prospective investor should consult its own legal, business, accounting and tax advisers prior to making a decision to invest in the Class A2 Notes.**

This Prospectus does not constitute an offer and may not be used for the purpose of an offer to or solicitation by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or in which it is unlawful to make such offer or solicitation. No action has been or will be taken to permit a public offering of the Class A2 Notes in any jurisdiction where action would be required for that purpose. The Class A2 Notes may not be offered or sold, directly or indirectly, and

this Prospectus may not be distributed, in any jurisdiction except in accordance with the legal requirements applicable in such jurisdiction.

The Class A2 Notes are expected to settle in book-entry form through the facilities of Clearstream and Euroclear on or about the Closing Date against payment therefor in immediately available funds

Any Definitive Note Certificate (as defined herein) issued in respect of the Class A2 Notes will bear restrictive legends and will be subject to the restrictions on transfer as described herein.

The Note Issuer accepts responsibility for all the information contained in this Prospectus. To the best of the knowledge and belief of the Note Issuer, the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Class A2 Notes will constitute secured limited recourse obligations of the Note Issuer and are not obligations or responsibilities of, or insured or guaranteed by, any person other than the Note Issuer. In particular, the Class A2 Notes are not obligations or responsibilities of, or insured or guaranteed by, the Bond Agents, the Note Agents, the Note Issuer Administrator, the Originator, the Servicer, the Back-up Servicer, the Bond Issuer, the Class A2 Swap Provider, the Lead Manager, the Class A2 Initial Subscriber or any affiliate of any of the foregoing entities.

It is expected that the Class A2 Notes will, when issued, be assigned an "AAAsf" rating by Fitch. This rating relates to the timely payment of interest on the Class A2 Notes and the ultimate payment of principal of the Class A2 Notes on a date that is not later than the Note Legal Maturity Date. **A security rating is not a recommendation to buy, sell or hold securities, does not address the likelihood or timing of prepayment and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.**

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Percentages in the tables in this Prospectus may not add up to 100 per cent. because of rounding. Any discrepancies in any table between totals and the sums of the amounts listed are due to rounding.

All references in this Prospectus to "SGD" or "Singapore dollars" are to the lawful currency for the time being of the Republic of Singapore, to "U.S. dollars", "U.S.\$", "USD" or "\$" are to the lawful currency for the time being of the United States of America (the "U.S. ") and those to "Won", "Korean Won", or "KRW" are to the lawful currency for the time being of the Republic of Korea ("Korea"). All references to the "Government" herein are references to the government of Korea.

## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in the sections entitled "*Transaction Overview*", "*The Originator*", "*Description of the Receivables*" and "*Expected Average Life of the Class A2 Notes*" and elsewhere in this Prospectus constitute "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the success of collections, the actual cash flow generated by the Receivables, the expected length of the Revolving Period, the expected amortisation of the Class A2 Notes, the expected origination of sufficient additional Eligible Receivables by the Originator, the expected purchase of additional Receivables by the Bond Issuer and the expected sufficiency of the swap arrangements to meet the Singapore dollar and U.S. dollar payment needs of the Bond Issuer to differ materially from the information set forth herein and to be materially different from any future results, performance or financial condition expressed or implied by such forward-looking statements. See "*Risk Factors*".

While all reasonable care has been taken to ensure that the facts stated herein are accurate and that the forward-looking statements, opinions and expectations contained herein are based on fair and reasonable assumptions, the success of collections, the actual cash flow generated by the Receivables, the expected length of the Revolving Period, the expected amortisation of the Class A2 Notes, the

expected origination of sufficient additional Eligible Receivables by the Originator, the expected purchase of additional Receivables by the Bond Issuer and the expected sufficiency of the swap arrangements to meet the Singapore dollar and U.S. dollar payment needs of the Bond Issuer may differ materially from the projections set forth in any forward-looking statements herein. Investors should not place undue reliance on forward-looking statements and are advised to make their own independent analysis and determination with respect to any forecasted periods contained in this Prospectus. No party to the offering undertakes any obligation to revise these forward-looking statements to reflect subsequent events or circumstances.

### AVAILABLE INFORMATION

The Note Issuer and the Servicer will furnish to the Note Trustee and holders of the beneficial interests in the Class A2 Global Note as identified by Euroclear and Clearstream certain information on a periodic basis.

### CAYMAN ISLANDS DATA PROTECTION

Prospective investors should note that, in certain circumstances, personal data may need to be supplied in order for an investment in the Class A2 Notes to be made and for that investment in the Class A2 Notes to continue.

The Note Issuer's use of personal data is governed by the Cayman Islands Data Protection Law, 2017 and, in respect of any EU data subjects, the EU General Data Protection Regulation (together, the "**Data Protection Legislation**").

Under the Data Protection Legislation, individual data subjects have rights and the Note Issuer as data controller has obligations with respect to the processing of personal data by the Note Issuer and its affiliates and delegates, including but not limited to the Note Issuer Administrator. Breach of the Data Protection Legislation by the Note Issuer could lead to enforcement action against it. The Note Issuer's privacy notice provides information on the use of personal data by and on behalf of the Note Issuer under the Data Protection Legislation. The Note Issuer's privacy notice can be accessed at <https://www.walkersglobal.com/external/SPVDPNotice.pdf>.

If you are an individual prospective investor, the processing of personal data by and on behalf of the Note Issuer is directly relevant to you. If you are an institutional investor that provides personal data on individuals connected to you for any reason in relation to your investment in the Class A2 Notes (for example directors, trustees, employees, representatives, shareholders, investors, clients, beneficial owners or agents), this will be relevant for those individuals and you should transmit the privacy notice to such individuals or otherwise advise them of its content.

### PROHIBITION OF SALES TO EEA RETAIL INVESTORS

The Class A2 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, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended or superseded, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended or superseded, the "**Prospectus Regulation**"). Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Class A2 Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Class A2 Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Where the Note Issuer or any related party is a product manufacturer as defined in MiFID II, solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Class A2 Notes has led to the conclusion that: (i) the target market for the Class A2 Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all intended channels for distribution of the Class A2 Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Class A2 Notes (a "**distributor**") should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Class A2 Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

### **EU RISK RETENTION REQUIREMENTS**

On the Closing Date, the Originator will retain on an ongoing basis a material net economic interest of not less than 5 per cent. in the securitisation as required by Article 6(1) of Regulation (EU) 2017/2402 (together with any implementing regulation, technical standards and official guidance related thereto, in each case as amended, varied or substituted from time to time, the "**Securitisation Regulation**") (which does not take into account any corresponding national measures). As at the Closing Date, such interest will be comprised of an interest in the Seller Interest and the Subordinated Seller Interest which, in aggregate, is not less than 5 per cent. of the beneficial interest in the Trust, in accordance with Article 6(3)(b) of the Securitisation Regulation. See "*Regulatory Requirements*" for further information.

### **DEFINED TERMS**

Defined terms used in this Prospectus shall, except where otherwise defined herein, have the meanings set forth in the section "*Master Definitions Schedule*".

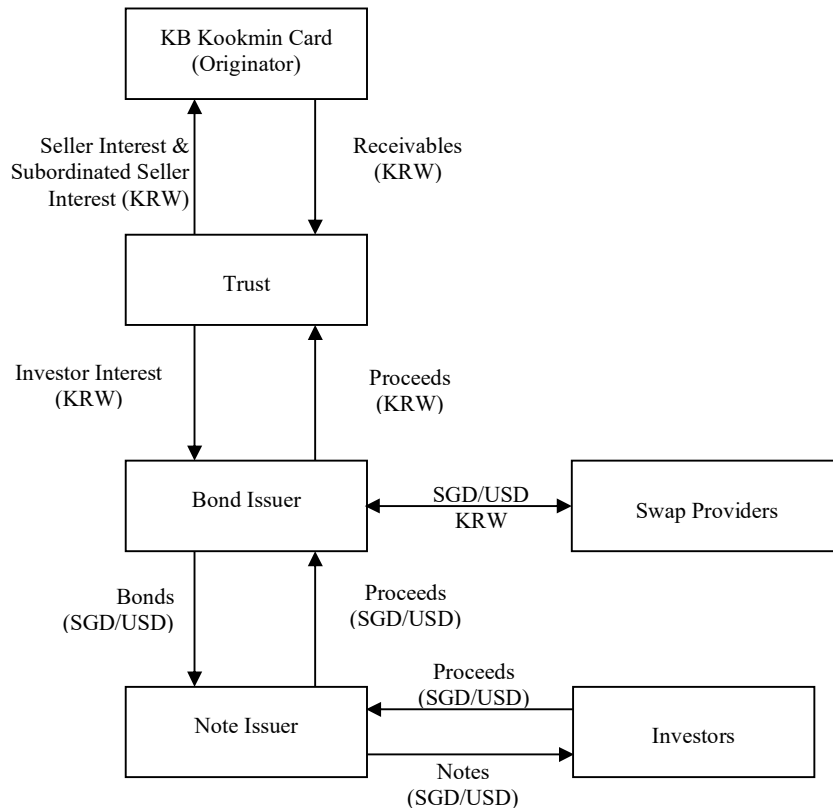
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## TRANSACTION OVERVIEW

*The summary information set out in this section is qualified by, and must be read in conjunction with, the further detailed information appearing elsewhere in this Prospectus and in the Transaction Documents. In particular, prospective investors in the Class A2 Notes should consider the matters set forth under "Risk Factors".*

*Reference to a "Note Condition" is to a numbered condition of the Terms and Conditions of the Class A2 Notes, set forth under "Terms and Conditions of the Class A2 Notes".*





## TRANSACTION PARTIES

<b>Note Issuer:</b>	KB Kookmin Card Seventh International Ltd., an exempted company incorporated with limited liability in the Cayman Islands
<b>Bond Issuer:</b>	KB Kookmin Card Seventh Securitization Co., Ltd., a limited liability company ( <i>yuhanhoesa</i> ) incorporated in Korea
<b>Originator and Servicer:</b>	KB Kookmin Card Co., Ltd.
<b>Class A2 Swap Provider and Class A2 Calculation Agent:</b>	DBS Bank Ltd., Seoul Branch
<b>Trustee and Back-up Servicer:</b>	Citibank Korea Inc.
<b>Transaction Administrator and Security Agent:</b>	Citibank Korea Inc.
<b>Bond Issuer Administrator:</b>	Citibank Korea Inc.
<b>Note Trustee:</b>	Citicorp International Limited
<b>Note Cash Administrator:</b>	Citicorp International Limited
<b>Note Issuer Administrator:</b>	Walkers Fiduciary Limited
<b>Class A2 Initial Subscriber:</b>	DBS Bank Ltd.
<b>Designated FX Bank:</b>	MUFG Bank, Ltd., Seoul Branch
<b>Other Parties:</b>	Citibank Korea Inc. will act as an Account Bank, the Bond Registrar and the Bond Issuer Servicer. Citicorp International Limited will act as the Class A1 Paying Agent, the Class A1 Transfer Agent, the Class A1 Note Registrar and the Class A1 Interest Calculation Agent. Citibank, N.A., London Branch will act as the Principal Paying Agent, the Principal Transfer Agent, the Class A2 Note Registrar, the Class A2 Interest Calculation Agent and an Account Bank. Citibank, N.A., Hong Kong Branch will act as an Account Bank. DBS Bank Ltd. will act as the Singapore Paying Agent.
<b>Rating Agency:</b>	Fitch (Hong Kong) Limited

## THE CLASS A2 NOTES

### *The Class A2 Notes*

The Note Issuer will issue the SGD311,467,500 Class A2 1.02% Secured Notes due 2024 on 13 August 2020 (the "**Closing Date**").

The Class A2 Notes will be secured by, *inter alia*, the Class A2 Bond to be issued by the Bond Issuer to the Note Issuer on the Closing Date. See "*Note Security*" below.

The Class A2 Notes will be issued initially in global form (the "**Global Note**") and will be deposited with a common depository (the "**Common Depository**") for Euroclear and Clearstream. Beneficial

interests in the Global Note will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream.

### ***Issue Price***

The Class A2 Notes will be issued at 100 per cent. of their principal amount.

### ***Ratings***

Upon issuance, the Class A2 Notes are expected to be assigned a rating of "AAAsf" by Fitch.

### ***Note Security***

Pursuant to the provisions of the Note Trust Deed, the Note Issuer will grant a security interest to the Note Trustee for the benefit of the Noteholders and the other Note Secured Parties over substantially all of the Note Issuer's assets (including the Class A1 Bond, the Class A2 Bond and the Note Issuer's interest in the Bond Security) to secure the Note Issuer Obligations. See "*The Class A2 Bond—Bond Security*" below.

### ***Interest***

Interest will be payable on the Class A2 Notes monthly in arrear on the 26<sup>th</sup> day of each month or, if such day is not a Business Day, the next succeeding Business Day unless that day falls in the next calendar month, in which case the first preceding day which is a Business Day (each, a "**Note Payment Date**"), commencing in September 2020. See Note Condition 3 in "*Terms and Conditions of the Class A2 Notes*".

Interest on the Class A2 Notes is payable by reference to successive interest periods (each, an "**Interest Period**"). The initial Interest Period will commence on (and include) the Closing Date and will end on (but exclude) the initial Note Payment Date. Each successive Interest Period will commence on and include a Note Payment Date and end on (but exclude) the next succeeding Note Payment Date.

Interest will accrue on the Principal Amount Outstanding of the Class A2 Notes as of the first day of each relevant Interest Period (after giving effect to any payment of principal of the Class A2 Notes made on such day) on the basis of the actual number of days elapsed in such Interest Period and a 365-day year at 1.02 per cent. per annum.

### ***Amortisation and Redemption***

#### **(a) *Note Maturity***

Unless previously redeemed in full, the Note Issuer will redeem the Class A2 Notes, to the extent of funds available therefor, in full on the Note Payment Date falling in November 2023 (the "**Note Expected Maturity Date**") at the Class A2 Note Redemption Amount as at such date.

If insufficient funds are available to redeem the Class A2 Notes at the Class A2 Note Redemption Amount on the Note Expected Maturity Date, the Note Issuer will continue to make payments of principal and interest on the Class A2 Notes on each succeeding Note Payment Date to the extent of funds available therefor in accordance with the priority of payments set forth in the Note Trust Deed until the Class A2 Notes have been redeemed in full at the Class A2 Note Redemption Amount or until the Note Payment Date falling in November 2024 (the "**Note Legal Maturity Date**") on which date the Note Issuer will redeem the Class A2 Notes in full at the Class A2 Note Redemption Amounts as at such date. See Note Condition 4 in "*Terms and Conditions of the Class A2 Notes*".

#### **(b) *Revolving Period***

During the Revolving Period, no principal in respect of the Class A2 Notes will be paid.

(c) *Controlled Amortisation Period*

On each Note Payment Date following a Trust Distribution Date relating to a Collection Period that falls in the Controlled Amortisation Period, instalments of principal in respect of the Class A2 Notes will be paid (each, a "**Scheduled Amortisation Amount**"). See Note Condition 4(c) in "*Terms and Conditions of the Class A2 Notes*".

(d) *Early Amortisation Period*

On each Note Payment Date following a Trust Distribution Date that falls in the Early Amortisation Period or on or after the Enforcement Date, amounts in respect of principal will be payable on the Class A2 Notes up to their respective Principal Amount Outstanding, to the extent of funds available therefor, until the Class A2 Notes have been repaid in full at the Class A2 Note Redemption Amount as at such date.

(e) *Mandatory Redemption*

Upon receipt of a Bond Redemption Notice from the Bond Issuer, the Note Issuer will redeem the Class A2 Notes, in whole, to the extent of funds available therefor, in accordance with the priority of payments set forth in the Note Trust Deed on the next succeeding Note Payment Date, at the Class A2 Note Redemption Amount on such date. See "*The Class A2 Bond—Amortisation and Redemption*" below.

***Early Amortisation Events***

In accordance with the Transaction Administration Agreement, the Transaction Administrator will promptly, but in any event within three (3) Business Days after the earlier of the date on which (i) it receives written notice from the Originator, the Servicer or the Majority Investor of the occurrence of any Early Amortisation Event or (ii) any of its responsible officers acquires actual notice of the occurrence of any Early Amortisation Event or (iii) it receives a Monthly Servicer Report which reports the occurrence of an Early Amortisation Event, notify the Majority Investor, the Note Trustee, the Note Cash Administrator, the Trustee, the Swap Providers, the Security Agent, the Originator, the Servicer and the Rating Agency, of such Early Amortisation Event. Any such notice will provide that the Majority Investor may respond in writing to the Transaction Administrator to instruct the Transaction Administrator to declare an Early Amortisation Event.

Immediately upon receipt of written instructions from the Majority Investor to declare an Early Amortisation Event, the Transaction Administrator will, by notice then given in writing to the Majority Investor, the Trustee, the Swap Providers, the Security Agent, the Originator, the Servicer and the Rating Agency, declare that an Early Amortisation Event has occurred in respect of the Class A2 Bond and the Class A2 Notes as of the date of such notice.

The occurrence of any of the following events will constitute an "**Early Amortisation Event**":

- (a) an Insolvency Event occurs in relation to the Originator or the Trustee;
- (b) any of the Originator, the Trustee or the Servicer fails to make any payment or any transfer of funds in accordance with the Transaction Documents (including, without limitation, the payment of the Investor Amortisation Amount), on the due date therefor, other than any such failure which is caused by any Technical Failure, computer failure or failure of money transmission system where the relevant payment or transfer, as relevant, is made not later than three (3) Seoul Business Days after the due date therefor;
- (c) any of the Originator, the Trustee or the Servicer fails to perform or comply with any of its material obligations (other than its respective obligations under (b) above) under the Transaction

Documents which failure is, in the reasonable opinion of the Majority Investor, incapable of remedy, or continues unremedied for a period of thirty (30) days from the earlier to occur of (i) the date on which the Originator, the Trustee or as the case may be, the Servicer becomes aware of such failure, or (ii) the date on which the Originator, the Trustee or as the case may be, the Servicer receives a written notice from the Majority Investor requiring such failure to be remedied;

(d) any representation or warranty or certification made by the Originator in the Transaction Documents is or proves to be materially incorrect or misleading when made (unless remedied (if, in the reasonable opinion of the Majority Investor, it is capable of remedy) to the reasonable satisfaction of the Majority Investor) within three (3) Seoul Business Days; *provided that* an Early Amortisation Event pursuant to this paragraph (d) shall not be deemed to have occurred hereunder if the Receivable or, as the case may be, Receivables which are the subject of a breach of an Asset Warranty under Clause 12.2 of the Trust Agreement, has or, as the case may be, have been reassigned to the Originator in accordance with the provisions of the Trust Agreement;

(e) a Note Event of Default occurs;

(f) a Bond Event of Default occurs;

(g) a Servicer Termination Event occurs;

(h) a Swap Event of Default or Swap Termination Event occurs and the relevant Swap Agreement is terminated and a replacement swap agreement in form and substance satisfactory to the Majority Investor with a replacement swap provider reasonably acceptable to the Majority Investor has not been entered into on or before the date on which such Swap Agreement is terminated;

(i) the Bond Issuer has income tax assessed or payable in excess of KRW100,000,000 in any fiscal year; *provided that*, no Early Amortisation Event shall occur if the Originator or the Servicer (x) prefunds an account held by, or for the benefit of, the Bond Secured Parties with cash or a letter of credit in an amount equal to the income tax assessed or payable in a manner satisfactory to the Majority Investor and (y) provides an Opinion confirming that such prefunding arrangement is enforceable and that such prefunding will not adversely affect the entrustment of the Receivables or the interests of the Investor Interestholder;

(j) as a result of a Change of Law or for any other reason, the entrustment of Receivables, or any part thereof, to the Trustee is held to be invalid or subject to stay or is challenged by the Originator or any receiver, liquidator or similar officer of the Originator or is challenged before any Governmental Entity by a third party and, in the case of such a challenge by a third party, the challenge is not withdrawn or dismissed within thirty (30) days and the Majority Investor reasonably determines after consultation with the Originator and Korean legal counsel, that the challenge has merit;

(k) (i) Korean withholding tax, Cayman Islands withholding tax or other Taxes (except income taxes of the Initial Investor Interestholder) are, or will become liable to be, imposed on (A) any payment of Receivables by an Accountholder, (B) any payment of Collections (or any other amounts) by the Originator or the Servicer to the Trustee under any of the Transaction Documents, (C) any distribution or other payment by the Trustee in respect of the Investor Interest except for the interest income attributable to the Investor Interestholder in connection with certain Eligible Investments (including certificates of deposit, banker's acceptances of depository institutions and commercial paper) which will be subject to a withholding tax at the rate (currently 15.4 per cent. (including the local corporate income tax)) specified in the Corporate Income Tax Law of Korea, (D) any payment under any Swap Agreement by the Bond Issuer or the Swap Providers or (E) any payment of interest (or any other amounts) on the Bonds by the Bond Issuer (if (x) the Bond Issuer does not fully gross-up any such payments in respect of any such taxes in a manner satisfactory to the Majority Investor or (y) the cumulative amount that the Bond Issuer grosses-up in respect of such taxes prior to such time equals or exceeds U.S.\$5,000,000 (or, if the taxes are denominated in another currency, the equivalent thereof in such other currency, at the spot rate of exchange prevailing on the

date of determination)); *provided that*, no Early Amortisation Event shall occur if the Originator or the Servicer (1) prefunds an account held by, or for the benefit of, the Bond Secured Parties with cash or a letter of credit in an amount equal to the aggregate future Korean withholding tax, Cayman Islands withholding tax or other Taxes in a manner satisfactory to the Majority Investor and (2) provides an Opinion confirming that such prefunding will not adversely affect the entrustment of the Receivables or the interests of the Investor Interestholder; or

(ii) the Trust is or will be treated as a taxable entity in Korea and is or will become subject to any Korean income or other tax;

(l) the average of the Net Yield in respect of the three preceding consecutive Collection Periods is less than zero;

(m) the Servicer or the Originator fails to deliver or procure the delivery of a Collateral Audit report or a Servicing Review Report when required pursuant to the Trust Agreement or the Servicing Agreement (as applicable) and such failure is not remedied within thirty (30) days;

(n) the Back-up Servicer ceases to provide the Back-up Services under the Servicing Agreement or it is removed from its role as provider of the Back-up Services and no replacement provider is appointed within thirty (30) days;

(o) the amount standing to the credit of the Trust Reserve Account is on any date less than the Required Reserve Amount as at such date;

(p) the Originator's Capital Adequacy Ratio, as calculated in the Monthly Servicer Report delivered as at the end of any fiscal semi-annual period as calculated by reference to the Originator's most recent unconsolidated unaudited semi-annual or audited annual financial statements, falls below the Minimum Capital Adequacy Ratio;

(q) the Majority Investor determines (in its reasonable discretion) that a Material Adverse Change has occurred in respect of the Originator, the Servicer, the Trustee, the Bond Issuer or the Note Issuer or an event that has a Material Adverse Effect has occurred;

(r) the average of the Delinquency Ratio in respect of the three immediately preceding Collection Periods exceeds 2 per cent.;

(s) the Eligible Pool Balance Requirement is not satisfied when calculated in respect of the last day of any Collection Period;

(t) the Investor Amortisation Amount is not paid in full on any Trust Distribution Date relating to the Controlled Amortisation Period;

(u) the average of the Payment Rates in respect of all Eligible Receivables calculated in respect of the three immediately preceding Collection Periods is less than 35 per cent.;

(v) any of the security interests created under any of the Transaction Documents to secure the discharge of the Trust Obligations, the Bond Issuer Obligations or the Note Issuer Obligations becomes void, voidable, invalid or otherwise unenforceable or whose validity becomes otherwise subject to challenge in court (unless remedied (if, in the opinion of the Majority Investor, it is capable of remedy) to the satisfaction of the Majority Investor within three (3) Seoul Business Days); or

(w) it becomes illegal or unlawful for the Originator, the Servicer, the Bond Issuer or any Investor Interestholder to perform any of its obligations under any of the Transaction Documents.

#### ***Note Events of Default***

If any of the events set out in Note Condition 8 occurs (a "**Note Event of Default**"), then the Note Trustee (acting upon the written instructions of the Majority Investor), will promptly deliver a notice

(a "**Note Enforcement Notice**") to the Note Issuer declaring that the Class A2 Notes (and the Class A1 Notes) are, whereupon they will immediately become, immediately due and payable at their respective Note Redemption Amounts without any further action or formality.

### ***Listing***

Application has been made to list the Class A2 Notes on the SGX-ST on the Closing Date.

### ***Withholding Taxes***

All payments in respect of the Class A2 Notes will be made free and clear of, and without withholding or deduction for or on account of, any present or future Taxes, unless such withholding or deduction is required by law. In such event, the Note Issuer will withhold or deduct the relevant amount from such payment and will not be obliged to make any additional payments in respect of the Class A2 Notes.

### ***Denominations***

The Class A2 Notes will be issued in minimum denominations of SGD250,000 with integral multiples of SGD2,500 in excess thereof.

### ***Noteholder Meetings***

Pursuant to the terms of the Note Trust Deed, the Note Trustee has agreed that it will exercise the trusts, powers, authorities, rights and discretions vested in it under the Transaction Documents only in accordance with either (i) the written instructions of the Majority Investor (as defined below) (which may be in writing), or (ii) an Extraordinary Resolution of the Noteholders in certain specified circumstances. The Note Trustee may also exercise certain of its trusts, powers, authorities, rights and discretions in its sole discretion provided that it is indemnified, pre-funded and/or secured to its satisfaction.

The Transaction Documents (including the Terms and Conditions of the Class A2 Notes) provide that the Majority Investor (as defined below) shall have the right, power and authority to control and/or direct and/or veto any actions or inactions of the Note Trustee and to direct the exercise of any of the rights of the Note Secured Parties (other than in relation to the Note Trustee Excluded Rights) and to waive any breach by any party under any Transaction Document or the occurrence of an Early Amortisation Event or a Note Event of Default; *provided that* certain Basic Terms Modifications may be passed by an Extraordinary Resolution of Class A2 Noteholders.

The "**Majority Investor**" means, either:

- (a) from and including the Closing Date, the initial holder of the Class A1 Notes so long as it holds not less than 40 per cent. of the Won Equivalent of the aggregate Principal Amount Outstanding of the Class A1 Notes and the Class A2 Notes (the "**Initial Majority Investor**"); or
- (b) if the Initial Majority Investor holds less than 40 per cent. of the Won Equivalent of the aggregate Principal Amount Outstanding of the Class A1 Notes and the Class A2 Notes, either:
  - (i) if the initial subscriber of the Class A1 Notes and the Class A2 Initial Subscriber (together, the "**Initial Subscribers**") (provided such Initial Subscribers are Noteholders) hold, in aggregate, not less than 50 per cent. of the Won Equivalent of the aggregate Principal Amount Outstanding of the Class A1 Notes and the Class A2 Notes, the Initial Subscribers acting jointly; or
  - (ii) if the Initial Subscribers hold, in aggregate, less than 50 per cent. of the Won Equivalent of the aggregate Principal Amount Outstanding of the Class A1 Notes and the Class A2 Notes, any single Noteholder holding more than 50 per cent. of the Won Equivalent of the aggregate Principal Amount Outstanding of the Class A1 Notes and the Class A2 Notes; or

(iii) if no single Noteholder holds more than 50 per cent. of the Won Equivalent of the aggregate Principal Amount Outstanding of the Class A1 Notes and the Class A2 Notes, the Note Trustee acting on the instructions of those Noteholders who together hold more than 50 per cent. of the Won Equivalent of the aggregate Principal Amount Outstanding of the Class A1 Notes and the Class A2 Notes, acting by written resolutions, or otherwise in accordance with the Note Trust Deed and the Note Conditions.

A summary of the provisions for convening meetings of Class A2 Noteholders to consider matters relating to their interests as such are set forth under Note Condition 11 in "*Terms and Conditions of the Class A2 Notes*". In accordance with the Note Conditions, Noteholders will be given at least twenty-one (21) days' notice of any meeting convened in relation to an Extraordinary Resolution and at least five (5) days' notice of any meeting convened in relation to a resolution which is not an Extraordinary Resolution, in each case specifying the day, time and place of meeting.

### ***Tax Considerations***

See "*Taxation*" for a description of certain Korean tax considerations applicable to the Class A2 Notes.

### ***Note Issuer Accounts***

On the Closing Date, the Note Cash Administrator will establish in the name of the Note Issuer: (i) a segregated U.S. dollar denominated interest bearing account with Citibank, N.A., Hong Kong Branch (the "**Note Issuer A1 Account**"); and a segregated Singapore dollar denominated interest bearing account with Citibank, N.A., London Branch (the "**Note Issuer A2 Account**" and, together with the Note Issuer A1 Account, the "**Note Issuer Accounts**"), in order to receive payments from the Bond Issuer, the Transaction Administrator and the Swap Providers on each Bond Payment Date or Swap Payment Date, as applicable, in respect of the Class A1 Bond, the Class A2 Bond and certain other Bond Issuer Obligations. Payments by the Class A1 Swap Provider in respect of the Class A1 Swap Agreement will be made into the Note Issuer A1 Account, and payments by the Class A2 Swap Provider in respect of the Class A2 Swap Agreement will be made into the Note Issuer A2 Account. The Note Trustee will apply all funds on deposit in the Note Issuer A2 Account towards payment of the Class A2 Notes on each Note Payment Date in the order of priority set out in "*Application of Funds on Note Payment Dates*" below.

### ***Governing Law***

The Class A2 Notes, the Note Trust Deed, the Note Agency Agreement and the Class A2 Note Subscription Agreement will be governed by English law.

### ***Limited Recourse***

Recourse against the Note Issuer, and the liability of the Note Issuer, in relation to its obligations under the Class A2 Notes will be limited to the Note Security and the amounts from time to time available in accordance with, and in the order of priority set out in, the Note Trust Deed. Noteholders will have no claim or recourse against the Note Issuer in respect of any unsatisfied amounts after the application in accordance with the Note Trust Deed of the funds comprising the Note Security and/or representing the proceeds of realisation thereof, and in such event the Class A2 Notes and all other outstanding obligations of the Note Issuer will be waived and extinguished. The obligations of the Note Issuer under the Class A2 Notes and the relevant Transaction Documents are corporate obligations and the Class A2 Noteholders will have no claim or recourse against any shareholder, employee, officer, director or agent of the Note Issuer.

### ***No Petition***

Each Class A2 Note Secured Party will agree in the relevant Transaction Documents that it will not petition a court for, or take any other action or commence any proceedings for, the liquidation,

winding-up or re-organisation of the Note Issuer, or for the appointment of a receiver, administrator, administrative receiver, trustee, liquidator, sequestrator or similar officer of the Note Issuer or of any or all of the Note Issuer's revenues and assets, until one year and a day after the payment in full of all amounts owing in respect of the Class A2 Notes and of all other Note Issuer Obligations.

### **THE CLASS A1 BOND AND THE CLASS A1 NOTES**

The Note Issuer will issue the U.S.\$275,000,000 Class A1 Floating Rate Secured Notes due 2024 on the Closing Date (the "**Class A1 Notes**"). The Class A1 Notes are not being offered hereby.

The Class A1 Notes will be secured by, *inter alia*, the U.S.\$275,000,000 Class A1 Floating Rate Bond due 2024 (the "**Class A1 Bond**") to be issued by the Bond Issuer to the Note Issuer on the Closing Date. Payments of interest and principal on the Class A1 Bond will rank *pari passu* with payments of interest and principal on the Class A2 Bond and payments of interest and principal on the Class A1 Notes will rank *pari passu* with payments of interest and principal on the Class A2 Notes.

The terms and conditions of the Bonds are identical in all respects (including events of default and interest payments) except for the principal amount outstanding on the Closing Date and the amounts of principal payable on each Bond Payment Date during the Controlled Amortisation Period. The terms and conditions of the Notes are identical in all respects (including events of default and interest payments) except for the principal amount outstanding on the Closing Date and the amounts of principal payable on each Note Payment Date during the Controlled Amortisation Period.

The Bonds are *pari passu* obligations of the Bond Issuer. The Notes are *pari passu* obligations of the Note Issuer.

### **THE CLASS A2 BOND**

#### ***The Class A2 Bond***

The Bond Issuer will issue the SGD311,467,500 Class A2 1.02% Bond due 2024 (the "**Class A2 Bond**") to the Note Issuer on the Closing Date pursuant to the provisions of the Bond Subscription and Agency Agreement. The Note Issuer will assign all of its rights to the Class A2 Bond to the Note Trustee as security for, *inter alia*, its obligations under the Class A2 Notes. See Note Condition 2 in "*Terms and Conditions of the Class A2 Notes*".

The Class A2 Bond will constitute a direct, unsecured, unconditional and unsubordinated obligation of the Bond Issuer and will rank *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Bond Issuer, present and future.

The Bond Issuer will also issue the Class A1 Bond to the Note Issuer on the Closing Date pursuant to the provisions of the Bond Subscription and Agency Agreement. The Note Issuer will apply all amounts received in the Note Issuer A1 Account in respect of the Class A1 Bond towards payments on the Class A1 Notes on each Note Payment Date in the order of priority set out in "*Application of Funds on Note Payment Dates*" below.

#### ***Interest***

Interest on the Class A2 Bond will be payable by reference to successive Interest Periods. Interest will be payable on the Class A2 Bond monthly in arrear on each Bond Payment Date commencing on the Bond Payment Date falling in September 2020.

Interest on the Class A2 Bond for each Interest Period will accrue on the Principal Amount Outstanding of the Class A2 Bond as at the beginning of the relevant Interest Period on the basis of the actual number of days elapsed in such Interest Period and a 365-day year at 1.02 per cent. per annum.



### ***Bond Security***

The Bond Issuer Obligations will be secured by the pledge and assignment of the Bond Issuer's assets and equity pursuant to the Pledge Agreement, the Equity Pledge Agreement and the Security Assignment.

Pursuant to the Pledge Agreement, the Bond Issuer will grant a pledge in favour of the Note Issuer and the other Bond Secured Parties over all of its rights and title to the following assets in order to secure the Bond Issuer Obligations:

- (a) the Investor Interest and all amounts owing thereon or paid in respect thereof;
- (b) the Bond Issuer FX Accounts and the Bond Issuer Won Account, including all sub-accounts, and all balances, credits, deposits, monies or other sums therein or on deposit or payable or withdrawable therefrom and any interest accrued or payable thereon and any Eligible Investments made with the proceeds thereof and any interest or income arising therefrom; and
- (c) each of the Korean Pledged Documents and all of its other property and assets (to the extent permissible by Law).

Pursuant to the Equity Pledge Agreement, the Equity Pledgors will grant a pledge in favour of the Bond Secured Parties over all of their rights and title to their respective equity interests in the Bond Issuer (the "**Equity Interests**") to secure the Bond Issuer Obligations. The authorised equity capital of the Bond Issuer consists of KRW20,000 divided into 200 units of a nominal or par value of KRW100 each which have been issued at par and fully paid, with one unit being held by the Originator and 199 units being held by Hyung Ill Cho (each, an "**Equity Pledgor**" and an "**Equityholder**"). See "*The Bond Issuer—Equity Capital*" and "*—Capitalisation and Indebtedness*".

Pursuant to, and on the terms set out in, the Security Assignment, the Bond Issuer will grant and assign to the Bond Secured Parties all of its rights and title to, *inter alia*, the Bond Subscription and Agency Agreement, the Class A2 Swap Agreement, the Bond Issuer SGD Account and the Class A2 Swap Cash Collateral Account to secure the Bond Issuer Obligations.

Each of the Pledge Agreement, the Equity Pledge Agreement and the Security Assignment provides for enforcement of the Bond Security and the exercise of rights generally by the Security Agent at the written direction of the Majority Investor in relation to the Bond Security upon the service of a Bond Enforcement Notice. Proceeds of enforcement of the Bond Security will be applied by the Security Agent in the manner and order of priority specified in the Pledge Agreement. See "*—Application of Funds on Swap Payment Dates and Bond Payment Dates—Payments during the Early Amortisation Period or following the Bond Enforcement Date*".

### ***Amortisation and Redemption***

#### (a) *Bond Maturity*

Unless previously redeemed in full, the Bond Issuer will redeem the Class A2 Bond, to the extent of funds available therefor, in full on the Bond Payment Date falling in November 2023 (the "**Bond Expected Maturity Date**") at its Bond Redemption Amount as at such date.

If insufficient funds are available to redeem the Class A2 Bond at the Bond Redemption Amount on the Bond Expected Maturity Date, the Bond Issuer will continue to make payments of principal and interest on the Class A2 Bond on each succeeding Bond Payment Date to the extent of funds available therefor in accordance with the priority of payments set forth in the Transaction Administration Agreement until the Class A2 Bond has been redeemed in full at the Bond Redemption Amount or until the Bond Payment Date immediately preceding the Note Legal Maturity Date (the "**Bond Legal**

**Maturity Date**") on which date the Bond Issuer will redeem the Bond in full at the Bond Redemption Amount as at such date.

(b) *Revolving Period*

During the Revolving Period, no principal in respect of the Class A2 Bond will be paid.

(c) *Controlled Amortisation Period*

During the Controlled Amortisation Period, Scheduled Amortisation Amounts (equivalent to the Scheduled Amortisation Amounts payable on the Class A2 Notes) are expected to be paid on the Class A2 Bond on each Bond Payment Date.

(d) *Early Amortisation Period*

During the Early Amortisation Period, amounts in respect of principal will be payable on the Class A2 Bond on each Bond Payment Date up to its Principal Amount Outstanding, to the extent of funds available therefor, until the Class A2 Bond has been repaid in full.

(e) *Optional Redemption*

At any time following the occurrence of an Early Amortisation Event or a Tax Event or if the Principal Amount Outstanding of the Class A2 Bond is equal to or less than ten per cent. of the Principal Amount Outstanding of the Class A2 Bond on the Closing Date, the Bond Issuer may at its option, having given not less than fifteen (15) days' nor more than thirty (30) days' notice to, among others, the Note Issuer and the Rating Agency (a "**Bond Redemption Notice**") (which notice will be irrevocable), redeem the Class A2 Bond, in whole, on the next succeeding Bond Payment Date, at the Bond Redemption Amount.

The Bond Issuer may not optionally redeem the Class A2 Bond unless it has sufficient funds to pay in full the Bond Redemption Amount, all amounts ranking *pari passu* with the Class A2 Bond (including the Class A1 Bond) and all amounts having a higher payment priority thereto in accordance with the Transaction Administration Agreement, any Swap Termination Amounts and other amounts due and payable to the Class A2 Swap Provider under the Transaction Documents and all other Bond Issuer Obligations.

***Bond Events of Default***

If any of the following events occurs, then the Security Agent if so requested in writing by the Majority Investor, will immediately (i) declare that an event of default has occurred under the Class A1 Bond and the Class A2 Bond (a "**Bond Event of Default**") and (ii) deliver a notice (a "**Bond Enforcement Notice**") to the Bond Issuer in accordance with the provisions of the Bond Subscription and Agency Agreement declaring that the Bonds are, whereupon they will immediately become, immediately due and payable at their respective Bond Redemption Amounts, without any further action or formality:

(a) default is made in the repayment of all outstanding principal amount of a Bond on the Bond Legal Maturity Date, or in the payment of any interest in respect of a Bond;

(b) default is made by the Bond Issuer in the performance or observance of any material obligation, condition or provision binding on it under the Transaction Documents to which it is a party (other than any obligation for the payment of any principal or interest on the Bonds) and such default continues for fifteen (15) days after written notice by the Security Agent to the Bond Issuer;

(c) an order is made or an effective resolution is passed for the winding-up or dissolution of the Bond Issuer;

- (d) (x) the Bond Issuer stops payment of its debts (within the meaning of any applicable bankruptcy law), or is unable to pay its debts as and when they fall due; or
- (y) the Bond Issuer ceases or, through an official action of the board of directors, or meeting of the Equityholders, of the Bond Issuer, threatens to cease, to carry on all or any substantial part of its business;
- (e) proceedings are initiated against the Bond Issuer under any applicable liquidation, insolvency, rehabilitation or other similar laws including, for the avoidance of doubt, presentation to the court of an application for an administration order, or an administrative receiver or other receiver, administrator or other similar official is appointed in relation to the Bond Issuer or in relation to the whole or any substantial part of the undertaking or assets of the Bond Issuer or an encumbrancer takes possession of the whole or any substantial part of the undertaking or assets of the Bond Issuer or a distress, execution, attachment, sequestration, diligence or other process is levied, enforced upon, sued out or put in force against the whole or any substantial part of the undertaking or assets of the Bond Issuer and, in any of the foregoing cases, it shall not be discharged, annulled or withdrawn within fourteen (14) days;
- (f) any decree, resolution, authorisation, approval, consent, filing, registration or exemption necessary for the execution and delivery of the Bonds on behalf of the Bond Issuer and the performance of the Bond Issuer's obligations under the Bonds is withdrawn or modified or otherwise ceases to be in full force and effect, or it is unlawful for the Bond Issuer to comply with, or the Bond Issuer contests the validity or enforceability of or repudiates, any of its obligations under the Bonds;
- (g) the Bond Issuer fails to comply with or contests the validity or enforceability of or repudiates any of its obligations under the Transaction Documents;
- (h) the Bond Issuer initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, rehabilitation or other similar laws or makes a conveyance or assignment for the benefit of its creditors generally (or any class of its creditors) or enters into an arrangement or composition with its creditors generally (or any class of its creditors);
- (i) any representation or warranty made by the Bond Issuer in any of the Transaction Documents proves to be incorrect or misleading in any material respect when made;
- (j) if the Note Issuer is the holder of the Bonds, a Note Event of Default occurs; or
- (k) one or more final judgments from a court from which no further appeal or judicial review is permissible under applicable law are awarded against the Bond Issuer in an aggregate amount in excess of KRW10,000,000.

#### ***Withholding Taxes***

All payments in respect of the Class A2 Bond will be made free and clear of, and without withholding or deduction for or on account of, any present or future Taxes, unless such withholding or deduction is required by Law. In such event, the Bond Issuer will pay, but only to the extent of funds available therefor in accordance with the priority of payments set forth in the Transaction Administration Agreement, such additional amount as may be necessary in order that the net amount received by the Bondholder in respect of the Class A2 Bond after such withholding or deduction will equal the amounts which would have been received in the absence of such withholding or deduction.

#### ***Bond Issuer Accounts***

On or before the Closing Date, the Transaction Administrator will establish the following accounts in the name of the Bond Issuer: (i) a Won denominated segregated account (the "**Bond Issuer Won Account**") with Citibank Korea Inc.; (ii) a U.S. dollar denominated segregated account (the "**Bond Issuer USD FX Account**") with the Designated FX Bank; (iii) a Singapore dollar denominated

segregated account (the "**Bond Issuer SGD FX Account**" and, together with the Bond Issuer USD FX Account, the "**Bond Issuer FX Accounts**") with the Designated FX Bank; (iv) a U.S. dollar denominated segregated account (the "**Bond Issuer USD Account**") with Citibank, N.A., Hong Kong Branch; and (v) a Singapore dollar denominated segregated account (the "**Bond Issuer SGD Account**" and, together with the Bond Issuer Won Account, the Bond Issuer FX Accounts and the Bond Issuer USD Account, the "**Bond Issuer Accounts**") with Citibank, N.A., Hong Kong Branch, each in the name of the Bond Issuer. The Transaction Administrator will also establish a Singapore dollar denominated segregated account and a U.S. dollar denominated segregated account, each with Citibank, N.A., Hong Kong Branch for the purposes of receiving cash collateral payments under, respectively, the Class A2 Swap Agreement from the Class A2 Swap Provider (the "**Class A2 Swap Cash Collateral Account**") and, in respect of the Class A1 Notes (which are not being offered hereby), under the Class A1 Swap Agreement from the Class A1 Swap Provider (together, the "**Swap Cash Collateral Accounts**") to be applied in accordance with the provisions of the relevant Swap Agreement and the Transaction Administration Agreement. Payments from the Trustee on each Trust Distribution Date in respect of the Investor Interest will be deposited into the Bond Issuer Won Account. The Transaction Administrator or, following the Enforcement Date, the Security Agent, will apply all funds on deposit in the Bond Issuer Won Account, the Bond Issuer USD Account and the Bond Issuer SGD Account on each Swap Payment Date and Bond Payment Date in the order of priority set out in "*Application of Funds on Swap Payment Dates and Bond Payment Dates*" below.

### ***Governing Law***

The Class A2 Bond, the Bond Subscription and Agency Agreement and the Security Assignment will be governed by English law. The Trust Agreement, the Servicing Agreement, the Transaction Administration Agreement, the Investor Interest Subscription Agreement, the Bond Issuer Administrator Agreement, the Bond Issuer Servicing Agreement, the Pledge Agreement and the Equity Pledge Agreement are, or will be, governed by Korean law.

### ***Limited Recourse***

Each party to the Transaction Documents will agree that recourse against the Bond Issuer, and the liability of the Bond Issuer, in relation to its obligations under the Class A2 Bond will be limited to the Bond Issuer Property and the Equity Pledge Assets and the amounts from time to time available in accordance with, and in the order of priority set out in, the Transaction Administration Agreement.

### ***No Petition***

Each Bond Secured Party will agree in the relevant Transaction Documents that it will not petition a court for, or take any other action or commence any proceedings for, the liquidation, winding-up or re-organisation of the Bond Issuer, or for the appointment of a receiver, administrator, administrative receiver, trustee, liquidator, sequestrator or similar officer of the Bond Issuer or of any or all of the Bond Issuer's revenues and assets, until one year and a day after the payment in full of all amounts owing in respect of the Class A2 Bond and of all Note Issuer Obligations.

## **THE RECEIVABLES**

### ***The Receivables***

The Originator provides consumer finance services, including the option to purchase products and services on an instalment basis ("**Instalment Services**"), on a revolving payment basis ("**Revolving Purchases**") or on a lump sum basis ("**Lump Sum Purchases**"), cash advances ("**Cash Advances**") and revolving cash advances ("**Revolving Cash Advances**") (see "*The Originator—Overview—The Accounts*"), through Accounts maintained with the Originator by Accountholders. The Originator issues one or more Cards to each Accountholder and each nominated cardholder under each Account. Each Card is subject to a Card Agreement which governs the terms and conditions of the Card.

The assets of the Trust will primarily be the Receivables, which are a pool of Won-denominated receivables consisting of amounts owed by Accountholders on certain Accounts designated from time to time (the "**Designated Accounts**") for Instalment Services, Revolving Purchases, Lump Sum Purchases, Cash Advances and Revolving Cash Advances and including finance charges, other fees and charges and any other amounts owed by the Accountholder thereunder.

See "*Description of the Receivables*".

### ***Designated Accounts***

The Originator will identify Designated Accounts from its available Accounts as of the Initial Cut-off Date ("**Initial Accounts**") and from time to time on the relevant Cut-off Dates ("**Additional Accounts**").

The Servicer will be responsible for designating each of the Receivables and the Designated Accounts in its computer systems in such a manner as will identify the Receivables as being owned by the Trustee and distinguishing each of the Receivables and the Designated Accounts from other receivables and Accounts, respectively, owned or administered by the Originator.

### ***Entrustment of Receivables***

Pursuant to the Trust Agreement, the Originator will entrust to the Trustee for the benefit of the Interestholders on the Initial Entrustment Date all of its rights, title, interest and benefit in, to and under:

- (a) all the Receivables existing as of the close of business on the Initial Cut-off Date in the Initial Accounts; and
- (b) all Receivables arising from time to time thereafter in the Initial Accounts until the earlier of (i) the date on which all Trust Obligations, Bond Issuer Obligations and Note Issuer Obligations have been paid in full and (ii) the Note Legal Maturity Date.

The aggregate amount of Receivables in the Initial Accounts as of the Initial Cut-off Date is KRW999,999,936,346.

From time to time during the Revolving Period or Controlled Amortisation Period, the Originator may (with the consent of the Trustee and the Investor Interestholder and subject to certain other conditions precedent set forth in the Trust Agreement) entrust to the Trustee for the benefit of the Interestholders all of its rights, title, interest and benefit in, to and under:

- (a) all the Receivables existing as of the close of business on a specified Cut-off Date in specified Additional Accounts; and
- (b) all Receivables arising from time to time thereafter in such specified Additional Accounts until the Trust Termination Date.

At the written request of the Originator, the Trustee may, subject to the satisfaction of certain conditions precedent, from time to time during the Revolving Period and the Controlled Amortisation Period reassign to the Originator all of the Trustee's rights, title, interest and benefit in, to and under all of the Receivables then existing and arising from time to time thereafter in certain Designated Accounts.

Following any such reassignment, such specified Accounts will cease to be Designated Accounts and any receivables then existing or thereafter arising thereunder will cease to be Receivables.

Upon breach of an Asset Warranty in respect of any Receivable, the Trustee will, if the Majority Investor so directs, reassign such Receivable to the Originator and the Originator will pay the Reassignment Price for such Receivable. See "*Asset Warranties*" below.

Accordingly, the amount of Receivables to which the Trustee is entitled from time to time will fluctuate as Designated Accounts are removed from, or added to, the Trust, as Receivables are reassigned to the Originator, as New Receivables are generated in Designated Accounts and as existing Receivables are collected, written-off as uncollectible or otherwise become subject to a Receivable Balance Adjustment.

#### ***Cut-off Dates and Entrustment Dates***

With respect to each designation of a Designated Account, the related "**Cut-off Date**" is the date as of which the Receivable Balance for each Receivable then existing in such Designated Account is determined, and the related "**Entrustment Date**" is the date as of which all of the Originator's rights, title, interest and benefit in, to and under the Receivables existing in such Designated Account as of the related Cut-off Date and thereafter arising from time to time, are entrusted by the Originator to the Trustee.

#### ***Eligible Accounts***

The Originator has represented in the Trust Agreement that each Designated Account is an Eligible Account. If any Designated Account does not satisfy each of the Eligibility Criteria as of the relevant Cut-off Date, as of the relevant Entrustment Date and, if relevant, as of the date of creation of any New Receivable arising therein, it will automatically and with immediate effect from such date be and become an Ineligible Account. In addition, a Designated Account will not be an Eligible Account and will automatically and with immediate effect be and become an Ineligible Account if any Receivable which arises thereunder (whether in existence at the relevant Entrustment Date or arising thereafter) is or is determined to be an Ineligible Receivable. An Account which has been, at any time, an Ineligible Account may never again be an Eligible Account and may not be designated as an Eligible Account by the Originator on any subsequent Cut-off Date.

#### ***Eligible Receivables***

The Originator has represented in the Trust Agreement that each Receivable is an Eligible Receivable. If any Receivable is not an Eligible Receivable or arises in the same Account as an Ineligible Receivable or arises in a Designated Account which is or is determined to be or become an Ineligible Account, such Receivable will be an Ineligible Receivable. See "*Master Definitions Schedule*".

#### ***Asset Warranties***

As of each Entrustment Date, the Originator will represent and warrant as follows in respect of each Designated Account the Receivables arising in which are to be entrusted on such Entrustment Date and in respect of each Receivable in existence in any such Designated Account on such Entrustment Date (for the avoidance of doubt, any reduction in amount due to a Receivables Balance Adjustment shall not constitute a breach of Asset Warranty):

- (a) each such Designated Account is an Eligible Account and each such Receivable is an Eligible Receivable;
- (b) the Originator has, and will have, good and marketable title to the Receivables, free and clear of any Lien, at the time of the entrustment of the Receivables to the Trustee, and such Receivables are, and will be, free and clear of any Lien, and are not, and will not be, subject to any prior transfer or entrustment, at the time of registration of such transfer with the FSC;
- (c) the Trust Agreement constitutes a valid entrustment of all such Receivables to the Trustee and, upon registration of each entrustment of the Receivables with the FSC, in the event of the bankruptcy

or other similar proceedings of the Originator, such Receivables would not constitute property of the Originator's estate and the Trustee's ownership of such Receivables would not in any way be adversely affected;

(d) upon each entrustment of such Receivables and the registration of such entrustment with the FSC, the Trustee shall acquire a valid and enforceable perfected ownership interest in such Receivables (against all parties other than Accountholders, perfection against which shall require only the delivery of a Perfection Notice in accordance with the Trust Agreement), free and clear of any Lien;

(e) the information relating to each such Receivable set out in the applicable Receivables List is true, accurate and complete in all material respects and is not misleading in any material respect (for these purposes if the aggregate inaccuracies in respect of the aggregate Receivable Balance of all the Receivables set out in the Receivables List exceed KRW100,000,000 in the aggregate, such inaccuracies are deemed to be misleading); and

(f) in relation to each of the Receivables entrusted pursuant to the Trust Agreement, to the best knowledge of the Originator, none of the related Accountholders has, on the Initial Cut-off Date with respect to the Initial Accounts or the relevant Cut-off Date with respect to the Additional Accounts, had any insolvency, bankruptcy, individual debtor rehabilitation, liquidation or other similar legal proceedings commenced against it; and the Originator has not received written notice of, and is not otherwise aware of, having made due enquiries, any bankruptcy, insolvency, individual debtor rehabilitation or liquidation of any Accountholders.

As of the date of creation of each New Receivable, the Originator will represent and warrant to as set out in paragraphs (a), (c) and (d) above in respect of such New Receivable.

If there is a breach of an Asset Warranty with respect to any Receivable, then within ten (10) Seoul Business Days of the last day of the Collection Period during which the Trustee directs such Receivable to be reassigned to the Originator, the Originator will be required to pay the Reassignment Price for such Receivable, and all other Receivables in the Designated Account in which such Receivable arose, to the Trustee. After receipt of such Reassignment Price, the Trustee will reassign such Receivable (together with all other Receivables in the Designated Account in which such Receivable arose) to the Originator. Following any such reassignment, the relevant Account will cease to be a Designated Account and any receivable then existing or thereafter arising in such Account shall cease to be a Receivable owned by the Trust.

If the Originator is the Seller Interestholder and the Subordinated Seller Interestholder, then the Reassignment Price may be paid (in whole or in part) by way of the Trustee withholding such Reassignment Price (or a portion thereof) from any Daily Cash Release on the date specified by the Trustee for payment of the Reassignment Price.

Until such time as the Originator has paid the Reassignment Price for any relevant Receivables, or at any time during the Early Amortisation Period or on or after the Enforcement Date, all Collections on such Receivables will be treated as Eligible Account Collections.

### ***Collections***

The Trustee will, on or before the thirtieth day after the Closing Date, enter into Automatic Debit Agreements with the Originator and the Automatic Debit Banks and CMS Arrangements with the KFTC to divert all monies relating to the Receivables directly to the accounts of the Trustee with the Automatic Debit Banks (the "**Auto Debit Accounts**"). Subject to the distributions of Daily Cash Release (see "*The Trust—Daily Cash Release*" below), the Trustee will agree in the Trust Agreement to remit, or procure that the Automatic Debit Banks remit, all funds on deposit in such Auto Debit Accounts at the close of business on any day to the Trust Collection Account on or before the next Seoul Business Day.

On each Seoul Business Day, the Trustee will (i) cause all Collections and any other amounts received from the Accountholders in respect of the Receivables, to be deposited into the (x) relevant Auto Debit Account in respect of a payment transferred pursuant to the relevant Automatic Debit Agreement and (y) Trust Collection Account in respect of a payment transferred through the CMS Arrangement, in each case, as soon as practicable, (ii) cause the Auto Debit Banks to remit any Collections or other amounts deposited into the relevant Auto Debit Account into the Trust Collection Account on the next Seoul Business Day following receipt thereof, (iii) cause the Servicer to remit all Collections received from Accountholders into the Trust Collection Account in accordance with the Servicing Agreement and (iv) apply all Collections received into the Trust Collection Account in accordance with the provisions of the Trust Agreement.

Collections on the Receivables in any Collection Period are characterised as Eligible Account Collections (which are comprised of Eligible Account Interest Collections and Eligible Account Principal Collections) and Seller Collections. See "*Master Definitions Schedule*".

In relation to Receivables which are reassigned to the Originator, if they are reassigned on any Seoul Business Day during the Revolving Period or Controlled Amortisation Period, the Reassignment Price will generally (subject to the satisfaction of certain conditions) be deemed to constitute Seller Collections and if they are reassigned during the Early Amortisation Period or on or after the Enforcement Date, the Reassignment Price will be deemed to constitute Eligible Account Collections.

### ***Registrations and Notices***

On or before the Initial Entrustment Date, (i) the Trustee will file with the FSC a Securitisation Plan relating to the entrustment of Receivables by the Originator to the Trustee, (ii) the Bond Issuer will file with the FSC a Securitisation Plan relating to the subscription by the Bond Issuer of the Investor Interest, (iii) the Originator will register with the FSC an Asset Transfer Registration relating to the entrustment of Receivables by the Originator to the Trustee and (iv) the Trustee will register with the FSC an Asset Transfer Registration relating to the subscription by the Bond Issuer of the Investor Interest.

On or before each relevant Entrustment Date (other than the Initial Entrustment Date), the Originator will file with the FSC an Asset Transfer Registration with respect to each entrustment of Receivables arising under the relevant Additional Accounts by the Originator to the Trustee.

The Originator will also be required to file on the tenth Seoul Business Day of each month, a report (*Hwak-jung-bo-wan-gong-shi*) with the FSC in accordance with the ABS Act relating to the Receivables arising in the Designated Accounts during the immediately preceding Collection Period.

The Trustee, or the Servicer if so delegated by the Trustee, will be required to register with the FSC in accordance with the ABS Act each reassignment of Receivables from the Trust at the request of the Originator or for breach of an Asset Warranty and any sale of the Receivables Pool to the Originator.

Following the occurrence of any Early Amortisation Event, the Enforcement Date or the termination of the Servicer pursuant to the Servicing Agreement, upon receipt of written notice from the Trustee, the Originator will within ten (10) Seoul Business Days serve a Perfection Notice, in accordance with the ABS Act, by content and delivery proof mail (*Naeyong Baedal Jeungmyung*), on each Accountholder sufficient to perfect the Trustee's interest in the Receivables.

## **SERVICING**

### ***Servicing***

Pursuant to the Servicing Agreement, the Trustee (i) has appointed the Servicer to manage, service and administer the Receivables in accordance with the terms of the Servicing Agreement and the Card Agreements and (ii) has agreed to perform the Back-up Services.



The Servicer will perform its services in accordance with the Credit Card Guidelines and with professional standards of care and practice ordinary for a prudent credit card receivables servicer administering similar credit card receivables in Korea and otherwise in accordance with applicable Law.

### ***Servicer Duties***

Under the Servicing Agreement, the Servicer is required to, *inter alia*:

- (a) manage and administer the Receivables in accordance with the Credit Card Guidelines (or, where the Back-up Servicer or a Substitute Servicer is providing the Services, such entity's servicing and enforcement procedures) and the terms of the Servicing Agreement;
- (b) make reasonable efforts to collect all payments in respect of the Receivables as and when the same become due in accordance with the Credit Card Guidelines and calculate the amounts to be paid by each Accountholder in accordance with the relevant Card Agreement(s); and
- (c) comply with and perform the other agreements, covenants and obligations on its part set out in the Servicing Agreement and the other Transaction Documents to which it is a party.

### ***Monthly Servicer Report***

The Servicer is required to, on each Determination Date, deliver a Monthly Servicer Report to, *inter alios*, the Trustee, the Majority Investor, the Investor Interestholder and the Transaction Administrator in respect of Collections received by the Servicer or the Trustee during the immediately preceding Collection Period. The Monthly Servicer Report will contain a statement from the Servicer certifying that no Servicer Termination Event or Early Amortisation Event had occurred as of the last day of the Collection Period to which such Monthly Servicer Report relates.

### ***Servicer Covenants***

The Servicer has undertaken with each party to the Servicing Agreement that it will, *inter alia*:

- (a) comply at all times in all material respects with all Laws (including, without limitation, the Personal Information Protection Act and the Act on Protection and Use of Credit Information) applicable to or in any way affecting the creation and servicing of the Receivables or the transactions contemplated by the Transaction Documents;
- (b) execute all such further documents and take all such further action as may be necessary on the Closing Date or from time to time thereafter, in the reasonable opinion of the Trustee or the Majority Investor, to ensure that the Trustee has an ownership interest in the Receivables (to the extent contemplated by the Transaction Documents) and to give effect to the Servicing Agreement and to enable the Trustee to perform its obligations and duties under the Transaction Documents;
- (c) subject to any applicable Law (including, without limitation, the Personal Information Protection Act and the Act on Protection and Use of Credit Information), comply with any directions, orders and instructions which the Trustee, the Majority Investor or the Transaction Administrator may, from time to time, reasonably give to it in connection with the performance of its obligations under the Servicing Agreement; *provided that*, in the event of conflicting instructions between the Trustee, the Majority Investor or the Transaction Administrator, it will comply with such instructions from the Majority Investor to the extent that such compliance would not cause it to breach any of its other obligations under the Transaction Documents;
- (d) at all times allocate payments and recoveries on each Designated Account in the order of priority set forth in the Servicing Agreement (as such order of priority may be amended from time to time in the Credit Card Guidelines in accordance with the Trust Agreement and as notified to the Majority Investor and the Rating Agency);

- (e) deliver to the Trustee and the Back-up Servicer promptly after the end of each month (and in any event no later than ten (10) Seoul Business Days after the end of each month) a Data File containing such details of the Receivables as the Trustee, the Transaction Administrator or the Majority Investor may from time to time request;
- (f) keep separate and not commingle the Receivables or Collections with any of its assets, except as contemplated by the Servicing Agreement or the Trust Agreement;
- (g) perform its obligations under each of the Automatic Debit Agreements and the CMS Arrangements;
- (h) set the interest rates (if any) on the Receivables in a manner consistent with the interest rates charged by the Originator on similar receivables in Accounts other than the Designated Accounts; *provided that* the Servicer shall not (i) set or adjust such interest rates in a manner that would result in the occurrence of an Early Amortisation Event or (ii) adjust such interest rates after the occurrence of an Early Amortisation Event, without the prior written consent of the Investor Interestholder (acting on the instructions of the Majority Investor) save for such adjustments as may be required by mandatory provisions of applicable Law;
- (i) deliver to the Trustee, the Rating Agency, the Transaction Administrator, the Note Trustee, the Note Cash Administrator, the Swap Providers, the Majority Investor and the Investor Interestholder, promptly, but in any event within five (5) Seoul Business Days, of its becoming aware of the same, notice of the occurrence of any Servicer Termination Event or any event which with the giving of notice or lapse of time or certification would constitute a Servicer Termination Event;
- (j) not create or permit to exist any Lien on any Receivables, Collections, Account Records or other rights entrusted pursuant to the Trust Agreement, except as permitted or required under the Transaction Documents or arising by operation of Law;
- (k) not modify the Credit Card Guidelines or any form of the Card Agreements except as permitted under the Trust Agreement or update or modify the Transfer Plan in a manner that would adversely affect the interests of the Investor Interestholder or the Noteholders, the timely receipt of Collections or the performance of the Back-up Servicer's or Servicer's obligations under the Servicing Agreement, save for such amendments or modifications as may be required or recommended by the FSS or the FSC or required by mandatory provisions of applicable Law or required to be consistent with customary and reasonable practices in Korea (in each case, with prior written notice to the Majority Investor and the Rating Agency);
- (l) not modify or amend or terminate, or purport to modify, amend or terminate, any Automatic Debit Agreement without the prior written consent of the Trustee and the Majority Investor and prior written notice to the Rating Agency;
- (m) (i) not modify, amend or terminate, or purport to modify, amend or terminate any CMS Arrangement, filed and maintained by the Trustee, without the prior written consent of the Trustee and the Majority Investor and prior written notice to the Rating Agency, save for such modifications, amendments or termination as may be required or recommended by the FSS or the FSC or required by mandatory provisions of applicable Law or required to be consistent with customary and reasonable practices in Korea (in each case, with prior written notice to the Majority Investor and the Rating Agency); and  
  
(ii) in the case where any CMS Arrangement has become effective, remove from the KFTC Application filed and maintained by the Servicer (in its capacity as the Originator) with the KFTC any and all accounts held by each Accountholder which shall be subject to the CMS Arrangement by revoking or otherwise changing such KFTC Application and shall submit evidence of such removal to the Trustee prior to the filing of the KFTC Application by the Trustee in connection with the CMS Arrangement; and

(n) if the Originator is the Servicer, perform its obligations (in whatever capacity) under the Automatic Debit Agreements and to effect the CMS Arrangement for and on behalf of the Trustee, it being further agreed by the Servicer that only the Trustee and not the Servicer shall be entitled to submit a new KFTC Application in respect of all such accounts removed by the Servicer from the KFTC Application previously filed and maintained by the Servicer (in its capacity as the Originator) pursuant to paragraph (m) above and not take any action to obstruct, hinder or in any way prevent the submission of such new KFTC Application by the Trustee or the effecting of each CMS Arrangement.

#### ***Annual Compliance Statement and Servicing Review Report***

The Servicer has agreed in the Servicing Agreement to deliver to the Trustee, the Note Trustee, the Note Cash Administrator, the Swap Providers, the Transaction Administrator, the Investor Interestholder, the Majority Investor and the Rating Agency within one-hundred and twenty (120) days after the end of each calendar year (beginning with 2020) an annual compliance statement with respect to its obligations under the Servicing Agreement.

The Servicer has also agreed to arrange for the Designated Accounting Firm to deliver a Servicing Review Report (i) prior to the occurrence of an Early Amortisation Event, on an annual basis, within sixty (60) days of the end of each twelve-month period ending on 30 April in each year (commencing with the period ending on 30 April 2021) and (ii) following the occurrence of an Early Amortisation Event, from time to time at the request of the Majority Investor (but not more frequently than four times in the twelve-month period following the first occurrence of such Early Amortisation Event), in each case confirming that the Servicer has performed its duties, responsibilities and obligations in accordance with the terms of the Servicing Agreement after conducting a review of the Monthly Servicer Reports.

#### ***Servicer Termination Events***

Pursuant to the Servicing Agreement, upon the occurrence of a Servicer Termination Event, the Trustee, who will act in accordance with the Majority Investor's instructions, may terminate the appointment of the Servicer. Immediately upon such termination, the Back-up Servicer will automatically be obligated to perform the Services in place of the Servicer. See "*Master Definitions Schedule—Servicer Termination Events*".

#### ***Custody***

The Servicer has agreed in the Servicing Agreement to act as custodian for the Trustee with respect to the Core Records, and the Servicer will, as custodian, procure the Core Records to be maintained in a safe, fireproof, single, centralised location within forty-five (45) days from the Closing Date (with respect to the Core Records relating to Initial Designated Accounts) or within fifteen (15) days from the relevant Entrustment Date (with respect to the Core Records relating to Additional Accounts).

### **THE TRUST**

#### ***Trust Interests***

The interests in the Trust are the Investor Interest, the Seller Interest and the Subordinated Seller Interest. The initial beneficiaries of the Trust are the Originator as holder of the Seller Interest and the Subordinated Seller Interest and the Bond Issuer as holder of the Investor Interest (the "**Investor Interestholder**"). Each of the Investor Interest, the Seller Interest and the Subordinated Seller Interest is entitled to distributions of profit and principal from the Trust in accordance with the Trust Agreement on each Trust Distribution Date. Distributions on the Subordinated Seller Interest will be subordinated to distributions on the Investor Interest. See "*Application of Collections on Trust Distribution Dates*".

The Trustee will hold the Trust Assets on trust for each of the Interestholders in accordance with their respective entitlements as they appear in the Trust Agreement.

Each Trust Interest will be evidenced by a physical trust certificate. The Trust Interests represent rights to distributions under the Trust Agreement and do not represent recourse obligations of, and are not guaranteed by, the Originator, the Servicer or any affiliate thereof. The certificate representing the Investor Interest will be held by the Security Agent on the Closing Date.

The initial outstanding amount of the Investor Interest will be KRW599,499,460,450. During the Revolving Period, the outstanding amount of the Investor Interest will remain fixed at such initial amount. During the Controlled Amortisation Period, the outstanding amount of the Investor Interest will be reduced on each Trust Distribution Date by the aggregate amount of principal paid on the Investor Interest on that Trust Distribution Date in accordance with the provisions of the Trust Agreement. During the Early Amortisation Period and on and after the Enforcement Date, the Collections will be applied to the Investor Interest on each Trust Distribution Date until the outstanding amount is reduced to zero. The initial outstanding amount of the Subordinated Seller Interest will be KRW169,089,591,410 and the initial outstanding amount of the Seller Interest will be an amount equal to the Pool Balance as of the Closing Date less the sum of the initial outstanding amounts of the Investor Interest and the Subordinated Seller Interest.

#### ***Trust Collection Account***

On or before the Closing Date, the Trustee will establish a collection account (the "**Trust Collection Account**") and a reserve account (the "**Trust Reserve Account**"), each as a segregated Won-denominated account in its name as a trust account at the Account Bank and, on or before the thirtieth day after the Closing Date, an Auto Debit Account with each Automatic Debit Bank. Amounts held in the Trust Collection Account and the Trust Reserve Account may be invested in Eligible Investments pending distribution thereof. All Collections on deposit in the Trust Collection Account, including any amounts transferred into the Trust Collection Account from the Trust Reserve Account by the Trustee from time to time or credited to the Trust Collection Account by the Originator from time to time as an Originator Cash Deposit, will be applied in accordance with the provisions of "*Daily Cash Release*" and "*Application of Collections on Trust Distribution Dates*" below. On each Seoul Business Day, the Trustee will credit all Collections to certain administrative ledgers of the Trust Collection Account, all Eligible Account Principal Collections will be credited to the Principal Collections Ledger of the Trust Collection Account and all Eligible Account Interest Collections will be credited to the Interest Collections Ledger of the Trust Collection Account.

#### ***Trust Reserve Account***

The Trust Reserve Account will be funded on the Closing Date in an amount equal to the Required Reserve Amount (including Transfer Costs). The Transfer Costs will be payable to the Trustee upon the occurrence of a Servicer Termination Event and on any date on which the Trustee is required to send Perfection Notices or Servicer Termination Notices to Accountholders.

On any date during a Collection Period on which the Eligible Pool Balance Requirement is not satisfied, the Originator (in its capacity as Seller Interestholder, Subordinated Seller Interestholder and Servicer) will make an Originator Cash Deposit into the Trust Reserve Account in order to satisfy the Eligible Pool Balance Requirement on such date. See "*Originator Cash Deposits*" below.

On any date during a Collection Period on which the Eligible Pool Balance Requirement is not satisfied and each of the other Cash Release Conditions is satisfied, the Trustee will be required to transfer such amount from the Trust Collection Account to the Trust Reserve Account as is required to satisfy the Eligible Pool Balance Requirement on such date.

### ***Daily Cash Release***

On each Seoul Business Day prior to the Early Amortisation Period or the Enforcement Date on which the following Cash Release Conditions are satisfied, the Trustee will remit all Collections on deposit in the Auto Debit Accounts and the Trust Collection Account in excess of the Required Collection Amount on such date (following any transfer of amounts to the Trust Reserve Account on such date) to the Originator in its capacity as Seller Interestholder, as Subordinated Seller Interestholder and (if the Originator is the Servicer) as Servicer (each such remittance, a "**Daily Cash Release**").

The "**Cash Release Conditions**" will be satisfied on each Seoul Business Day:

- (a) if the amount on deposit in the Trust Collection Account after such remittance will be at least equal to the Required Collection Amount on such date;
- (b) if the Trustee has received a Collection Report from the Servicer for such Seoul Business Day by 1:00 p.m. (Seoul time);
- (c) if the Eligible Pool Balance Requirement will be satisfied immediately following any such remittance; and
- (d) if no Early Amortisation Event has occurred or will occur following such remittance or, if an Early Amortisation Event has occurred, it has been waived as set out in accordance with the Trust Agreement.

### ***Originator Cash Deposits***

If the amount on deposit in the Trust Collection Account on the last Seoul Business Day of any Collection Period during the Revolving Period or Controlled Amortisation Period is less than the aggregate amounts payable on the next succeeding Trust Distribution Date under paragraphs (a), (b), (c) and (d) under "*Application of Collections on Trust Distribution Dates—Distributions during the Revolving Period and Controlled Amortisation Period—Eligible Account Interest Collections*", excluding, in each case, any amounts payable to the Seller Interestholder, the Subordinated Seller Interestholder and, if the Originator is the Servicer, to the Servicer on such Trust Distribution Date, then the Originator, in its capacity as Seller Interestholder and the Subordinated Seller Interestholder, shall, subject to the delivery of a Solvency Certificate signed by an authorised signatory of the Originator on such date to the Trustee and the Majority Investor, deposit into the Trust Collection Account, an amount sufficient to cover such difference (each amount required to be remitted by the Originator, an "**Originator Cash Deposit**"). The aggregate of the Originator Cash Deposits payable in any Collection Period may not exceed the aggregate of all amounts received by the Originator as Daily Cash Release plus all amounts distributed or retained by the Servicer pursuant to the Servicing Agreement, in each case during such Collection Period.

### ***Other Trust Distributions***

Subject to earlier payment by way of Daily Cash Release, on each Trust Distribution Date, the Trustee will pay all Seller Collections for the most recently ended Collection Period to the Seller Interestholder. On each Trust Distribution Date following the payment in full of all Bond Issuer Obligations and Note Issuer Obligations and prior to the Trust Termination Date, all Collections will be paid to the Seller Interestholder on the date of receipt thereof.

On the Closing Date, the Trustee will pay to the Investor Interestholder from amounts on deposit in the Trust Collection Account an amount equal to the transaction costs for the transactions contemplated by the Transaction Documents, and the Investor Interestholder will apply such amounts in payment of such costs.

### ***Calculations***

On each Trust Distribution Date, prior to any transfer of amounts from the Trust Reserve Account to the Trust Collection Account on such Trust Distribution Date to be applied as Eligible Account Interest Collections, the Trustee shall calculate (using the information provided to the Trustee in the relevant Collection Report, Monthly Servicer Report and Transaction Administrator Report and all such other information as the Trustee has obtained from the Servicer, the Transaction Administrator or any Bond Secured Party):

(i) the Investor Percentage and the Seller Percentage of each of (x) the Eligible Account Interest Collections and (y) the Eligible Account Principal Collections on deposit in the Trust Collection Account on such date (excluding any amounts transferred to the Trust Collection Account from the Trust Reserve Account on such date);

(ii) the sum of all Receivable Balance Adjustments made during the immediately preceding Collection Period (the "**Investor Principal Shortfall**");

(iii) any shortfall in the amounts available to be distributed in accordance with paragraphs (a)(i) to (iii) (inclusive) under "*Application of Collections on Trust Distribution Dates—Distributions during the Revolving Period and Controlled Amortisation Period—Eligible Account Interest Collections*" or paragraphs (a)(i) to (iii) (inclusive) under "*Application of Collections on Trust Distribution Dates—Distributions during the Early Amortisation Period or following Enforcement Date—Eligible Account Interest Collections*" from the Investor Percentage of the Eligible Account Interest Collections calculated in accordance with paragraph (i) above on such Trust Distribution Date (the "**Investor Interest Shortfall**"); and

(iv) any shortfall in the amounts available to be distributed in accordance with paragraphs (b)(i) to (v) (inclusive) under "*Application of Collections on Trust Distribution Dates—Distributions during the Revolving Period and Controlled Amortisation Period—Eligible Account Interest Collections*" or paragraphs (b)(i) to (vi) (inclusive) under "*Application of Collections on Trust Distribution Dates—Distributions during the Early Amortisation Period or following Enforcement Date—Eligible Account Interest Collections*" from the Seller Percentage of the Eligible Account Interest Collections calculated in accordance with paragraph (i) above on such Trust Distribution Date (the "**Seller Interest Shortfall**").

### ***Originator Representations and Warranties***

In addition to the Asset Warranties, the Originator has represented in the Trust Agreement as of the Closing Date and each Entrustment Date, *inter alia*, as follows:

(a) it is duly incorporated and validly existing under the Laws of Korea with full power, authority and legal right to conduct its business as presently conducted and to carry out the terms of the Trust Agreement;

(b) it has duly authorised the Trust Agreement by all necessary corporate action, and the Trust Agreement is its legal, valid and binding obligation, enforceable against it in accordance with its terms, except as may be limited by any Insolvency Law and subject to any qualification as to matters of Law contained in any legal opinions required under the Trust Agreement;

(c) it has obtained as of the date of the Trust Agreement and will have obtained as of each Entrustment Date, all confirmations, consents, licences, approvals and authorisations and has effected as of the date of the Trust Agreement and will have effected as of each Entrustment Date, all declarations, applications, filings, registrations, notifications and reports (in each case if any) in connection with the execution and delivery of the Trust Agreement and the performance of its obligations thereunder, including with respect to the Securitisation Plans and each Asset Transfer Registration;

(d) (i) no event has occurred and is continuing and no condition exists, or would result from the consummation of the transactions contemplated by the Trust Agreement and the other Transaction Documents with respect to the Originator and (ii) in the reasonable opinion of the Originator, no other material event has occurred and is continuing and no condition exists, or would result from the consummation of the transactions contemplated by the Trust Agreement and the other Transaction Documents, in either case which constitutes or would be expected to constitute or result in a breach of any provision of any agreement or instrument to which it is a party or by which it or any of its assets are bound;

(e) there is no action, proceeding or investigation pending or threatened, in or before any Governmental Entity, which questions the validity of the Trust Agreement or any action taken or to be taken pursuant to the Trust Agreement, or which may, individually or in the aggregate, result in a Material Adverse Effect; it is not in violation of any order of any Governmental Entity which violation may result in a Material Adverse Effect;

(f) it is solvent and will not become insolvent by reason of the establishment of the Trust, the entrustment of the Receivables or any other transactions contemplated by the Trust Agreement or the other Transaction Documents;

(g) it has (i) timely filed all tax returns required to be filed and (ii) paid or made adequate provision for the payment of all taxes, assessments and other governmental charges other than those being contested in good faith;

(h) in the event of the bankruptcy or other similar proceedings of the Trustee, the Interestholders' interest in the assets of the Trust (and all of their other rights under the Trust Agreement) would not in any way be materially adversely affected;

(i) no entrustment under the Trust Agreement is or may be voidable or for illegal purposes under any applicable Law and the Originator has no illegal purpose in connection with entering into the transactions contemplated by the Transaction Documents;

(j) in any proceedings taken in relation to the Trust Agreement or any entrustment and transfer of Receivables by it to the Trustee in accordance therewith, the choice of Korean Law as the governing Law of the Trust Agreement or, as the case may be, such entrustment and transfer, will be recognised and enforced (subject to any qualifications as to matters of Law contained in any legal opinions required under the Trust Agreement) by the courts of Korea;

(k) all acts, conditions and things required to be done, fulfilled and performed in order to make the Trust Agreement and the entrustment and transfer of each and all of the Receivables admissible in evidence in Korea have been (or, in respect of Receivables entrusted after the Initial Entrustment Date, will be) done, fulfilled and performed prior to the relevant Entrustment Date;

(l) no selection procedures believed by the Originator to be materially adverse to the interest of any of the Interestholders were utilised in selecting the applicable Designated Accounts to be entrusted on any Entrustment Date;

(m) the credit quality of the Receivables is similar in all material respects to, and in no event inferior than, the credit quality of the receivables in the Originator's aggregate portfolio of receivables arising under the Accounts; and

(n) the Receivables entrusted on each Entrustment Date do not constitute all or substantially all of the assets of the Originator as of such date.

***Originator Covenants***

The Originator has undertaken in the Trust Agreement with each party thereto that, *inter alia*, it will:

- (a) maintain and implement reasonable administrative and operating procedures in respect of the Receivables (including an ability to recreate records evidencing Receivables and related Card Agreements in the event of the destruction of the originals thereof), and keep and maintain all documents, books, computer tapes, disks, records and other information reasonably necessary or advisable for the collection of all Receivables (including records adequate to permit the daily identification, on an Account by Account basis, of each Account and all collections of any adjustments to each Receivable);
- (b) at its own expense, timely and fully perform and comply with all provisions, covenants and other promises required to be observed by it under the Card Agreements; and (if it is the Servicer) at all times allocate Collections and recoveries on each Designated Account in the priority set forth in the Servicing Agreement (as such order of priority may be amended from time to time in the Credit Card Guidelines in accordance with the Trust Agreement and notified to the Majority Investor and the Rating Agency);
- (c) immediately inform the Trustee, the Investor Interestholder, the Majority Investor, the Swap Providers, the Note Trustee, the Note Cash Administrator, the Transaction Administrator, the Security Agent and the Rating Agency upon becoming aware of the occurrence of an Early Amortisation Event or Servicer Termination Event;
- (d) render all assistance as may be required in respect of monthly filing or registration requirements in Korea in order to give effect to the transactions contemplated by the Trust Agreement and for the Trustee to comply with the ABS Act;
- (e) not modify, or permit to be modified, the Credit Card Guidelines or form of Card Agreement in a manner that is more likely than not to have a Material Adverse Effect without (i) the prior written consent of the Trustee, the Majority Investor and the Investor Interestholder and (ii) prior written notice to the Rating Agency, save for such amendments or modifications as may be required or recommended by the FSS or the FSC or required by mandatory provisions of applicable Law or required to be consistent with customary and reasonable practices in Korea;
- (f) not, with the exception of the entrustment of the Receivables under the Trust Agreement or as otherwise permitted or required under the Transaction Documents, sell, pledge, charge, assign or transfer any of such Receivables to any other Person, or take any other action inconsistent with the Trustee's ownership of the Receivables or the related Account Records or grant or permit to exist any Lien upon or with respect to any such Receivables or the related Account Records, and not claim an ownership interest in such Receivables or the related Account Records and shall defend the right, title and interest of the Trustee in, to and under such Receivables and the related Account Records, whether existing at the time of closing or created thereafter, against all claims of third parties;
- (g) not exercise any of its rights under any Card Agreement in any way which may have a Material Adverse Effect on the collectability of any of the Receivables arising under the Trust Agreement;
- (h) not amend, modify or vary, or waive any breach of, any of the Card Agreements in any way which is more likely than not to have a Material Adverse Effect on the Trust or the Trust Assets other than in accordance with the provisions of the Transaction Documents; and
- (i) not take any action that may encourage Accountholders to make payment by any means other than by Auto Debit through an Automatic Debit Bank.

***Collateral Audit***

Prior to the commencement of the Early Amortisation Period, the Originator will arrange for the Designated Accounting Firm to conduct collateral audits on a yearly basis (commencing after the Collection Period ending in August 2021) of all of the Receivables in the Receivables Pool (each, a "Collateral Audit").



The Designated Accounting Firm will deliver each Collateral Audit report to the Trustee, the Note Trustee, the Note Cash Administrator, the Majority Investor, each Swap Provider and the Transaction Administrator, with a copy to the Rating Agency, within sixty (60) days of the completion of the Collateral Audit or within such other period acceptable to the Majority Investor. In addition, the Originator will arrange for the Designated Accounting Firm to conduct a Collateral Audit immediately upon the occurrence of an Early Amortisation Event.

#### ***Withholding Tax***

Upon imposition of any withholding or other applicable taxes on any payment by the Trustee on the Investor Interest, such payment will be increased by an amount sufficient to result in receipt by the Investor Interestholder of a net amount equal to the payment that would have been received absent such taxes.

#### ***Governing Law***

The Trust Agreement is governed by Korean law.

### **SWAP ARRANGEMENTS**

#### ***The Class A2 Swap Agreement***

The Bond Issuer has entered into a swap agreement with the Class A2 Swap Provider on 23 July 2020 ("**Class A2 Swap Agreement**") in order to substantially hedge the Bond Issuer against interest rate and currency exposure arising as a result of differences between:

- (a) the rates of interest receivable under the Receivables and the rate of interest payable under the Class A2 Bond; and
- (b) the currency in which the Collections and the Investor Interest are denominated (namely Korean Won) and the currency in which payments under the Class A2 Bond are to be made (namely Singapore dollars).

The Bond Issuer has also entered into a swap agreement with a swap provider (the "**Class A1 Swap Provider**") on substantially the same terms as the Class A2 Swap Agreement in respect of its obligations under the Class A1 Bond (the "**Class A1 Swap Agreement**" and, together with the Class A2 Swap Agreement, the "**Swap Agreements**").

The obligations of the Class A2 Swap Provider and the Class A1 Swap Provider under the Swap Agreements are several and not joint.

On each Swap Payment Date, the Bond Issuer will make a fixed rate interest payment of Korean Won (each, a "**KRW Fixed Amount**") to the Class A2 Swap Provider and the Class A2 Swap Provider will pay to the Bond Issuer a fixed rate interest payment in Singapore dollars (each, a "**SGD Fixed Amount**") (calculated by reference to the principal amount outstanding under the Class A2 Bond, the actual number of days in the relevant calculation period and a fixed rate equal to the Note Rate of Interest for the Class A2 Notes).

So long as the Class A2 Swap Agreement has not been terminated, on each Swap Payment Date occurring on or after the Bond Enforcement Date or the commencement of either the Controlled Amortisation Period or the Early Amortisation Period, the Bond Issuer will pay to the Class A2 Swap Provider the following principal amounts in Korean Won (the "**Won Principal Amounts**") and, on such Swap Payment Date, the Class A2 Swap Provider will pay to the Bond Issuer the equivalent in Singapore dollars of the Won Principal Amount for that Swap Payment Date actually received by the Class A2 Swap Provider calculated by reference to the Applicable Exchange Rate (each, a "**SGD Principal Amount**") in accordance with the terms of the Class A2 Swap Agreement:

(a) on each Swap Payment Date during the Controlled Amortisation Period, the aggregate Won Principal Amounts payable to the Class A2 Swap Provider will be equal to the Won Equivalent (at the Applicable Exchange Rate) of the Scheduled Amortisation Amount payable on the Class A2 Notes for the immediately succeeding Note Payment Date;

(b) on each Swap Payment Date on or after the commencement of the Early Amortisation Period, the aggregate Won Principal Amounts payable to the Class A2 Swap Provider will equal the aggregate amount of Principal Collections deposited into the Bond Issuer Won Account available to be distributed in respect of the Won Principal Amounts under the Class A2 Swap Agreement for that Swap Payment Date; and

(c) on each Swap Payment Date on or after the Bond Enforcement Date, the Won Principal Amount payable under the Class A2 Swap Agreement will equal the principal amount outstanding of the Class A2 Bond on that Swap Payment Date.

### ***Proportional Payments***

The Class A2 Swap Agreement provides that in the event that the Class A2 Swap Provider receives part, but not the whole, of any amount due under the Class A2 Swap Agreement from the Bond Issuer, it shall only be obliged to pay to the Bond Issuer such proportion of the amount due to be paid by it on the immediately following Business Day as the amount received from the Bond Issuer bears to the full amount which should have been paid to the Class A2 Swap Provider.

Any such partial payment will not constitute a Swap Event of Default (but may, where the amount of such proportional payment is sufficiently low, give rise to a Note Event of Default).

Upon any such proportional payments being made, the Bond Issuer will be obliged to reimburse the Class A2 Swap Provider for any loss or costs incurred by it as a result of such proportional payments by the payment of Extra Charges to the Class A2 Swap Provider in the manner and priority described in the Transaction Administration Agreement.

### ***Withholding Tax***

The Class A2 Swap Provider is obliged to increase its payments to the Bond Issuer under the Class A2 Swap Agreement so that the net amount received by the Bond Issuer after withholding or deduction for or on account of any present or future taxes, duties assessments or governmental changes imposed by any tax authority, equals the amounts which would have been received by the Bond Issuer in the absence of such withholding or deduction.

### ***Credit Rating Downgrade of the Class A2 Swap Provider***

The Class A2 Swap Agreement provides that the Class A2 Swap Provider will be required, in the event that the Class A2 Swap Provider is rated below specified levels by the Rating Agency (as set out in the Class A2 Swap Agreement) (a "**Downgrade Event**"), to transfer all of its rights and obligations under the Class A2 Swap Agreement to a replacement swap provider which has the required ratings specified in Class A2 Swap Agreement, or to obtain a guarantee of its obligations under Class A2 Swap Agreement from a party which has the required ratings specified in the Class A2 Swap Agreement and/or to transfer Eligible Credit Support (as defined in the related Credit Support Annex) to the Bond Issuer in the amounts required by the related Credit Support Annex.

### ***Credit Support Annex***

Under the Credit Support Annex to the Class A2 Swap Agreement, following a Downgrade Event as defined above under "*Credit Rating Downgrade of the Class A2 Swap Provider*", the Class A2 Swap Provider may be required to transfer Eligible Credit Support (as defined in the Credit Support Annex) to the Bond Issuer in amounts which depend upon the level of the rating of the Class A2 Swap Provider. Eligible Credit Support in the form of cash will be deposited into the Class A2 Swap Cash

Collateral Account and Eligible Credit Support in the form of securities will be deposited into a custody account. The Credit Support Annex provides that equivalent amounts are to be returned to the Class A2 Swap Provider following the procurement of a guarantee or transfer as described above under "*Credit Rating Downgrade of the Class A2 Swap Provider*" or, in certain circumstances, the upgrading of the relevant Swap Provider.

Eligible Credit Support includes cash, certain negotiable debt securities and such other assets as may be agreed between the Class A2 Swap Provider, the Bond Issuer and the Security Agent.

### ***Termination***

Unless terminated earlier, the Class A2 Swap Agreement will terminate on the earlier of (i) the Note Legal Maturity Date and (ii) the Note Payment Date on which the Principal Amount Outstanding of the Class A2 Notes is zero.

The Class A2 Swap Agreement will also provide for the early termination of the transactions thereunder in certain other limited circumstances as more particularly set out in the Class A2 Swap Agreement.

The Class A2 Swap Agreement will provide that, in the event of the termination of the Class A2 Swap Agreement, Swap Termination Amounts denominated in Singapore dollars will be payable, either by the Bond Issuer to the Class A2 Swap Provider or by the Class A2 Swap Provider to the Bond Issuer.

### ***Class A2 Calculation Agent***

DBS Bank Ltd., Seoul Branch will act as the calculation agent (the "**Class A2 Calculation Agent**") under the Class A2 Swap Agreement. The Class A2 Calculation Agent may be terminated and a successor will be appointed in accordance with the terms of the Class A2 Swap Agreement.

### ***Governing Law***

The Class A2 Swap Agreement will be governed by English law.

## **APPLICATION OF COLLECTIONS ON TRUST DISTRIBUTION DATES**

### ***General***

On each Trust Distribution Date, the Trustee will release all Seller Collections in respect of the immediately preceding Collection Period which are on deposit in the Trust Collection Account to the Seller Interestholder and apply the Eligible Account Collections in respect of such Collection Period in accordance with the following priorities. All payments made to the Investor Interestholder will be made to the Bond Issuer Won Account.

### ***Distributions during the Revolving Period and Controlled Amortisation Period***

On each Trust Distribution Date relating to a Collection Period which ends during the Revolving Period or the Controlled Amortisation Period, the Trustee will apply all Eligible Account Interest Collections standing to the credit of the Interest Collections Ledger and Eligible Account Principal Collections standing to the credit of the Principal Collections Ledger for the most recently ended Collection Period in accordance with the following order of priority:

#### ***Eligible Account Interest Collections***

(a) An amount equal to the sum of (x) the Investor Percentage of the Eligible Account Interest Collections for the most recently ended Collection Period, (y) any amounts credited to the Interest Collections Ledger from the Trust Reserve Account on such date and (z) any amounts credited to the

Interest Collections Ledger on such date in respect of Investor Interest Shortfall, as Eligible Account Interest Collections, shall be applied in or towards satisfaction of the following amounts in the following order of priority (and in each case only and to the extent that payment or provisions of a higher priority have been made in full):

- (i) *first*, to the Trustee, to pay the Investor Percentage of all accrued and unpaid Trust Expenses and the Investor Percentage of all amounts (if any) payable in respect of all accrued and unpaid Taxes assessed in respect of the Trust Assets for such Collection Period and any prior Collection Periods;
- (ii) *second, pari passu and pro rata*, (x) if the Originator is not the Servicer, to the Servicer, to pay the Investor Percentage of the Servicing Fee and all accrued and unpaid Servicing Expenses for such Collection Period and any prior Collection Periods, subject to the Servicing Expenses Maximum Amount and (y) to the Back-up Servicer, to pay the Investor Percentage of the Back-up Servicer Expenses (subject to a cap specified in the relevant fee letter), the Back-up Servicer Acceptance Fee and the Back-up Servicer Standby Fee, in each case for such Collection Period;
- (iii) *third*, to the Investor Interestholder, to pay the Required Bond Issuer Amount for such Collection Period (excluding any Junior Bond Issuer Amounts or amounts payable in accordance with paragraphs (vii) and (viii) below);
- (iv) *fourth*, to credit to the Principal Collections Ledger an amount equal to the Investor Percentage (calculated under paragraph (a) of the definition thereof) of Defaulted Amounts for the related Collection Period and any Defaulted Amounts in respect of any prior Collection Period not already provided for;
- (v) *fifth*, to credit the Trust Reserve Account with such amount as will result, after such credit, in the amount standing to the credit of the Trust Reserve Account being equal to the Required Reserve Amount;
- (vi) *sixth*, to credit to the Principal Collections Ledger, an amount equal to any amounts transferred to the Interest Collections Ledger from the Principal Collections Ledger on any prior Trust Distribution Dates;
- (vii) *seventh*, to the Investor Interestholder, to pay the Won Exchange Amount in respect of any Extra Charges payable to the Swap Providers under the Swap Agreements on the next succeeding Note Payment Date;
- (viii) *eighth*, to the Investor Interestholder, to pay the balance of any Swap Termination Amounts due but unpaid under a Swap Agreement (where the Early Termination Date has been designated as a result of a Swap Event of Default under such Swap Agreement relating to the relevant Swap Provider or a Swap Termination Event (other than an Illegality or a Tax Event) where the relevant Swap Provider is the sole Affected Party);
- (ix) *ninth, pari passu and pro rata*, (x) to the Trustee, to pay the Investor Percentage of all accrued and unpaid Excess Trust Expenses and any Notice Expenses payable to the Trustee (to the extent such amounts have not already been paid), (y) to the Back-up Servicer, to pay the Investor Percentage of any Back-up Servicer Expenses for such Collection Period above the cap specified in the relevant fee letter and of any unpaid Transfer Fee and any unpaid Notice Expenses (to the extent such amounts have not already been paid) and (z) to the Investor Interestholder, to pay the Junior Bond Issuer Amounts;
- (x) *tenth*, to the Servicer, to pay the Investor Percentage of all accrued and unpaid Servicing Fees and all accrued and unpaid Servicing Expenses; and

(xi) *eleventh*, the balance to the Subordinated Seller Interestholder.

(b) An amount equal to the sum of (x) the Seller Percentage of the Eligible Account Interest Collections for the most recently ended Collection Period, (y) any amounts credited to the Interest Collections Ledger from the Trust Reserve Account on such date and (z) any amounts credited to the Interest Collections Ledger from the Principal Collections Ledger on such date in respect of Seller Interest Shortfall, shall be applied in or towards satisfaction of the following amounts in the following order of priority (in each case only and to the extent that payment or provisions of a higher priority have been made in full):

(i) *first*, to the Trustee, to pay the Seller Percentage of all accrued and unpaid Trust Expenses and the Seller Percentage of all amounts (if any) payable in respect of all accrued and unpaid Taxes assessed in respect of the Trust Assets for such Collection Period and any prior Collection Periods;

(ii) *second, pari passu and pro rata*, (x) if the Originator is not the Servicer, to the Servicer, to pay the Seller Percentage of the Servicing Fee for such Collection Period and all accrued and unpaid Servicing Expenses for such Collection Period and any prior Collection Periods, subject to the Servicing Expenses Maximum Amount and (y) to the Back-up Servicer, to pay the Seller Percentage of the Back-up Servicer Expenses (subject to a cap specified in the relevant fee letter), the Back-up Servicer Acceptance Fee and the Back-up Servicer Standby Fee, in each case for such Collection Period;

(iii) *third*, to the Investor Interestholder, to pay the Won Exchange Amount of any Extra Charges and Swap Termination Amounts due to the Swap Providers under the Swap Agreements but unpaid under paragraphs (a)(vii) or (viii) under "*Application of Collections on Trust Distribution Dates—Distributions during the Revolving Period and Controlled Amortisation Period—Eligible Account Interest Collections*";

(iv) *fourth, pari passu and pro rata*, (x) to the Trustee, to pay the Seller Percentage of all accrued and unpaid Excess Trust Expenses and any Notice Expenses payable to the Trustee (to the extent such amounts have not already been paid) and (y) to the Back-up Servicer, to pay the Seller Percentage of any Back-up Servicer Expenses for such Collection Period above the cap specified in the relevant fee letter and of any unpaid Transfer Fee and any unpaid Notice Expenses (to the extent such amounts have not already been paid);

(v) *fifth*, to the Servicer, to pay the Seller Percentage of all accrued and unpaid Servicing Fees and all accrued and unpaid Servicing Expenses; and

(vi) *sixth*, the balance to the Seller Interestholder.

*Eligible Account Principal Collections*

(c) An amount equal to the sum of (x) the Investor Percentage of the Eligible Account Principal Collections for the most recently ended Collection Period, (y) any amounts credited to the Principal Collections Ledger or retained in the Principal Collections Ledger in respect of previous Collection Periods pursuant to paragraph (iii) below and (z) any amounts credited to the Investor Percentage of the Eligible Account Principal Collections on such date in respect of Investor Principal Shortfall (after deduction of any amounts in respect of Investor Interest Shortfall on such date), as Eligible Account Principal Collections, shall be applied in or towards satisfaction of the following amounts in the following order of priority (and in each case only and to the extent that payment or provisions of a higher priority have been made in full):

(i) *first*, in respect of a Trust Distribution Date related to a Collection Period in the Controlled Amortisation Period, to the Investor Interestholder, to pay the Investor

Amortisation Amount payable on the Investor Interest in respect of the relevant Trust Distribution Date;

(ii) *second*, to the Subordinated Seller Interestholder, provided, and to the extent the Cash Release Conditions are satisfied on such Trust Distribution Date after such payment is made; and

(iii) *third*, the balance, if any, for retention in the Principal Collections Ledger.

(d) An amount equal to the Seller Percentage of the Eligible Account Principal Collections for the most recently ended Collection Period (after deduction of any Investor Principal Shortfall and Seller Interest Shortfall for such date) shall be applied in or towards satisfaction of the following amounts in the following order of priority (and in each case only and to the extent that payment or provisions of a higher priority have been made in full):

(i) *first*, to the Trustee, to pay all accrued and unpaid Excess Trust Expenses;

(ii) *second*, to the Investor Interestholder, to pay the Won Exchange Amount in respect of any Extra Charges and Swap Termination Amounts due to the Swap Providers under the Swap Agreements but not paid under paragraphs (a)(vii) or (viii) or (b)(iii) under "*Application of Collections on Trust Distribution Dates—Distributions during the Revolving Period and Controlled Amortisation Period—Eligible Account Interest Collections*";

(iii) *third*, to the Back-up Servicer, to pay the Seller Percentage of any unpaid Notice Expenses and any unpaid Transfer Fee (to the extent such amounts have not already been paid in accordance with the Trust Agreement); and

(iv) *fourth*, the balance to the Seller Interestholder.

***Distributions during the Early Amortisation Period or following Enforcement Date***

On each Trust Distribution Date falling on or after the date on which an Early Amortisation Event is declared to have occurred or falling on or after the Enforcement Date following calculation and transfer of any amounts in accordance with "*Collections*", the Trustee shall apply all Eligible Account Interest Collections standing to the credit of the Interest Collections Ledger and Eligible Account Principal Collections standing to the credit of the Principal Collections Ledger for the most recently ended Collection Period in accordance with the following order of priority:

***Eligible Account Interest Collections***

(a) An amount equal to the sum of (x) the Investor Percentage of the Eligible Account Interest Collections for the most recently ended Collection Period, (y) any amounts credited to the Interest Collections Ledger from the Trust Reserve Account on such date and (z) any amounts credited to the Interest Collections Ledger on such date in respect of Investor Interest Shortfall, as Eligible Account Interest Collections, shall be applied in or towards satisfaction of the following amounts in the following order of priority (and in each case only and to the extent that payment or provisions of a higher priority have been made in full):

(i) *first*, to the Trustee, to pay the Investor Percentage of all accrued and unpaid Trust Expenses and the Investor Percentage of all amounts (if any) payable in respect of all accrued and unpaid Taxes assessed in respect of the Trust Assets for such Collection Period and any prior Collection Periods;

(ii) *second, pari passu and pro rata* (x) if the Originator is not the Servicer, to the Servicer, to pay the Investor Percentage of all accrued and unpaid Servicing Fees and all accrued and unpaid Servicing Expenses (subject to the Servicing Expenses Maximum

Amount) for such Collection Period and any prior Collection Periods and (y) to the Back-up Servicer, to pay the Investor Percentage of the Back-up Servicer Expenses (subject to a cap specified in the relevant fee letter), the Back-up Servicer Acceptance Fee and the Back-up Servicer Standby Fee, in each case for such Collection Period;

(iii) *third*, to the Investor Interestholder, to pay the Required Bond Issuer Amount for such Collection Period (excluding any Junior Bond Issuer Amounts or any amounts payable in accordance with paragraphs (vi) and (vii) below);

(iv) *fourth*, to credit to the Principal Collections Ledger an amount equal to the Investor Percentage (calculated under paragraph (b) of the definition thereof) of Defaulted Amounts for the related Collection Period and any Defaulted Amounts in respect of any prior Collection Period not already provided for;

(v) *fifth*, to credit to the Principal Collections Ledger, for distribution as part of the Investor Percentage of Eligible Account Principal Collections, until all Bond Issuer Obligations, Note Issuer Obligations and Trust Obligations (excluding any amounts payable in accordance with paragraphs (vi) to (x) below) have been paid in full;

(vi) *sixth*, to the Investor Interestholder, to pay the aggregate Won Exchange Amount in respect of any Extra Charges payable to the Swap Providers under the Swap Agreements on the next succeeding Note Payment Date;

(vii) *seventh*, to the Investor Interestholder, to pay the balance of any Swap Termination Amounts due but unpaid under a Swap Agreement (where the Early Termination Date has been designated as a result of a Swap Event of Default under the relevant Swap Agreement relating to relevant Swap Provider or a Swap Termination Event (other than an Illegality or a Tax Event) where the relevant Swap Provider is the sole Affected Party);

(viii) *eighth, pari passu and pro rata* (x) to the Trustee, to pay the Investor Percentage of all accrued and unpaid Excess Trust Expenses and any Notice Expenses payable to the Trustee (to the extent such amounts have not already been paid), (y) to the Back-up Servicer, the Investor Percentage of any unpaid Notice Expenses and any unpaid Transfer Fee (to the extent such amounts have not already been paid) and of any Back-up Servicer Expenses for such Collection Period above the cap referred to in the relevant fee letter and (z) to the Investor Interestholder, to pay the Junior Bond Issuer Amounts;

(ix) *ninth*, to the Back-up Servicer, to pay the Investor Percentage of the Transfer Expenses;

(x) *tenth*, to the Servicer, to pay the Investor Percentage of all accrued and unpaid Servicing Fees and all accrued and unpaid Servicing Expenses; and

(xi) *eleventh*, the balance to the Subordinated Seller Interestholder.

(b) An amount equal to the sum of (x) the Seller Percentage of the Eligible Account Interest Collections for the most recently ended Collection Period, (y) any amounts credited to the Interest Collections Ledger from the Trust Reserve Account on such date and (z) any Seller Interest Shortfall credited to the Interest Collections Ledger for such Trust Distribution Date, shall be applied in or towards satisfaction of the following amounts in the following order of priority (and in each case only and to the extent that payment or provisions of a higher priority have been made in full):

(i) *first*, to the Trustee, to pay the Seller Percentage of all accrued and unpaid Trust Expenses and the Seller Percentage of all amounts (if any) payable in respect of all accrued

and unpaid Taxes assessed in respect of the Trust Assets for such Collection Period and any prior Collection Periods;

(ii) *second, pari passu and pro rata* (x) if the Originator is not the Servicer, to the Servicer, to pay the Seller Percentage of all accrued and unpaid Servicing Fees and all accrued and unpaid Servicing Expenses (subject to the Servicing Expenses Maximum Amount) for such Collection Period and any prior Collection Periods and (y) to the Back-up Servicer, to pay the Seller Percentage of the Back-up Servicer Expenses (subject to a cap specified in the relevant fee letter), the Back-up Servicer Acceptance Fee and the Back-up Servicer Standby Fee, in each case for such Collection Period;

(iii) *third*, to the Investor Interestholder, to pay the aggregate Won Exchange Amount in respect of any Extra Charges and Swap Termination Amounts due to the Swap Providers under the Swap Agreements but unpaid under paragraphs (a)(vi) or (vii) under "*Application of Collections on Trust Distribution Dates—Distributions during the Early Amortisation Period or following Enforcement Date—Eligible Account Interest Collections*";

(iv) *fourth, pari passu and pro rata* (x) to the Trustee, to pay the Seller Percentage of all accrued and unpaid Excess Trust Expenses and any Notice Expenses payable to the Trustee (to the extent such amounts have not already been paid) and (y) to the Back-up Servicer, the Seller Percentage of any unpaid Notice Expenses and any unpaid Transfer Fee (to the extent such amounts have not already been paid) and of any Back-up Servicer Expenses for such Collection Period above the cap referred to in the relevant fee letter;

(v) *fifth*, to the Back-up Servicer, to pay the Seller Percentage of the Transfer Expenses;

(vi) *sixth*, to the Servicer, to pay the Seller Percentage of all accrued and unpaid Servicing Fees and all accrued and unpaid Servicing Expenses; and

(vii) *seventh*, the balance to the Seller Interestholder.

#### *Eligible Account Principal Collections*

(c) An amount equal to the sum of (x) the Investor Percentage of the Eligible Account Principal Collections for the most recently ended Collection Period, (y) any amounts credited to the Principal Collections Ledger on such date in respect of Investor Principal Shortfall, (z) any amounts credited to the Principal Collections Ledger (after deduction of any amounts in respect of Investor Interest Shortfall on such date, as Eligible Account Principal Collections shall be applied in or towards satisfaction of the following amounts in the following order of priority (and in each case only and to the extent that payment or provisions of a higher priority have been made in full):

(i) *first*, to the Investor Interestholder until all Bond Issuer Obligations, Note Issuer Obligations and Trust Obligations (excluding any amounts payable under paragraphs (ii) to (iv) (inclusive) below) have been paid in full;

(ii) *second*, to the Trustee to pay the Investor Percentage of any Excess Trust Expenses and any Notice Expenses payable to the Trustee (to the extent such amounts have not already been paid);

(iii) *third*, to the Back-up Servicer, to pay the Investor Percentage of any unpaid Notice Expenses and any unpaid Transfer Fee (to the extent such amounts have not already been paid in accordance with the Trust Agreement);

(iv) *fourth*, to the extent there is any shortfall in the amount of the Investor Percentage of the Eligible Account Interest Collections to satisfy in full the amounts payable under paragraph (a)(vi) or (vii) above, to the Investor Interestholder, to pay the balance of any Extra



Charges or Swap Termination Amounts due but unpaid under a Swap Agreement (where the Early Termination Date has been designated as a result of a Swap Event of Default under such Swap Agreement relating to the relevant Swap Provider or a Swap Termination Event (other than an Illegality or a Tax Event) where the relevant Swap Provider is the sole Affected Party); and

(v) *fifth*, the balance to the Subordinated Seller Interestholder.

(d) An amount equal to the Seller Percentage of the Eligible Account Principal Collections for the most recently ended Collection Period (after deduction of any Investor Principal Shortfall and Seller Interest Shortfall for such Trust Distribution Date) shall be applied in or towards satisfaction of the following amounts in the following order of priority (and in each case only and to the extent that payment or provisions of a higher priority have been made in full):

(i) *first*, to the Trustee, to pay the Seller Percentage of all accrued and unpaid Excess Trust Expenses;

(ii) *second*, to the Back-up Servicer, to pay the Seller Percentage of any unpaid Notice Expenses and any unpaid Transfer Fee (to the extent such amounts have not already been paid);

(iii) *third*, to the Investor Interestholder, to pay the aggregate Won Exchange Amount in respect of any Extra Charges and Swap Termination Amounts due to the Swap Providers under the Swap Agreements but unpaid under paragraph (b)(iii) above; and

(iv) *fourth*, the balance to the Seller Interestholder.

#### **APPLICATION OF FUNDS ON SWAP PAYMENT DATES AND BOND PAYMENT DATES**

##### ***Currency of Payments***

The Bond Issuer, as Investor Interestholder, will receive payments in Won on the Investor Interest into the Bond Issuer Won Account on each Trust Distribution Date. The Bond Issuer will use the Won payments received on the Investor Interest to meet its payment obligations to the Bond Secured Parties which may be denominated either in Won, Singapore dollars or U.S. dollars. In respect of any payment which is due to a Bond Secured Party in Won, the Transaction Administrator will make such payment from the Bond Issuer Won Account in the order of priority set out below. The Bond Issuer will obtain Singapore dollars and U.S. dollars to enable it to make payments which are denominated in Singapore dollars and U.S. dollars from the Swap Providers. See "*Bond Issuer Payments on Swap Payment Date*" below. If any other payments to be made on any Bond Payment Date are to be made in a currency other than Korean Won, Singapore dollars or U.S. dollars (the "**Other Currency**"), each of the Transaction Administrator and, as the case may be, the Security Agent, is authorised to effect all foreign exchange transactions at the prevailing market spot exchange rate obtained from the FX Dealer for the conversion of Won into such Other Currency (and, if no exchange rate is available from the FX Dealer, at such rate as it is able to obtain) in order to effect the payment in the Other Currency through the relevant Bond Issuer FX Account.

##### ***Bond Issuer Payments on Swap Payment Dates***

The Transaction Administration Agreement will authorise the Transaction Administrator to arrange for the payment from amounts standing to the credit of the Bond Issuer Won Account (see "*Swap Arrangements*" above) of any Korean Won amounts due to the Swap Providers by the Bond Issuer under each Swap Agreement on each Swap Payment Date falling prior to the Early Termination Date (as defined in each Swap Agreement), in each case in accordance with the priority of payments for such Swap Payment Date set out in the Transaction Administration Agreement.

## ***Payments during the Revolving Period and Controlled Amortisation Period***

### *Interest Collections*

(a) The Transaction Administrator (on behalf of the Bond Issuer) shall apply all Interest Collections on deposit in the Bond Issuer Won Account on each Swap Payment Date and Bond Payment Date relating to a Collection Period which ends during the Revolving Period or the Controlled Amortisation Period (to the extent of such sums and subject to "*—Currency of Payments*" above) on such Swap Payment Date and Bond Payment Date in or towards the satisfaction of the following amounts (and in the case of amounts denominated in a currency other than Won, the Won Exchange Amount in relation to such amounts) in the following order of priority (and in each case only and to the extent that payment or provisions of a higher priority have been made in full):

(i) *first, pro rata and pari passu*, (x) to pay all Bond Issuer Expenses then due and payable by the Bond Issuer, (y) to the Note Issuer (to pay to the Note Agents), the Bond Agents and the Account Banks, to pay the Agency Fees up to the Agency Fees Maximum Amount and (z) to the Note Issuer, to pay the Note Issuer Expenses;

(ii) *second, pro rata and pari passu*, (x) *pro rata and pari passu*, to each Swap Provider to pay the KRW Fixed Amount payable to such Swap Provider on such Swap Payment Date under the relevant Swap Agreement, (y) to the Bondholder, to pay any Bond Additional Amounts payable in respect of interest on each Bond on such Bond Payment Date and (z) *pro rata and pari passu*, to each Swap Provider, to pay any Swap Termination Amounts due but unpaid under the relevant Swap Agreement (where the Early Termination Date has been designated under such Swap Agreement as a result of a Swap Termination Event relating to an Illegality or a Tax Event or other than as a result of a Swap Event of Default under such Swap Agreement relating to the relevant Swap Provider or a Swap Termination Event, other than an Illegality or a Tax Event, where the relevant Swap Provider is the sole Affected Party);

(iii) *third, pro rata and pari passu*, to each Swap Provider, to pay any Extra Charges due but unpaid under the relevant Swap Agreement;

(iv) *fourth, pro rata and pari passu*, to each Swap Provider to pay the balance of any Swap Termination Amounts due but unpaid under the relevant Swap Agreement;

(v) *fifth*, to the Note Issuer (to pay to the Note Agents), the Bond Agents and the Account Banks, to pay the balance of the Agency Fees due or accrued due but unpaid on such date; and

(vi) *finally*, the balance, to be retained in the Bond Issuer Won Account and any remaining amount following redemption in full of the Bonds and satisfaction in full of all Trust Obligations, Bond Issuer Obligations and Note Issuer Obligations and any other payment payable under the Transaction Documents, to be paid to the relevant Equityholders (to an account to be advised to the Transaction Administrator by such Equityholders) as a distribution on its Equity Interest holdings in the Bond Issuer.

### *Principal Collections*

(b) The Transaction Administrator (on behalf of the Bond Issuer) shall apply all Principal Collections on deposit in the Bond Issuer Won Account on each Swap Payment Date and Bond Payment Date relating to a Collection Period, (to the extent of such sums and subject to "*—Currency of Payments*" above) on such Swap Payment Date and the Bond Payment Date in or towards the satisfaction of the following amounts (and in the case of amounts denominated in a currency other than Won, the Won Exchange Amount in relation to such amounts) in the following order of priority

(and in each case only and to the extent that payment or provisions of a higher priority have been made in full):

(i) *first*, in the case of a Bond Payment Date relating to a Collection Period which ends during the Controlled Amortisation Period, *pro rata* and *pari passu*, (x) *pro rata* in accordance with their Pro Rata Share, and *pari passu* to each Swap Provider, to pay any Won Principal Amount or Party B Final Exchange Amount payable on such Swap Payment Date under the relevant Swap Agreement and (y) to the Bondholder, to pay any Bond Additional Amounts payable in respect of principal of the Bonds on such Bond Payment Date; and

(ii) *finally*, the balance, to be retained in the Bond Issuer Won Account and any remaining amount following redemption in full of the Bonds and satisfaction in full of all Trust Obligations, Bond Issuer Obligations and Note Issuer Obligations and any other payment payable under the Transaction Documents, to be paid to the relevant Equityholders (to an account to be advised to the Transaction Administrator by such Equityholders) as a distribution on its Equity Interest holdings in the Bond Issuer.

***Payments during the Early Amortisation Period or following the Enforcement Date***

*Interest Collections*

(a) The Transaction Administrator (on behalf of the Bond Issuer) shall apply Interest Collections and other amounts (other than Principal Collections) on deposit in the Bond Issuer Won Account on each Swap Payment Date and Bond Payment Date that falls on or after the date on which an Early Amortisation Event is declared to have occurred or falling on or after the Enforcement Date, (to the extent of such sums and subject to the provisions of "*Currency of Payments*" above) on such Swap Payment Date and Bond Payment Date in or towards the satisfaction of the following amounts (and in the case of amounts denominated in a currency other than Won, the Won Exchange Amount in relation to such amounts) in the following order of priority (and in each case only and to the extent that payment or provisions of a higher priority have been made in full):

(i) *first*, *pro rata* and *pari passu*, (x) to pay all Bond Issuer Expenses then due and payable by the Bond Issuer and (y) to the Note Issuer (to pay to the Note Agents), the Bond Agents and the Account Banks, to pay the Agency Fees up to the Agency Fees Maximum Amount and (z) to the Note Issuer, to pay the Note Issuer Expenses;

(ii) *second*, *pro rata* and *pari passu*, (x) *pro rata* in accordance with their Pro Rata Share, and *pari passu* to each Swap Provider to pay the KRW Fixed Amount payable to such Swap Provider on such Swap Payment Date under the relevant Swap Agreement, (y) to the Bondholder, to pay any Bond Additional Amounts payable in respect of interest on the Bonds on such Bond Payment Date and (z) *pro rata* and *pari passu*, to each Swap Provider, to pay any Swap Termination Amounts due but unpaid under the relevant Swap Agreement (where the Early Termination Date has been designated under such Swap Agreement as a result of a Swap Termination Event relating to an Illegality or a Tax Event or other than as a result of a Swap Event of Default under such Swap Agreement relating to the relevant Swap Provider or a Swap Termination Event, other than an Illegality or a Tax Event, where the relevant Swap Provider is the sole Affected Party);

(iii) *third*, to be used as Principal Collections to pay amounts due under paragraph (b) below, the balance, if any, until all Bond Issuer Obligations, Note Issuer Obligations and Trust Obligations have been paid in full;

(iv) *fourth*, *pro rata* and *pari passu*, to each Swap Provider, to pay any Extra Charges due but unpaid under the relevant Swap Agreement;

(v) *fifth, pro rata and pari passu*, to each Swap Provider to pay the balance of any Swap Termination Amounts due but unpaid under the relevant Swap Agreement;

(vi) *sixth*, to the Note Issuer (to pay to the Note Agents), the Bond Agents and the Account Banks, to pay the balance of any amounts due or accrued due but unpaid on such date; and

(vii) *seventh*, the balance, to be retained in the Bond Issuer Won Account and any remaining amount following redemption in full of the Bonds and satisfaction in full of all Trust Obligations, Bond Issuer Obligations and Note Issuer Obligations and any other payment payable under the Transaction Documents, to be paid to the relevant Equityholders (to an account to be advised to the Transaction Administrator by such Equityholders) as a distribution on its Equity Interest holdings in the Bond Issuer.

#### *Principal Collections*

(b) The Transaction Administrator (on behalf of the Bond Issuer) shall apply all Principal Collections on deposit in the Bond Issuer Won Account on each Swap Payment Date and Bond Payment Date that falls on or after the date on which an Early Amortisation Event is declared to have occurred or falling on or after the Enforcement Date, (to the extent of such sums and subject to the provisions of "*Currency of Payments*" above) on such Swap Payment Date and Bond Payment Date in or towards the satisfaction of the following amounts (and in the case of amounts denominated in a currency other than Won, the Won Exchange Amount in relation to such amounts) in the following order of priority (and in each case only and to the extent that payment or provisions of a higher priority have been made in full):

(i) *first*, to the extent that there is any shortfall in the amount of Interest Collections standing to the credit of the Bond Issuer Won Account to satisfy in full the amounts payable under paragraphs (i) and (ii) of "*Payments during the Early Amortisation Period or following the Enforcement Date—Interest Collections*", an amount equivalent to such shortfall to be used as Interest Collections to pay amounts due under "*Payments during the Early Amortisation Period or following the Enforcement Date—Interest Collections*";

(ii) *second, pro rata and pari passu*, (x) *pro rata* in accordance with their Pro Rata Share, and *pro rata* to each Swap Provider to pay the Won Principal Amount or Party B Final Exchange Amount payable to such Swap Provider on such Swap Payment Date under the relevant Swap Agreement and (y) to the Bondholder to pay any Bond Additional Amounts payable in respect of principal of the Bonds on such Bond Payment Date;

(iii) *third, pro rata and pari passu*, to each Swap Provider, to pay any Extra Charges due but unpaid under the relevant Swap Agreement to the extent they will not be paid under paragraph (iv) under "*Payments during the Early Amortisation Period or following the Enforcement Date—Interest Collections*";

(iv) *fourth, pro rata and pari passu*, to each Swap Provider to pay any Swap Termination Amounts due to such Swap Provider under the relevant Swap Agreement, to the extent they will not be paid under paragraph (v) under "*Payments during the Early Amortisation Period or following the Enforcement Date—Interest Collections*"; and

(v) *finally*, the balance, to be retained in the Bond Issuer Won Account and any remaining amount following redemption in full of the Bonds and satisfaction in full of all Trust Obligations, Bond Issuer Obligations and Note Issuer Obligations and any other payment payable under the Transaction Documents, to be paid to the relevant Equityholders (to an account to be advised to the Transaction Administrator by such Equityholders) as a distribution on its Equity Interest holdings in the Bond Issuer.

## **APPLICATION OF FUNDS ON NOTE PAYMENT DATES**

### ***General***

The Note Issuer, as Bondholder, will receive payments in Singapore dollars on the Class A2 Bond into the Note Issuer A2 Account and on the Class A1 Bond into the Note Issuer A1 Account on each Bond Payment Date. The Note Trustee will apply all funds on deposit in the Note Issuer Accounts in satisfaction of the Note Issuer Obligations on each Note Payment Date.

### ***Distributions during the Revolving Period and Controlled Amortisation Period***

All amounts standing to the credit of the Note Issuer A1 Account and, solely where set out below, the Note Issuer A2 Account on each Note Payment Date immediately following a Trust Distribution Date which falls in the Revolving Period or the Controlled Amortisation Period will, to the extent of such sums, be applied in or towards the satisfaction of the following amounts in the following order of priority (and in each case only and to the extent that payment or provisions of a higher priority have been made in full):

- (i) *first, pro rata and pari passu*, (a) to the Note Agents, to pay the Agency Fees up to the Agency Fees Maximum Amount and (b) to pay all Note Issuer Expenses;
- (ii) *second*, (a) from the Note Issuer A1 Account, to the Class A1 Noteholders to pay the Note Interest Amount due or accrued due in respect of the Class A1 Notes but unpaid on such Note Payment Date and (b) from the Note Issuer A2 Account, to the Class A2 Noteholders to pay the Note Interest Amount due or accrued due in respect of the Class A2 Notes but unpaid on such Note Payment Date;
- (iii) *third*, (a) from the Note Issuer A1 Account, to the Class A1 Noteholders to pay any Scheduled Amortisation Amounts due or accrued due in respect of the Class A1 Notes but unpaid on such Note Payment Date and (b) from the Note Issuer A2 Account, to the Class A2 Noteholders to pay any Scheduled Amortisation Amounts due or accrued due in respect of the Class A2 Notes but unpaid on such Note Payment Date;
- (iv) *fourth*, to the Note Agents, to pay the balance of the Agency Fees due or accrued due but unpaid on such date; and
- (v) *fifth*, the balance, to be retained in the relevant Note Issuer Account and applied towards payments under the Note Trust Deed on the next succeeding Note Payment Date.

### ***Distributions during the Early Amortisation Period or following the Note Enforcement Date***

All amounts standing to the credit of the Note Issuer A1 Account and, solely where set out below, the Note Issuer A2 Account on each Note Payment Date immediately following a Trust Distribution Date which falls in the Early Amortisation Period or on or after the Note Enforcement Date will, to the extent of such sums, be applied in or towards the satisfaction of the following amounts in the following order of priority (and in each case only and to the extent that payment or provisions of a higher priority have been made in full):

- (i) *first, pro rata and pari passu*, (a) to the Note Agents, to pay (i) on each Note Payment Date immediately following a Trust Distribution Date which falls in the Early Amortisation Period, the Agency Fees up to the Agency Fees Maximum Amount or (ii) on each Note Payment Date immediately following a Trust Distribution Date which falls on or after the Note Enforcement Date, the Agency Fees and (b) to pay all Note Issuer Expenses;

(ii) *second*, (a) from the Note Issuer A1 Account, to the Class A1 Noteholders to pay the Note Interest Amount due or accrued due in respect of the Class A1 Notes but unpaid on such Note Payment Date and (b) from the Note Issuer A2 Account, to the Class A2 Noteholders to pay the Note Interest Amount due or accrued due in respect of the Class A2 Notes but unpaid on such Note Payment Date;

(iii) *third*, (a) from the Note Issuer A1 Account, to the Class A1 Noteholders to pay the aggregate Principal Amount Outstanding under the Class A1 Notes on such Note Payment Date and (b) from the Note Issuer A2 Account, to the Class A2 Noteholders to pay the aggregate Principal Amount Outstanding under the Class A2 Notes on such Note Payment Date;

(iv) *fourth, pro rata and pari passu*, to the Note Agents, to pay on each Note Payment Date immediately following a Trust Distribution Date which falls in the Early Amortisation Period, the balance of the Agency Fees due or accrued due but unpaid on such date; and

(v) *fifth*, the balance, in the case of a Note Payment Date that falls during the Early Amortisation Period, to be retained in the relevant Note Issuer Account and applied towards payments under the Note Trust Deed on the next succeeding Note Payment Date and, otherwise, to the Note Issuer.

## **RISK FACTORS**

*Prior to investing in the Class A2 Notes, prospective investors should carefully consider the risks described below, together with all of the information in this Prospectus.*

The following is a summary of certain risks involved in an investment in the Class A2 Notes, of which any prospective investor should be aware. It is not intended to be exhaustive and any prospective investor should also take independent tax, legal and other relevant advice as to the structure and viability of making an investment in the Class A2 Notes.

### **Risks Relating to the Class A2 Notes**

#### ***Liability under the Class A2 Notes***

The payment obligations of the Class A2 Notes will be the obligations of the Note Issuer and will not be obligations or responsibilities of any other person or entity. In particular, the Class A2 Notes will not be obligations or responsibilities of, and will not be guaranteed by, the Bond Issuer, the Trustee, the Bond Agents, the Note Agents, the Lead Manager, the Class A2 Initial Subscriber, any company in the same group of companies as, or affiliated to, such parties or any other party. None of these persons will accept any liability to the Noteholders whatsoever in respect of any failure by the Note Issuer to pay any amount due under the Class A2 Notes.

#### ***Limited Recourse***

Recourse against the Note Issuer, and the liability of the Note Issuer, in relation to its obligations under the Class A2 Notes will be limited to the Note Security and the amounts from time to time available in accordance with, and in the order of priority set out in, the Note Trust Deed. Class A2 Noteholders will have no claim or recourse against the Note Issuer in respect of any unsatisfied amounts after the application in accordance with the Note Trust Deed of the funds comprising the Note Security and/or representing the proceeds of realisation thereof.

In such event, and following liquidation of the available funds and remaining obligations under the Class A2 Notes, all other outstanding obligations of the Note Issuer will be waived and extinguished. None of the shareholders, officers, directors or incorporators of the Note Issuer will be obliged to make payments on the Class A2 Notes.

#### ***Limited Liquidity***

The Class A2 Notes comprise a new issue of securities for which there is no current public market. There can be no assurance that a secondary market in the Class A2 Notes will develop, or if a secondary market does develop, that it will provide the Noteholders with liquidity of investment or that it will be sustained. The market value of the Class A2 Notes may fluctuate depending on factors including, among others:

- (a) prevailing interest rates;
- (b) the credit quality of the Receivables;
- (c) the financial condition and stability of the Korean financial sector;
- (d) political and economic developments in Korea; and
- (e) market conditions for similar securities.

Consequently, any sale of Class A2 Notes by Class A2 Noteholders in any secondary market which may develop may be at a discount from the original purchase price of such Class A2 Notes and an investor in the Class A2 Notes must be prepared to hold the Class A2 Notes for an indefinite period of time or until their maturity. Application has been made to list the Class A2 Notes on the SGX-ST. The

Note Issuer does not intend to apply for listing of the Class A2 Notes on any stock exchange other than the SGX-ST.

***Withholding Taxes under the Class A2 Notes***

In the event that withholding taxes are imposed on payments to Class A2 Noteholders of amounts due under the Class A2 Notes, the Note Issuer will withhold or deduct the relevant amount from such payment. The Note Issuer is not obliged to make any additional payments as a result of the imposition of such withholding taxes on the Class A2 Notes.

***Rating of the Class A2 Notes***

The rating assigned to the Class A2 Notes by the Rating Agency is based primarily on:

- (a) the credit quality and diversification of the Receivables;
- (b) assessment of relevant structural features of the transaction; and
- (c) the likelihood of the timely payment of interest and the ultimate payment of principal on the Class A2 Notes on a date that is not later than the Note Legal Maturity Date.

The rating is not a recommendation to purchase, hold or sell the Class A2 Notes, as such rating does not comment as to market price or suitability for a particular investor. There is no assurance that any rating will be sustained for any given period of time or that the rating will not be lowered or withdrawn entirely by the Rating Agency if, in its judgment, circumstances in the future so warrant. Any decline in the financial condition of the Note Issuer or the insolvency of the Note Issuer may impair the ability of the Note Issuer to make payments to the Noteholders under the Class A2 Notes and/or result in a downgrading of the ratings of the Class A2 Notes.

A rating does not address the risk of prepayment or the possibility that Noteholders might suffer a lower than anticipated yield. Rating agencies other than the Rating Agency could elect to rate the Class A2 Notes and, if such "shadow ratings" are lower than the comparable ratings assigned to the Class A2 Notes by the Rating Agency, such ratings could have an adverse effect on the value of the Class A2 Notes.

There is no specific obligation on the part of the Bond Issuer, the Note Issuer, the Lead Manager, the Class A2 Initial Subscriber, the Note Trustee or any other person or entity to maintain or procure maintenance of any rating of the Class A2 Notes. Any reduction or withdrawal of a rating will not constitute a Note Event of Default with respect to the Class A2 Notes or an event requiring the Note Issuer to redeem the Class A2 Notes.

***Dependence on Collections and Performance of Contractual Obligations***

The ability of the Note Issuer to meet its obligations to pay interest and principal on the Class A2 Notes will depend on timely payments under the Investor Interest, the Class A2 Bond and the Class A2 Swap Agreement and on the due performance by the other parties to the Transaction Documents of their obligations thereunder. In addition, payments of interest and principal on the Class A2 Notes will rank *pari passu* with payments of interest and principal on the Class A1 Notes.

***No Operating History***

The Note Issuer is a newly formed entity with no operating history and no material assets other than the Bonds. The Note Issuer will not engage in any business activity other than the issuance of the Class A2 Notes and the Class A1 Notes, certain activities conducted in connection with the payment of amounts in respect of the Notes and other activities incidental or related to the foregoing. Income derived from the Bonds will be the Note Issuer's principal source of funds.



### ***No Investigation***

No investigation, and limited searches and enquiries, have been made by or on behalf of the Note Issuer, the Lead Manager and the Class A2 Initial Subscriber, and no investigations, searches and enquiries have been made by or on behalf of the Agents, in respect of the Note Issuer or the Note Security. The Agents will not be bound or concerned to make any investigation into the creditworthiness of any party in respect of the Note Security, the validity of any of such party's obligations under or in respect of the Note Security or any of the terms of the Note Security. Prospective investors should take their own tax, legal, accounting and other relevant advice as to the structure and viability of the Class A2 Notes and the collateral therefor and their investment therein.

### ***FATCA***

Under provisions of U.S. law commonly referred to as "**FATCA**", withholding may be required on, among other things, (i) certain payments made by "foreign financial institutions" (ii) certain U.S. source payments (including dividend equivalent payments) and (iii) payments of gross proceeds from the disposition of assets that can produce U.S. source interest or dividends (including assets that generate dividend equivalent payments), in each case, to persons that fail to meet certain certification, reporting, or related requirements. The Note Issuer is a Reporting Model 1 FFI for these purposes. The Cayman Islands has entered into an intergovernmental agreement (the "**U.S. IGA**") with the U.S. The Note Issuer will be required to comply with the Cayman Islands Tax Information Authority Law (2017 Revision) (as amended) together with regulations and guidance notes made pursuant to such Law that give effect to the U.S. IGA. To the extent the Note Issuer is a "Reporting Cayman Islands Financial Institution" (as defined in the U.S. IGA), the Note Issuer will be required to undertake due diligence procedures that generally provide for the identification of certain direct and indirect U.S. investors and reporting to the Cayman Islands Tax Information Authority (the "**TIA**") certain information with respect to such investors. The Cayman Islands Tax Information Authority will exchange such information with the U.S. Internal Revenue Service ("**IRS**") under the terms of the U.S. IGA. Provided the Note Issuer complies with its obligations under the U.S. IGA and the Cayman Islands implementing authorities, the Note Issuer generally will not be subject to withholding under FATCA, either on payments it makes or receives. The Note Issuer will endeavour to comply with these requirements and expects it will be able to do so.

On 29 October 2014, the Cayman Islands along with 50 other jurisdictions signed a Multilateral Competent Authority Agreement (the "**Multilateral Agreement**") to demonstrate its commitment to implement the OECD Standard for Automatic Exchange of Financial Account Information – Common Reporting Standard (the "**CRS**"). The Tax Information Authority (International Tax Compliance) (Common Reporting Standard) Regulations, 2015, which require extensive due diligence to be undertaken on new and pre-existing accounts, were enacted on 16 October 2015 with reporting commencing on such accounts in 2017. With more than 100 countries having since agreed to implement the CRS, which will impose similar reporting and other obligations as the U.S. IGA with respect to the Class A2 Noteholders who are tax resident in other signatory jurisdictions, the Note Issuer will be required to report to the Cayman Islands Tax Information Authority on an annual basis, with account information being disseminated by the Cayman Islands Tax Information Authority to tax authorities around the globe. The Cayman Islands government may also enter into additional agreements with other countries in the future, and additional countries may adopt CRS, which will likely further increase the reporting and/or withholding obligations of the Note Issuer.

Whilst the Class A2 Notes are in global form and held within Euroclear or Clearstream (together, the "**ICSDs**"), it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Class A2 Notes by the Note Issuer, any paying agent and the common depositary, given that each of the entities in the payment chain from (but excluding) the Note Issuer to (but including) the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Class A2 Notes. However, it should be noted that information relating to Class A2 Noteholders and their investments in the Class A2 Notes may need to be reported under regulations made pursuant to

FATCA and/or CRS by financial institutions through which Class A2 Noteholders collect payments made to them under the Class A2 Notes.

If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Class A2 Notes as a result of FATCA, none of the Note Issuer, any paying agent or any other person would, pursuant to the terms and conditions of the Class A2 Notes be required to pay additional amounts as a result of the deduction or withholding. As a result, investors may receive less interest or principal than expected.

FATCA and similar reporting regimes are particularly complex and their application is uncertain at this time. The above description is based in part on regulations, official guidance and intergovernmental agreements, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their own tax advisers to obtain a more detailed explanation of FATCA and how FATCA may affect them.

#### ***A Change in Singapore Tax Laws May Adversely Affect the Class A2 Noteholders***

The Class A2 Notes to be issued are intended to be "qualifying debt securities" for the purposes of the Income Tax Act, Chapter 134 of Singapore ("SITA"), subject to the fulfilment of certain conditions more particularly described in the section "*Taxation—Singapore Taxation*". However, there is no assurance that the Class A2 Notes will continue to be "qualifying debt securities" or that the tax concessions in connection therewith will apply throughout the tenure of the Class A2 Notes should the relevant tax laws be amended or revoked at any time.

#### **Risks Relating to the Receivables**

##### ***Entrustment of Receivables***

Under the Trust Agreement, the Originator will entrust to the Trustee on the Initial Entrustment Date, for the benefit of the Interestholders, all of its rights, title, interest and benefit (present and future, actual and contingent) in, to and under:

- (a) all the Receivables existing as of the close of business on the Initial Cut-off Date in the Initial Accounts; and
- (b) all Receivables arising from time to time thereafter in the Initial Accounts until the earlier of (i) the date on which all Bond Issuer Obligations, Note Issuer Obligations and Trust Obligations have been paid in full and (ii) the Note Legal Maturity Date.

On each subsequent Entrustment Date, the Originator may entrust to the Trustee for the benefit of the Interestholders, all of its rights, title, interest and benefit (present and future, actual and contingent) in, to and under all the Receivables arising under Additional Accounts as of the relevant Cut-off Date and all Receivables arising under the Additional Accounts from time to time thereafter until the Trust Termination Date.

Korean counsel to the Lead Manager has advised that they are not aware of any court precedents as to whether the entrustment of Receivables pursuant to the Trust Agreement could be cancelled or avoided under the Civil Code, the Trust Act or the Consolidated Insolvency Act of Korea. Korean counsel to the Lead Manager will opine that, subject to certain assumptions and qualifications set forth in their opinion, the entrustment of the Receivables by the Originator to the Trustee pursuant to the Trust Agreement would not be set aside or avoided under the Civil Code, the Trust Act or the Consolidated Insolvency Act of Korea. There can be, however, no assurance that a Korean court would not decide otherwise.

In particular, Korean counsel to the Lead Manager will opine that the entrustment of the Receivables existing in the Initial Accounts as of the Initial Cut-off Date will be valid as of the Closing Date, although there is no court precedent directly on point and a Korean court may therefore find to the contrary. In addition, according to Korean counsel to the Lead Manager, under Korean court

precedents, the entrustment on the Closing Date of the New Receivables will be valid as of the Closing Date so long as such New Receivables can be reasonably specified and are to a significant or reasonable degree expected to be generated in the future. Korean counsel's opinion will be subject to certain assumptions, including the assumptions that:

- (a) the historical details of the composition of Accounts by Cardholder age, geographical region, Account age, number of cards held by Accountholders, BSS Score, outstanding principal balance, total credit limit, payment method, payment date and delinquency history set forth in this Prospectus are true and accurate in all material aspects; and
- (b) the representations and warranties made by the Originator in the Trust Agreement covering such or other similar matters are true and accurate in all material aspects.

These assumptions are made to satisfy the requirements set forth above for the valid transfer of the New Receivables by the Originator to the Trustee. If any of these assumptions proves to be incorrect, or if for any other reason a Korean court determines that all or a part of the entrustment of Receivables or New Receivables to the Trustee is not valid, then such Receivables will not form part of the Trust Assets, and all or a portion of the payments otherwise expected to be made by the Trustee arising from collections on the Receivables (including payments on the Investor Interest) may be delayed or not made at all, resulting in the Bond Issuer not receiving sufficient funds to make payments when due under the Class A2 Bond and, consequently, the Note Issuer not receiving sufficient funds to make payments when due under the Class A2 Notes.

### ***Perfection***

The Receivables are the only assets available to the Trustee to support its obligations in respect of the Investor Interest. Korean counsel to the Lead Manager will opine generally that:

- (a) the entrustment of all Receivables on the Closing Date will be perfected against third parties (other than the Accountholders) upon registration of such entrustment with the FSC on such date pursuant to the ABS Act; and
- (b) although there is no court precedent directly on point, the entrustment of all New Receivables on the Closing Date will be perfected against third parties (other than the Accountholders) upon registration of such entrustment with the FSC on such date pursuant to the ABS Act.

Under Korean law, in order to validly perfect an ownership interest in monetary claims or contractual rights, such as the Receivables, against the applicable account debtor, individual written notice must be given to the relevant account debtor. Pursuant to the provisions of the Trust Agreement, such notices are not required to be given to Accountholders until the Early Amortisation Period has commenced or a Servicer Termination Event has occurred. Korean counsel to the Lead Manager has advised that the Trustee's interest in the Receivables, while perfected against third parties, will not be perfected against Accountholders until such notices are delivered.

### ***Breach of Asset Warranties***

No investigations, searches or enquiries have been made by or on behalf of the Note Issuer, the Lead Manager, the Class A2 Initial Subscriber, the Agents or the Bond Issuer in respect of the Receivables. The Agents shall not be bound or concerned to make any investigation into the creditworthiness of the Receivables or the Accountholders. The parties rely solely on the representations and warranties to be given by the Originator in respect of the Receivables and the Accounts on each Entrustment Date, without further verification. Any breach of the Asset Warranties may adversely affect the cashflow generated from the Receivables and thus may affect the ability of the Note Issuer to make timely payments under the Class A2 Notes.

If there is a breach of any of the Asset Warranties with respect to any Receivable, the Originator may be required to pay the Reassignment Price for such Receivable (and all other Receivables in the

Designated Account in which such Receivable arose) to the Trustee. If the Receivable is not reassigned to the Originator and such Receivable subsequently becomes a Defaulted Receivable, the Originator is obliged to indemnify the Trustee in an amount equal to the Reassignment Price for such Receivable. There can be no assurance that the Originator will have sufficient funds to pay the Reassignment Price for the Receivables.

### ***Fluctuation of the Designated Accounts***

There can be no assurance that the level at which New Receivables are created in the Designated Accounts will not decrease. In addition, there can be no assurance that any New Receivables will arise. The amount of Receivables to which the Trustee is entitled from time to time will fluctuate as Receivables are reassigned to the Originator, New Receivables are generated in Designated Accounts, existing Receivables are collected, written off as uncollectible or otherwise become subject to a Receivable Balance Adjustment. A significant decline in the amount of New Receivables, or delinquencies or defaults on the Receivables exceeding certain specified levels provided in the Trust Agreement and described herein, may result in reduced Collections on the Receivables and may increase the likelihood of the occurrence of an Early Amortisation Event. If an Early Amortisation Event occurs, the Bond Issuer may be unable to make timely payments of interest and principal on the Class A2 Bond and, consequently, the Note Issuer may be unable to make timely payments of interest and principal on the Class A2 Notes.

### ***Credit Quality***

As at the Initial Cut-off Date, the Designated Accounts contained no Receivables with respect to which any due and payable payment had not been made when first due. The Originator has a team of credit analysts to monitor the credit of cardholders including the Accountholders by using credit risk management systems. See "*The Originator—Underwriting*". However, there can be no assurance that the credit risk management procedures employed by the Servicer will be effective or will be maintained at their current levels.

Several factors including competition from other credit card companies may result in a lowering of interest rates and/or credit quality which could affect the credit quality of the Receivables in future Collection Periods.

### ***Reliance on the Servicer***

The Receivables in the Designated Accounts will be entrusted by the Originator to the Trustee. The Servicer has been appointed by the Trustee to collect payments and enforce the obligations of each Accountholder, although the Servicer may be terminated on the occurrence of a Servicer Termination Event. If the initial Servicer for any reason ceases to be the Servicer, the Back-up Servicer will become the Servicer. There can be no assurance that the Servicer (including the Back-up Servicer acting as Servicer) will be successful in collecting payments on the Receivables and there can be no assurance that the Servicer will remit all amounts received by it from Accountholders to the Trustee. From the date which is two months after the Closing Date, the Accountholders will make payments with respect to the Receivables to the Trustee through (i) Automatic Debit Agreements entered into by the Originator, the Trustee and the Automatic Debit Banks or (ii) CMS Arrangements. The Servicer is obliged to transfer Collections received by it from Accountholders using payment methods other than Auto Debit to the Trust Collection Account, although such amounts may be set-off against any Daily Cash Release payable by the Trustee to the Seller Interestholder, the Subordinated Seller Interestholder and the Servicer. A failure on the part of the Servicer to remit or procure the remittance of such payments to the Trust Collection Account in accordance with the Trust Agreement and the Servicing Agreement may adversely affect the Trustee's ability to make payments in respect of the Investor Interest and, in turn, the Bond Issuer's ability to pay interest and/or principal when due on the Class A2 Bond and, ultimately, the Note Issuer's ability to make payments of interest and principal on the Class A2 Notes when due.

### ***Mismatches between Interest Rates***

Interest payments by Accountholders under all Receivables are calculated based upon a fixed interest rate and are paid by Accountholders on one of the twenty-seven payment dates throughout each Collection Period. Interest payments on the Class A2 Notes are calculated based on a fixed interest rate and are paid on Note Payment Dates. In order to hedge the interest rate risk arising as a result of these differences, the Bond Issuer will enter into a Class A2 Swap Agreement with the Class A2 Swap Provider. See "*Transaction Overview—Swap Arrangements*". Although the Class A2 Swap Agreement is being entered into in order to mitigate the risks associated with, *inter alia*, the mismatch in the interest rates between the Receivables and the Class A2 Bond, there can be no guarantee that the Class A2 Swap Agreement will be sufficient in all circumstances (including following any default by the Class A2 Swap Provider) to hedge such interest rate risk. Such a mismatch in interest rates may adversely affect the Bond Issuer's ability to pay amounts due in respect of the Class A2 Bond and, consequently, the Note Issuer may be unable to make timely payments of interest and principal on the Class A2 Notes.

Furthermore, the Class A2 Swap Agreement may be terminated before its scheduled termination dates (being the Swap Payment Date falling in November 2024) if a Swap Event of Default or a Swap Termination Event occurs under the Class A2 Swap Agreement. In the event that the Class A2 Swap Agreement is so terminated before their scheduled termination dates, a Swap Termination Amount may be payable by the Bond Issuer to the Class A2 Swap Provider. Depending on prevailing market conditions, the amounts payable in any such case may be substantial thus reducing the amount of funds available to the Note Issuer to make payments on the Class A2 Notes.

### **Risks Relating to the Originator's Business**

#### ***Market Conditions***

In recent years, credit card and other consumer debt has increased significantly in Korea. As of 31 December 2019, KB Kookmin Card's total assets amounted to KRW20.99 trillion and its net income amounted to KRW317 billion, compared to total assets of KRW20.53 trillion and net income of KRW287 billion as of 31 December 2018. The Originator's large exposure to credit card and other consumer debt means that it is exposed to changes in economic conditions affecting Korean consumers in general. For example, a rise in unemployment, an increase in interest rates, a downturn in the real estate market, or a general contraction or other difficulties affecting the Korean economy may lead Korean consumers to reduce spending (a substantial portion of which is conducted through credit card transactions), which in turn leads to reduced earnings for the Originator's credit card business, as well as to higher default rates on credit card loans, deterioration in the quality of the Originator's credit card assets and increased difficulties in recovering written-off assets from which a significant portion of the Originator's revenues is derived. Any of these developments could have a material adverse effect on the Originator's business, financial condition and results of operations and consequently on the ability of the Note Issuer to make timely payments of principal and interest on the Class A2 Notes.

#### ***Government Measures***

In addition, recent Government regulations aimed at protecting small- and medium-sized enterprises, such as the reduction of fees chargeable to small- and medium-sized merchants, could have a material adverse effect on the Originator's revenues. Starting in 2019, the Government expanded the definition of small- and medium-sized merchants from those with annual sales of up to KRW500 million to those with annual sales of up to KRW3 billion, and lowered fees chargeable to small- and medium-sized merchants by up to 0.65 per cent. The Government also lowered fees chargeable to merchants with annual sales between KRW3 billion and KRW10 billion by 0.3 per cent. and those chargeable to merchants with annual sales between KRW10 billion and KRW50 billion by 0.22 per cent. The Government has also amended the calculation method of marketing costs so as to charge certain marketing costs to large-sized merchants having direct benefits from such marketing activities and

also to apply a marketing expense cap on the basis of annual sales. The Government may, in the future, impose further reduction in merchant fees chargeable by credit card companies. Furthermore, the Government may also introduce tax incentives and other measures to encourage the use of cheque cards (akin to debit cards in the U.S. where all outstanding balances are settled monthly) in lieu of credit cards in an attempt to pre-empt a potential rise in delinquency among credit card users, and if cheque cards are widely used in lieu of credit cards, this would reduce interest income from credit cards, which generally have a longer repayment period than that of cheque cards, and may have an adverse impact on the Originator's revenues and results of operations and consequently on the ability of the Note Issuer to make timely payments of principal and interest on the Class A2 Notes. In line with industry practice, the Originator has restructured certain of its delinquent loan balances. As of 31 December 2019, the outstanding amount of these restructured loans amounted to KRW116 billion.

### ***Regulatory Sanctions***

Following investigations into certain data breaches by some Korean credit card companies in January 2014, the FSS imposed a mandatory suspension of the Originator's business and of the business of two other Korean credit card companies: Lotte Card and NH Nonghyup Card. All three companies resumed full business operations in May 2014. The FSS, as the regulator of credit card companies in Korea, has authority to impose a wide range of sanctions on the companies following investigation into alleged malpractice. While the Originator is not under investigation by the FSS and its operations have not been suspended or otherwise restricted, no assurance can be given that the FSS may not seek to impose sanctions on the Originator again in the future. If any such sanctions were imposed on the Originator in the future, the business, financial condition and results of operations of the Originator may be adversely affected, which in turn may adversely affect the ability of the Note Issuer to make timely payments of principal and interest on the Class A2 Notes.

### ***Competition***

Competition in the credit card and consumer finance businesses remains intense as existing credit card companies, commercial banks, consumer finance companies and other financial and mobile telecommunications institutions in Korea have made significant investments and engaged in aggressive marketing campaigns and further matures and becomes more saturated in terms of the number of cardholders and transaction volume, the average credit quality of the Originator's customers may deteriorate if customers with higher credit quality borrow from the Originator's competitors rather than the Originator and it may become more difficult for the Originator to attract and maintain quality customers.

### ***Maintenance of Market Position***

The Originator's ability to maintain its market position and continue its asset growth in the future will depend on, among others, its ability to (i) develop and market new products and services that are attractive to its customers, (ii) generate funding at commercially reasonable rates and in amounts sufficient to support preservation of assets and further asset growth, (iii) develop the personnel and systemic infrastructure necessary to manage its growth and increasingly diversified business operations and (iv) manage increasing delinquencies. In addition, external factors such as competition and Government regulation in Korea may limit the Originator's ability to maintain its growth, and economic and social developments in Korea, such as changes in consumer confidence levels or spending patterns, as well as changes in the public perception of credit card usage and consumer debt, could have an adverse impact on the growth of the Originator's credit card assets in the future. Furthermore, if the Originator fails to simultaneously manage its asset quality and its asset growth or sacrifices asset quality in exchange for asset growth, its delinquency ratio may be adversely affected. If the rate of growth of the Originator's assets declines or becomes negative or its delinquency ratio increases, the business, financial condition and results of operations of the Originator may be adversely affected, which in turn may adversely affect the ability of the Note Issuer to make timely payments of principal and interest on the Class A2 Notes.

## ***Customer Base***

Increasing consumer and corporate spending and borrowing on the Originator's card products and growth in card lending balances depend in part on the Originator's ability to develop and issue new or enhanced card and prepaid products and increase revenue from such products and services. The Originator's future earnings and profitability also depend on its ability to attract new cardholders, reduce cardholder attrition, increase merchant coverage and capture a greater share of customers' total credit card spending in Korea and overseas. The Originator may not be able to manage and expand cardholder benefits in a cost-effective manner or contain the growth of marketing, promotion and reward expenses to a commercially reasonable level. If the Originator is not successful in increasing customer spending or in containing costs or cardholder benefits, its financial condition, results of operations and cash flow could be negatively affected, which in turn may have an adverse effect on the ability of the Note Issuer to make timely payments of principal and interest on the Class A2 Notes.

## **Risks Relating to Korea**

### ***Legislation***

Korean consumer protection laws regulate the creation, enforcement and collection of consumer loans, including consumer credit accounts and receivables. The most significant of such laws include the Specialised Credit Financial Business Act, the Instalment Transactions Act and the Door-to-Door Sales Act. These laws:

- (a) impose on credit card companies disclosure requirements in respect of certain rates including interest rates, discount rates and default charge rates, payment methods and matters related to the use of stolen or lost cards;
- (b) limit customer and merchant liability for unauthorised use;
- (c) prohibit a transfer of sales slips to any party other than credit card companies; and
- (d) prohibit sales slips from being produced by any party other than credit card merchants.

Changes or additions to such laws may impede the Servicer's collection efforts on the Receivables or may reduce the finance charges and other fees that the Originator may charge on Accounts, in either case resulting in reduced collections on the Receivables. A Receivable that does not comply with consumer protection laws may not be valid or enforceable in accordance with its terms against the applicable Accountholder, which would constitute a breach of an Asset Warranty relating to such Receivable.

The new Corporate Restructuring Promotion Act (Act No. 15855) (the "**CRPA**") was enacted and became effective on 16 October 2018 and will remain in effect until 16 October 2023. The CRPA restricts certain creditor financial institutions' ability to enforce security interests given by a company which may not be able to repay its borrowings without external financial support or additional borrowings (other than borrowings in the ordinary course of business) (a "**Failing Company**"), and is intended, among other things, to promote the corporate restructuring of Korean companies by market mechanisms.

### ***Regulation by the FSC and FTC***

The Originator's business is subject to regulation by the FSC which may require the payment of fines, prohibit the Originator from acquiring new customers or impose other penalties in circumstances where the Originator is in breach of FSC regulations. No assurance can be given that circumstances will not arise that entitle the FSC to impose fines or other penalties on the Originator in the future or to issue further regulations which may have a restrictive effect on the ability of the Originator to generate new Accounts.

### *Adverse Economic Developments*

Both the Originator and the Bond Issuer are incorporated in Korea and substantially all of the Originator's operations and customers, including the Accountholders, are located in Korea. The Originator, the Bond Issuer and the Accountholders are subject to political, economic, legal and regulatory risks specific to Korea. In recent months, the overall Korean economy has shown signs of deterioration due to the debilitating effects of the ongoing COVID-19 pandemic, which has also had an adverse effect on the global economy. Future recovery and growth of the economy is subject to many factors beyond the control of the Originator and the Bond Issuer.

Events outside Korea also impact the financial markets and the economy in Korea. In recent years, adverse conditions and volatility in the worldwide financial markets, fluctuations in oil and commodity prices and the increasing weakness of the global economy due to, among other things, the COVID-19 pandemic have contributed to the uncertainty of global economic prospects in general and have adversely affected, and may continue to adversely affect, the Korean economy. Any future deterioration of the Korean and global economy could adversely affect the Originator's business, financial condition and results of operations.

Developments that could damage Korea's economy in the future include:

- further deterioration of the fiscal crisis in Europe, downgrades in the sovereign or other credit ratings of the U.S. and other countries, instability in the value of major currencies and continuing difficulties in the housing and financial sectors in the U.S. and elsewhere and the resulting adverse effects on the global financial markets;
- financial problems relating to Korean conglomerates known as *chaebols*, or their suppliers, and their potential adverse impact on Korea's financial sector;
- loss of investor confidence arising from corporate accounting irregularities and corporate governance issues of certain chaebols;
- a slowdown in consumer spending and the overall economy;
- an unanticipated deterioration of consumer credit quality;
- uncertainty and volatility in real estate prices arising, in part, from the Government's policy-driven tax and other regulatory measures;
- adverse changes or volatility in foreign currency reserve levels, commodity prices (including oil prices), exchange rates (including depreciation of the U.S. dollar or Japanese Yen), interest rates and stock markets;
- increased reliance on exports to service foreign currency debts, which could cause friction with Korea's trading partners;
- adverse developments in the economies of countries such as the U.S., China and Japan to which Korea exports, or in emerging market economies in Asia or elsewhere that could result in a loss of confidence in the Korean economy;
- the economic effects of the newly ratified free trade agreement between the U.S. and Korea and any pending or future free trade agreements;
- the continued emergence of China, to the extent its benefits (such as increased exports to China) are outweighed by its costs (such as competition in export markets or for foreign investment and the relocation of the manufacturing base from Korea to China);
- social and labour unrest or declining consumer confidence or spending resulting from lay-offs, increasing unemployment and lower levels of income;



- a decrease in tax revenues and a substantial increase in the Government's expenditures for unemployment compensation and other social programmes that, together, lead to an increased government budget deficit;
- political uncertainty and increasing strife among or within political parties in Korea, including as a result of the increasing polarisation of the positions of the ruling party and the opposition;
- a deterioration in economic or diplomatic relations between Korea and its trading partners or allies, including such deterioration resulting from trade disputes or disagreements in foreign policy;
- hostilities involving oil producing countries in the Middle East and any material disruption in the supply of oil or increase in the price of oil resulting from those hostilities;
- an increase in the level of tensions or an outbreak of hostilities between North Korea and Korea and/or the U.S.;
- any economic instability and ramifications caused in the event of reunification of Korea and North Korea and a transition period that follows; and
- any other developments that have a material adverse effect in the global economy, such as an act of war, a terrorist act, natural disasters such as the earthquake and tsunami in Japan in March 2011 and the resulting leakage of nuclear materials, and the related disruptions in the economies of Japan and other countries or a breakout of an epidemic such as Middle East Respiratory Syndrome ("MERS"), Severe Acute Respiratory Syndrome ("SARS"), H5N1 avian flu, human swine flu (also known as Influenza A) ("H1N1"), H7N9, Zika Virus Disease and the ongoing outbreak of the COVID-19 pandemic.

Any developments that could adversely affect Korea's economic recovery are likely also to have a material adverse effect on the Originator's business, financial condition and results of operations.

### ***The ongoing global pandemic of COVID-19***

COVID-19, an infectious disease caused by a new strain of coronavirus, was first reported to have been transmitted to humans in late 2019 and was declared a "pandemic" by the World Health Organization on 12 March 2020. COVID-19 has spread in Korea and globally over the course of 2020 to date. Measures introduced by the Korean government to contain the outbreak in Korea (including social distancing, travel restrictions, strict self-isolation, quarantine and cancellations of gatherings and events) have impacted the operation of businesses, reduced regional travel and trade and lowered industrial production and consumption demand in Korea.

The COVID-19 pandemic has significantly disrupted the global economy and has had an adverse impact on international trade and business activities. The Originator's business operations have been significantly impacted by the resulting volatility in the global financial markets. The Government has implemented numerous measures intended to alleviate the adverse impact of the COVID-19 pandemic on the Korean economy and stabilise the financial markets. However, the economic outlook for Korea in 2020 and for the foreseeable future remains highly uncertain. As at the date of this Prospectus, the Originator is not able to predict how long the COVID-19 pandemic will last or ascertain the full magnitude of the overall damage that may result from the pandemic in the short-term or long-term on its business, financial condition, results of operations or prospects, which will likely be materially and adversely affected in the event that the COVID-19 pandemic cannot be effectively and timely contained.

### ***Labour Unrest***

A downturn in the Korean economy, as well as the associated increase in the number of corporate restructurings and bankruptcies, may cause large-scale layoffs and increased unemployment in Korea. Increased unemployment may lead to social unrest and substantially increase the Government's expenditure for unemployment compensation and other costs for social programmes. There can be no

assurance that layoffs will not occur in the future or that labour unrest will not continue or escalate further. Increasing unemployment and continuing labour unrest could disrupt the operations of the Servicer and its ability to service the Receivables and could affect financial matters in Korea generally, depressing the prices of listed Korean securities and the value of the Won relative to other currencies. These results would be likely to have an adverse effect on Korean economic conditions.

### ***Exchange Control and Remittance Restrictions***

The Receivables and the Investor Interest are payable in Won while the Class A2 Bond and the Class A2 Notes are payable in Singapore dollars. The ability of the Bond Issuer to make Singapore dollar payments on the Class A2 Bond and in respect of certain of its expenses depends on its ability to receive scheduled Singapore dollar payments under the Class A2 Swap Agreement and, if necessary, its ability to convert Won at the prevailing spot exchange rate and its ability to direct payments of Singapore dollars outside of Korea. Although under the Class A2 Swap Agreement the Class A2 Swap Provider has agreed to bear the risk of certain transferability and convertibility events in relation to the Won, if the Class A2 Swap Agreement is terminated for any reason and a replacement Swap Agreement on substantially similar terms is not available, the Bond Issuer may be required to bear all or part of the risk of the occurrence of certain transferability and convertibility events in relation to the Won. There can be no assurance that future Korean governmental policies (including the imposition of exchange controls or remittance restrictions) would not adversely affect the ability of the Bond Issuer to obtain Singapore dollars or the ability of the Bond Issuer to direct payments of Singapore dollars outside of Korea.

Termination of the Class A2 Swap Agreement would subject the Bond Issuer to the risk that the Won/SGD exchange rate available to the Bond Issuer after such termination is less favourable than the Applicable Exchange Rate under such Class A2 Swap Agreement. See "*Transaction Overview—Swap Arrangements—Termination*".

In any such event, collections on the Receivables could, under certain circumstances, be insufficient to make scheduled payments on the Class A2 Bond which could affect the ability of the Note Issuer to make timely payments of interest and principal under the Class A2 Notes.

### ***Tensions between Korea and North Korea***

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 weapons and ballistic missile programmes as well as its hostile military actions against Korea.

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

Although bilateral summits have taken place between Korea and North Korea in April 2018, May 2018 and September 2018 and between the U.S. and North Korea in June 2018 and February 2019, there can be no assurance that the level of tensions affecting the Korean peninsula will not escalate in the future. Any further increase in tensions, which may occur, for example, if North Korea experiences a leadership crisis, high-level contacts between Korea or the U.S. and North Korea break down or further military hostilities occur, could have a material adverse effect on the Korean economy and on the Originator's business, financial condition, results of operations and the market price of the Class A2 Notes.

### **Other Risks**

### ***No Operating History***

The Bond Issuer is a newly-formed entity and has no operating history and no material assets other than the Investor Interest. The Bond Issuer will not engage in any business activity other than the issuance of the Class A2 Bond, certain activities conducted in connection with the payment of amounts in respect of the Class A2 Bond and other activities incidental or related to the foregoing. Income derived from the Investor Interest will be the Bond Issuer's principal source of funds.

### ***Limited Recourse Obligations of the Bond Issuer***

The Class A2 Bond Conditions will provide that recourse against the Bond Issuer in relation to its obligations under the Class A2 Bond and all other obligations under the Transaction Documents will be limited to amounts from time to time available for such obligations in accordance with the Transaction Administration Agreement. If such amounts are insufficient to pay in full all amounts due under the Bond after payment of all amounts having priority over the Class A2 Bond, the Note Issuer will have no further claim against the Bond Issuer in respect of any unpaid amounts and the liability of the Bond Issuer with respect to such unpaid amounts shall be extinguished.

None of the equityholders, officers, directors or incorporators of the Bond Issuer, the Lead Manager, the Transaction Administrator, the Class A2 Swap Provider and the Security Agent, any of their respective affiliates or any other person or entity (other than the Bond Issuer) will be obligated to make payments on the Class A2 Bond. The Note Issuer must rely on payments received in respect of the Class A2 Bond for the payment of interest and principal of the Class A2 Notes and no assurance can be given that such payments will be sufficient to ensure that the Note Issuer has sufficient funds to pay all amounts due on the Class A2 Notes.

### ***Transfers of the Class A2 Bond***

Under the Financial Investment Services and Capital Markets Act and the Regulations on Issuance, Public Disclosure, etc. of Securities, a transfer of the Class A2 Bond by the Note Issuer to a Korean Resident (as such term is defined in the Foreign Exchange Transaction Law (Law No. 5550, 16 September 1998), as amended, and the Presidential Decree and regulations thereunder (collectively, the "FETL"), currently an individual who has an address or a place of residence in Korea or a legal entity which has its main office in Korea) within one year of the date of its issuance would necessitate a filing by the Bond Issuer with the Financial Services Commission of Korea. If the Bond Issuer breaches such prohibition, it may be subject to sanctions by the FSC. The Note Issuer has covenanted in the Bond Subscription and Agency Agreement that it will not transfer the Class A2 Bond to a Korean Resident within one year of the Closing Date (except as otherwise permitted by applicable Korean laws and regulations). This may restrict the actions which the Note Trustee may take upon enforcement of the Note Security.

### ***Withholding Taxes under the Class A2 Bond***

All payments in respect of the Class A2 Bond will be made free and clear of, and without withholding or deduction for, any present or future Taxes (including Taxes imposed by Korea), unless such withholding or deduction is required by law. In that event, the Bond Issuer is obliged to gross up and otherwise compensate the Bondholder for the lesser amounts that the Bondholder will receive as a result of the imposition of such Taxes. Income derived from the Investor Interest will be the Bond Issuer's only source of funds. No assurance can be given that such funds will be sufficient to enable the Bond Issuer to make such gross-up or compensation payments in full or at all.

### ***Forward-looking Statements***

Included in this Prospectus are various forward-looking statements, including statements regarding the Note Issuer's and the Originator's expectations and projections for future operating performance and business prospects. The words "believe", "expect", "anticipate", "estimate", "project" and similar words identify forward-looking statements. In addition, all statements other than statements of

historical facts included in this Prospectus are forward-looking statements. These statements are forward-looking and reflect current expectations of the relevant party. Although such parties believe that the expectations reflected in the forward-looking statements are reasonable, they can give no assurance that such expectations will prove to be correct. They are subject to a number of risks and uncertainties, including changes in the economic and political environments in Korea. In light of the many risks and uncertainties surrounding Korea, investors should keep in mind that such parties cannot guarantee that the forward-looking statements described in this Prospectus will transpire. All subsequent written and oral forward-looking statements attributable to such parties or persons acting on behalf of such parties are expressly qualified in their entirety by the reference to these risks.

***Regulatory Initiatives may have an Adverse Impact***

In Europe, the U.S. and elsewhere there is increased political and regulatory scrutiny of the asset-backed securities industry. This has resulted in a raft of measures for increased regulation which are currently at various stages of implementation and which may have an adverse impact on the regulatory position for certain investors in securitisation exposures and/or on the incentives for certain investors to hold asset-backed securities, and may thereby affect the liquidity of such securities.

Investors in the Class A2 Notes are responsible for analysing their own regulatory position and none of the Note Issuer or the Lead Manager make any representation to any prospective investor or purchaser of the Class A2 Notes regarding the regulatory treatment of their investment on the Closing Date or at any time in the future. In particular, investors should note that the Basel Committee on Banking Supervision ("**BCBS**") has approved a series of significant changes to the Basel regulatory capital and liquidity framework (such changes being referred to by the BCBS as "**Basel III**"), including revisions to the securitisation framework which may result in increased regulatory capital requirements in respect of certain positions. Basel III provides for a substantial strengthening of existing prudential rules, including new requirements intended to reinforce capital standards (with heightened requirements for global systemically important banks) and to establish a leverage ratio "backstop" for financial institutions and certain minimum liquidity standards (referred to as the Liquidity Coverage Ratio and the Net Stable Funding Ratio). BCBS member countries agreed to implement the initial phase of the Basel III reforms from 1 January 2013 and the second phase from 1 January 2022, subject to transitional and phase-in arrangements for certain requirements. As implementation of any changes to the Basel framework (including those made via Basel III) requires national legislation, the final rules and the timetable for its implementation in each jurisdiction, as well as the treatment of asset-backed securities, may be subject to some level of national variation. It should also be noted that changes to regulatory capital requirements have been made for insurance and reinsurance undertakings through participating jurisdiction initiatives, such as the Solvency II framework in Europe.

In addition, investors should be aware of the EU risk retention and due diligence requirements which currently apply in respect of various types of EU regulated investors including credit institutions, authorised alternative investment fund managers, investment firms, insurance and reinsurance undertakings, UCITS funds and institutions for occupational retirement provisions. Amongst other things, such requirements restrict a relevant investor from investing in asset-backed securities unless (i) that investor is able to demonstrate that it has undertaken certain due diligence in respect of various matters including its note position, the underlying assets and the relevant sponsor or originator and (ii) the originator, sponsor or original lender in respect of the relevant securitisation has explicitly disclosed to the investor that it will retain, on an on-going basis, a net economic interest of not less than 5 per cent. in respect of certain specified credit risk tranches or asset exposures. Failure to comply with one or more of the requirements may result in various penalties including, in the case of those investors subject to regulatory capital requirements, the imposition of a penal capital charge on the Class A2 Notes acquired by the relevant investor. Aspects of the requirements and what is or will be required to demonstrate compliance to national regulators remain unclear. The risk retention and due diligence requirements described above apply, or are expected to apply, in respect of the Class A2 Notes.

With respect to the commitment of the Originator to retain a material net economic interest in the securitisation and with respect to the information to be made available by the Note Issuer or another relevant party, please see the statements set out in the section of this Prospectus headed "*Regulatory Requirements*". Relevant investors are required to independently assess and determine the sufficiency of the information described above for the purposes of complying with any relevant requirements and none of the Note Issuer, the Servicer, the Originator or the Lead Manager or any other party makes any representation that the information described above is sufficient in all circumstances for such purposes.

### ***Securitisation Regulation Requirements***

The Securitisation Regulation applies to the Class A2 Notes, as does Regulation (EU) 2017/2401, which amends certain provisions of Regulation (EU) No 575/2013 as it relates to securitisation (the "**CRR Amendment Regulation**"). Amongst other things, the Securitisation Regulation and the CRR Amendment Regulation together include provisions intended to implement the revised securitisation framework developed by BCBS (with adjustments) and provisions intended to harmonise and replace the risk retention and due diligence requirements (including the corresponding guidance provided through technical standards) applicable to certain EU regulated investors. In relation to due diligence requirements, the Securitisation Regulation requires that, prior to holding a securitisation position, EU institutional investors are required to verify the matters required by Article 5(1) of the Securitisation Regulation and to conduct a due diligence assessment in accordance with Article 5(2). In relation to risk retention, the Securitisation Regulation amends the manner in which the retention requirements apply by imposing a direct obligation of compliance with the risk retention requirements on EU originators, sponsors or original lenders. However, while the Securitisation Regulation came into force on 1 January 2019, not all of the proposed technical standards and official guidance in relation to certain provisions of the Securitisation Regulation have yet been finalised. Notably, technical standards in relation to the manner in which reporting should be carried out in relation to a securitisation is yet to be finalised. The timing for finalisation of these pieces of guidance by the relevant authorities remains unclear. As such, there is a degree of uncertainty around the manner in which compliance with certain elements of the new regulations will be achieved.

Notwithstanding the above, the Note Issuer has concluded that it has taken reasonable steps to comply with the requirements of Article 7 of the Securitisation Regulation to the extent the Securitisation Regulation applies to the Class A2 Notes. In relation to the due diligence requirements for institutional investors that are set out in Article 5 of the Securitisation Regulation, any prospective investor to which these requirements apply should make themselves aware of such requirements and should ensure that the requirements which need to be satisfied prior to holding a securitisation position have been complied with prior to an investment in the Class A2 Notes by such investor. In addition, any such investor should ensure that it will be able to comply with the ongoing requirements of Article 5 in relation to an investment in the Class A2 Notes. Relevant investors are required to assess independently and determine the sufficiency of the information described above for the purposes of complying with any relevant requirements.

With respect to the commitment of the Originator to retain a material net economic interest in the securitisation and with respect to the information to be made available by the Note Issuer (or by the Servicer on the Note Issuer's behalf), please see the statements set out in the section headed "*Regulatory Requirements*". None of the Note Issuer, the Servicer, the Originator or the Lead Manager provides any assurance that the information provided in this Prospectus, or any other information that will be provided to investors in relation to the Class A2 Notes (including without limitation any investor report or loan level data that is published in relation to the Class A2 Notes) is sufficient for the satisfaction by any investor of the requirements in Article 5 of the Securitisation Regulation as they apply to that investor.

Investors should note that the requirements of Article 5 apply in addition to any other applicable regulatory requirements applying to such investor in relation to an investment in the Class A2 Notes. Various transaction parties are subject to the requirements of the Securitisation Regulation.

Although the Note Issuer believes that the transaction is in compliance with the requirements of the Securitisation Regulation (to the extent it applies to the Class A2 Notes), as discussed above and below there is at present some uncertainty in relation to some of these requirements, including in particular with regard to the transparency obligations imposed under Article 7 of the Securitisation Regulation. The Lead Manager is not responsible for any obligations of the Note Issuer or the Originator under the Securitisation Regulation. With regard to the transparency requirements set out in Article 7 of the Securitisation Regulation, each of the Originator in its capacity as originator and the Note Issuer (as the designated entity under Article 7(2) of the Securitisation Regulation) has certain direct obligations imposed upon it.

Should the Originator or the Note Issuer not comply with the direct obligations under Article 7, the Originator or the Note Issuer could face certain regulatory issues, inclusive of fines and pecuniary sanctions, which may impact on the Originator's and the Note Issuer's ability to perform their respective functions under the Transaction Documents, including the Note Issuer's obligations under the Class A2 Notes. Investors should note that failure to comply with one or more of the requirements of the Securitisation Regulation may result in various penalties including, in the case of those investors subject to regulatory capital requirements, the imposition of a penal capital charge on the Class A2 Notes acquired by the relevant investor. Investors should note that at the date of this Prospectus, this Transaction does not meet the criteria for STS securitisations and consequently that no STS notification is currently envisaged to be made with respect to the Class A2 Notes.

### ***CRA3 Compliance***

Prospective investors are responsible for ensuring that an investment in the Class A2 Notes is compliant with all applicable investment guidelines and requirements and in particular any requirements relating to ratings. In this context, prospective investors should note the provisions of Regulation 462/2013 (EU) which amends Regulation (EC) 1060/2009 on Credit Rating Agencies (together, "CRA3") which became effective on 20 June 2013. CRA3 addresses the use of credit ratings for regulatory purposes and requires, among other things, issuers or related third parties intending to solicit a credit rating of a structured finance instrument (as defined in CRA3) to appoint at least two credit rating agencies to provide credit ratings independently of each other.

The Note Issuer is incorporated in the Cayman Islands and the Class A2 Notes will be listed on the SGX-ST. Prospective investors are required to independently assess and determine the relevance of CRA3 and, as the case may be, whether the Class A2 Notes and the investors' investment in the Class A2 Notes are in compliance with the requirements under CRA3.

## **USE OF PROCEEDS**

The aggregate proceeds of the offering of the Class A2 Notes will be used by the Note Issuer to purchase the Class A2 Bond from the Bond Issuer on the Closing Date.

The Bond Issuer will use the proceeds of the issuance of the Class A2 Bond to the Note Issuer (having converted such proceeds into Korean Won under the Class A2 Swap Agreement) to purchase the Investor Interest from the Trustee.

The Originator will bear the expenses of the issuance of the Class A2 Notes and will use the net proceeds from the entrustment of the Accounts to the Trustee to repay existing indebtedness and for general corporate purposes.

## TERMS AND CONDITIONS OF THE CLASS A2 NOTES

KB Kookmin Card Seventh International Ltd. (the "**Note Issuer**") has issued the SGD311,467,500 Class A2 1.02 per cent. Secured Notes due 2024 (the "**Class A2 Notes**") pursuant to the resolutions of the board of directors of the Note Issuer passed on 2 April 2020 and 5 August 2020. The Class A2 Notes are constituted by a note trust deed (the "**Note Trust Deed**") dated on 13 August 2020 (the "**Closing Date**") between, *inter alios*, the Note Issuer and Citicorp International Limited (the "**Note Trustee**") and are secured by the security described below. The following terms and conditions of the Class A2 Notes are subject to the detailed provisions of the Note Trust Deed and the Note Agency Agreement.

The Class A2 Noteholders are entitled to the benefit of, agree to be bound by and are deemed to have notice of the provisions of: (a) the Note Trust Deed; (b) the note agency agreement dated on the Closing Date among, *inter alios*, Citicorp International Limited (the "**Note Cash Administrator**", the "**Class A1 Paying Agent**", the "**Class A1 Transfer Agent**", the "**Class A1 Note Registrar**" and the "**Class A1 Interest Calculation Agent**"), Citibank, N.A., London Branch (the "**Principal Paying Agent**", the "**Principal Transfer Agent**", the "**Class A2 Note Registrar**", the "**Class A2 Interest Calculation Agent**" and an "**Account Bank**"), DBS Bank Ltd. (the "**Singapore Paying Agent**"), Walkers Fiduciary Limited (the "**Note Issuer Administrator**"), the Note Issuer and the Note Trustee (the "**Note Agency Agreement**"); (c) the note issuer administration agreement dated on or about the Closing Date among, *inter alios*, the Note Issuer Administrator and the Note Issuer (the "**Note Issuer Administration Agreement**"); (d) the pledge agreement dated on or about the Closing Date among, *inter alios*, the Bond Issuer, the Note Issuer and Citibank Korea Inc. (the "**Security Agent**") (the "**Pledge Agreement**"); (e) the security assignment dated on or about the Closing Date among, *inter alios*, the Bond Issuer, the Note Issuer and the Security Agent (the "**Security Assignment**"); (f) the equity pledge agreement dated on or about the Closing Date among, *inter alios*, KB Kookmin Card Co., Ltd., the Note Issuer and the Security Agent (the "**Equity Pledge Agreement**"); (g) the bank agreement in respect of the Note Issuer A1 Account dated on or about the Closing Date among, *inter alios*, Citibank, N.A., Hong Kong Branch (an "**Account Bank**"), the Note Issuer and the Note Trustee (the "**Note Issuer A1 Account Bank Agreement**"); (h) the bank agreement in respect of the Note Issuer A2 Account dated on or about the Closing Date among, *inter alios*, Citibank, N.A., London Branch (an "**Account Bank**"), the Note Issuer and the Note Trustee (the "**Note Issuer A2 Account Bank Agreement**"); (i) the bond subscription and agency agreement dated on or about the Closing Date among, *inter alios*, the Bond Issuer, the Security Agent and the Note Issuer (the "**Bond Subscription and Agency Agreement**"); (j) the fee letter dated on or about the Closing Date among, *inter alios*, the Bond Issuer, Citicorp International Limited, Citibank, N.A., London Branch and Citibank, N.A., Hong Kong Branch (the "**Citi Fee Letter**") (together, the "**Note Transaction Documents**") and (k) the master schedule of definitions, interpretation and construction clauses dated 29 July 2020 signed by, *inter alios*, the Note Trustee and the Note Issuer (the "**Master Definitions Schedule**"). Copies of the Note Transaction Documents and the Master Definitions Schedule will be available for inspection at the Specified Office of the Principal Paying Agent and at the registered office of the Note Issuer.

Capitalised terms used in these terms and conditions of the Class A2 Notes (the "**Class A2 Note Conditions**") and not otherwise defined herein bear the meaning ascribed to them in the Master Definitions Schedule.

### 1. Form, Denomination and Title

(a) **Form and Denomination:** The Class A2 Notes are in registered form, will initially be represented by a registered global note in substantially the form set out in Part B of the Third Schedule to the Note Trust Deed (the "**Class A2 Global Note**") and will be issued in the amounts of SGD250,000 and integral multiples of SGD2,500 in excess thereof. A definitive note certificate in substantially the form set out in Part A of the Third Schedule to the Note Trust Deed (each, a "**Definitive Note Certificate**" and, together with the Class A2 Global Note, the "**Note Certificates**")



will be issued to each Class A2 Noteholder in respect of its registered holding of Class A2 Notes in the circumstances specified in the Class A2 Global Note. Each Note Certificate will be serially numbered with an identifying number which will be recorded on the relevant Note Certificate and in the register of Class A2 Noteholders (the "**Class A2 Note Register**") which will be kept by the Class A2 Note Registrar in accordance with the Note Agency Agreement and in which shall be entered the names and addresses of the holders of the Class A2 Notes and the particulars of the Class A2 Notes held by them and of all transfers of the Class A2 Notes. Each Class A2 Noteholder shall be entitled to receive only one Note Certificate in respect of its entire holding of Class A2 Notes. Notwithstanding any other provision herein contained, so long as any of the Class A2 Notes are evidenced by the Class A2 Global Note, each holder of a beneficial interest in such Class A2 Notes will be bound by, and will be deemed to have agreed to, the rules and procedures of the clearing system through which transfers of, and payments of principal of, interest on or other payments (if any) in respect of, such Class A2 Notes are made.

(b) **Title:** Title to the Class A2 Notes will only pass by registration in the Class A2 Note Register. Interests in Class A2 Notes represented by the Class A2 Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear or Clearstream as appropriate. The holder of the Class A2 Global Note may (except as ordered by a court of competent jurisdiction or otherwise required by Law) be treated at all times by the Note Issuer, the Note Trustee and the relevant Paying Agents as the absolute owner of the Class A2 Global Note for the purposes of making payments thereon (regardless of any notice of ownership, trust or other interest therein) and none of the Note Issuer, the Note Trustee and the relevant Paying Agents shall be liable for treating such holder. The Note Issuer, each Note Agent and the Note Trustee may deem and treat the registered holder of any Class A2 Note as the absolute owner thereof (whether or not overdue, and notwithstanding any notice of ownership, trust or any interest thereon or writing thereon or notice of any previous loss or theft thereof) for all purposes and no person will be liable for so treating the holder. In these Note Conditions, "**Class A2 Noteholder**" and (in relation to a Class A2 Note) "**Holder**" means the person in whose name a Class A2 Note is registered.

(c) **Transfers:** If Definitive Note Certificates have been issued, subject to Note Conditions 1(f) and (g), a Class A2 Note may be transferred by depositing the Definitive Note Certificate issued in respect of that Class A2 Note, with the form of transfer on the back duly completed and signed by the holder or his attorney duly authorised in writing, at the Specified Office of the Class A2 Note Registrar or any of the relevant Transfer Agents.

(d) **Delivery of Definitive Note Certificates:** Each new Definitive Note Certificate to be issued upon a transfer of Class A2 Notes will, within seven (7) business days of receipt by the Class A2 Note Registrar or, as the case may be, any relevant Transfer Agent of the form of transfer, be made available for collection at the Specified Office of the Class A2 Note Registrar or such relevant Transfer Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder entitled to the Class A2 Notes (but free of charge to the holder and at the Note Issuer's expense) to the address specified in the form of transfer. The form of transfer is available at the Specified Office of each Note Agent.

Where only some of the Class A2 Notes in respect of which a Definitive Note Certificate is issued are to be transferred or redeemed, a new Definitive Note Certificate in respect of the Class A2 Notes not so transferred or redeemed will, within seven (7) business days of deposit or surrender of the original Definitive Note Certificate with or to the Class A2 Note Registrar or any relevant Transfer Agent, be made available for collection at the Specified Office of the Class A2 Note Registrar or such relevant Transfer Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder of the Class A2 Notes not so transferred or redeemed (but free of charge to the holder and at the Note Issuer's expense) to the address of such holder appearing on the Class A2 Note Register.

For the purposes of this Note Condition 1, "**business day**" means any day on which banks are open for business in the place of the Specified Office of the Class A2 Note Registrar or the relevant Transfer Agent with whom a Definitive Note Certificate is deposited in connection with a transfer.

(e) **Registration of Definitive Note Certificates:** Registration of a transfer of Class A2 Notes will be effected without charge by or on behalf of the Note Issuer or the Class A2 Note Registrar, but upon payment (or the giving of such indemnity as the Note Issuer or the Class A2 Note Registrar may reasonably require) in respect of any tax or other governmental charges which may be imposed in relation to it.

(f) **Closed Period:** No Class A2 Noteholder may require the transfer of a Class A2 Note to be registered during the period of ten (10) days ending on the due date for any payment of any amount on the Class A2 Notes.

(g) **Note Agency Agreement:** All transfers of Class A2 Notes and entries on the Class A2 Note Register will be made in accordance with the provisions of the Note Agency Agreement and the detailed regulations concerning transfer of Class A2 Notes as set forth in the Second Schedule to the Note Agency Agreement. The regulations may be changed by the Note Issuer, with the prior written approval of the relevant Transfer Agents, the Majority Investor and the Note Trustee. A copy of the current regulations will be delivered (free of charge) by the Class A2 Note Registrar to any Class A2 Noteholder who may request it.

## 2. Status and Security

(a) **Status:** The Class A2 Notes constitute direct, general, limited recourse, unconditional and unsubordinated obligations of the Note Issuer, secured in accordance with the provisions of the Note Trust Deed, as described above. The Class A2 Notes will at all times rank *pari passu* among themselves and with the Class A1 Notes (as defined below) and at least *pari passu* with all other present and future, direct, general, unsubordinated and unsecured obligations of the Note Issuer, save for such obligations as may be preferred by provisions of Law that are both mandatory and of general application.

"**Class A1 Notes**" means the U.S.\$275,000,000 Class A1 Floating Rate Secured Notes due 2024 issued pursuant to the resolutions of the board of directors of the Note Issuer passed on 2 April 2020 and 5 August 2020 and the Note Trust Deed and "**Class A1 Noteholders**" means the holders of the Class A1 Notes.

(b) **Security:** The obligations of the Note Issuer to the Class A2 Noteholders and the Class A1 Noteholders under the Class A2 Notes and the Class A1 Notes are secured pursuant to the provisions of the Note Trust Deed. Under the Note Trust Deed, the Note Issuer has:

(i) assigned by way of first fixed security in favour of the Note Trustee all its rights, title, interest and benefit (present and future, actual and contingent) in, to and under each Note Transaction Document to which it is a party, including in each case, without limitation, all its rights to receive payment of any amounts which may become payable to the Note Issuer (in its capacity as Note Issuer or Bondholder) thereunder and all payments received by the Note Issuer (in its capacity as Note Issuer or Bondholder) thereunder, all rights to serve notices and/or make demands thereunder and/or to take such action as is required to cause payments to become due and payable thereunder, all rights of action in respect of any breach thereof, and all rights to claim and receive damages or obtain other relief in respect thereof;

(ii) charged by way of first fixed charge in favour of the Note Trustee all its rights, title, interest and benefit (present and future, actual and contingent) in and to all sums of money which may now be or hereafter are from time to time standing to the credit of the Note Issuer Accounts and any other bank account (other than the bank account referred to in subparagraph (v) below) in which the Note Issuer may at any time acquire any rights, title, interest or benefit, together with all interest accruing from time to time thereon and the debts represented thereby;

(iii) assigned by way of first fixed security in favour of the Note Trustee all its rights, title, interest and benefit (present and future, actual and contingent) in, to and under the Bonds and all other contracts, deeds and documents, present and future, to which the Note Issuer is or may become a party;

(iv) charged and agreed to charge by way of first fixed security in favour of the Note Trustee all its rights, title, interest and benefit (present and future, actual and contingent) in and to all other assets and property that it has acquired or may acquire (other than the proceeds of the Note Issuer's share capital, the transaction fee payable to the Note Issuer by the Bond Issuer and the bank account where such amounts are deposited); and

(v) charged by way of first floating charge to the Note Trustee the whole of its undertaking and all of its property and assets, whatsoever and wheresoever situate, present and future (other than the proceeds of the Note Issuer's share capital, the transaction fee payable to the Note Issuer by the Bond Issuer and the bank account where such amounts are deposited) to the extent not otherwise effectively charged by way of fixed charge or otherwise effectively assigned as security as described above.

The Note Trustee (in its capacity as trustee for the benefit of the Noteholders and in its individual capacity), the Class A2 Noteholders, the Class A1 Noteholders, the Note Agents, the Majority Investor and the Note Issuer Administrator (together, the "**Note Secured Parties**") have, through the Note Trustee, the benefit of the above described security interests to secure sums due to each of them pursuant to the Notes and the Note Transaction Documents to which they are a party.

The Note Secured Parties have the benefit of the security given by the Note Issuer to the Note Trustee pursuant to the Note Trust Deed. The Note Trust Deed contains provisions requiring the Note Trustee to have regard to the interests of the holders of the Class A1 Notes and the holders of the Class A2 Notes each as a separate class.

(c) **Priority:** Payments on the Class A2 Notes during the Revolving Period, the Controlled Amortisation Period, the Early Amortisation Period or following a Note Enforcement Date shall be applied by the Note Trustee in accordance with the provisions of Clause 8 of the Note Trust Deed.

### **3. Interest**

(a) **Accrual of Interest:** The Class A2 Notes shall bear interest from and including the Closing Date in accordance with this Note Condition 3. Interest will cease to accrue on each Class A2 Note from the due date for redemption thereof unless, upon due presentation of such Class A2 Note, payment of principal is improperly withheld or refused or default is otherwise made in payment thereof. In such event, interest will continue to accrue in accordance with this Note Condition 3 (both before and after judgment in respect thereof is obtained) up to, but excluding, the date on which, upon further presentation thereof, payment in full of the relevant amount is made or (if earlier) the seventh day after the date upon which notice is duly given to the Holder of such Class A2 Note (in accordance with Note Condition 15) that, upon further presentation thereof being duly made, such payment will be made; *provided that* such payment is in fact made.

(b) **Note Payment Dates and Interest Periods:** Interest will be payable on the Class A2 Notes monthly in arrear on the 26<sup>th</sup> day of each month or, if such day is not a Business Day, the next succeeding Business Day unless that day falls in the next calendar month, in which case the first preceding day which is a Business Day (each, a "**Note Payment Date**") commencing in September 2020. Interest on the Class A2 Notes will be payable by reference to successive interest periods (each, an "**Interest Period**"). The initial Interest Period will commence on (and include) the Closing Date and end on (but exclude) the initial Note Payment Date. Each successive Interest Period will commence on and include a Note Payment Date and end on (but exclude) the next succeeding Note Payment Date.

(c) **Note Rate of Interest:** The rate of interest (the "**Note Rate of Interest**") payable in respect of the Class A2 Notes in respect of an Interest Period will be 1.02 per cent. per annum.

(d) **Determination of Interest Amounts:** The Principal Paying Agent will, as soon as practicable after the Interest Determination Date in relation to each Interest Period, calculate the amount of interest (the "**Note Interest Amount**") payable in respect of the Class A2 Notes for such Interest Period. The Note Interest Amount will be calculated by applying the Note Rate of Interest for such Interest Period to the Principal Amount Outstanding of such Class A2 Note as at the first day of such Interest Period, multiplying the product by the actual number of days elapsed in such Interest Period divided by 365 and rounding the resulting figure to the nearest cent (half a cent being rounded upwards). For the purposes of this Note Condition 3, "**Interest Determination Date**" means, in relation to an Interest Period, the day which is two (2) London banking days before the first day of such Interest Period.

(e) **Publication:** The Principal Paying Agent will cause each Note Interest Amount determined by it, together with the relevant Note Payment Date, to be notified by electronic transmission to the Note Issuer, the relevant Paying Agents, the Note Trustee, the Security Agent, the Transaction Administrator, the Class A2 Swap Provider, the Rating Agency and the Majority Investor as soon as practicable after such determination but in any event not later than two (2) Business Days after the relevant Interest Determination Date. Notice thereof shall also promptly be given to the Class A2 Noteholders in accordance with Note Condition 15. The Principal Paying Agent will be entitled to recalculate any Note Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period.

(f) **Certificates to be Final:** All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Note Condition 3 by the Principal Paying Agent will (in the absence of manifest error) be binding on the Transaction Administrator, the Class A2 Swap Provider, the Note Issuer, the Note Agents and the Class A2 Noteholders and (subject as aforesaid) no liability to any such person will attach to the Principal Paying Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

(g) **Limited Recourse:** The Note Issuer's liability to make payments in respect of interest on the Class A2 Notes may only be satisfied in accordance with Note Condition 17.

#### 4. Amortisation and Redemption

(a) **Redemption on Maturity:** Unless previously redeemed in full, the Note Issuer will redeem the Class A2 Notes, to the extent of funds available therefor in accordance with the priority of payments set forth in the Note Trust Deed in full on the Note Payment Date falling in November 2023 (the "**Note Expected Maturity Date**") at the Class A2 Note Redemption Amount as at such date. The "**Class A2 Note Redemption Amount**" means, on any date, an amount equal to the Principal Amount Outstanding of the Class A2 Notes as at such date plus accrued and unpaid interest thereon to, but excluding, such date.

If insufficient funds are available to redeem the Class A2 Notes at the Class A2 Note Redemption Amount on the Note Expected Maturity Date, the Note Issuer will continue to make payments of principal and interest on the Class A2 Notes on each succeeding Note Payment Date to the extent of funds available therefor in accordance with the priority of payments set forth in the Note Trust Deed until the Class A2 Notes have been redeemed in full at the Class A2 Note Redemption Amount or until the Note Payment Date falling in November 2024 (the "**Note Legal Maturity Date**") on which date the Note Issuer will redeem the Class A2 Notes in full at the Class A2 Note Redemption Amount as at such date.

(b) **Revolving Period:** During the Revolving Period, no principal in respect of the Class A2 Notes will be paid.

(c) **Controlled Amortisation Period:** On each Note Payment Date following a Trust Distribution Date relating to a Collection Period which ends during the Controlled Amortisation Period, principal in respect of the Class A2 Notes shall be paid in the following scheduled instalments (each, a "Scheduled Amortisation Amount").

Note Payment Date falling in:	Scheduled Amortisation Amounts
	(SGD)
June 2023	51,911,250
July 2023	51,911,250
August 2023	51,911,250
September 2023	51,911,250
October 2023	51,911,250
November 2023	51,911,250

(d) **Early Amortisation Period:** On each Note Payment Date following a Trust Distribution Date relating to a Collection Period which ends during the Early Amortisation Period, or on or after the Enforcement Date principal in respect of the Class A2 Notes and the Class A1 Notes shall be repaid, to the extent of funds available therefor in accordance with the priority of payments set forth in the Note Trust Deed, in an aggregate principal amount equal to the aggregate Principal Amount Outstanding of the Class A2 Notes and the Class A1 Notes as at such date, until the Class A2 Notes and the Class A1 Notes have been redeemed in full at the Class A2 Note Redemption Amount and the Class A1 Note Redemption Amount (as defined in the terms and conditions of the Class A1 Notes), respectively.

(e) **Mandatory Redemption:** Upon receipt of a Bond Redemption Notice from the Bond Issuer, the Note Issuer shall redeem the Class A2 Notes and the Class A1 Notes in whole at the Class A2 Note Redemption Amount and the Class A1 Note Redemption Amount (as defined in the terms and conditions of the Class A1 Notes), respectively, to the extent of funds available therefor in accordance with the priority of payments set forth in the Note Trust Deed, on the next succeeding Note Payment Date.

(f) **No Purchase by Note Issuer:** The Note Issuer will not be permitted to purchase any of the Class A2 Notes.

(g) **Cancellation:** All Class A2 Notes redeemed in full will be cancelled by the Paying Agents or the Class A2 Note Registrar to whom such Class A2 Notes are presented for redemption or surrender, and may not be resold or reissued. The relevant Paying Agents will destroy the cancelled Definitive Note Certificates in its possession unless otherwise instructed by the Note Issuer.

## 5. Payments

(a) **Payments:** Payments of principal and interest on the Class A2 Notes will be made to the person in whose name the Class A2 Note is registered in the Class A2 Note Register (or to the first-named of joint holders) by electronic funds transfer to the registered account of each Class A2 Noteholder or by cheque; *provided that* the Principal Paying Agent shall have received the required funds in full from the Note Issuer in accordance with the terms of the Note Agency Agreement. If Definitive Note Certificates have been issued, payments of the final amount due in respect of principal will only be made upon evidence of delivery of the Definitive Note Certificates to a relevant Paying Agent. So long as any Class A2 Notes are evidenced by the Class A2 Global Note, payments of principal and interest in respect thereof will be made in accordance with the rules and procedures of the Principal Paying Agent, or the relevant clearing system, as the case may be, from time to time in effect.

(b) **Registered Account and Registered Address:** For the purposes of this Note Condition 5, a Class A2 Noteholder's "registered account" means the Singapore dollar account maintained by or on

behalf of it, details of which appear on the Class A2 Note Register at the close of business on the record date which is the Clearing System Business Day immediately prior to the due date for payment, where "**Clearing System Business Day**" means Monday to Friday (inclusive) in each week except 25th December and 1st January, and a Class A2 Noteholder's "registered address" means its address appearing on the Class A2 Note Register at that time.

(c) **Payments Subject to Fiscal Laws:** All payments in respect of the Class A2 Notes are subject in all cases to any applicable fiscal or other Laws and regulations.

(d) **Business Day:** Where payment is to be made by electronic funds transfer to a Class A2 Noteholder's registered account, payment instructions (for value on the due date or, if that date is not a Business Day, for value on the next Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed on the due date for payment (or if that date is not a Business Day, on the next Business Day) or, in the case of a payment of the final amount due in respect of principal on the relevant Class A2 Note, on the Business Day on which the relevant Definitive Note Certificate is surrendered at the Specified Offices of the relevant Paying Agents or the Class A2 Note Registrar.

(e) **No Payment for Delay:** Class A2 Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount:

(i) if the Class A2 Noteholder is late in surrendering its Definitive Note Certificate (if required to do so);

(ii) if a cheque mailed in accordance with paragraph (d) above arrives after the due date for payment; or

(iii) if the due date is not a Business Day.

(f) **Unpaid Amount:** If the amount of principal or interest, if any, which is due on the Class A2 Notes is not paid in full, the Class A2 Note Registrar will annotate the Class A2 Note Register with a record of the amount of principal or interest, if any, in fact paid.

(g) **Specified Offices of Paying Agents and Class A2 Note Registrar:** The initial Paying Agents and the initial Class A2 Note Registrar and their respective initial Specified Offices are set out at the end of each Definitive Note Certificate. The Note Issuer may, subject to the provisions of the Note Transaction Documents, vary or terminate the appointment of any of the Paying Agents or of any other Note Agent and appoint additional or other Note Agents. Notice of any such termination or appointment and of any changes in their Specified Offices will be given to the Class A2 Noteholders in accordance with Note Condition 15.

(h) **Partial Payments:** If a Paying Agent makes a partial payment in respect of any Class A2 Note, the Note Issuer shall procure that the amount and date of such payment are noted on the Class A2 Note Register and, in the case of partial payment upon presentation of a Definitive Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Definitive Note Certificate.

## 6. Covenants

The Note Issuer will covenant in the Note Trust Deed that other than as set out in the Note Transaction Documents or with the consent in writing of the Majority Investor, and until the later of (i) the Release Date and (ii) the first date on which all amounts payable in respect of the Class A2 Notes have been paid in full, it shall, *inter alia*:

(a) not engage in any activity or do anything whatsoever except:

- (i) enter into and perform its obligations under the Transaction Documents, the Class A2 Notes and any agreements contemplated by any of the foregoing;
  - (ii) enforce any of its rights, whether under any of the documents referred to in subparagraph (i) above or otherwise;
  - (iii) at all times comply with any direction given by the Note Trustee or the Majority Investor pursuant to the Transaction Documents; and
  - (iv) perform any act incidental to or necessary in connection with the above paragraphs;
- (b) not create any mortgage, charge, pledge, other security interest or Liens, except those security interests contemplated in the Note Trust Deed;
  - (c) not have any subsidiaries (other than in connection with the substitution of the principal debtor under the Class A2 Notes as described in the Note Trust Deed);
  - (d) not, subject to paragraphs (a) and (b) above, dispose of or otherwise deal with any of its property or other assets or any part thereof or interest therein (including without limitation its rights in respect of the agreements referred to in Clauses 5.2(a)(i) and (iii) of the Note Trust Deed);
  - (e) not pay any dividend or make any other distribution to its shareholders;
  - (f) not issue any shares (other than such equity as is already in issue on the Closing Date);
  - (g) not purchase, own, lease or otherwise acquire any real property (including office premises or like facilities) and/or movable property (including securities (other than Eligible Investments));
  - (h) not consent to any variation of, or exercise any powers of consent or waiver pursuant to, the Class A2 Notes, the Note Transaction Documents, the Note Subscription Agreements, or any other agreement relating to the issue of the Class A2 Notes or any related transactions;
  - (i) not consolidate or merge with any other legal entity or convey or transfer its properties or assets substantially as an entirety to any Person or legal entity or commingle assets with those of any other entity;
  - (j) not amend or alter its constitutive documents except as otherwise required by applicable Law;
  - (k) not exercise any voting rights in respect of any Class A2 Notes held or beneficially owned by it;
  - (l) not take any action permitting the Note Security not to constitute a valid first priority security interest over the Note Secured Property;
  - (m) not open or have an interest in any account whatsoever with any bank or other financial institution (other than the Note Issuer Accounts and the account referred to in Note Condition 2(b)(v)); and
  - (n) not have any employees.

## **7. Taxation**

All payments of principal and interest in respect of the Class A2 Notes by the Note 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 any authority in any applicable jurisdiction having power to tax, unless such withholding or deduction is

required by Law. If any such withholding or deduction is required by Law, the Note Issuer or the relevant Paying Agents (as the case may be) shall make such payments in accordance with Note Condition 5 after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. Neither the Note Issuer nor any of the relevant Paying Agents will be obliged to make any additional payments to the holders of the Class A2 Notes in respect of such withholding or deduction.

## **8. Note Events of Default**

The Note Trustee shall, upon the written instructions of the Majority Investor, (subject to being indemnified, pre-funded and/or secured to its satisfaction) promptly give notice (a "**Note Enforcement Notice**") to the Note Issuer at any time on or after the occurrence of any of the following events (each, a "**Note Event of Default**"), declaring the Notes to be immediately due and repayable, whereupon the Class A2 Notes and the Class A1 Notes shall accordingly immediately become due and repayable at the Class A2 Note Redemption Amount and the Class A1 Note Redemption Amount, respectively, without any further action or formality:

- (a) default is made in the repayment of the outstanding principal amount of either the Class A2 Notes or the Class A1 Notes on the Note Legal Maturity Date or in the payment of any interest in respect of either the Class A2 Notes or the Class A1 Notes;
- (b) default is made by the Note Issuer in the performance or observance of any material obligation, condition or provision binding on it under the Transaction Documents to which it is a party (other than any obligation for the payment of any principal or interest on the Notes) and, except where such default is not capable of remedy, such default continues for seven (7) days after written notice delivered by the Note Trustee or the Majority Investor to the Note Issuer;
- (c) an order is made by any competent court or an effective resolution is passed for the winding-up or dissolution of the Note Issuer;
- (d)
  - (i) the Note Issuer stops payment of its debts (within the meaning of any applicable bankruptcy Law), or is unable to pay its debts as and when they fall due; or
  - (ii) the Note Issuer ceases or, through an official action of the board of directors, or meeting of the shareholders, of the Note Issuer, threatens to cease, to carry on all or any substantial part of its business;
- (e) proceedings are initiated against the Note Issuer under any applicable liquidation, insolvency, composition, re-organisation or other similar Laws including, for the avoidance of doubt, presentation to the court of an application for an administration order, or an administrative receiver or other receiver, administrator or other similar official is appointed in relation to the Note Issuer or in relation to the whole or any substantial part of the undertaking or assets of the Note Issuer or an encumbrancer takes possession of the whole or any substantial part of the undertaking or assets of the Note Issuer or a distress, execution, attachment, sequestration, diligence or other process is levied, enforced upon, sued out or put in force against the whole or any substantial part of the undertaking or assets of the Note Issuer and, in any of the foregoing cases, it shall not be discharged, annulled or withdrawn within fourteen (14) days;
- (f) the Note Issuer initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of its creditors generally (or any class of its creditors) or enters into an arrangement or composition with its creditors generally (or any class of its creditors);
- (g) any representation or warranty made by the Note Issuer in any of the Transaction Documents proves to be incorrect or misleading in any material respect when made;



(h) one or more final judgments from a court from which no further appeal or judicial review is permissible under applicable Law are awarded against the Note Issuer in an aggregate amount in excess of U.S.\$10,000; or

(i) any decree, resolution, authorisation, approval, consent, filing, registration or exemption necessary for the execution and delivery of any of the Notes on behalf of the Note Issuer and the performance of the Note Issuer's obligations under any of the Notes or any of the Transaction Documents is withdrawn or modified or otherwise ceases to be in full force and effect, or it is unlawful for the Note Issuer to comply with, or the Note Issuer contests the validity or enforceability of or repudiates, any of its obligations under the Notes, the Note Trust Deed or any of the other Transaction Documents.

The Note Issuer shall provide written confirmation to the Note Trustee and the Majority Investor on each anniversary of the Closing Date that, as far as it is aware, no Note Event of Default or other matter which is required to be brought to the attention of the Note Trustee or the Majority Investor has occurred.

## **9. Enforcement**

(a) **Enforcement Proceedings:** The Note Trustee:

(i) shall (upon the written instructions of the Majority Investor) take such proceedings and/or other action as it may think fit against the Note Issuer or any other person to enforce its obligations under the Notes and the other Note Transaction Documents and, after the Note Security has become enforceable, take such action as it may think fit to enforce the Note Security; and

(ii) shall not be bound to take any such proceedings or action or give any such directions as are referred to in sub-paragraph (i) above, unless the Note Trustee is indemnified, pre-funded and/or secured to its satisfaction.

(b) **Limitation on Class A2 Noteholders:** Enforcement of the Note Security shall be the only remedy against the Note Issuer available to the Note Trustee for the repayment of any sums due in respect of the Class A2 Notes and the Class A1 Notes. No Class A2 Noteholder or holder of the Class A1 Notes shall be entitled to proceed directly against the Note Issuer or enforce the Note Security unless the Note Trustee, having become bound so to enforce the Note Security, fails to do so within a reasonable period and such failure shall be continuing.

(c) **Following Note Enforcement Notice:** Following the service of a Note Enforcement Notice, all amounts received by the Note Trustee under this Note Condition 9 shall be applied in accordance with Clause 8 of the Note Trust Deed.

(d) **Majority Investor:** Subject always to the provisions of these Note Conditions and the Note Transaction Documents:

(i) the Note Trustee has agreed to exercise its rights in relation to the Note Secured Property (except the Note Trustee Excluded Rights) in accordance with the written instructions of the Majority Investor and the provisions of Clause 16.11 of the Note Trust Deed; and

(ii) the Majority Investor shall have the sole right, power and authority (and none of the other Note Secured Parties shall have such right, power or authority) to control and/or direct and/or veto any actions or inactions of the Note Trustee and to direct the exercise of any of the rights of the Note Secured Parties (other than in relation to the Note Trustee Excluded Rights) and to waive any breach by any party under any Note Transaction Document or the occurrence of an Early Amortisation Event or a Note Event of Default.

## 10. Indemnification of the Note Trustee

(a) **Indemnity:** Subject to the provisions of the Transaction Documents, the Note Trustee is entitled to be indemnified by the Bond Issuer and the Note Issuer on a joint and several basis and relieved from responsibility and from taking enforcement proceedings or enforcing or directing enforcement of the Note Security unless indemnified, pre-funded and/or secured to its satisfaction within reasonable time (subject to the provisions of the Note Trust Deed).

(b) **Business Transactions:** The Note Trustee and any of its affiliates is entitled to enter into business transactions with any of the Note Secured Parties or any other person without accounting to the Class A2 Noteholders for any profit resulting therefrom.

(c) **Note Trustee not Responsible for Loss:** The Note Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of, *inter alia*, the Note Trust Deed or any deeds or documents relating thereto or to the Class A2 Notes being held by any banker, banking company or any company whose business includes undertaking the safe custody of deeds or documents or with any lawyer or firm of lawyers on behalf of the Note Trustee.

(d) **Note Agents not Agents of Class A2 Noteholders:** In acting under the Note Agency Agreement and in connection with the Class A2 Notes, the Note Agents act solely as agents of the Note Issuer and (to the extent provided therein) the Note Trustee and do not assume any obligations towards or relationships of agency or trust with or for any of the Class A2 Noteholders.

## 11. Meetings of Noteholders

The Note Trust Deed contains provisions for convening meetings of the Noteholders (and the Class A2 Noteholders) to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of these Note Conditions or the provisions of any of the Note Transaction Documents.

The quorum at any meeting of Noteholders or, as the case may be, Class A2 Noteholders for passing an Extraordinary Resolution shall be one or more persons being or representing Noteholders or, as the case may be, Class A2 Noteholders holding at least 66.66 per cent. of the then Principal Amount Outstanding of the Notes or, as the case may be, the Class A2 Notes or, at any adjourned meeting, one or more persons being or representing Noteholders or, as the case may be, Class A2 Noteholders whatever the aggregate Principal Amount Outstanding of the Notes or, as the case may be, Class A2 Notes so held or represented by such persons(s), except that, at any meeting the business of which is:

(i) to change any date fixed for payment of principal or interest in respect of the Notes or the Class A2 Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes or the Class A2 Notes or to alter the method of calculating the amount of any payment in respect of such Notes or Class A2 Notes on redemption or maturity or the date for any such payment;

(ii) to effect the exchange or sale of the Notes or the Class A2 Notes for or the conversion of such Notes or Class A2 Notes into or the cancellation of the Notes or Class A2 Notes in consideration of shares, stock, notes, bonds and/or other obligations and/or securities of the Note Issuer or any other company formed or to be formed, or for or into or in consideration of cash, or partly for or into or in consideration of such shares, stock, notes, bonds and/or other obligations and/or securities as aforesaid and partly for or into or in consideration of cash;

(iii) to change the currency in which amounts due in respect of the Notes or the Class A2 Notes are payable;

(iv) to change the quorum required at any meeting of the Noteholders or the Class A2 Noteholders or the majority required to pass an Extraordinary Resolution;

(v) to amend paragraph 5.2 of the First Schedule to the Note Trust Deed or the provisos to paragraph 6 of the First Schedule to the Note Trust Deed, Clause 8 of the Note Trust Deed or this Note Condition 11;

(vi) to alter the priority of the Note Security or the priority of the application of any proceeds of enforcement of the Note Security under the Note Trust Deed; or

(vii) to modify the provisions of paragraphs (b), (c) or (d) of Note Condition 9, the definition of "Majority Investor" set out in the Master Definitions Schedule or any other provision which has the effect of restricting or limiting the rights of the Note Trustee to take any action under or in connection with these Note Conditions or any Note Transaction Document or to give any notice, consent or approval for the purposes of these Note Conditions or any Note Transaction Documents, unless in any such case, in the opinion of the Note Trustee, such modification would not be materially prejudicial to the interests of the Noteholders; *provided that* no such modification shall have any effect unless made with the written consent of the Note Trustee,

(each, a "**Basic Terms Modification**"), such resolution shall be an Extraordinary Resolution, and the necessary quorum for passing such resolution shall be one or more persons being or representing Noteholders or, as the case may be, Class A2 Noteholders holding at least 66.66 per cent. of the then Principal Amount Outstanding of the Notes or, as the case may be, the Class A2 Notes.

An Extraordinary Resolution passed at any meeting of Class A2 Noteholders shall be binding on all Class A2 Noteholders whether or not they are present at the meeting. The majority required for an Extraordinary Resolution shall be 66.66 per cent. of the votes cast on the resolution.

No Extraordinary Resolution involving a Basic Terms Modification that is passed by the Holders of the Class A2 Notes shall be effective unless it is sanctioned by an Extraordinary Resolution of the Class A1 Noteholders (to the extent that there are Class A1 Notes outstanding) or an Extraordinary Resolution of all Noteholders.

An Extraordinary Resolution to approve any matter other than a Basic Terms Modification passed at any meeting of the Holders of the Class A2 Notes shall not be effective unless:

(a) the Note Trustee is of the opinion that it will not be materially prejudicial to the interests of the Class A1 Noteholders (to the extent the Class A1 Notes are outstanding); or

(b) (to the extent that the Note Trustee is not of that opinion) it is sanctioned by an Extraordinary Resolution of the Class A1 Noteholders (to the extent that the Class A1 Notes are outstanding).

Subject as provided in the Note Trust Deed, the Note Issuer is entitled to receive notice of and to attend meetings of the Class A2 Noteholders.

## **12. Modification and Waivers**

(a) ***Note Trustee's Power to Modify and Waive:*** Subject to the conditions and qualifications set forth in the Note Trust Deed, the Note Trustee may, with the prior written consent of the Majority Investor, concur with the Note Issuer or any other relevant parties in making:

(i) any modification of these Note Conditions or any of the Note Transaction Documents (other than a Basic Terms Modification); *provided that* the Note Issuer has given prior written notice thereof to the Rating Agency; or

(ii) any waiver or authorisation of any breach or proposed breach of these Note Conditions or any of the Note Transaction Documents; *provided that* the Note Issuer has given prior written notice thereof to the Rating Agency;

*provided that* subject to the conditions and qualifications set forth in the Note Trust Deed, the Note Trustee shall, if instructed in writing by the Majority Investor, concur with the Note Issuer or any other relevant parties in making any such modification, waiver or authorisation.

Any such modification, waiver or authorisation shall be binding on all Class A2 Noteholders and each other Note Secured Party and, if the Note Trustee so requires, notice thereof shall be given by the Note Issuer to the Class A2 Noteholders in accordance with Note Condition 15 as soon as practicable thereafter.

(b) **Note Trustee not Liable for Consequences:** Subject to the provisions of the Note Trust Deed, where the Note Trustee is required in connection with the exercise of its powers, trusts, authorities, duties and discretions to have regard to the interests of the Class A2 Noteholders, it shall not have regard to, or be in any way liable for, the consequences of such exercise for individual Class A2 Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. In connection with any such exercise, the Note Trustee shall not be entitled to require, and no Class A2 Noteholder shall be entitled to claim, from the Note Issuer or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Class A2 Noteholders.

### **13. Replacement of Note Certificates**

If any Note Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Class A2 Note Registrar (the "**Replacement Agent**") upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity as the Note Issuer and/or the Replacement Agent may reasonably require. Mutilated or defaced Note Certificates must be surrendered to the Class A2 Note Registrar before replacements will be issued.

### **14. Substitution of Principal Debtor**

The Note Trustee may agree to the substitution of any person in place of the Note Issuer as principal debtor under the Note Transaction Documents and the Class A2 Notes; *provided that* prior written notice has been given to the Rating Agency and *provided further that* any such substitution shall be binding on the Class A2 Noteholders. Such substitution shall be subject to the relevant provisions of the Note Trust Deed and to such amendments thereof as the Note Trustee may deem appropriate.

### **15. Notices**

All notices to Class A2 Noteholders will be valid if mailed to them at their respective addresses in the Class A2 Note Register maintained by the Class A2 Note Registrar or, for so long as the Class A2 Notes are listed on the SGX-ST, by publication on the website of the SGX-ST. Any such notice shall be deemed to have been given on the seventh day after being so mailed or on the date of publication.

For so long as any of the Class A2 Notes are represented by the Class A2 Global Note and the Class A2 Global Note is held on behalf of Euroclear and/or Clearstream, notices to Class A2 Noteholders may be given by (i) delivery of the relevant notice by the Note Issuer to the Principal Paying Agent; (ii) written instruction by the Note Issuer to the Principal Paying Agent to deliver such notice to Euroclear and/or Clearstream (as the case may be); and (iii) delivery of such notice to Euroclear and/or Clearstream (as the case may be) for communication to the relevant accountholders.

For so long as the Class A2 Notes are listed on the SGX-ST, notices will also be published by publication on the website of the SGX-ST by (i) delivery of the relevant notice by the Note Issuer (or the Listing Agent on behalf of the Note Issuer) to the SGX-ST; (ii) and written instruction by the Note Issuer (or the Listing Agent on behalf of the Note Issuer) to the SGX-ST to publish such notice on the website of the SGX-ST.

Each notice given under this Note Condition 15 shall be copied to the Rating Agency and the Listing Agent, and the Listing Agent shall, for so long as the Class A2 Notes are listed on the SGX-ST, deliver a copy of such notice to the SGX-ST.

The Note Trustee shall be at liberty to approve an alternative method of giving notice to Class A2 Noteholders if, in its opinion, such alternative method is reasonable having regard to market practice then prevailing and to the requirements of the SGX-ST; *provided that* notice of such other method is given to the Class A2 Noteholders in such manner as the Note Trustee shall require.

## **16. Prescription**

Claims for payment of principal and interest will not be enforceable unless a Class A2 Note is presented for payment within a period of ten years in respect of principal, or five years in respect of interest, from the payment dates relating thereto.

## **17. Limited Recourse and No Petition**

(a) **Limited Recourse:** The Class A2 Noteholders agree that, notwithstanding the covenant in Clause 3.1 of the Note Trust Deed in respect of payment of the Note Issuer Obligations, any other provision of the Note Trust Deed or any other Note Transaction Document which imposes on the Note Issuer an obligation at any time to make any payment to any Class A2 Noteholder, the rights of recourse of the Class A2 Noteholders against the Note Issuer, and the liability of the Note Issuer, shall be limited to the Note Secured Property. The Class A2 Noteholders further agree that the Note Issuer's obligations herein or in the Transaction Documents are solely the corporate obligations of the Note Issuer and that no party will have any recourse against any of the corporate service providers, incorporators, shareholders, members, directors, officers or employees of the Note Issuer for any claims, losses, damage, liabilities, indemnities or other obligations whatsoever in connection with any transactions contemplated thereby. Accordingly, no Class A2 Noteholder shall have any claim or recourse against the Note Issuer or any of its directors, employees, officers, shareholders, members, corporate service providers or incorporators in respect of any amount which is or remains, or will remain, unsatisfied when no further amounts are receivable or recoverable in respect of the Note Secured Property and all funds comprising the Note Secured Property and/or representing the proceeds of realisation thereof have been applied in accordance with the provisions of the Note Trust Deed, and any unsatisfied amounts shall be waived and extinguished and shall not revive; *provided that*, for the avoidance of doubt, such extinguishment shall not in any way affect the other obligations of the Note Issuer to the Class A2 Noteholders pursuant to any other Note Transaction Documents.

(b) **No Petition:** Each Class A2 Noteholder further undertakes to the Note Issuer that it will not petition a court for, or take any other action or commence any proceedings for, the liquidation, winding-up or reorganisation of the Note Issuer, or for the appointment of a receiver, administrator, administrative receiver, trustee, liquidator, sequestrator or similar officer of the Note Issuer or of all or any of the Note Issuer's revenues and assets, until one year and a day after the unconditional and irrevocable payment and discharge in full of all sums outstanding and owing in respect of the Notes and all other Note Issuer Obligations; *provided that*, nothing in this paragraph (b) shall:

(i) prevent the Note Trustee (acting on the written instructions of the Majority Investor) from initiating any such action as aforesaid for the purpose of enforcing the Note Issuer Obligations or from obtaining a declaratory judgment as to the obligations of the Note Issuer under the Note Transaction Documents owed to any Class A2 Noteholder (*provided that* no action is taken to enforce or implement such judgment); or

(ii) prevent any Class A2 Noteholder to the Note Transaction Documents from lodging a claim in any action as aforesaid which is initiated by any Person (other than the Note Trustee acting on the written instructions of the Majority Investor).

(c) **Survival:** The terms of this Note Condition 17 shall survive the termination, redemption and/or maturity of the Class A2 Notes.

## 18. Provision of Documents

Each Noteholder (which for the purpose of this Note Condition 18 shall include any beneficial owner of an interest in a Note) shall timely furnish the Note Issuer, the Note Trustee, or any other authorised delegate thereof any U.S. federal income tax form or certification (such as IRS Form W-9 (Request for Taxpayer Identification Number and Certification), IRS Form W-8BEN (Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding and Reporting (Individual)), IRS Form W-8BEN-E (Certificate of Status of Beneficial Owner for United States Tax Withholding and Reporting (Entities)), IRS Form W-8IMY (Certificate of Foreign Intermediary, Foreign Flow-Through Entity, or Certain U.S. Branches for United States Tax Withholding and Reporting), IRS W-8EXP (Certificate of Foreign Government or Other Foreign Organization for United States Tax Withholding and Reporting), or IRS Form W-8ECI (Certificate of Foreign Person's Claim That Income Is Effectively Connected With the Conduct of a Trade or Business in the United States), or any successors to such forms) that the Note Issuer, the Note Trustee or the Transaction Administrator or any such delegate may reasonably request, and any documentation, agreements, certifications or information that is reasonably requested by the Note Issuer, the Note Trustee or any such delegate (a) to permit the Note Issuer, the Note Trustee, a Note Agent or any other authorised delegate thereof to make payments to it without, or at a reduced rate of, deduction or withholding, (b) to enable the Note Issuer, the Note Trustee or their respective agents to qualify for a reduced rate of withholding or deduction in any jurisdiction from or through which the Note Issuer or its agents receive payments, and (c) to enable the Note Issuer, the Note Trustee or their respective agents to satisfy reporting and other obligations under the Code, FATCA, CRS or any other law and shall update or replace such documentation and information as appropriate or in accordance with its terms or subsequent amendments, and acknowledges that the failure to provide, update or replace any such documentation or information may result in the imposition of withholding or back-up withholding upon payments to such Noteholder. Amounts withheld pursuant to applicable tax laws shall be treated as having been paid to such Noteholder by the Note Issuer. In addition, each Noteholder agrees that the Note Issuer may provide information to the IRS, the Tax Information Authority of the Cayman Islands or any other non-U.S. taxing authority regarding such Noteholder's investment in the Notes, including any information relevant to the Note Issuer's FATCA Compliance and compliance with CRS.

In this Note Condition 18, "**FATCA Compliance**" means compliance with FATCA and CRS as necessary so that (a) no tax, fines or other penalties will be imposed or withheld pursuant thereto in respect of payments to or for the benefit of the Note Issuer, the Note Trustee, the Transaction Administrator or their respective agents and (b) the Note Issuer can comply with an agreement entered into under section 1471(b) of the Code and/or any applicable Cayman Islands law or other Law enacted in connection with FATCA and CRS.

## 19. Cayman Data Protection

Under the Cayman Islands Data Protection Law, 2017 and, in respect of EU data subjects, the EU General Data Protection Regulation (together, the "**Data Protection Legislation**"), individual data subjects have rights and the Note Issuer as data controller has obligations with respect to the processing of personal data by the Note Issuer and its affiliates and delegates. Any breach of the Data Protection Legislation by the Note Issuer could lead to enforcement action.

Each Noteholder (which for the purpose of this Note Condition 19 shall include any beneficial owner of an interest in a Note) acknowledges and agrees that personal data may in certain circumstances be required to be supplied to the Note Issuer in order for an investment in the Notes to continue or to enable the Notes to be redeemed. If the required personal data is not provided, a Noteholder will not be able to continue to invest in the Notes or to redeem the Notes.

The Note Issuer has published a Privacy Notice (the "**Data Privacy Notice**"), which provides

Noteholders with information on the Note Issuer's use of their personal data in accordance with the Data Protection Legislation. The Data Privacy Notice can be viewed at: <https://www.walkersglobal.com/external/SPVDPNotice.pdf>.

## **20. Contracts (Rights of Third Parties) Act 1999 and Trustee Act 2000**

No person shall have any right to enforce any term or condition of any Class A2 Note under the Contracts (Rights of Third Parties) Act 1999.

The Note Trust Deed contains provisions which have the effect of giving priority, to the extent permitted by Law, to the provisions of the Note Trust Deed over the relevant provisions of the Trustee Act 1925 and/or the Trustee Act 2000.

## **21. Governing Law**

These Note Conditions, the Class A2 Notes and the Note Transaction Documents (other than the Note Issuer Administration Agreement), and any non-contractual obligation arising out of or in connection with them, are each governed by, and will be construed in accordance with, English Law. The Note Issuer has irrevocably submitted to the jurisdiction of the English courts for all purposes in connection with such documents and has designated a person in England to accept service of any process on its behalf.

The Note Issuer Administration Agreement is governed by and will be construed in accordance with the Laws of the Cayman Islands.

## REGULATORY REQUIREMENTS

The Originator will retain a material net economic interest of not less than 5 per cent. in the securitisation as required by Article 6(1) of the Securitisation Regulation (which does not take into account any corresponding national measures). As at the Closing Date, such interest will comprise an interest in the Seller Interest and the Subordinated Seller Interest which, in aggregate, is not less than 5 per cent. of the beneficial interest in the Trust, in accordance with Article 6(3)(b) of the Securitisation Regulation. Any change to the manner in which such interest is held will be notified to the Class A2 Noteholders.

The Originator will undertake to the Lead Manager in the Class A2 Note Subscription Agreement that, for so long as any Class A2 Notes remain outstanding, it will: (a) retain on an ongoing basis, a material net economic interest of not less than 5 per cent. in the nominal value of the securitisation (the "**Retained Exposures**") in accordance with Article 6(1) of the Securitisation Regulation (which does not take into account any corresponding national measures); (b) at all relevant times comply with the requirements of Article 7(1)(e)(iii) of the Securitisation Regulation by confirming the risk retention of the Originator as contemplated by Articles 6(1) and 6(3)(b) of the Securitisation Regulation; and (c) not sell, hedge or otherwise mitigate (and shall procure that none of its affiliates shall sell, hedge or otherwise mitigate) the credit risk under or associated with the Retained Exposures except to the extent permitted under the Securitisation Regulation. As at the Closing Date, such interest will comprise retention of the Seller Interest and the Subordinated Seller Interest which, in aggregate, is not less than 5 per cent. of the beneficial interest in the Trust.

Neither the Note Issuer nor the Note Trustee will be under any obligation to monitor the compliance by the Originator with its covenant regarding the Retained Exposures in the Class A2 Note Subscription Agreement, and will not be under any obligation to take any action in relation to non-compliance with such covenant (unless otherwise directed by the Majority Investor or Note Secured Parties in accordance with the Transaction Documents).

Each prospective investor is required to independently assess and determine the sufficiency of the information described above and in the Prospectus generally for the purposes of complying with Article 5 of the Securitisation Regulation and any corresponding national measures which may be relevant and none of the Note Issuer nor any relevant party makes any representation that the information described above or in the Prospectus is sufficient in all circumstances for such purposes. For further information please refer to the Risk Factor entitled "*Regulatory Initiatives may have an Adverse Impact*".



### EXPECTED AVERAGE LIFE OF THE CLASS A2 NOTES

The average life of the Class A2 Notes refers to the average amount of time that each Singapore dollar of principal will remain outstanding. If an Early Amortisation Event is declared the average life of the Class A2 Notes will be influenced by, amongst other things, the rate at which the principal amount outstanding of the Class A2 Bond is repaid. Provided that an Early Amortisation Event does not occur, the principal of the Class A2 Bond and the Class A2 Notes are expected to be due and payable in accordance with a predetermined principal amortisation schedule.

As a result of the predetermined principal amortisation schedules on the Class A2 Bond and hence the Class A2 Notes, there are not expected to be variations in the average life of the Class A2 Notes due to changes in prepayments or defaults on the underlying Receivables. Based on the predetermined principal amortisation schedule on the Class A2 Notes and a Closing Date of 13 August 2020, the average life of the Class A2 Notes will be 3 years.

#### Expected Note Amortisation Schedule

Note Payment Date	Note Principal Payment	Balance after Principal Payment
		(SGD)
June 2023 .....	51,911,250	259,556,250
July 2023 .....	51,911,250	207,645,000
August 2023 .....	51,911,250	155,733,750
September 2023 .....	51,911,250	103,822,500
October 2023 .....	51,911,250	51,911,250
November 2023 .....	51,911,250	0

## THE NOTE ISSUER

### General

KB Kookmin Card Seventh International Ltd. (the "**Note Issuer**") was registered and incorporated in the Cayman Islands as an exempted limited liability company on 2 March 2020. The registration number of the Note Issuer is WC-360665. The Note Issuer has been incorporated for an indefinite period. The registered office of the Note Issuer is at the offices of Walkers Fiduciary Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands. The telephone number of the Note Issuer is +1-345-814-7600. The authorised share capital of the Note Issuer is U.S.\$250, divided into 250 ordinary shares of U.S.\$1 each which are fully paid up and held by Walkers Fiduciary Limited (the "**Share Trustee**"). The Share Trustee holds the 250 shares on trust for charitable purposes pursuant to a Declaration of Trust dated 27 March 2020. The Note Issuer is not a subsidiary of, and its management and general operations are not controlled by the Lead Manager.

The Note Issuer is a special purpose vehicle established for the purpose of issuing asset backed securities.

The Note Issuer's Legal Entity Identifier code is 5493008LD8GMQYXKGC42.

### Principal Activities

The Note Issuer has not engaged, since its incorporation, in any activities other than those incidental to its incorporation, the authorisation, execution and issue of the Class A1 Notes and the Class A2 Notes, and the documents and matters referred to or contemplated in this Prospectus to which it is or will be a party and matters which are incidental or ancillary to the foregoing. The objects of the Note Issuer are set out in Clause 3 of its Memorandum and Articles of Association. As an exempted company, the Note Issuer may not trade in the Cayman Islands with any person except in furtherance of the business of the Note Issuer carried on outside the Cayman Islands. The Note Issuer will covenant to observe certain restrictions on its activities which are described in Note Condition 6.

The Note Issuer has, and will have, no assets other than the sum of U.S.\$250 representing the issued and paid-up share capital, such fees (as agreed) payable to it in connection with the issue of, borrowing under, purchase, sale or entering into of the Transaction Documents and any Note Secured Property. The Note Issuer will establish bank accounts with Citibank, N.A., Hong Kong Branch for the purposes of holding its share capital and any fees paid to it and by it.

### Directors

The Directors of the Note Issuer are as follows:

<b>Name</b>	<b>Principal Occupation</b>
Aaron Bennett	Vice President
Kirstie Krypner	Vice President

The business address of Kirstie Krypner is the same as the registered office of the Note Issuer at Walkers Fiduciary Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands. The business address of Aaron Bennett is 14/F, Burj Daman, Dubai International Finance Centre, Dubai, UAE.

Walkers Fiduciary Limited of Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands is the administrator of the Note Issuer. Its duties include the provision of certain management, administrative and related services. The Note Issuer Administrator

may retire at any time upon giving not less than three months' notice in writing of such retirement to the Note Issuer, the Note Trustee and the Rating Agency; *provided that* such retirement may not take effect until a replacement Note Issuer Administrator has been appointed with the approval of the Note Trustee (acting upon the instructions of the Majority Investor) in accordance with the terms of the Note Issuer Administrator Agreement. The Note Issuer Administrator may be removed from office upon the Note Issuer giving not less than one month's notice of such removal with the prior written approval of the Note Trustee or without notice in circumstances, *inter alia*, where an insolvency event has occurred or the Note Issuer Administrator has been negligent or fraudulent or there has been wilful misconduct on its part.

### **Financial Statements**

The financial year of the Note Issuer runs from 1 January to 31 December. Since the date of its incorporation, no financial statements of the Note Issuer have been prepared.

The Note Issuer is not required by Cayman Islands law to prepare and file audited financial statements on an annual basis. The Note Issuer is, however, required to keep proper books of account as are necessary to give a true and fair view of the state of the Note Issuer's affairs and to explain its transactions and to file the same with the registered office of the Note Issuer in the Cayman Islands.

### **Annual Notice to Note Trustee**

The Note Issuer is required to provide written confirmation to the Note Trustee on an annual basis in accordance with Note Condition 8 that, as far as it is aware, no Note Event of Default or other matter which is required to be brought to the attention of the Note Trustee has occurred.

## THE BOND ISSUER

### General

KB Kookmin Card Seventh Securitization Co., Ltd. (the "**Bond Issuer**") was incorporated on 27 February 2020 under the laws of Korea as a limited liability securitisation specialty company (*yuhanhoesa*) under the ABS Act and the Korean Commercial Code with registration number 110114-0256336. The registered office of the Bond Issuer is at 50 Saemunan-ro, Jongno-gu, Seoul 03184, Korea and its telephone number is: +822-3455-2495.

The Bond Issuer is a special purpose vehicle and has no prior operating experience. The Bond Issuer does not have any subsidiaries nor employees.

### Principal Activities

The principal objects of the Bond Issuer are set out in its Articles of Incorporation and are, *inter alia*, to carry out activities pursuant to the ABS Act and will include entering into agreements necessary for the performance of the obligations under the transaction specified in the Securitisation Plans registered with the FSC.

The Bond Issuer has not engaged, since its incorporation, in any activities other than those incidental to its incorporation, the authorisation, execution and issue of the Class A2 Bond, and the documents and matters referred to or contemplated in this Prospectus to which it is or will be a party and matters which are incidental or ancillary to the foregoing. The Bond Issuer will covenant to observe certain restrictions on its activities which are defined in the terms and conditions of the Class A2 Bond.

### Director

The director of the Bond Issuer (the "**Sole Director of the Bond Issuer**") is Hyung Ill Cho of B01, 17 Gwanak-ro 10-gil, Gwanak-gu, Seoul 08791, Korea. There are no potential conflicts of interest between Hyung Ill Cho's private interests and other duties and his duties to the Bond Issuer.

### Equity Capital

The authorised equity capital of the Bond Issuer consists of KRW20,000 divided into 200 units of a nominal or par value of KRW100 each. 200 units have been issued at par and are fully-paid, with one unit being held by the Originator and 199 units by Hyung Ill Cho.

### Capitalisation and Indebtedness

The capitalisation of the Bond Issuer as at the date of this Prospectus, adjusted for the Bonds to be issued on the Closing Date, is as follows:

	As at 13 August 2020 (KRW)
Equity Capital	
200 units of KRW100 each issued and fully paid	20,000
Total Share Capital	20,000
Loan Capital	
Class A1 Bond*	329,725,000,000
Class A2 Bond#	269,774,460,450
Total Loan Capital	599,499,460,450
Total Capitalisation	599,499,460,450

\*     Converted at the rate of U.S.\$ 1.00: KRW1,199.

#     Converted at the rate of SGD1.00: KRW866.14.

Note: Other than as described above, there has been no material change in the capitalisation of the Bond Issuer as at the date hereof.

As of the Closing Date, the Bonds were held by the Note Issuer.

Save as disclosed elsewhere in this Prospectus, at the date of this Prospectus the Bond Issuer has no borrowings or indebtedness in the nature of borrowings (including loan capital issued, or created but unused), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities.

There are no other outstanding loans or subscriptions, allotments or options in respect of the Bond Issuer.

There has been no material adverse change in the financial position of the Bond Issuer since the date of its incorporation.

### **Financial Year**

The financial year of the Bond Issuer runs from 1 January to 31 December. The first financial statements of the Bond Issuer will be published for the financial year ending 31 December 2020. There has been no material change in the activities of the Bond Issuer since its incorporation.

The Bond Issuer has appointed Samjong KPMG LLC having its principal office at 27th Floor, Gangnam Finance Center, 152, Teheran-ro, Gangnam-gu, Seoul 06236, Korea, a member of the Korean Institute of Certified Public Accountants, as its auditors.

## THE CLASS A2 SWAP PROVIDER

On 23 July 2020, the Bond Issuer entered into a swap agreement with DBS Bank Ltd., Seoul Branch ("**Class A2 Swap Agreement**").

As of the date of the Prospectus, the long-term issuer default rating of DBS Bank Ltd. is "AA-" by Fitch.

The Class A2 Swap Agreement will be governed by English law and is documented on standard forms published by the International Swaps and Derivatives Association, Inc. as modified by the schedule thereto and including the credit support deed and confirmation. The Class A2 Swap Agreement is intended to provide a hedge against mismatches between the rates of interest under the Receivables and the Investor Interest and the rate of interest payable under the Class A2 Bond and Korean Won payments receivable by the Bond Issuer under the Investor Interest and the Singapore dollars amounts payable by the Bond Issuer under the Class A2 Bond. Although it is intended that the Class A2 Swap Agreement (together with the Class A1 Swap Agreement) will provide a hedge against substantially all of the Won/Singapore dollar and interest rate mismatches between the amounts due on the Class A2 Bond and the amounts received by the Bond Issuer under the Investor Interest, no assurance can be given that any such mismatch will not occur. See "*Transaction Overview—Swap Arrangements*".

## THE ORIGINATOR

### Overview

#### *General*

KB Kookmin Card (the "**Company**", the "**Originator**" or "**KB Kookmin Card**") was established in March 2011 following a strategic spin-off by Kookmin Bank of its credit card business. The Company is a wholly-owned subsidiary of the KB Financial Group, a financial group established in September 2008 with total assets of KRW544.90 trillion (as of 31 March 2020).

KB Kookmin Card offers its products and services through the network of 904 nationwide branches of Kookmin Bank and 26 branches and 13 sales offices of KB Kookmin Card located throughout Korea, as well as through the internet and a network of 1,712 sales agents (as of 31 March 2020).

As of 31 December 2017, 2018 and 2019, respectively, KB Kookmin Card had 8.95 million, 9.77 million and 10.27 million personal accountholders.

Total assets of KB Kookmin Card as of 31 December 2019 amounted to KRW20.99 trillion and its net income amounted to KRW317 billion, compared to total assets of KRW20.53 trillion and net income of KRW287 billion as of 31 December 2018. As of 31 December 2019, KB Kookmin Card's capital adequacy ratio, determined in accordance with FSC requirements, was 18.53 per cent.

As of 31 December 2019, KB Kookmin Card had 1,571 full-time, permanent employees and 38 contract and part-time employees who are employed on a temporary basis. KB Kookmin Card's headquarters are located at 30, Saemunan-Ro, 3-Gil, Jongno-Gu, Seoul 03173, Korea.

### **KB Kookmin Card Co., Ltd. and Subsidiaries** **Interim Consolidated Statements of Financial Position** **31 December 2019 and 2018**

	2019 <sup>1</sup>	2018 <sup>1</sup>
	<i>(in millions of KRW)</i>	
<b>Assets</b>		
Cash and due from financial institutions	205,683	204,935
Financial assets measured at fair value through profit or loss	573,208	682,442
Derivative financial assets	18,785	1,865
Loans measured at amortized cost	21,244,439	18,788,966
Financial investments	76,651	74,619
Investments in associates	4,623	3,606
Property and equipment	147,163	130,862
Intangible assets	188,818	85,214
Deferred income tax assets	118,984	107,798
Net defined benefit assets	946	-
Other assets	410,816	448,644
<b>Total assets</b>	22,990,116	20,528,951
<b>Liabilities</b>		
Debts	1,129,151	620,126
Derivative financial liabilities	30,982	24,713
Debentures	14,813,456	13,053,596
Provisions	153,433	144,155
Net defined benefit liabilities	-	1,417

Other liabilities	2,798,173	2,726,273
<b>Total liabilities</b>	<b>18,925,195</b>	<b>16,570,280</b>
<b>Equity</b>		
Capital stock	460,000	460,000
Capital surplus	1,976,820	1,976,820
Accumulated other comprehensive income	19,058	29,353
Retained earnings	1,606,831	1,490,293
<b>Equity attributable to shareholders of the Parent Company</b>	<b>4,062,709</b>	<b>3,956,466</b>
<b>Non-controlling interests</b>	<b>2,212</b>	<b>2,205</b>
<b>Total equity</b>	<b>4,064,921</b>	<b>3,958,671</b>
<b>Total liabilities and equity</b>	<b>22,990,116</b>	<b>20,528,951</b>

<sup>1</sup> The consolidated statement of financial position as of 31 December 2019 is prepared in accordance with Korean IFRS 1116; however, the comparative consolidated statement of financial position as at 31 December 2018 was not retrospectively restated to apply Korean IFRS 1116.

**KB Kookmin Card Co., Ltd. and Subsidiaries**  
**Consolidated Statements of Comprehensive Income**  
**31 December 2019 and 2018**

	2019 <sup>1</sup>	2018 <sup>1</sup>
	<i>(In millions of KRW)</i>	
Interest income	1,581,547	1,474,171
Interest income from financial instruments measured at fair value through other comprehensive income and amortized cost	1,570,735	1,465,701
Interest income from financial instruments measured at fair value through profit or loss	10,812	8,470
Interest expense	(350,890)	(306,092)
Net interest income	1,230,657	1,168,079
Fee and commission income	1,406,238	1,426,647
Fee and commission expense	(1,144,463)	(1,161,788)
Net fee and commission income	261,775	264,859
Provision for credit losses	(439,765)	(429,068)
General and administrative expense	(441,920)	(404,926)
Net gains on financial assets/liabilities measured at fair value through profit or loss	371	3,866
Net other operating expense	(231,767)	(133,753)
<b>Operating profit</b>	<b>379,351</b>	<b>469,057</b>
Gain on investments in associates	1,106	202
Other non-operating income (expense)	3,362	(33,062)
Net non-operating income (expense)	4,468	(32,860)
<b>Profit before income tax expense</b>	<b>383,819</b>	<b>436,197</b>
Income tax expense	(67,262)	(149,624)
<b>Profit for the year</b>	<b>316,557</b>	<b>286,573</b>
<b>Other comprehensive income (loss)</b>		
Remeasurement of net defined benefit liabilities	(3,663)	(8,797)
Revaluation gain (loss) on equity instruments measured at fair value through other comprehensive income	(751)	1,806



Items that will not be reclassified to profit or loss	(4,414)	(6,991)
Share of other comprehensive income (loss) of the associates	(89)	43
Cash flow hedges	(5,810)	(17,916)
Exchange differences on translating foreign operations	14	(75)
Items that may be reclassified subsequently to profit or loss	(5,885)	(17,948)
<b>Other comprehensive loss for the year, net of tax</b>	(10,299)	(24,939)
<b>Total comprehensive income for the year</b>	<b>306,258</b>	<b>261,634</b>
<b>Profit for the year attributable to:</b>	<b>316,546</b>	<b>286,599</b>
Shareholders of the Parent Company	11	(26)
Non-controlling interests	316,557	286,573
<b>Total comprehensive income for the year attributable to:</b>	<b>306,251</b>	<b>261,667</b>
Shareholders of the Parent Company	7	(33)
Non-controlling interests	306,258	261,634

<sup>1</sup> The consolidated statement of comprehensive income for the year ended 31 December 2019 is prepared in accordance with Korean IFRS 1116; however, the comparative consolidated statement of comprehensive income for the year ended 31 December 2018 was not retrospectively restated to apply Korean IFRS 1116.

### **The Accounts**

As a spin-off from Kookmin Bank, the Company benefits from the combined strengths of a bank-based card company as well as a monoline card company, and offers a range of specialised products to individual retail customers with different cards offering a variety of features and benefits intended to target specific age groups and organisations. KB Kookmin Card also offers credit cards to companies for corporate purchases. Receivables generated under the corporate credit cards will not be included in the Receivables Pool.

Each new customer enters into one or more agreements (each, a "**Card Agreement**") with the Company which governs their account with the Company (each, an "**Account**") and the issuance of credit cards (each, a "**Card**") to the customer (each, an "**Accountholder**"). Although an Accountholder may nominate family members to receive Cards issued under the Account, the Accountholder remains the primary obligor under the Account. Each holder of a Card issued under an Account is a "**Cardholder**". The Company may alter the terms of a Card Agreement by giving thirty (30) days' notice to the Accountholder. The Company offers the following services to Cardholders:

- Credit card services providing the Accountholder with limited credit to purchase products and services ("**Credit Card Services**"), for which payment must be made either (i) in full on the immediately succeeding monthly payment date (the "**Lump Sum Basis**") or (ii) on a revolving basis subject to a minimum monthly payment of the greater of (x) 10 per cent. of the amount outstanding and (y) KRW50,000 (the "**Revolving Payment Basis**").
- Cash advances via ATM/CD machines, bank branches, through the Internet and by telephone ("**Cash Advances**"), for which payment by the Accountholder must be made either (i) on the Lump Sum Basis or (ii) on the Revolving Payment Basis (which is only available to Accountholders who have used this payment method prior to 31 December 2019).
- The option to purchase products and services from specified merchants on an equal principal instalment basis ("**Instalment Services**"), for which payments must be made over a fixed term of two months up to a maximum of 24 months.

The option to take out a consumer loan ("**Card Loan**"), with a borrowing limit and rate of interest based on the applicant's credit score and the duration of the Card Loan. Cardholders with high credit scores are eligible for a type of Card Loan offering several principal deferral options. Customers may request a Card Loan via card branches, the internet and telephone.

The Company offers five basic types of Cards: Mastercard, Visa, JCB, AMEX and UPI. KB Kookmin Card also has various product affiliations across retail, telecommunications, entertainment and oil industries in order to issue co-brand cards. KB Kookmin Card and the affiliated concerns share fees and costs for the service and conduct joint marketing campaigns.

Each Accountholder is allocated a credit limit and each month the Company advises Accountholders of the credit limit relating to its Card(s) in a monthly billing statement. A sub-limit is established for Cash Advances. The Cash Advances limit cannot exceed 40 per cent. of the overall credit limit established for the Account, and is generally between 30 to 35 per cent. of the total credit limit established for the Account. Accountholders are required to settle their outstanding balances in accordance with the Card Agreement and may choose a monthly settlement date from a list of 27 possible payment dates (currently the 1st through the 27th of each month). Settlement dates around the end of each month are the most popular since salaries in Korea are commonly paid at the end of the month.

## **Origination and Marketing**

### ***General***

In general, KB Kookmin Card markets and originates new Accounts through five different channels, which consist of marketing through sales agents, affiliation-related solicitation through strategic alliances, marketing through the internet, telemarketing and voluntary customer application:

- *Marketing through Sales Agents:* The use of external sales agents from card agencies is a highly effective marketing channel for attracting new cardholders.
- *Co-branding and Affiliation-related Solicitation:* KB Kookmin Card attracts new Accounts with affiliated companies that have a strategic alliance with the Company.
- *Marketing through the Internet:* KB Kookmin Card actively utilises its website to attract new customers.
- *Telemarketing:* KB Kookmin Card outsources telemarketing activities to an external company. The telemarketers receive commission fees based on origination of new accounts.
- *Voluntary Customer Application:* A customer visiting a branch of Kookmin Bank or a sales office of the Company to apply for a Card is advised of the range of credit cards by a marketing agent at the relevant branch. This marketing channel has consistently been the most significant source of new Cardholders.

Potential customers complete an application form for a Card, specifying personal details such as salary, employment, employer, address and residence status. The application will also specify the credit limit requested.

### ***Application Process***

There are several stages between the receipt of an application from a potential customer to the issuance of a Card.

### *Stage 1: Evaluation of Applicant*

The Company adopts a two-step credit evaluation for each applicant. As a first step, following the upload of the application form and verified identification documents onto the Company's systems, the applicant's profile information, including credit score, delinquency status, financial transaction history, and disposable income, is automatically evaluated. If the applicant is not rejected automatically at this stage, then an underwriter from the Company's Credit Analysis Department will verify the applicant's income and payment capability and the other approval criteria set forth below.

### *Stage 2: Information Verification*

Each applicant's name, identification and payment capability must be verified. Verification is undertaken by sales agents and branch employees and by underwriters in person and by telephone at various stages of the underwriting process.

### *Stage 3: Credit Card Issuance*

Once an application is approved, a credit card number is assigned and the Card is generated. The Card is sent to the applicant, who then registers the Card via ARS, the internet or by visiting a branch of the Company or Kookmin Bank.

### ***Customer Information Protection***

KB Kookmin Card has recently instigated a number of strong measures to protect the personal information of its customers. KB Kookmin Card reinforced its Customers' Information Protection Department by reorganising it as a separate division, thereby allowing it to enforce internal policies to ensure the protection of customer information in a more effective and efficient manner. KB Kookmin Card also reinforced its IT system to strengthen security. In February 2014, the FSS imposed a three-month suspension on certain business areas of the Company following an investigation into data breaches at some Korean credit card companies. The ban was lifted in May 2014 and the Company's business has since resumed as normal. Since then, KB Kookmin Card has been fully committed to protecting customer information and has obtained the Korea Information Security Management System (K-ISMS) certification from the Korea Internet and Security Agency in 2016.

### ***Credit Card Renewal***

Renewing a Card is the process of re-issuing the card when it expires. Renewal of the validity of the Card is provided to Cardholders who are not delinquent with payments on their Card or cards issued by other institutions. Eligibility for renewal is determined 6 months prior to the expiration of the Card.

### ***Underwriting***

All applicants are reviewed and evaluated using KB Kookmin Card's written policies and procedures including credit scoring methodologies. The Company uses two credit scoring systems, as described below.

After a determination of eligibility is made based on the factors set forth above, KB Kookmin Card utilises a credit scoring system known as the Application Scoring System ("ASS"), under which an applicant's creditworthiness is assessed and the accuracy of information provided is reviewed. The ASS takes into account information provided by the applicant as well as information on an applicant's outstanding credit experience and payment history, obtained from the Company's internal records, records of Kookmin Bank and external databases, and generates a credit grade which ranges from 1 to 12. Key criteria used in the ASS include the applicant's occupation, position in the workplace, gender, age, type of residential property, duration of delinquencies with other card companies and the sum of cash advances made under other cards. KB Kookmin Card then utilises its internal matrix based on the ASS credit grade

and the applicant's external credit bureau grade for final assessment. If approved, the applicant's overall credit limit and Cash Advance sub-limit are determined.

KB Kookmin Card continues to monitor and review the creditworthiness of a Cardholder on an ongoing basis, utilising a second system known as the "**Behavior Scoring System**" or "**BSS**". The BSS evaluates factors such as the number of months since Card issuance, Card balance, delinquency status for the preceding month, Cardholder occupation and type of residential property. The behavioural score generated is used to upgrade or downgrade a Cardholder's grading or reduce the Cardholder's credit limit.

To monitor the credit status of its Accountholders, the Company periodically accesses information from external sources, including:

- The database of the Korea Credit Information Services (*Shinyongjeongbowon*), which contains the number of credit cards an applicant holds and details of certain previous delinquencies;
- A shared database maintained since 1998 by the Company, BC Card, Samsung Card, Shinhan Card and KEB Card, which contains the delinquency payment history of each of their customers (the database is only accessible by these companies and only records payments in excess of KRW100,000 that are more than five (5) days delinquent); and
- Korean credit rating agencies, which provide accumulated loan information in respect of individuals and information in respect of department store credit cards on a subscription basis.

### ***Finance Charges and Fees***

KB Kookmin Card derives revenues from annual membership fees paid by Cardholders, interest charged on Card balances, fees and interest charged on Cash Advances and Card Loans, interest charged on deferred payments and merchant fees paid by retail and service establishments. Merchant fees and interest on Card Loan constitute the largest source of revenue for KB Kookmin Card.

The annual fees for Cards vary depending on the type of Card and the benefits offered thereunder. For its standard Cards, the Company charges an annual membership fee in a range from KRW5,000 to KRW20,000 per credit card. Annual membership fees for various affinity and co-branded cards go up to KRW1 million.

KB Kookmin Card charges a periodic finance charge at a fixed rate of interest ranging from 5.9 per cent. to 23.6 per cent. per annum on the outstanding balance under an Account. There is no periodic finance charge assessed on Credit Card Service balances for which payment is made on the Lump Sum Basis provided that the payment is paid on or before the applicable settlement date. Periodic finance charges on Cash Advances and Instalment Services are based on fixed interest rates determined by reference to the credit scoring of the Accountholder and the number of scheduled instalments. The charges for Cash Advances range from 5.9 per cent. to 23.6 per cent. per annum, while charges for Instalment Services are from 8.6 per cent. to 21.6 per cent. per annum.

KB Kookmin Card also charges the fees charged by other financial institutions, such as a fee for Cash Advances rendered through the use of an automated teller machine.

KB Kookmin Card charges merchant fees ranging from 0.5 per cent. to 2.30 per cent. of the purchased amount, depending on the merchant type, with the average charge being 1.46 per cent. in 2019. Mark-up fees, borne by the Cardholder, are charged for international purchases

made on a Lump-Sum Basis. VISA International charges and MasterCard International each charge a mark-up fee of 1 per cent.

If an Account is delinquent, a delinquency fee is charged in addition to the periodic finance charge described above, calculated on the principal balance owed and the period of delinquency, measured in days. The delinquency fee rate ranges from 7.9 per cent. to a maximum rate of 24.0 per cent. per annum.

Although making payments on a revolving basis is more common in many other countries, this payment method is still in its early stages of development in Korea. Cardholders in Korea are generally required to repay their purchases within approximately 14 to 44 days of purchase depending on their payment cycle, except in the case of Instalment Services where the repayment term is typically three to six months. Accounts that remain unpaid after this period are deemed to be delinquent, and KB Kookmin Card levies late charges on and closely monitors such accounts. For purchases made on an instalment basis, KB Kookmin Card charges interest on unpaid amounts at rates that vary according to the terms of repayment.

Accountholders are required to settle their outstanding balances in accordance with the terms of the credit cards they hold. Accountholders may choose the monthly settlement date. Settlement dates around the end of each month are the most popular since salaries are typically paid at the end of the month. An Accountholder is required to select a settlement date when the account is opened. The cardholder may change the settlement date after the account has been opened but no more than once every two months.

## **Servicing**

### ***Transaction Approval Process***

Credit card transaction approvals are primarily conducted electronically through the "valued-added network" of 17 private companies ("**VAN companies**") which collect transaction information and send it electronically to the Company for approval. If a merchant is not connected to a VAN company, it must telephone the Company directly to verify the transaction. During the approval process, the Company checks whether the transacting party is an approved Cardholder, whether the Card has been stolen or terminated, whether the merchant is registered with the Company and whether the transaction amount exceeds approved credit limits.

Details of approximately 99 per cent. of the sales transactions are initially electronically transferred to the Company by VAN companies or directly by merchants. Physical sales slips and invoices are either collected by the Company or are sent by merchants and affiliated banks to the Company by mail. Sales slips and invoices are matched by random sampling against the approval information before payments to merchants are computed.

### ***Billing Process***

The Company sends a billing statement to the relevant Accountholder which includes charges incurred on all Cards issued under his or her Account and amounts due under any outstanding Card Loans, by physical mailing or electronic mail. Billing statements are also available online by password-controlled access to KB Kookmin Card's internet web site. The Company offers a variety of payment dates to each Accountholder. See "*—Overview—The Accounts*" above. Each statement consolidates all activity during the month on each Card issued under the Account.

### ***Verification and Payments to Merchant***

Prior to making payment to merchants, the Company verifies the validity of the sales transaction information.

Upon completion of the verification process, the Company makes payment to the merchant generally within three (3) business days after receipt of the transaction information.

## **Payment Methods**

### ***Auto Debit***

A majority of Cardholders use the Auto Debit repayment method, whereby KB Kookmin Card automatically withdraws payments from a bank account designated by the Cardholder or borrower with an allied bank or member of the CMS network of KFTC.

### ***CMS***

An alternative method of repayment offered to Cardholders is the Cash Management Service ("CMS"). If a Cardholder chooses the CMS option, the Cardholder completes a CMS application form (obtained from one of the financial institutions listed below) to request a money transfer to the collection account of KB Kookmin Card established at the same institution. Cardholders can make a real time CMS payment over the telephone or via internet banking. Banks participating in the CMS system are IBK, KEB Hana, Kookmin, SCFB, Kwangju, Woori, Shinhan, Daegu, Kyungnam, Pusan, Jeonbuk, NACF and the Korean Postal Service.

### ***ARS and Internet***

Cardholders can check amounts due for a billing cycle using the automated response system ("ARS") or via the internet. The Cardholder designates an account for payment from which KB Kookmin Card immediately draws the payment amount.

### ***Delinquencies***

Failure to make full payment of billed amounts by the payment due date will cause late fees to accrue. KB Kookmin Card has a contractual right to declare an event of default and accelerate the maturity of any delinquent payment if a Cardholder fails to repay for more than two consecutive months. In practice, however, KB Kookmin Card will take such action only after all other collection methods have been exhausted.

### ***Restructuring***

For certain customers, KB Kookmin Card may offer to restructure delinquent payments allowing the Cardholder to make payments in instalments. In general, the payment terms for restructured loans consist of an optional down payment and subsequent mandatory monthly interest and principal payments. The restructured loan payment period is subject to a maximum length of 60 months. These restructured loans do not form part of the Receivables Pool. Any Accounts which become restructured Accounts will cease to be Eligible Accounts.

### ***Write-offs***

KB Kookmin Card can charge-off debts, with FSS approval, on a quarterly basis for balances with an estimated loss of over KRW10 million. A minimum of six months' delinquency period is required for charge-offs.

## DESCRIPTION OF THE RECEIVABLES

### *General*

The Receivables are a pool of Won-denominated credit card receivables consisting of amounts owed by Accountholders on certain Accounts designated from time to time (the "**Designated Accounts**") for Credit Card Services, Instalment Services, Cash Services, and including finance charges, other fees and charges and any other amounts owed by Accountholders thereunder. See "*Master Definitions Schedule*" and "*The Originator*".

On the Closing Date, the Originator will entrust to the Trustee all of its rights and interest in all Receivables existing as at the close of business on the Closing Date in certain Accounts and all Receivables arising from time to time thereafter in such Accounts. From time to time during the Revolving Period or the Controlled Amortisation Period, the Originator may (subject to certain conditions precedent set forth in the Trust Agreement) entrust to the Trustee for the benefit of the Interestholders all of its rights and interest in the Receivables arising under specified Additional Accounts at the relevant entrustment date and from time to time thereafter in such Accounts. The entrustment of Receivables by the Originator will be for a period commencing on the date of entrustment and ending on the earlier of (a) the date on which all Trust Obligations, Bond Issuer Obligations and Note Issuer Obligations have been paid in full and (b) the Note Legal Maturity Date.

From time to time during the Revolving Period and the Controlled Amortisation Period, the Trustee may, subject to the conditions specified in the Trust Agreement, upon written request from the Originator, reassign to the Originator all of the Trustee's rights and interest in the Receivables then existing and arising from time to time thereafter in certain Designated Accounts identified by the Originator. Following such reassignment, the relevant Accounts and any receivables arising thereunder will no longer be Trust Assets.

If an Asset Warranty is breached in respect of any Receivable, the Trustee may reassign such Receivable (together with all other Receivables in the Designated Account in which such Receivable arose) to the Originator, and the Originator will pay the Reassignment Price to the Trust for such Receivables. If the Receivable is not reassigned to the Originator and it subsequently becomes a Defaulted Receivable, the Originator will indemnify the Trustee in an amount equivalent to the Reassignment Price for such Receivable. Prior to the payment by the Originator of the Reassignment Price for any such Receivables, or at any time following the commencement of the Early Amortisation Period or on or after the Enforcement Date, Collections on such Receivables (other than Seller Collections) will be treated as Eligible Account Collections.

Accordingly, the amount of Receivables to which the Trustee is entitled from time to time will fluctuate as Designated Accounts are removed from, or added to the Trust, as Receivables are reassigned, as New Receivables are generated in Designated Accounts and as existing Receivables are collected, written-off as uncollectible or otherwise become subject to a Receivable Balance Adjustment.

### *The Receivables*

As at the Initial Cut-off Date, there were 753,448 Designated Accounts with an aggregate Receivable Balance of KRW999,999,936,346. As at such date, the average Receivable Balance per Designated Account was KRW1,327,232, the average credit limit was KRW8,023,366 and the average Receivable Balance as a percentage of the average credit limit was 16.54 per cent.

The following tables summarise the Accounts by various criteria as at the Initial Cut-off Date. The characteristics of the Receivables Pool will change over time and there can be no assurance that the Receivables Pool will have characteristics similar to those presented in the

following tables as at any date other than the Initial Cut-off Date. The figures in each column may not add up to the stated total due to rounding.

**Composition of Accounts by Age of Accountholders**  
(as of 30 June 2020) (in KRW)

Account Holder's Age	No. of Accounts	%	Total principal balance	Cash Advance	Instalment Purchase	Lump Sum	Revolving CA	Revolving LS
Total	753,448	100.0%	999,999,936,346	49,821,752,092	468,756,650,523	210,258,212,557	6,798,108,653	264,365,212,521
20~29	75,739	10.05%	92,283,028,079	3,338,139,148	44,603,357,809	28,908,066,236	5,020,000	15,428,444,886
30~39	130,477	17.32%	196,812,588,433	5,071,463,738	85,141,643,499	43,527,282,931	450,710,869	62,621,487,396
40~49	176,100	23.37%	266,955,825,452	12,732,400,651	115,264,524,545	55,606,708,895	1,818,867,770	81,533,323,591
50~59	176,644	23.44%	240,388,142,176	14,953,112,896	117,657,487,707	44,329,965,650	2,437,535,061	61,010,040,862
60~70	194,488	25.81%	203,560,352,206	13,726,635,659	106,089,636,963	37,886,188,845	2,085,974,953	43,771,915,786

**Composition of Accounts by Account Age**  
(as of 30 June 2020) (in KRW)

Account Age	No. of Accounts	%	Total principal balance	Cash Advance	Instalment Purchase	Lump Sum	Revolving CA	Revolving LS
Total	753,448	100.0%	999,999,936,346	49,821,752,092	468,756,650,523	210,258,212,557	6,798,108,653	264,365,212,521
~5 years	47,634	6.3%	54,538,212,106	2,453,943,107	26,312,344,445	16,449,136,205	-	9,322,788,349
5~10 years	82,131	10.9%	104,307,692,075	3,722,066,834	49,970,795,171	27,508,928,467	36,413,319	23,069,488,284
10~15 years	129,557	17.2%	174,260,809,113	6,190,077,555	78,235,678,768	36,065,684,632	747,599,780	53,021,768,378
15~20 years	194,460	25.8%	261,638,174,519	11,995,299,643	121,239,354,250	50,020,683,780	1,751,501,274	76,631,335,572
20~25 years	147,163	19.5%	199,291,877,082	11,638,869,626	94,683,027,092	38,142,745,344	1,939,341,760	52,887,893,260
25~30 years	92,540	12.3%	127,977,352,322	8,148,692,767	61,897,088,862	24,577,277,377	1,474,986,659	31,879,306,657
30~35 years	48,536	6.4%	63,039,969,712	4,518,762,653	29,432,063,235	13,891,626,649	721,674,692	14,475,842,483
35~40 years	11,427	1.5%	14,945,849,417	1,154,039,907	6,986,298,700	3,602,130,103	126,591,169	3,076,789,538

**Composition of Accounts by Payment Method**  
(as of 30 June 2020) (in KRW)

Payment Method	No. of Accounts	%	Total principal balance	Cash Advance	Instalment Purchase	Lump Sum	Revolving CA	Revolving LS
Total	753,448	100.0%	999,999,936,346	49,821,752,092	468,756,650,523	210,258,212,557	6,798,108,653	264,365,212,521
Auto debit (KB Kookmin Bank)	753,448	100.0%	999,999,936,346	49,821,752,092	468,756,650,523	210,258,212,557	6,798,108,653	264,365,212,521

**Composition of Accounts by BSS Score**  
(as of 30 June 2020) (in KRW)

Credit Score	No. of Accounts	%	Total principal balance	Cash Advance	Instalment Purchase	Lump Sum	Revolving CA	Revolving LS
Total	753,448	100.0%	999,999,936,346	49,821,752,092	468,756,650,523	210,258,212,557	6,798,108,653	264,365,212,521
1	98,523	13.1%	78,867,190,188	47,480,358	23,287,516,363	28,671,025,825	10,380,000	26,850,787,642
2	98,254	13.0%	103,225,240,733	112,184,011	48,674,225,460	26,775,256,454	19,768,129	27,643,806,679
3	118,062	15.7%	118,815,615,045	252,377,285	63,738,747,345	31,318,227,967	16,560,000	23,489,702,448
4	116,626	15.5%	131,466,703,469	359,685,894	69,585,149,758	35,960,039,520	19,520,310	25,542,307,987
5	118,900	15.8%	151,349,364,060	1,346,218,504	82,386,662,544	36,197,221,264	147,139,170	31,272,122,578



6	91,499	121%	158,089,279,261	7,963,642,533	77,847,123,842	23,304,258,142	1,223,956,569	47,750,298,175
7	52,887	70%	106,241,171,320	10,945,941,977	45,646,194,196	13,789,608,675	1,471,876,288	34,387,550,184
8	34,718	46%	84,232,427,606	13,114,385,068	34,169,500,097	8,333,568,708	1,748,443,880	26,866,529,853
9	23,979	32%	67,712,944,664	15,679,836,462	23,421,530,918	5,909,006,002	2,140,464,307	20,562,106,975

**Composition of Accounts by Outstanding Principal Balance**  
(as of 30 June 2020) (in KRW)

Account Principal Balance	No of Accounts	%	Total principal balance	Cash Advance	Instalment Purchase	Lump Sum	Revolving CA	Revolving LS
Total	753,448	1000%	999,999,936,346	49,821,752,092	468,756,650,523	210,258,212,557	6,798,108,653	264,365,212,521
~ 05 million	323,959	430%	64,853,291,242	263,332,663	18,175,034,400	26,006,541,415	25,293,127	20,383,089,637
~ 1 million	150,453	200%	109,438,936,033	1,031,934,274	43,414,489,386	35,898,354,788	106,220,139	28,987,937,446
~ 15 million	86,966	115%	106,978,530,526	1,907,542,116	50,716,947,982	28,665,862,176	203,585,708	25,484,592,544
~ 2 million	54,092	72%	93,725,579,145	2,164,894,991	47,998,505,616	21,892,545,763	232,683,906	21,436,948,869
~ 3 million	59,041	78%	144,013,406,059	5,422,646,007	77,946,390,099	28,013,704,846	566,591,133	32,064,073,974
~ 4 million	29,223	39%	100,824,684,308	4,838,199,666	55,627,999,337	16,317,363,011	559,785,653	23,481,336,641
~ 5 million	16,189	21%	72,177,997,132	4,791,916,269	38,407,742,436	9,565,567,903	584,151,006	18,828,619,518
~ 6 million	9,428	13%	51,501,307,960	4,161,999,752	26,518,104,990	6,119,207,718	438,685,010	14,263,310,490
~ 7 million	6,235	08%	40,280,048,877	3,404,890,692	20,118,364,786	4,246,590,705	482,227,635	12,027,975,059
~ 8 million	4,261	06%	31,830,632,028	3,360,235,283	14,941,594,355	3,175,717,689	472,526,875	9,880,557,826
~ 9 million	3,066	04%	25,969,352,765	3,180,496,590	11,752,966,550	2,415,507,641	461,269,416	8,159,112,568
~ 10 million	2,312	03%	21,933,783,998	2,411,453,099	9,417,165,704	1,739,237,284	364,861,670	8,001,066,241
~ 11 million	1,607	02%	16,833,917,663	2,070,591,861	7,309,047,377	1,374,736,925	405,509,021	5,674,032,479
~ 12 million	1,166	02%	13,374,196,760	1,651,768,380	5,961,481,490	1,001,787,450	283,141,431	4,476,018,009
~ 13 million	961	01%	12,007,825,494	1,437,372,510	4,986,085,890	1,126,585,889	236,551,848	4,221,229,357
~ 14 million	779	01%	10,505,527,297	1,288,418,846	4,326,949,799	953,922,213	192,270,028	3,743,966,411
~ 15 million	647	01%	9,379,930,967	909,231,254	3,797,952,752	690,345,741	195,653,993	3,786,747,227
~ 16 million	451	01%	6,968,492,641	964,384,907	2,755,991,251	560,914,656	156,082,918	2,531,118,909
~ 17 million	461	01%	7,599,245,111	1,421,214,324	2,570,515,184	708,766,176	159,716,813	2,739,032,614
~ 18 million	346	00%	6,061,203,979	920,194,162	2,346,521,139	585,212,395	117,759,917	2,091,516,366
~ 19 million	341	00%	6,301,171,752	713,289,061	2,276,500,538	518,883,310	165,900,410	2,626,598,433
~ 20 million	385	01%	7,547,913,333	713,105,385	3,210,587,512	724,378,869	168,512,746	2,731,328,821
~ 21 million	101	00%	2,061,808,069	159,150,000	831,245,147	561,228,903	18,572,351	491,611,668
~ 22 million	67	00%	1,440,960,527	150,400,000	523,496,730	481,306,406	9,166,240	276,591,151
~ 23 million	66	00%	1,485,299,282	35,200,000	454,246,527	507,389,362	18,874,024	469,589,369
~ 24 million	56	00%	1,316,007,345	101,900,000	617,479,438	277,581,888	19,337,163	299,708,856
~ 25 million	49	00%	1,198,517,505	153,690,000	471,607,394	448,698,483	-	124,521,628
~ 26 million	40	00%	1,020,798,102	64,000,000	289,390,652	521,598,299	20,767,825	125,041,326
~ 27 million	46	00%	1,219,031,696	11,000,000	469,474,397	612,714,270	-	125,843,029
~ 28 million	37	00%	1,014,780,470	19,200,000	418,467,932	442,356,011	24,748,034	110,008,493
~ 29 million	31	00%	884,737,593	-	251,260,373	459,018,581	9,139,202	165,319,437
~ 30 million	41	00%	1,210,237,187	8,000,000	370,789,801	469,958,978	17,106,600	344,381,808
~ 31 million	32	00%	974,786,617	-	166,529,795	621,555,526	-	186,701,296
~ 32 million	35	00%	1,101,785,198	55,300,000	191,255,433	705,642,678	-	149,587,087
~ 33 million	32	00%	1,039,500,112	-	334,111,727	631,801,675	-	73,586,710
~ 34 million	32	00%	1,071,306,901	-	238,034,488	646,994,514	46,860,210	139,417,689
~ 35 million	31	00%	1,067,758,755	-	318,739,823	613,460,788	-	135,558,144
~ 36 million	27	00%	956,423,736	34,800,000	288,148,574	489,539,293	-	143,935,869
~ 37 million	16	00%	584,171,715	-	175,938,093	297,352,612	-	110,881,010
~ 38 million	16	00%	600,863,068	-	87,047,196	358,222,562	-	155,593,310

~ 39 million	19	00%	731,823,951	-	119,092,848	455,906,272	-	156,824,831
~ 40 million	16	00%	633,312,534	-	171,362,048	369,757,758	-	92,192,728
~ 41 million	17	00%	689,891,040	-	165,261,910	429,164,256	-	95,464,874
~ 42 million	12	00%	497,618,361	-	126,126,677	370,008,802	-	1,482,882
~ 43 million	17	00%	722,020,838	-	132,232,958	454,885,732	34,556,601	100,345,547
~ 44 million	10	00%	434,701,879	-	120,775,576	258,497,928	-	55,428,375
~ 45 million	15	00%	668,101,209	-	225,446,273	360,175,965	-	82,478,971
~ 46 million	10	00%	454,037,894	-	88,693,620	273,295,871	-	92,048,403
~ 47 million	8	00%	371,712,592	-	43,603,753	230,078,877	-	98,029,962
~ 48 million	8	00%	381,740,884	-	179,916,549	95,686,157	-	106,138,178
~ 49 million	15	00%	726,487,172	-	268,587,415	342,054,243	-	115,845,514
~ 50 million	7	00%	345,987,381	-	158,903,972	110,212,041	-	76,871,368
~ 60 million	70	00%	3,846,475,798	-	1,328,415,667	1,951,954,754	-	566,105,377
~ 70 million	41	00%	2,659,638,987	-	1,277,173,271	1,069,081,540	-	313,384,176
~ 80 million	20	00%	1,473,278,740	-	596,906,277	504,589,686	-	371,782,777
~ 90 million	11	00%	920,411,676	-	312,506,386	588,698,210	-	19,207,080
~ 100 million	8	00%	757,698,140	-	482,498,658	275,199,482	-	-
100 million ~	20	00%	3,329,248,322	-	1,884,944,572	670,809,591	-	773,494,159

**Composition of Accounts by Total Credit Limit**  
(as of 30 June 2020) (in KRW)

Credit Limit	No of Accounts	%	Total principal balance	Cash Advance	Instalment Purchase	Lump Sum	Revolving CA	Revolving LS
Total	753,448	1000%	999,999,936,346	49,821,752,092	468,756,650,523	210,258,212,557	6,798,108,653	264,365,212,521
0 ~1 million	11,855	16%	2,720,474,044	40,734,923	654,066,719	1,370,040,410	2,368,875	653,263,117
1 ~ 2 million	51,052	68%	22,681,516,300	599,139,392	8,549,373,718	8,084,712,367	58,103,870	5,390,186,953
2 ~ 3 million	62,141	82%	41,374,508,961	1,546,778,827	18,588,776,049	11,633,673,207	136,568,341	9,468,712,537
3 ~ 4 million	84,713	112%	66,992,118,044	2,630,143,667	31,379,446,832	17,136,719,221	259,920,908	15,585,887,416
4 ~ 5 million	70,005	93%	65,460,325,305	2,714,329,796	31,895,873,688	14,415,859,644	363,726,846	16,070,535,331
5 ~ 6 million	90,201	120%	93,236,392,355	3,584,063,232	44,426,842,223	21,710,275,910	503,742,194	23,011,468,796
6 ~ 7 million	59,502	79%	69,032,578,039	3,100,944,301	33,420,907,061	13,963,344,341	448,415,690	18,098,966,646
7 ~ 8 million	49,868	66%	63,371,060,253	2,890,711,608	30,729,988,241	12,227,143,112	330,488,376	17,192,728,916
8 ~ 9 million	36,996	49%	53,571,232,518	2,588,772,163	26,106,701,248	10,160,429,902	293,689,670	14,421,639,535
9 ~ 10 million	35,177	47%	54,409,883,517	2,380,834,969	26,490,964,609	10,232,574,383	323,016,337	14,982,493,219
10 ~ 11 million	68,571	91%	105,417,549,003	3,868,282,959	49,945,157,431	23,105,270,834	444,060,832	28,054,776,947
11 ~ 12 million	16,330	22%	32,481,737,883	1,914,455,229	15,677,271,981	5,406,543,904	305,032,178	9,178,434,591
12 ~ 13 million	15,360	20%	33,965,339,066	2,202,894,956	15,626,028,636	5,620,414,096	384,188,256	10,131,813,122
13 ~ 14 million	20,790	28%	36,599,875,074	1,819,600,875	17,186,702,512	6,692,547,847	320,870,402	10,580,153,438
14 ~ 15 million	10,589	14%	25,581,914,445	1,955,441,438	11,920,963,438	3,983,627,048	264,722,124	7,457,160,397
15 ~ 16 million	12,116	16%	29,904,014,278	1,767,132,926	14,066,201,033	5,316,633,088	305,212,179	8,448,835,052
16 ~ 17 million	6,261	08%	18,341,620,316	1,417,881,734	8,466,369,418	2,865,862,664	179,108,087	5,412,398,413
17 ~ 18 million	6,834	09%	18,299,016,700	1,480,510,536	8,572,769,499	2,946,529,931	225,008,074	5,074,198,660
18 ~ 19 million	5,103	07%	16,327,474,887	1,264,279,226	7,481,226,355	2,447,149,347	288,589,497	4,846,230,462
19 ~ 20 million	4,196	06%	15,419,659,554	1,255,473,860	7,331,375,699	2,110,482,743	215,137,831	4,507,189,421
20 ~ 21 million	26,709	35%	105,881,331,586	6,779,721,737	47,671,160,404	21,611,665,638	718,917,684	29,099,866,123
21 ~ 22 million	457	01%	1,432,118,409	192,140,000	569,628,310	288,495,758	77,296,241	304,558,100
22 ~ 23 million	486	01%	1,796,027,564	259,908,796	695,084,016	301,659,438	74,545,254	464,830,060
23 ~ 24 million	313	00%	1,197,844,607	110,760,000	531,950,121	158,178,138	30,422,774	366,533,574

24 ~ 25 million	4,493	06%	7,187,975,003	452,490,000	3,145,925,907	1,726,321,586	68,253,807	1,794,983,703
25 ~ 26 million	472	01%	2,365,307,712	142,860,000	1,044,735,442	520,064,511	10,756,455	646,891,304
26 ~ 27 million	315	00%	771,889,655	53,300,000	358,638,124	214,086,254	20,767,825	125,097,452
27 ~ 28 million	193	00%	631,118,460	101,290,000	369,568,705	79,486,279	-	80,773,476
28 ~ 29 million	107	00%	568,129,144	65,230,000	303,086,914	137,572,884	200,000	62,039,346
29 ~ 30 million	120	00%	393,196,220	85,420,000	142,980,458	87,318,913	9,139,202	68,337,647
30 ~ 31 million	611	01%	4,295,090,078	208,724,942	1,695,107,546	1,276,042,007	29,106,600	1,086,108,983
31 ~ 32 million	504	01%	1,127,390,812	42,900,000	535,559,818	256,044,248	24,748,034	268,138,712
32 ~ 33 million	39	00%	144,210,383	8,300,000	82,386,520	22,607,954	-	30,915,909
33 ~ 34 million	48	00%	436,550,863	46,400,000	239,351,717	67,962,266	-	82,836,880
34 ~ 35 million	278	00%	862,115,981	44,350,000	366,935,729	192,215,800	46,860,210	211,754,242
35 ~ 36 million	81	00%	514,755,699	15,500,000	214,762,205	187,360,308	-	97,133,186
36 ~ 37 million	47	00%	197,470,296	22,450,000	107,917,700	39,224,022	-	27,878,574
37 ~ 38 million	17	00%	75,930,590	40,800,000	12,618,077	9,501,192	567,399	12,443,922
38 ~ 39 million	22	00%	87,624,593	16,000,000	53,770,658	14,006,885	-	3,847,050
39 ~ 40 million	17	00%	69,774,974	100,000	14,824,261	17,669,452	-	37,181,261
40 ~ 41 million	160	00%	1,541,043,442	30,000,000	576,595,963	453,815,994	-	480,631,485
41 ~ 42 million	17	00%	46,830,587	-	27,684,738	10,913,825	-	8,232,024
42 ~ 43 million	6	00%	29,873,594	16,000,000	5,177,806	6,986,918	-	1,708,870
43 ~ 44 million	10	00%	65,589,292	34,800,000	22,486,413	6,353,955	-	1,948,924
44 ~ 45 million	3	00%	2,173,770	-	934,400	1,239,370	-	-
45 ~ 46 million	26	00%	50,381,357	1,000,000	28,459,054	4,045,341	-	16,876,962
46 ~ 47 million	1	00%	1,063,410	-	-	1,063,410	-	-
47 ~ 48 million	5	00%	36,218,300	-	11,503,413	24,372,717	-	342,170
48 ~ 49 million	5	00%	13,767,916	-	9,865,976	179,100	-	3,722,840
49 ~ 50 million	7	00%	54,850,295	-	46,124,671	8,455,384	-	270,240
50 ~ million	219	00%	2,934,001,212	28,900,000	1,354,819,067	1,103,469,011	34,556,601	412,256,533

**Composition of Accounts by Payment Date**  
(as of 30 June 2020) (in KRW)

Payment Date	No of Accounts	%	Total principal balance	Cash Advance	Instalment Purchase	Lump Sum	Revolving CA	Revolving LS
Total	753,448	1000%	999,999,936,346	49,821,752,092	468,756,650,523	210,258,212,557	6,798,108,653	264,365,212,521
1	64,109	85%	98,670,658,576	4,343,148,285	40,669,811,333	23,692,830,870	604,976,203	29,359,891,885
2	3,398	05%	5,967,617,556	259,610,298	2,712,003,635	1,343,825,445	30,537,788	1,621,640,390
3	2,570	03%	4,237,283,848	247,984,051	1,723,339,874	1,048,633,085	15,597,580	1,201,729,258
4	1,240	02%	2,062,912,959	126,104,828	928,732,372	499,153,451	2,900,000	506,022,308
5	67,255	89%	103,619,816,000	4,969,331,141	45,050,413,579	22,438,960,303	886,747,723	30,274,363,254
6	4,524	06%	7,258,991,178	288,719,408	3,263,916,784	1,723,270,662	26,968,304	1,956,116,020
7	6,683	09%	10,810,905,326	626,136,212	4,596,729,478	2,273,405,308	106,656,811	3,207,977,517
8	2,277	03%	4,055,303,308	254,269,745	1,854,041,412	928,810,496	22,290,176	995,891,479
9	3,615	05%	5,887,655,330	271,144,671	2,543,409,857	1,314,030,006	70,189,886	1,688,880,910
10	51,748	69%	73,855,352,360	3,460,790,276	32,765,847,222	17,040,268,603	276,295,772	20,312,150,487
11	12,635	17%	17,470,978,159	850,822,098	7,601,694,695	4,314,661,793	52,022,694	4,651,776,879
12	31,039	41%	43,895,438,995	2,838,170,918	19,602,002,035	9,247,754,500	583,908,215	11,623,603,327
13	3,617	05%	5,215,371,970	318,880,675	2,269,567,339	1,138,078,296	42,245,039	1,446,600,621
14	68,165	90%	89,315,882,340	2,051,802,329	36,690,597,720	28,257,284,218	106,008,897	22,210,189,176
15	52,925	70%	73,782,074,465	3,941,095,420	35,077,480,090	13,759,149,197	463,355,812	20,540,993,946
16	10,439	14%	14,448,856,878	969,964,854	6,524,400,032	2,608,343,124	146,501,001	4,199,647,867

17	8,778	12%	11,919,565,600	654,632,223	5,552,219,346	2,260,036,374	134,119,693	3,318,557,964
18	8,091	11%	10,597,873,929	634,264,823	4,961,199,905	2,119,223,712	120,595,789	2,762,589,700
19	1,169	02%	1,814,434,218	124,213,436	883,404,311	330,681,612	17,578,481	458,556,378
20	59,928	80%	74,995,202,553	4,258,262,547	37,189,560,844	13,719,120,002	595,790,713	19,232,468,447
21	14,842	20%	19,370,636,973	832,814,654	8,675,735,643	4,666,136,857	66,731,725	5,129,218,094
22	15,249	20%	17,133,387,640	718,042,412	8,106,075,891	2,763,468,815	146,517,138	5,399,283,384
23	41,826	56%	49,295,811,434	3,391,222,730	24,210,407,118	8,730,514,859	657,898,879	12,305,767,848
24	2,539	03%	3,965,825,817	258,394,273	1,957,482,714	592,290,730	7,620,338	1,150,037,762
25	127,069	169%	145,762,407,420	6,917,067,235	77,778,688,603	26,485,970,898	629,133,205	33,951,547,479
26	14,142	19%	17,828,834,869	863,978,860	8,847,903,644	3,297,496,224	55,285,257	4,764,170,884
27	73,576	98%	86,760,856,645	5,350,883,690	46,719,985,047	13,664,813,117	929,635,534	20,095,539,257

**Composition of Accounts by Geographical Distribution**  
(as of 30 June 2020) (in KRW)

Geographical Distribution	No of Accounts	%	Total principal balance	Cash Advance	Instalment Purchase	Lump Sum	Revolving CA	Revolving LS
Total	753,448	1000%	999,999,936,346	49,821,752,092	468,756,650,523	210,258,212,557	6,798,108,653	264,365,212,521
Gyeonggi	233,084	3094%	312,739,843,453	14,448,219,461	146,376,148,781	67,627,765,855	1,959,619,150	82,328,090,206
Seoul	211,889	2812%	284,343,007,821	14,329,042,819	127,960,805,537	64,533,504,193	2,059,191,142	75,460,464,130
Incheon	54,762	727%	71,717,120,867	3,621,191,434	35,336,836,952	13,364,194,801	503,132,643	18,891,765,037
Busan	48,136	639%	61,690,667,132	3,852,761,346	30,501,121,218	11,692,762,065	606,847,990	15,037,174,513
Gyeongnam	30,517	405%	40,130,625,337	2,413,930,183	19,452,392,209	6,694,019,531	336,921,958	11,233,361,456
Daegu	27,262	362%	33,778,098,646	1,784,382,314	15,536,020,002	6,059,960,795	226,377,398	10,171,358,137
Gyeongbuk	19,619	260%	25,868,186,277	1,235,822,167	12,090,769,044	5,736,431,055	124,085,979	6,681,078,032
Chungnam	18,799	250%	24,963,453,841	1,165,488,499	12,009,281,047	5,133,471,312	156,098,982	6,499,114,001
Daejeon	19,585	260%	24,483,033,392	1,416,117,782	11,577,341,352	4,434,328,815	160,994,168	6,894,251,275
Jeonbuk	15,917	211%	21,019,733,248	850,052,868	10,216,339,234	3,818,542,664	142,467,082	5,992,331,400
Gwangju	15,396	204%	20,819,981,869	922,120,002	9,722,448,850	5,395,664,509	67,801,545	4,711,946,963
Choungbuk	14,868	197%	19,315,776,115	934,444,283	9,039,497,448	3,755,514,928	107,605,867	5,478,713,589
Jeonnam	13,130	174%	17,299,037,370	824,037,451	8,722,552,336	3,506,889,512	115,448,805	4,130,109,266
Gangwon	12,476	166%	17,091,047,204	844,651,546	8,573,948,323	3,467,117,016	90,173,025	4,115,157,294
Ulsan	9,835	131%	12,383,659,873	647,823,592	5,753,735,148	2,406,808,381	88,730,895	3,486,561,857
Jeju	4,066	054%	7,005,534,873	318,394,594	3,525,760,869	1,407,582,889	28,215,214	1,725,581,307
Sejong	4,107	055%	5,351,129,028	213,271,751	2,361,652,173	1,223,654,236	24,396,810	1,528,154,058

**Composition of Accounts by Number of Credit Cards per Accountholder**  
(as of 30 June 2020) (in KRW)

No of credit cards	No of Accounts	%	Total principal balance	Cash Advance	Instalment Purchase	Lump Sum	Revolving CA	Revolving LS
Total	753,448	1000%	999,999,936,346	49,821,752,092	468,756,650,523	210,258,212,557	6,798,108,653	264,365,212,521
1	531,478	7054%	591,326,477,847	32,698,112,840	288,116,838,966	123,932,430,692	4,373,515,708	142,205,579,641
2	165,802	2201%	271,662,869,808	12,367,739,894	123,240,782,289	56,273,578,228	1,845,899,032	77,934,870,365
3	39,481	524%	89,740,309,026	3,306,844,365	38,505,021,349	18,737,068,345	457,105,896	28,734,269,071
4	10,196	135%	28,178,103,595	983,622,594	11,891,833,499	6,269,032,599	99,666,509	8,933,948,394
5	3,188	042%	9,751,035,444	243,192,142	3,633,640,627	2,556,611,097	18,652,532	3,298,939,046
6	1,373	018%	3,953,960,186	105,870,000	1,389,460,249	1,099,035,463	-	1,359,594,474
7	779	010%	2,011,709,936	51,910,000	747,740,827	528,265,496	-	683,793,613
8	434	006%	1,323,105,630	36,490,000	496,951,835	277,287,011	1,000,000	511,376,784
9	253	003%	683,791,849	22,270,257	237,719,141	167,735,265	-	256,067,186

10	147	002%	408,891,990	850,000	135,068,026	135,520,640	1,066,552	136,386,772
11	89	001%	301,944,631	-	115,917,300	79,666,913	1,202,424	105,157,994
12	75	001%	186,484,870	1,850,000	71,402,836	50,844,868	-	62,387,166
13	45	001%	131,920,120	-	55,509,033	34,365,620	-	42,045,467
14	20	000%	48,538,994	3,000,000	23,387,521	12,640,234	-	9,511,239
15	16	000%	52,362,499	-	24,931,493	13,478,455	-	13,952,551
16	13	000%	82,655,732	-	6,991,610	49,012,563	-	26,651,559
17	12	000%	25,279,961	-	10,933,976	9,491,650	-	4,854,335
18	7	000%	7,934,919	-	374,813	4,314,532	-	3,245,574
19	7	000%	27,127,870	-	16,149,990	9,044,020	-	1,933,860
20 ~	33	000%	95,431,439	-	35,995,143	18,788,866	-	40,647,430

**Composition of Accounts by Delinquency History**  
(as of 30 June 2020) (in KRW)

Frequency	No of Accounts	%	Total principal balance	Cash Advance	Instalment Purchase	Lump Sum	Revolving CA	Revolving LS
Total	753,448	1000%	999,999,936,346	49,821,752,092	468,756,650,523	210,258,212,557	6,798,108,653	264,365,212,521
0	753,448	1000%	999,999,936,346	49,821,752,092	468,756,650,523	210,258,212,557	6,798,108,653	264,365,212,521

**Composition of Accounts by CB Grade**  
(as of 30 June 2020) (in KRW)

Credit Score	No of Accounts	%	Total principal balance	Cash Advance	Instalment Purchase	Lump Sum	Revolving CA	Revolving LS
Total	753,448	1000%	999,999,936,346	49,821,752,092	468,756,650,523	210,258,212,557	6,798,108,653	264,365,212,521
1	229,386	304%	225,840,603,389	105,051,622	97,223,432,973	68,969,075,647	3,070,000	59,539,973,147
2	210,927	280%	233,231,828,802	291,819,688	116,012,207,623	58,482,049,219	26,370,310	58,419,381,962
3	121,088	161%	170,465,169,577	967,337,612	90,682,240,918	33,229,254,657	91,458,288	45,494,878,102
4	82,721	110%	136,455,922,050	4,537,664,230	68,326,753,655	21,489,905,893	838,357,701	41,263,240,571
5	62,957	84%	124,197,619,917	15,239,108,971	56,431,425,660	16,088,069,492	2,431,059,271	34,007,956,523
6	32,843	44%	75,030,967,850	18,744,893,320	28,314,396,869	8,478,321,904	2,154,221,740	17,339,134,017
7	13,526	18%	34,777,824,761	9,935,876,649	11,766,192,825	3,521,535,745	1,253,571,343	8,300,648,199

## THE SERVICER AND BACK-UP SERVICER

The Trustee has appointed KB Kookmin Card as the Servicer to provide certain collection, reporting and management services in relation to the Receivables (see "*Transaction Overview—Servicing*"). In 2019, KB Kookmin Card provided collections and management services for KRW2.50 trillion worth of card receivables. The Originator has established procedures for servicing receivables such as segregating the administrative records relating to the underlying accounts as well as the loan agreements from other property and agreements it manages and administers.

The Bond Issuer has appointed Citibank Korea Inc., with a long-term foreign currency issuer default rating of "A-" and a short-term issuer default rating of "F1" by Fitch, to act as the Back-up Servicer to assume the role of Servicer in the event of the termination of the appointment of KB Kookmin Card as Servicer (see "*Transaction Overview—Servicing—Servicer Termination Events*"). To ensure the effective transfer of duties upon the appointment of the Back-up Servicer as Servicer, the Back-up Servicer has the right to request such information from the Servicer as it considers, in its commercially reasonable opinion, necessary for the performance of its obligations under the Servicing Agreement, and will receive all reports and communications generated by the Servicer or delivered to the Servicer pursuant to the Servicing Agreement.

Pursuant to the termination of the appointment of KB Kookmin Card as Servicer, the Servicer and the Back-up Servicer will take such action as is more particularly set out in the Servicing Agreement to integrate and test the compatibility between the hardware and software systems used by KB Kookmin Card and those of Citibank Korea Inc.

A Data File will be delivered to the Back-up Servicer on a monthly basis by the Servicer.

The Back-up Servicer will prepare a Receivables Data Report each month within eight (8) Business Days of receipt of each Data File. Such report will be delivered to the Note Trustee, the Note Cash Administrator, the Transaction Administrator, the Trustee, the Investor Interestholder, the Rating Agency and each Swap Provider.

Under the terms of the Servicing Agreement, the Servicer is required to service the Receivables in accordance with the Credit Card Guidelines and the Servicer's duties and obligations include:

- the collection of amounts in respect of the Receivables;
- communications with Accountholders;
- keeping records relating to the administration of the Receivables;
- taking enforcement action in relation to Receivables;
- preparing the Monthly Servicer Report and delivering it to, amongst others, the Bond Issuer, the Note Trustee and the Back-up Servicer; and
- upon termination of its appointment, serving jointly with the Back-up Servicer the notices required to be served on Accountholders in relation to the change of Servicer.

The Servicer is required to deposit into the Trust Collection Account all amounts received by it in respect of Receivables on the Seoul Business Day following (i) the date of receipt of the confirmation file from each Automatic Debit Bank in the case of payments received by Auto Debit and (ii) on the second Seoul Business Day after receipt in respect of other payment methods.

For so long as the Servicer is the Originator, the Servicer is entitled to a Servicer Fee of 0.01 per cent. per annum of the aggregate Receivable Balance of all Receivables on the first day of the Collection Period immediately preceding each Trust Distribution Date. If Citibank Korea Inc. is the Servicer, the Servicer is entitled to such fee as has been agreed in the Citi Fee Letter.

Following the occurrence of a Servicer Termination Event, the Note Trustee may terminate the Servicer's appointment and replace the Servicer with the Back-up Servicer or a Substitute Servicer.

The Back-up Servicer is required by the Servicing Agreement to, amongst other things, do the following:

- test the format and contents of information provided to it by the Servicer;
- prepare a Receivables Data Report each month setting out information in relation to Interest Collections, Principal Collections and delinquencies in respect of the relevant Collection Period;
- review and, if necessary, update annually the Transfer Plan in relation to the action to be taken should it assume the role of Servicer; and
- serve notices on the Accountholders notifying them of its assumption of the role as Servicer and of the entrustment of the Receivables to the Trustee.

## **RATING**

Certain characteristics of the Receivables and the arrangements for the protection of the Class A2 Noteholders in respect of the risks involved have been reviewed by the Rating Agency. It is a condition of the issuance of the Class A2 Notes that they are assigned a rating of "AAAsf" by Fitch. This rating relates to the timely payment of interest on the Class A2 Notes and full payment of principal of the Class A2 Notes on or before the Note Legal Maturity Date. A rating is not a recommendation to buy, sell or hold securities, does not address the likelihood or timing of prepayment, if any, or the receipt of default interest and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.



## SUMMARY OF PROVISIONS RELATING TO CLASS A2 NOTES IN GLOBAL FORM

The Class A2 Notes will be initially in the form of the Class A2 Global Note which is deposited on or around the Closing Date with the Common Depository for Euroclear and Clearstream.

The Class A2 Global Note will become exchangeable in whole, but not in part, for Notes in definitive certificated form ("**Definitive Note Certificates**") in minimum denominations of SGD250,000 and integral multiples of SGD2,500 in excess thereof at the request of the holder of the Class A2 Global Note against presentation and surrender of the Class A2 Global Note to the Class A2 Note Registrar if either Euroclear or Clearstream is closed for business for a continuous period of fourteen (14) days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so (an "**Exchange Event**").

Whenever the Class A2 Global Note is to be exchanged for Definitive Note Certificates, the Note Issuer will procure the prompt delivery (free of charge to the holder) of such Definitive Note Certificates, duly authenticated, in an aggregate principal amount equal to the principal amount of the Class A2 Global Note to the holder of the Class A2 Global Note against the surrender of the Class A2 Global Note at the Specified Office of the Class A2 Note Registrar within thirty (30) days of the occurrence of the relevant Exchange Event.

In addition, the Class A2 Global Note will contain provisions which modify the terms and conditions of the Class A2 Notes as they apply to the Class A2 Global Note. The following is a summary of certain of those provisions:

*Payments:* All payments in respect of the Class A2 Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Class A2 Global Note at the Specified Office of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Note Issuer in respect of the Class A2 Notes. A record of each payment made on the Class A2 Global Note, distinguishing between any payment of interest and principal will be endorsed on the Class A2 Global Note by the Principal Paying Agent to which such Class A2 Global Note was presented for the purpose of making such payment and such record will be *prima facie* evidence that the payment in question has been made.

*Notices:* Notwithstanding Note Condition 15, while any of the Class A2 Notes are represented by the Class A2 Global Note and the Class A2 Global Note is deposited with the Common Depository for Euroclear and Clearstream, notices to Class A2 Noteholders may be given by delivery of the relevant notice to Euroclear and Clearstream and, in any case, such notices will be deemed to have been given to the Class A2 Noteholders in accordance with Note Condition 15 on the date of delivery to Euroclear and Clearstream.

*Transfers:* For so long as the Class A2 Notes are represented by the Class A2 Global Note, the Class A2 Notes will be transferable in accordance with the rules and procedures for the time being of Euroclear, or, as the case may be, Clearstream and the Note Issuer, the Principal Paying Agent and the Note Trustee may treat each person who is for the time being shown in the records of Euroclear or of Clearstream as the holder of a particular principal amount of the Class A2 Notes (in which regard any certificate or other document issued by Euroclear or Clearstream as to the principal amount of the Class A2 Notes standing to the account of any person will be conclusive and binding for all purposes) and as the holder of such principal amount of the Class A2 Notes for all purposes, other than with respect to the payment of interest and repayment of principal on the Class A2 Notes, the right to which will be vested solely in the holder of the Class A2 Global Note and in accordance with its terms.

*Meetings:* The holder of the Class A2 Global Note will be treated as being two persons for the purposes of any quorum requirement of, or the right to demand a poll at, a meeting of holders of the

Class A2 Notes and, at any such meeting, as having one vote in respect of each SGD1 principal amount of the Class A2 Notes for which the Class A2 Global Note may be exchanged.

## THE KOREAN CREDIT CARD INDUSTRY

### Introduction of Credit Cards in Korea

Credit cards were originally introduced in Korea by retailers who would issue cards to their customers as a payment method. In 1969, Shinsegae Department Store issued Korea's first domestic credit card to its shoppers.

Korean banks entered the credit card sector in 1978 when Korea Exchange Bank issued international credit card under a license agreement with VISA International, Inc., which was followed by Kookmin Bank in 1980. In 1982, several commercial banks jointly established the Bank Credit Card Association (later renamed "BC Card" in 1987), which issued cards for its participants. In addition, foreign credit card companies such as American Express Company and Diners Company International Ltd. entered the Korean market in 1980 and 1984, respectively. The enactment of the Credit Card Business Act in 1987 restricted the operation of credit card business to government-licensed firms. As a result, Korea Exchange Bank and Kookmin Bank transferred their respective credit card related operations to their affiliated companies. In the late 1980s, large conglomerates, also known as *chaebols*, such as Samsung Group and LG Group, acquired existing credit card companies and entered into the credit card market. The entrance of new credit card companies that were affiliated to banks, which had a well-established customer base, and *chaebols* contributed to the broadening use of credit cards in Korea.

Currently, the Korean credit card industry (excluding independent merchants providing credit cards for sole use with such merchants) is comprised of 11 banks with credit card operations and nine independent credit card companies, six of which are bank-affiliated credit card companies and three of which are monoline credit card companies. All of the independent credit card companies in Korea are either bank- or chaebol-affiliated. Chaebol-affiliated credit card companies include Hyundai Card, Samsung Card and Lotte Card. The current credit card landscape in Korea is set forth in the table below:

Classification	Number	Companies
<b>Independent Credit Card Companies</b>	<b>(9)</b>	
Bank Affiliated.....	6	KB Kookmin Card, BC Card, Shinhan Card, KDB Capital, Hana Card, Woori Card
Specialty.....	3	Samsung Card, Hyundai Card, Lotte Card
<b>Banks Operating Credit Card Business (11)</b>	<b>11</b>	Standard Chartered Bank Korea Limited, Industrial Bank of Korea, NH Bank, Daegu Bank, Pusan Bank, Kyongnam Bank, Citibank Korea, Jeju Bank, Suhyup Bank, Jeonbuk Bank, Kwangju Bank

### Growth

Credit card companies in Korea primarily provide financing for purchase of merchandise and services, payment for which must be made either (i) in full on each monthly payment date (i.e., lump sum), (ii) in equal monthly instalment over as pre-selected period of time (i.e., instalment) or (iii) on a revolving basis subject to a minimum percentage of the amount outstanding on each monthly payment date (i.e., revolving). Credit card companies also provide cash advance services, under which card members may borrow cash from automatic teller machines or cash dispensers subject to daily interest charges, and card loan services, which are small amount unsecured loans provided to card members.

Credit card companies began to play a significant role after 1997 in Korea. The growth of the credit card industry mirrored the rebound of Korean economy following the 1997 Asian financial crisis. In 1998, the Government introduced a set of policies to promote the use of credit cards. In 1999, the Government abolished the KRW700,000 limit on cash advances a cardholder may receive in a given billing cycle. In 1999, a shared merchant system was introduced to increase the convenience of credit card usage. Under this shared merchant system, if one or more credit card companies enter into an agreement with a merchant to allow their cardholders to use their credit cards to purchase such merchant's merchandise or service, then such merchant is required to accept the credit cards issued by every other credit card company in Korea under the same terms as set forth under the original agreement. This shared merchant legislation was followed by a new tax policy aimed at improving transparency in the Korean tax system, the effect of which was to encourage credit card usage. In September 1999, the Korean National Tax Service introduced an income deduction scheme, which allows a taxpayer a deduction from taxable income an amount equal to 10 per cent. of the aggregate card purchase volume amount in a given taxable year that exceeds 10 per cent. of such taxpayer's total gross income for such taxable year, subject to a maximum amount a taxpayer can deduct which can vary from year to year. In addition, the Government commenced operating a state-run monthly lottery for credit card users in 2000.

In the late 1990s and early 2000s, credit card companies, led by Samsung Card and LG Card Co., Ltd., developed new services and aggressively marketed their products. Cash advance and card loan services were granted to more members and the limits on such advances and loans were raised. Membership reward programmes were introduced and expanded, and various discount benefits were provided to credit card members. The credit card companies hired "credit planners" who were paid by the number of new card member recruits, and the more aggressive credit planners signed up new card members off the street with little or no background or credit check.

The Government's incentives to promote credit card usage, together with aggressive marketing of credit card companies, contributed to the overall growth of the credit card industry in Korea during this period. The growth in credit card service use was also attributable to the absence of a personal checking system in Korea and the absence of alternative consumer finance products. From 1998 to 2002, the transaction amount related to (i) credit card purchases, repayable in full or in instalments, grew at a compound annual growth rate ("CAGR") of 71.3 per cent. and (ii) cash advances grew at a CAGR of 81.4 per cent. according to the Credit Finance Association of Korea. The total number of credit cards issued in Korea was approximately 42.0 million in 1998 and approximately 104.8 million in 2002, representing an increase of 149.5 per cent. The number of credit cards per card user grew from 2.0 cards in 1998 to 4.6 cards in 2002. The overall growth of the credit card industry in Korea according to the Credit Finance Association of Korea is set forth in the table below:

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Credit card transaction volume											
Credit card purchases	376,591	412,442	442,600	478,059	489,507	501,221	534,931	596,032	627,341	664,014	700,952
Cash advances	81,452	81,320	80,170	74,995	68,306	63,326	59,503	59,328	59,266	60,768	59,124
Total	458,043	493,762	522,770	553,054	557,813	564,547	594,434	655,360	686,607	724,782	760,076
Number of credit card in issue (thousands)	106,993	116,589	122,138	116,374	102,031	92,321	93,095	95,639	99,462	105,063	110,976
Number of credit cards per economically active person <sup>(1)</sup>	4.4	4.7	4.8	4.6	3.9	3.5	3.5	3.5	3.6	3.8	3.9
Number of merchants (thousands)	187	208	219	221	226	234	242	250	257	269	

Source: The Credit Finance Association Korea

Note:

(1) "Economically active person" means a working age person who is capable of working and is either currently employed or seeking employment

## **Recent Status**

Korea currently has a relatively high credit card penetration ratio in terms of number of cards per capita and card usage compared to private consumption. Korean consumers settle more than 70 per cent. of their consumption spending using a credit card according to the Credit Finance Association of Korea. The prevalence of credit card usage among Korean consumers is also reflected in the number of credit cards per economically active person, which was 3.9 cards per economically active person as of 31 December 2019.

The Korean credit card industry has been showing steady growth due to an increase in personal expenditure and consumption and an increase in credit card transactions since 2005. Due to this steady growth, competition among credit card companies has intensified which has resulted in increased credit card benefits to customers.

These developments have helped independent credit card companies more than bank operated credit card businesses because independent credit card companies can focus solely on the credit card business. As banks have focused more on mortgage loans, which is their primary retail business, their credit card businesses consequently have declined. As a result, this has contributed to the growing market share of independent credit card companies.

In addition, credit card companies have enhanced their credit risk management capabilities. Since the commencement of the global financial crisis in 2008, credit card companies have taken measures to reduce their credit risk by managing credit limits and reassessing their customer group, among others, while maintaining the quality of their asset portfolios and cardholders. Despite strengthening credit card regulations by the Government and the possibility of reduced profitability due to increased competition, the credit card industry has maintained steady growth. It maintained a steady level of profitability mainly due to lowering credit costs through improving asset quality and a decrease in funding costs amidst a low interest rate environment. The capital adequacy ratio of the independent credit card companies increased from 19.0 per cent. in 2005 to 24.1 per cent in March 2020, according to the FSS. As of 31 December 2019, the capital adequacy ratio of all independent credit card companies exceeded the 8.0 per cent. guideline provided by the FSC. From 2008 to 2020, the quality of the assets of the independent credit card companies improved. The average delinquency ratio of the independent credit card companies fell from 3.43 per cent as of 31 December 2008 to 1.17 per cent. as of 31 March 2020 according to the FSS.

## REGULATION AND SUPERVISION OF THE KOREAN CREDIT CARD INDUSTRY

The Korean credit card industry is primarily governed by the Specialised Credit Financial Business Act (the "SCFBA") which regulates the business activities of Specialised Credit Financial Business Companies ("SCFCs") licensed by, or registered with, the Financial Services Commission of Korea (the "FSC"). The businesses of SCFCs consist of (i) credit cards, (ii) leasing businesses, (iii) instalment financing and (iv) technology venture capital.

The SCFBA requires licensing and/or registration of SCFCs and regulates their business practices. Any person wishing to engage in the credit card business must obtain a licence from the FSC (except for a person who engages in certain wholesale or retail business), while any person wishing to engage in the leasing, instalment finance or technology venture capital businesses may register with the FSC in order to take the benefit of the SCFBA. An SCFC is regulated by the FSC, which has the right to review the operations of such SCFCs and inspect their records to ensure compliance with the provisions of the SCFBA. The FSC has the authority to suspend the operations of credit card companies for up to six months upon non-compliance with certain regulations under the SCFBA and certain administrative orders. The FSC is entitled to cancel a licence or registration, as the case may be, if an SCFC fails to comply with certain regulations of the SCFBA or administrative orders, including a suspension order.

The SCFBA prohibits an SCFC from extending loans over certain limits to its affiliates. The maximum amount of credit an SCFC may extend to affiliated companies is an amount equal to 50 per cent. of its shareholders' equity. Violations of this rule are subject to a penalty of up to the amount of excess credit extended or criminal sanction not exceeding 2 years of imprisonment or criminal penalty of KRW50,000,000.

Under the SCFBA, if an SCFC with a credit card business license intends to engage in two or more of businesses among the facility rental business, instalment financing business or new technology project financing business, it is required to have at least KRW40 billion of capital, while an SCFC with only the credit card business license or an SCFC with the license of only one of the facility rental business, instalment financing business or new technology project financing business is required to have at least KRW20 billion of capital.

Under the SCFBA, an SCFC is not permitted to acquire real estate other than those to be used for certain prescribed business purposes and the FSC may limit the aggregate amount of real estate which an SCFC may acquire for such business purposes up to a certain percentage of shareholders' equity; *provided, however, that* such limit must be not less than 100 per cent. of shareholders' equity.

In connection with the issuance of credit cards and extension of credit to cardholders, the SCFBA, its Enforcement Decree and the supervisory regulation of the FSC provide that credit card companies:

- (a) must check the identity of a new card applicant before issuing a card and may not renew or replace a card which has not been used for the past six months without the written consent of the cardholder concerned;
- (b) are permitted to set a credit limit only after assessing the financial situation of the individual cardholder, but in any event the limit must not be higher than the amount requested by the cardholder;
- (c) may issue a credit card to a card applicant who is aged 19 or older (18 or older, if the applicant can prove the applicant's employment at the time of the application or if the applicant applies for a credit card with a limit of KRW300,000 per month for the purpose of using it as a transportation card) *provided that* no age limit applies if the issuance of a credit card is mandatorily required under the Child Welfare Act of Korea or for the policy needs of the state or local government) and is deemed by it under its internal guidelines (which should include such factors as income, assets and liabilities by which to assess the financial capability of card applicants) as being capable of paying his credit card debts;

(d) as of the end of each quarter, must keep the average balance of the receivables arising in connection with the credit extension to its credit cardholders during the relevant quarter, except for certain receivables, not in excess of the sum of (i) the average balance of the receivables arising in connection with the purchase by its credit cardholders of goods or services and (ii) the aggregate amount of transactions made by debit cardholders, in each case, during the same quarter;

(e) are forbidden from soliciting customers by (i) multilevel sales, (ii) accepting applications for credit cards on the website without confirming the customer's identity with an authorised digital signature (except when the fact that the applicant submitted the application for issuance of a credit card can be verified with the personally identifiable information and signature), (iii) offering free benefits exceeding 10 per cent. of the annual membership fee to potential card members (*provided that*, if an applicant applies for a credit card online without solicitation, credit card companies may provide, or offer credit cards on the condition of, economic benefits to the extent of 100/100 of the annual membership fee of the credit card to such member), (iv) street-hawking or (v) door-to-door solicitation without prior consent from the potential customer, except in the case of solicitation in offices used for business purposes which does not require such consent; and

(f) are required to register all solicitors of credit card memberships with the Credit Finance Association.

Further, if a cardholder objects to the bills charged to his or her credit card, he or she will not be obligated to make payments until the FSC has finished its investigation thereon. The level of allowance for credit card receivables held by credit card companies is similar to that of commercial banks.

### **The Instalment Transactions Act**

In addition to the SCFBA, the Instalment Transactions Act (the "ITA") protects consumers who enter into instalment purchase contracts for the purchase of merchandise by ensuring fairness in such transactions.

The ITA is applicable to any instalment purchase contract where (a) a purchaser of merchandise (the "**purchaser**") makes instalment payments for merchandise three or more times over a period of two or more months to the merchant or a credit provider (usually a credit card company) and (b) takes delivery of the merchandise before full payment of the price is made.

The ITA states that a purchaser may revoke an instalment purchase contract by providing written notice to the merchant expressing his or her intention to revoke the contract within seven (7) days from the later of the day on which he or she has received the contract documents and the date of receipt of the purchased merchandise. If a credit provider is involved, the purchaser may also send a written notice to the credit provider expressing his or her intention to revoke the instalment purchase contract within seven (7) days from the later of the day on which he or she has received the purchased merchandise or the instalment purchase contract. The revocation of the instalment purchase contract is deemed to be as of the date the purchaser sends the notice in writing to the merchant or credit provider.

If the purchaser revokes an instalment purchase contract, the merchant, upon return of the related merchandise, is required to return to the purchaser all instalment payments that have been made by the purchaser. The purchaser may not, however, revoke an instalment purchase contract if the merchandise is lost or damaged due to the purchaser's own negligence or fault.

The purchaser may only repudiate a claim of the credit provider for payment under an instalment purchase contract if (a) the purchaser has provided a written notice revoking the contract in accordance with the procedure detailed above, (b) the credit provider (if one is involved in the transaction) has already made a payment to the merchant within a seven-day period during which the purchaser may revoke the instalment purchase contract or (c) the credit provider is requested by the merchant to cancel or suspend the instalment claim in the case where the merchant received a written notice revoking the contract in accordance with the procedure detailed above from the purchaser.

## **The Door-to-Door Sales Act**

### ***General***

The Door-to-Door Sales Act (the "**Door-to-Door Act**") sets out consumers' rights to revoke a contract where a consumer purchases goods or services through a door-to-door sale, telemarketing sale or multilevel sale.

### ***Door-to-Door and Telemarketing Sales***

Any consumer may revoke a sale and purchase agreement entered into by way of door-to-door or telemarketing sales (as defined under the Door-to-Door Act) within the following periods:

- (a) fourteen (14) days from the date of receipt of a written contract; *provided that* if the date on which the relevant purchased merchandise is received is later than the date of receipt of the written contract, then within fourteen (14) days from the receipt of the purchased merchandise;
- (b) fourteen (14) days after the consumer becomes aware of (or should have become aware of) the seller's address if the consumer is unable to revoke the sale and purchase agreement for reasons such as the failure by the door-to-door or telemarketing seller to provide the consumer with a written contract, or in cases where the written contract does not specify the seller's address as required by the Door-to-Door Act or where there is a change in the address of the seller;
- (c) fourteen (14) days after the consumer becomes aware of (or should have become aware of) the fact that the consumer is able to revoke the sale and purchase agreement if such agreement does not explicitly state the consumer's right to revoke the agreement; or
- (d) fourteen (14) days after the interruptive action ends if the door-to-door or telemarketing seller interrupts the purchaser trying to revoke the sale and purchase agreement.

The consumer may not revoke the sale and purchase agreement in certain cases specified under the Door-to-Door Act, such as the merchandise being destroyed or damaged due to the consumer's own fault. The door-to-door or telemarketing seller is required to return all payments that have already been made to the consumer within three (3) business days following the day on which the consumer returns the merchandise.

If the consumer has made payments by a credit card, the door-to-door or telemarketing seller is required to immediately request the credit card company to suspend or revoke the demand for payment for the merchandise. The seller is also required to return the money it has already received to the credit card company.

In the case of a revocation by written notice, such revocation takes effect on the day the consumer sends the written notice.

### ***Multilevel Sales***

Under the Door-to-Door Act, the term "**multilevel sales**" means sale of goods or services through a sales force that meets all of the following criteria:

- (a) a salesperson solicits other persons to participate in the salesforce as his or her downline salespersons;
- (b) such downstream recruitment as described in clause (a) is continued for not less than three levels; and
- (c) certain incentives are provided to each salesperson based on the (i) sales performances or (ii) management of salesforce and training performances of the other salespersons whose performances are linked to the incentives payable to the concerned salesperson.



Any consumer may revoke a sale and purchase agreement entered into by way of multilevel sales in the same manner as a sale and purchase agreement entered into by way of door-to-door or telemarketing sales.

The multilevel seller is required to return all payments that have already been made to the consumer within three (3) business days following the day on which the consumer returns the merchandise; *provided that* the multilevel distributor may deduct certain expenses within the limits determined by the presidential decree to the Door-to-Door Act.

If the consumer has made payments by credit card, the multilevel seller is required to immediately request the credit card company to suspend or revoke the demand for payment for the merchandise. The multilevel seller is also required to return any money that has already been received to the credit card company.

In the case of a revocation by written notice, such revocation takes effect on the day when the consumer sends the written notice.

## **KOREAN FOREIGN EXCHANGE CONTROLS AND SECURITIES REGULATIONS**

### **General**

In the past, the Foreign Exchange Management Act (Law No. 4447, 27 December 1991), as amended, and the Presidential Decree and regulations thereunder (collectively the "**Foreign Exchange Management Laws**") regulated investment in Korean securities by non-residents and issuance of securities outside Korea by Korean companies. With effect from 1 April 1999, the Foreign Exchange Management Laws were abolished and the Foreign Exchange Transaction Law (Law No. 5550, 16 September 1998), as amended, and the Presidential Decree and regulations thereunder (collectively, the "**FETL**") were enacted. Under the FETL, many restrictions on foreign exchange transactions have been reduced and many currency and capital transactions have been liberalised. Although non-residents may invest in Korean securities only to the extent specifically allowed by such laws or otherwise permitted by the Ministry of Economy and Finance (the "**MOEF**"), many approval requirements have been relaxed. The FSC has also adopted, pursuant to its authority under the Financial Investment Services and Capital Markets Act, regulations that restrict investment by foreigners (as defined therein) in Korean securities. However, Korean law does not limit the right of non-residents to hold securities issued pursuant to the FETL outside Korea.

With effect from 1 January 2006, the FETL was amended to further liberalise foreign exchange transactions. In accordance therewith, certain transactions that previously required approval from the Bank of Korea or MOEF now require only a report to the Bank of Korea or MOEF, although such report will have to be accepted by the Bank of Korea or MOEF, as applicable.

Under the FETL, if the Government deems that (a) it is necessary in the event of natural disasters or the outbreak of any wars or conflict of arms or the occurrence of grave and sudden changes in domestic/foreign economic circumstances or other situations equivalent thereto, the MOEF may temporarily suspend payments, or the receipt of payments, on the whole or part of transactions to which the FETL applies or imposes an obligation on the transaction parties to safekeep or deposit with or sell to, certain governmental agencies, the Bank of Korea, the Foreign Exchange Equalization Fund or financial institutions, the means of payment of the transaction (including any gold, non-negotiable gold coins or other gold products), or (b) the international balance of payments and international finance are confronted or are likely to be confronted with serious difficulty or the movement of capital between Korea and foreign jurisdictions causes or is likely to cause a serious obstruction to the conduct of currency policies, exchange rate policies and other macroeconomic policies, the MOEF may take action to require any person who intends to perform capital transactions (which include, among other things, the generation, alteration or extinction of claims from contracts of deposit, trust, the lending of money, the acquisition of securities, etc.) to obtain permission or to require any person who performs capital transactions to deposit part of the payment acquired in such transactions with the Bank of Korea, the Foreign Exchange Equalization Fund or financial institutions, in each case subject to certain limitations thereunder.

### **Government Review of the Issuance of the Class A2 Bond and Authorisation for Payments on the Class A2 Bond**

In order for the Bond Issuer to issue the Class A2 Bond to a non-resident, the Bond Issuer is required to file a prior report of the issuance to the MOEF through the Designated FX Bank. There are certain other regulatory reports that are required under the FETL in connection with the execution, delivery and performance of the Transaction Documents by the parties thereto.

Under the FSC's Regulations on Securities Issuance and Disclosure, the transfer of the Class A2 Bond to a Korean Resident (as defined in the FETL) is prohibited during the first year of its issuance except as otherwise permitted by applicable Korean law and regulations.

## CERTAIN LEGAL CONSIDERATIONS

*The following is a summary of certain Korean legal issues relevant to the Noteholders. The following summary is not intended to be exhaustive. Prospective Noteholders should consider the nature of and investment in notes of this type and the political and legal environment of Korea, and should make such further investigations as they, in their sole discretion, deem appropriate.*

### **The ABS Act**

The Receivables will be entrusted by the Originator to the Trustee pursuant to the Trust Agreement and in accordance with the Act Concerning Asset Backed Securitisation of Korea ("**ABS Act**"). Under the ABS Act, the Trustee is required to register a plan of asset securitisation and the Originator as settlor of the Trust is required to register the entrustment of the Receivables, respectively, with the FSC. Further, the Bond Issuer is required to register a plan of asset securitisation and the Trustee is required to register the issuance of the Investor Interest, respectively, with the FSC.

Under the ABS Act, the entrustment of the Receivables will be perfected against third parties (other than the relevant Accountholders) on the date of registration of such entrustment with the FSC. In order to perfect such entrustment against the Accountholders, the Originator or the Trustee needs to send notices to or obtain consent from the Accountholders. While the entrustment of the Receivables in the Initial Accounts will be registered with the FSC not later than the Closing Date so that the entrustment of the Receivables in the Initial Accounts will be perfected against third parties (other than the relevant Accountholders) from the date of registration with the FSC, no notices of the transfer of the Receivables will be sent to the Accountholders until certain trigger events occur. Accordingly, the entrustment of the Receivables will not be perfected against the Accountholders until notices of the transfer of the Receivables are delivered to the relevant Accountholders.

Korean counsel to the Lead Manager, subject to certain assumptions, has advised that (i) the entrustment by the Originator to the Trustee pursuant to the Trust Agreement of the Receivables in respect of the Initial Accounts on the Initial Entrustment Date and of the Receivables in respect of the Additional Accounts on the relevant Entrustment Date is a legal, valid and binding entrustment of such Receivables by the Originator to the Trustee on the Initial Entrustment Date or the relevant Entrustment Date and (ii) the entrustment of the Receivables to the Trustee on each of the Initial Entrustment Date and the relevant Entrustment Dates will be perfected (x) against third parties (other than the relevant Accountholders) upon registration of such entrustment with the FSC in accordance with the ABS Act and (y) against the relevant Accountholder upon giving a Perfection Notice to such Accountholder in accordance with the Trust Agreement.

### **Insolvency Laws**

#### ***Consolidated Insolvency Act***

On 2 March 2005, the National Assembly of Korea passed the Act on Debtor Rehabilitation and Bankruptcy (the "**Consolidated Insolvency Act**") which combines and amends the Bankruptcy Act, the Act on Individual Debtor Rehabilitation, the Corporate Reorganisation Act and the Composition Act. The Consolidated Insolvency Act became effective from 1 April 2006, and contains, among others, the following:

1. provisions applicable to rehabilitation pursuant to Chapter 2 Proceedings, which are based on the Corporate Reorganisation Act and expand the scope of eligible applicants for Chapter 2 Proceedings to all types of legal entities, including corporations, and unincorporated foundations or associations, as well as individuals;
2. provisions applicable to bankruptcy proceedings, which are based on the Bankruptcy Act;
3. provisions applicable to individual rehabilitation pursuant to Chapter 4 Proceedings, which

are based on the Act on Individual Debtor Rehabilitation and are applicable only to certain individual debtors who earn wages or business income with debts of no more than a certain specified amount; and

4. provisions applicable to international insolvency proceedings, which have been newly introduced.

Under the Consolidated Insolvency Act, the petitioner must specify which procedure it wishes to use.

For a debtor that has filed for a bankruptcy proceeding under the Consolidated Insolvency Act, after the court issues an order preserving the debtor's assets, a receiver will be appointed to liquidate the assets of the debtor and to distribute the proceeds to its unsecured creditors on a *pro rata* basis. Secured creditors remain free to exercise their interests under the bankruptcy proceedings.

On the other hand, the goal of Chapter 2 Proceedings and Chapter 4 Proceedings is to rehabilitate insolvent companies or, as the case may be, individuals. Whilst in a Chapter 2 Proceeding secured creditors will not be able to enforce their security outside such Chapter 2 Proceeding, secured creditors in a Chapter 4 Proceeding will be able to enforce their security interests notwithstanding such Chapter 4 Proceeding (a) unless the court issues an order to suspend or prohibit such exercise during the period after the filing of the petition for the Chapter 4 Proceeding but before the court decides to commence the Chapter 4 Proceeding, or (b) once the court decides to commence the Chapter 4 Proceeding, only after the earlier of (i) the court's approval of the repayment plan or (ii) the final decision by the court to discontinue such Chapter 4 Proceeding.

The Consolidated Insolvency Act makes it easier for the court to avoid the debtor's transactions with certain shareholders or equityholders of the debtor ("**specially related persons**"), by presuming that the specially related persons acted knowingly in such transactions. In addition, under the previous law, transactions made by debtors for, or relating to, the grant of security or the extinguishment of obligations within sixty (60) days before the suspension of payment, without the obligation to do so, may be avoided. However, the Consolidated Insolvency Act extends this sixty-day period to one year in the case of transactions with specially related persons. Further, under the current law, gratuitous or equivalent acts performed by the debtor within six months before the suspension of payment, etc. may be avoided, and the Consolidated Insolvency Act also extends this six-month period to one year with regard to transactions with specially related persons.

### ***Chapter 2 Proceedings***

A Chapter 2 Proceeding (*i.e.*, the rehabilitation proceeding) is designed for use by an insolvent debtor which desires to rehabilitate itself. This proceeding is tightly controlled by the court so that most of the material actions or decisions of the debtor may be taken or made only with the approval of the court.

One of the most significant changes effected through the Consolidated Insolvency Act with respect to Chapter 2 Proceedings in comparison with corporate reorganisation proceedings under the Corporate Reorganisation Act is that all types of legal entities, including joint stock companies, limited liability companies and unincorporated foundations or associations, as well as individuals, can rehabilitate pursuant to Chapter 2 Proceedings, whereas under the Corporate Reorganisation Act, only joint stock companies were subject to reorganisation proceedings. Although individual debtors can rehabilitate pursuant to Chapter 2 Proceedings, since this is a new feature of the Consolidated Insolvency Act, it is not clear how frequently and on what criteria the court will apply such procedures to individual debtors. In addition, although under the Corporate Reorganisation Act, a limited liability company such as the Bond Issuer has not been subject to corporate reorganisation proceedings because it is not a joint stock company, it will be subject to Chapter 2 Proceedings under the Consolidated Insolvency Act due to the expansion of eligible debtors as described above.

Another significant change is that, although the Consolidated Insolvency Act maintains the previous system of appointing a permanent receiver in Chapter 2 Proceedings, it provides that, in principle, the

debtor itself or, in cases where the debtor is a company, its own representative, and not a third party, should be elected as the receiver with certain exceptions whereas the Corporate Reorganisation Act used to replace the incumbent management with the receiver appointed by the court. Further, the Consolidated Insolvency Act, unlike the Corporate Reorganisation Act, permits a legal entity to be appointed as the receiver of the rehabilitation proceeding, in which case this legal entity shall designate one of its directors to exercise the rights and powers conferred to it as the receiver and shall report such designation to the court.

Under the Consolidated Insolvency Act, the debtor may file a petition to the court for Chapter 2 Proceedings in the case where (a) debts cannot be repaid without causing material damage to the continuance of the debtor's business or (b) any events leading to bankruptcy of the debtor may arise. If the debtor is a joint stock company or a limited liability company, (i) a creditor who has claims in an amount of not less than 10 per cent. of the debtor's paid-in capital or (ii) a shareholder or equityholder who holds shares or equity interests of not less than 10 per cent. of the debtor's paid-in capital may also apply for the Chapter 2 Proceedings. If the debtor is not a joint stock company or a limited liability company, a creditor who has claims in the amount of not less than 50 million Won or an equityholder who holds equity interests of not less than 10 per cent. of the debtor's equity interest can apply for Chapter 2 Proceedings.

When a debtor itself or its creditor or equityholder satisfying the above requirements applies for a Chapter 2 Proceeding, the court may, upon request from interested parties or in its sole discretion, but after hearing the opinion of the management committee, issue a preservation order against individual assets of the debtor, and may issue an injunction against bankruptcy proceedings or enforcement proceedings initiated by its secured or unsecured creditors. Further, if the Court determines that the object of the Chapter 2 Proceedings may not be achieved through individual asset preservation orders, it may issue a comprehensive injunction against enforcement proceedings initiated by creditors against the assets of the debtor. If a comprehensive injunction is issued, enforcement proceedings that are already in progress will be suspended, and the court may cancel such enforcement proceedings upon the request of the debtor or, as the case may be, the receiver, if deemed necessary for the continuance of the debtor's business. However, if the court determines that a creditor may sustain unjust damages as a result of such comprehensive injunction, the court may revoke the injunction for that particular creditor upon the request of such creditor.

When a petition for a Chapter 2 Proceeding is filed, the court is required within one month of the date of petition to determine whether to commence a Chapter 2 Proceeding. Once the commencement of the Chapter 2 Proceeding is declared, most claims against the debtor that arose prior to such commencement date are automatically stayed, while claims arising after such commencement date are generally not subject to the Chapter 2 Proceeding. Also, the court will appoint a permanent receiver, who has the power to conduct all of the debtor's business and manage all of the debtor's properties, subject to court supervision.

The Consolidated Insolvency Act strengthens the role of the committee of creditors by mandating its composition, unless the debtor is a small or medium sized enterprise or an individual, and granting the committee the right to nominate an auditor and to request investigation of the debtor company's business status after the approval of the rehabilitation plan.

As a general rule, any creditor whose claim against the debtor arose prior to the commencement of a Chapter 2 Proceeding, whether secured or unsecured, may not enforce such claims other than as provided for in the rehabilitation plan adopted at the meeting of interested parties and approved by the court. The rehabilitation plan may alter or modify the rights of creditors or shareholders. Accordingly, there can be no assurance that the rights of the creditors, whether secured or unsecured, will not be adversely affected by a Chapter 2 Proceeding. Further, a creditor who intends to participate in the rehabilitation plan must file its claim with the court within the period fixed by the court.

Under a Chapter 2 Proceeding, creditors are classified into three basic categories: (i) creditors with unsecured rehabilitation claims, (ii) creditors with secured rehabilitation claims and (iii) creditors with claims for common benefits. The former two categories of creditors are subject to Chapter 2

Proceedings and generally may not receive payment or repayment for their respective claims other than as provided in the rehabilitation plan. Creditors with claims for common benefits are not subject to the rehabilitation plan, and include, among others, those creditors whose claims either arose after the commencement of a Chapter 2 Proceeding (subject to certain exceptions) or those creditors whose claims were approved by the court during the preservation period.

In order to encourage mergers and/or acquisitions of insolvent companies, the Consolidated Insolvency Act relaxes the requirements for approval of rehabilitation plans contemplating liquidation, by requiring the approval of the creditors representing four-fifths of the outstanding amount of secured claims, whereas the Corporate Reorganisation Act required unanimous consent of all secured creditors. However, in case of rehabilitation plans contemplating the continuance of the debtor's business including, without limitation, merger, spin-off or business transfer, the consent of the creditors representing not less than three-fourths of the amount of secured rehabilitation claims and of the creditors representing not less than two-thirds of the unsecured rehabilitation claims is required. For approval of all types of rehabilitation plans, the consent of the shareholders having not less than half of the voting rights is also required.

If the debtor fails to perform its payment obligations in accordance with the rehabilitation plan, affected creditors are not permitted to initiate lawsuits or enforce their security interests. Instead, they (or the receiver of the company) may only request the court to amend the rehabilitation plan. However, if such amendment could have an adverse effect on creditors with rehabilitation claims or shareholders of the company, the court may amend the rehabilitation plan only by obtaining an affirmative vote at a meeting of interested parties. If it becomes apparent, either before or after the court approves the rehabilitation plan, that the debtor cannot be rehabilitated, the court may, at its sole discretion or upon request by the receiver or a creditor with a rehabilitation claim, issue an order to discontinue the Chapter 2 Proceeding.

Once a Chapter 2 Proceeding is discontinued and if the court determines the debtor is insolvent, the court must declare the debtor bankrupt and must initiate the bankruptcy proceeding against the debtor. The compulsory declaration of bankruptcy in Chapter 2 Proceedings will be limited to those cases where a final decision has been made to terminate the Chapter 2 Proceedings after the approval of the rehabilitation plan.

A declaration of bankruptcy is optional in cases of:

- (i) the dismissal of a petition for the commencement of Chapter 2 Proceedings;
- (ii) the non-approval of a rehabilitation plan; and
- (iii) an order to terminate Chapter 2 Proceedings before the approval of the rehabilitation plan.

If the bankruptcy proceedings are initiated, unsecured rehabilitation claims are characterised as general liquidation claims, and creditors with unsecured rehabilitation claims will be paid pursuant to the bankruptcy proceedings. Creditors with secured rehabilitation claims, on the other hand, may immediately enforce their security interest once the rehabilitation proceeding is discontinued; *provided, however, that* if the terms of the secured claim is amended by the rehabilitation plan, such claim may only be enforced in accordance with such amendment and the original terms shall not be revived.

### ***Bankruptcy Proceedings***

The bankruptcy proceeding is a court administered process designed to liquidate an insolvent debtor's assets and formally begins upon an adjudication by the court that the debtor is indeed "bankrupt". The court will make its determination as to whether grounds for bankruptcy exist based on the written pleadings and oral argument of the petitioner. The adjudication of bankruptcy also has the effect of automatically staying all unsecured creditors from executing their claims against the bankruptcy estate.

The receiver appointed by the court will be vested with the exclusive right to manage and dispose of the bankruptcy estate, and to conduct an investigation and assessment of the bankruptcy estate. The Consolidated Insolvency Act, unlike the Bankruptcy Act, permits a legal entity to be appointed the receiver of the bankruptcy proceeding. If a legal entity is appointed the receiver, it shall designate one of its directors to exercise the right and power conferred to it as receiver and shall report such designation to the court. After reviewing the reports prepared by the receiver, the creditors will have a meeting and vote on a resolution deciding whether to continue or discontinue the debtor business and the manner of safeguarding the bankruptcy estate.

Subject to certain statutory limitations and approval by the inspection commissioners, the receiver has the power to liquidate the bankruptcy estate, and to determine the manner and timing of such liquidation. The receiver distributes the proceeds from the liquidation of the bankruptcy estate to the creditors in proportion to their claims. The distribution proceeds in several stages. Claims entitled to distribution are differentiated according to the priority of claims. Bankruptcy creditors are classified as follows, in accordance with their priorities: (i) secured creditors, who have the right to proceed against their securities on the same terms as would be available if the debtor were not in bankruptcy; (ii) creditors with estate claims, which include costs of judicial proceeding, tax claims, wages and payment of severance, management expenses incurred in connection with management, liquidation and distribution of the bankruptcy estate, and other claims arising from administration of the bankruptcy estate; (iii) creditors with other statutorily preferred claims (including policyholders' claims against an insurance company to the extent of the amount equal to the relevant reserves); (iv) general claims; and (v) less preferred claims.

#### ***Chapter 4 Proceedings***

A Chapter 4 Proceeding (*i.e.*, the individual rehabilitation proceeding) is available to persons (a) who are unable, or are likely to become unable, to repay debts when they become due, (b) who are considered to have the ability to earn consistent wage income or business income in the future and (c) whose debt amount is no more than (i) Won 1 billion in case of debts secured by mortgage, pledge, chonsei-kwon and certain other preferential rights, and (ii) Won 500 million in case of any other debts. Only debtors, and not creditors, will be able to apply for Chapter 4 Proceedings. When a debtor files a petition for a Chapter 4 Proceeding, the court may suspend or prohibit bankruptcy proceedings, compulsory execution, provisional attachment, establishment or enforcement of security or the repayment of claims until the court decides whether to commence the Chapter 4 Proceeding. The court must make such decision within a month after the filing of the petition.

After the commencement order is issued by the court, any bankruptcy proceedings, Chapter 2 Proceeding or actions mentioned above are automatically suspended or prohibited. In addition, after the commencement order is issued by the court, the establishment or enforcement of security interests is automatically suspended or prohibited until the earlier of the date (a) when the repayment plan is approved or (b) when the approved Chapter 4 Proceeding is later finally determined to be discontinued. Subject to the automatic suspension or prohibition as described above, secured creditors have the right to enforce their security interest on the same terms as would be available if the debtor was not in Chapter 4 Proceedings. In principle, the debtor retains management and disposal rights over his/her assets even after the issuance of a commencement order for the Chapter 4 Proceedings. The debtor must submit a list of creditors at the time of application, and any claim that is not disputed by the relevant creditor will be settled as indicated on the list of creditors. Claims that are disputed by creditors will be settled through a court decision. The debtor must, in principle, submit a repayment plan within fourteen (14) days of the application, and the rehabilitation period must not exceed five years from the commencement of repayment. The Consolidated Insolvency Act shortens such repayment period to a maximum of five years as the maximum repayment period of eight years under the Act on Individual Debtor Rehabilitation was considered too severe.

The repayment plan must be approved by the court and the court may order its amendment. One important requirement for approval is that the total amount of repayment must not be less than the amount that creditors would have received in a bankruptcy proceeding, unless creditors consent to the

court's approval despite the failure of the individual debtor's repayment plan to meet such requirement. The Consolidated Insolvency Act sets out a list of claims that have priority in payment to the claims listed in the list of creditors (such as expenses for the Chapter 4 Proceedings, certain taxes, salaries for the debtor's employees, etc.) in the same manner as set out in the Act on Individual Debtor Rehabilitation. Once the debtor completes repayment in accordance with the repayment plan, the court will issue an acquittal order for the debtor.

### ***International Insolvency Proceedings***

The representative in a foreign insolvency proceeding (*i.e.*, a person or entity recognised by the applicable court as the receiver or representative in the foreign insolvency proceeding) may file with the Korean court for approval of such foreign insolvency proceeding. Once the foreign insolvency proceeding is approved by the Korean court, the representative in such proceeding may apply for insolvency proceedings in Korea or participate in the insolvency proceeding that is already in progress in Korea. On the other hand, the receiver or bankruptcy trustee in the insolvency proceeding in Korea may, for purposes of such proceeding, take actions in foreign jurisdictions to the extent permitted by the applicable laws.

### ***Corporate Restructuring Promotion Act***

The new Corporate Restructuring Promotion Act (Act No. 15855) (the "**CRPA**") was enacted and became effective on 16 October 2018 and will remain in effect until 16 October 2023.

The CRPA restricts certain creditor financial institutions' ability to enforce security interests given by a company which may not be able to repay its borrowings without external financial support or additional borrowings (other than borrowings in the ordinary course of business) (a "**Failing Company**"), and is intended, among other things, to promote the corporate restructuring of Korean companies by market mechanisms.

The following is a summary of the CRPA, which would apply to a financial creditor (the "**Financial Creditor**") who has financial claims against a debtor company by 'providing credit' to such debtor company or other third parties. "**Provision of Credit**" is defined in the CRPA as any transaction determined by the FSC to fall under any of the following:

- loans;
- purchase of promissory notes and debentures or bonds;
- equipment leasing;
- payment guarantees;
- providing advance payments on acceptances and guarantees under a payment guarantee;
- any direct or indirect financial transaction which may cause a loss to a counter party as a consequence of a payment failure by a debtor company; or
- any transaction other than the transactions set out above which may have in substance the same effect as the transactions set out above.

The "**debtor company**" is defined under the CRPA as a company established under the Korean Commercial Code or other person performing profit-making activities. The Failing Company means a debtor company deemed, through a credit evaluation carried out in the manner set out in the CRPA, by its 'main Creditor Financial Institution' as having difficulty to repay debts to its financial creditor



without external financial support or an additional loan (excluding loans obtained in the course of conducting normal financial transactions).

Once the debtor company is notified by the main creditor bank to fall under the definition of Failing Company, such company may submit its business restructuring plan and the list of its Financial Creditors, and apply to such main creditor bank for commencement of the management procedure to be assumed by a committee of Financial Creditors (the "**Creditor Committee**") or such main Creditor Financial Institution.

Under the CRPA, the main creditor bank of a Failing Company is required to take or arrange one of the following actions if it determines that there is a possibility that the financial condition of the Failing Company may be rehabilitated or brought back to normal in accordance with its business restructuring plan:

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

Under the CRPA, in order to call for the first meeting of the Creditor Committee, the main creditor bank is required to notify the Financial Creditors, the Failing Company and the FSS. However, the main Creditor Financial Institution may omit the notification to some extent of the Financial Creditors who are set out in the CRPA such as a Financial Creditor who does not perform the financial business or a Financial Creditor who has only small claims against the Failing Company. The Financial Creditors who do not receive the notification from the main Creditor Financial Institution will be excluded from the Creditor Committee; *provided that* if they nevertheless want to attend the meeting, the main Creditor Financial Institution may not exclude such Financial Creditors. When the main Creditor Financial Institution calls for the first meeting of the Creditor Committee, it may require the Financial Creditors to grant a moratorium on the enforcement of claims (including the enforcement of security interests) until the end of the first meeting of the Creditor Committee. In addition, at the first meeting of the Creditor Committee, the Financial Creditors may resolve to declare a moratorium for up to one month (or three months if an investigation of the Failing Company's financial status is necessary) from the commencement date of the management procedure (which may be extended by one additional month by resolutions of the Creditor Committee).

The Financial Creditors who attend the first meeting of the Creditor Committee may resolve, among other things: (i) commencement of the management procedure, (ii) composition of the Financial Creditors who will participate in such management procedure and (iii) declaration of moratorium mentioned above.

Once the management procedure commences, the main Creditor Financial Institution is required to prepare the corporate restructuring plan of the Failing Company considering the investigation results of the Failing Company's financial status and submit such plan to the Creditor Committee for approval thereof. The corporate restructuring plan may include, among other things, the matters regarding rescheduling of debt owed by the Failing Company, provision of new credit and the business restructuring plan of the Failing Company. If the corporate restructuring plan is not approved by the date the moratorium period ends, the Creditor Committee's management of the Failing Company shall be deemed to have terminated.

The resolution at the Creditor Committee is generally passed by an approval of the Financial Creditors representing at least 75 per cent. of the outstanding credit to the Failing Company of the Financial Creditors who constitute the Creditor Committee; *provided that* if a single Financial Creditor holds at least 75 per cent. of the outstanding credit, the resolution shall be passed by an approval of not less than 40 per cent. of the total number of the Financial Creditors who constitute the Creditor Committee, including such single Financial Creditor. An additional approval of the Financial Creditors holding interests in 75 per cent. or more of the total amount of the secured claims owned by the Financial

Creditors constituting the Creditor Committee against the Failing Company is required with respect to the debt rescheduling of the Failing Company.

A Financial Creditor which has opposed the resolutions of the Creditor Committee in respect of the commencement of management of the Failing Company by the Creditor Committee, establishment of or amendment to the corporate restructuring plan, extension of management procedure, the rescheduling of claims or provision of new credit (the "**Opposing Financial Creditor**") may, within seven (7) days of such resolutions, request the main Creditor Financial Institutions to purchase its outstanding claims against the Failing Company, stating the type and number of claims. The Financial Creditors that have approved such resolutions (the "**Approving Financial Creditors**") shall jointly purchase such claims within six months of such request.

The purchase price and terms of such purchase shall be determined by mutual agreement of the Approving Financial Creditors and the Opposing Financial Creditor. Pending the agreement of such matters, the payments shall be made at a provisional price, and adjusting payments made once an agreement has been reached. If no such agreement is reached, then such matters shall be determined by the coordination committee established under the CRPA.

### **The Act on the Structural Improvement of the Financial Industry**

The Act on the Structural Improvement of the Financial Industry of Korea (the "**ASIF**") provides regulations regarding the improvement of insolvent financial institutions. According to the ASIF, where any financial institution's financial status does not meet certain standards such as its capital adequacy ratio or any financial institution's financial status falls below certain standards due to the occurrence of any major financial scandal or accrual of non-performing loans, the FSC, in order to protect the financial institution from becoming insolvent and help the financial institution manage its business soundly, may recommend, request or order the financial institution concerned or the officers of such financial institution to implement the following measures or order them to furnish its implementation plan, including but not limited to:

- (a) admonition, warning, reprimand, or salary reduction in relation to the financial institution concerned and its executives and employees;
- (b) capital increase or capital deduction, disposal of property holdings or reduction in the number of its branches and downsizing;
- (c) ban on the acquisition of such assets as claims with high risks of default or assets prone to price fluctuations, or restrictions on the receiving of deposits at exorbitantly high interest rates;
- (d) suspension of officers' duties or appointment of managers to act on behalf of officers;
- (e) amortisation or consolidation of stocks;
- (f) suspension of all or part of business;
- (g) mergers or assumption of financial institution;
- (h) business transfers or contract transfers pertaining to financial transactions such as deposits or loans (hereinafter referred to as "**contract transfers**"); and
- (i) other measures equivalent to those listed in paragraphs (a) through (h), which are deemed necessary to improve any financial institution's financial soundness (collectively, "**timely corrective measures**").

In addition, managers may be appointed by the FSC pursuant to the ASIF. Such managers may exercise the authority of the officer of financial institution for the purpose that such managers are appointed. Such managers may also have the authority to manage and dispose of any assets and liabilities to the extent relating to the determination of contract transfers.

When the FSC intends any timely corrective measures to be taken, it shall in advance determine and notify the standards and contents of such measures.

Among the timely corrective measures, certain measures such as suspension of all business, transfer of all business, transfer of all contracts or orders on amortisation of the total stocks and any equivalent measures may only be taken if (i) the financial institution is an insolvent financial institution, or (ii) its financial status falls short of certain standards and it is deemed to be a credit risk or to prejudice the rights and interests of depositors.

In addition, the ASIF also stipulates measures to be taken by the Government to support insolvent financial institutions by capital contribution or purchase of securities issued or held by such insolvent financial institution. According to the ASIF, the FSC, where any financial institution fails to execute any request or order regarding timely corrective measures, may, on the recommendation of the Governor of the FSS, order the officers of the financial institution concerned to suspend the execution of their business and may appoint managers to conduct the business on behalf of such officers. In cases where:

- (a) an insolvent financial institution fails to execute an order regarding timely corrective measures or is unable to execute such order;
- (b) the merger of an insolvent financial institution fails to be made under an order or arrangement given and made under the provisions of the ASIF;
- (c) an insolvent financial institution is judged difficult to perform an order to take corrective measures or to merge with another financial institution due to its liabilities significantly exceeding its assets; or
- (d) an insolvent financial institution prejudices depositors' rights and interests after it has become unable to pay claims including deposits and repay borrowings due to its distressed financial conditions,

the FSC may take necessary measures such as a decision for the transfer of contracts, suspension of business for less than 6 months against the insolvent financial institution, and cancellation of the authorisation or permission of its business; *provided that*, in the case set forth in (d), only the suspension of business for less 6 months is applicable to the insolvent financial institution.

Where financial institutions' authorisation or permission to carry on business are cancelled pursuant to the above, they shall be dissolved. If the FSC orders a transfer of contracts mentioned above, the rights and duties of the insolvent financial institution under the contracts which are subject to transfer shall be transferred and succeeded to the financial institution which takes over those contracts (hereinafter referred to as the "**undertaking financial institution**") at the time of such order. In relation to this, the insolvent financial institution and the undertaking financial institution shall announce the transfer of the contracts in two or more daily newspapers. When the announcement is made, the legal relations of creditors, debtors, pledgors or other interested persons to the insolvent financial institution shall remain the same with the undertaking financial institution.

The FSC, where any financial institution is dissolved or goes bankrupt, may, notwithstanding the provisions of the Commercial Code and the Consolidated Insolvency Act, recommend a liquidator or a receiver from among financial experts and officers or employees of the Korea Deposit Insurance Corporation. In addition, when the FSC knows that the total amount of debt of a financial institution exceeds the total amount of its assets, it may make an application for bankruptcy.

#### ***Enforcement of English Judgments in Korea***

A monetary judgment duly obtained in the courts of England will be recognised by Korean courts without a re-examination of the merits of the case if:

- (a) such judgment was finally and conclusively given by a court having valid jurisdiction in accordance with the international jurisdiction principles under Korean law and applicable treaties;
- (b) the Originator, the Trustee, the Equityholder or the Bond Issuer, as the case may be, received service of process, other than by publication or similar means, in sufficient time to enable such party to prepare its defence in conformity with the laws of England, as applicable (or in conformance with the laws of Korea if it were made to the Originator, the Trustee, the Equityholder or the Bond Issuer, as the case may be, in Korea), or responded to the action without being served with process;
- (c) recognition of such judgment is not contrary to the public policy of Korea; and
- (d) (i) judgments of the Korean courts are accorded reciprocal treatment under the laws of England or (ii) judgments of the courts of Korea in England are not treated in a manner which is considerably prejudicial to their recognition and their treatment is substantially the same as treatment by the courts of Korea of the judgments obtained in England in material respects.

## TAXATION

*The following summary is a general description of certain Korean, Cayman Islands, United Kingdom, European Union and Singapore tax considerations relating to the purchase, ownership and disposition of the Class A2 Notes is based upon laws, regulations, rulings and decisions in effect as of the date of this Prospectus, all of which are subject to change (possibly with retroactive effect). The summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Class A2 Notes and does not purport to deal with the consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of the Class A2 Notes should consult their own tax advisor concerning the application of Korean, Cayman Islands, United Kingdom, European Union and Singapore tax laws to their particular situations as well as any consequences of the purchase, ownership and disposition of the Class A2 Notes arising under the laws of any other taxing jurisdiction.*

### **Korean Taxation**

The information provided below does not purport to be a complete summary of Korean tax law and practice currently applicable. Prospective investors should consult with their professional advisors.

The taxation of a non-Korean corporation such as the Note Issuer depends on whether the non-Korean corporation has a "**permanent establishment**" (as defined under Korean law) in Korea to which the relevant Korean source income is attributable or with which the relevant Korean source income is effectively connected. Non-Korean corporations without a permanent establishment in Korea are taxed in the manner described below. Non-Korean corporations with a permanent establishment in Korea are taxed in accordance with different rules.

### ***Tax on Interest***

In principle, interest on the Class A2 Bond paid to a non-Korean corporation such as the Note Issuer by a Korean company is subject to withholding of Korean corporate income tax at the rate of 14 per cent. unless reduced or exempted by relevant Korean laws or tax treaties. In addition, local income tax should be withheld at the rate of 10 per cent. of the corporate income tax (raising the total tax rate to 15.4 per cent.) under the Local Tax Law of Korea (the "**LTL**"). Tax rates may be reduced or exempted by applicable tax treaties, conventions or agreements between Korea and the jurisdiction of the recipient who is the beneficial owner of the interest income.

The Special Tax Treatment Control Law of Korea (the "**STTCL**") exempts interest on bonds denominated in a foreign currency (excluding payments to a Korean corporation or resident or permanent establishment of a non-resident individual or a non-Korean corporation) issued by a Korean company from Korean personal income tax or corporate income tax; *provided that* the offering of such bonds is deemed to be an overseas issuance under the STTCL.

### ***Tax on Capital Gains***

The Corporate Tax Law of Korea excludes from Korean corporate income tax gains made by a non-Korean corporation without a permanent establishment in Korea from the sale of bonds to a non-resident or non-Korean corporation (unless the sale is to the permanent establishment in Korea of the non-resident or non-Korean corporation). The local corporate income tax is also eliminated under the LTL.

In addition, capital gains earned by a non-Korean corporation from the transfer of bonds taking place outside of Korea are exempt from Korean corporate income tax by virtue of the STTCL; *provided that* the issuance of the bonds is deemed to be an overseas issuance under the STTCL.

If a sale of bonds issued by a Korean company where the seller is a non-Korean corporation is not exempted under Korean tax laws or applicable tax treaties, gains made on such sale are subject to

Korean taxation at the lesser of 11 per cent. (including local income tax) of the gross realisation proceeds or (subject to the production of satisfactory evidence of the acquisition costs and certain direct transaction costs) 22 per cent. (including local income tax) of the gain made.

Unless the seller can claim the benefit of an exemption of tax under an applicable treaty or in the absence of the seller producing satisfactory evidence of its acquisition cost and certain direct transaction costs in relation to the securities being sold, the purchaser or any other designated withholding agents of the bonds, as applicable, must withhold an amount equal to 11 per cent. (including local income tax) of the gross realisation proceeds.

#### ***Stamp Tax and Securities Transaction Tax***

No stamp, registration, or similar taxes are payable in Korea on the Transaction Documents; *provided that* such documents are executed outside of Korea. If certain Transaction Documents are executed in Korea, a stamp duty ranging from KRW100 to KRW350,000 would be imposed on each original document. No securities transaction tax will be imposed on the transfer of the Class A2 Bond.

#### ***Tax Treaties***

At the date of this Prospectus, Korea does not have a tax treaty with the Cayman Islands.

#### **Cayman Islands Taxation**

The following is a general discussion of certain Cayman Islands tax considerations for prospective investors in the Class A2 Notes. The discussion is based upon present law and interpretations of present law, both of which are subject to prospective and retroactive changes. The discussion does not consider any investor's particular circumstances and it is not intended as tax advice. Each prospective investor is urged to consult its tax adviser about the tax consequences of an investment in the Class A2 Notes under the laws of the Cayman Islands and Korea, jurisdictions from which the Note Issuer may derive its income or conduct its activities, and jurisdictions where the investor is subject to taxation.

#### ***Withholding Tax***

No withholding tax is payable in the Cayman Islands in respect of payments of principal and interest on the Class A2 Notes.

#### ***Stamp Duty***

No stamp duties or similar taxes or charges are payable under the laws of the Cayman Islands in respect of the execution and issue of the Class A2 Notes unless they are executed in or brought within (for example, for the purposes of enforcement) the jurisdiction of the Cayman Islands, in which case stamp duty of 0.25 per cent. of the face amount thereof may be payable on each Class A2 Note (up to a maximum of 250 Cayman Islands dollars ("CIS") (U.S.\$305) unless stamp duty of CI\$500 (U.S.\$610) has been paid in respect of the entire issue of Notes. The above conversions of Cayman Islands dollars to U.S. dollars have been made on the basis of U.S.\$1.22 to CI\$1.00. The holder of any Class A2 Notes (or the legal personal representative of such holder) whose Notes are brought into the Cayman Islands may in certain circumstances be liable to pay stamp duty imposed under the laws of the Cayman Islands in respect of such Class A2 Notes. Certificates evidencing registered Notes, to which title is not transferable by delivery, will not attract Cayman Islands stamp duty. However, an instrument transferring title to a registered Note, if brought to or executed in the Cayman Islands, would be subject to nominal Cayman Islands stamp duty.

#### ***Income Tax; Capital Gains Tax; Estate Duty***

The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax.

### ***Tax Status of the Note Issuer***

The Note Issuer has been incorporated under the laws of the Cayman Islands as an exempted company and, as such, has applied for, and expects to receive an undertaking from the Financial Secretary in the Cayman Islands in the following form:

#### **"CAYMAN ISLANDS GOVERNMENT THE TAX CONCESSIONS LAW UNDERTAKING AS TO TAX CONCESSIONS**

In accordance with the Tax Concessions Law the following undertaking is hereby given to

**KB KOOKMIN CARD SEVENTH INTERNATIONAL LTD.** (the "**Company**")

- (a) That no Law which is hereafter enacted in the Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- (b) In addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable
  - (i) on or in respect of the shares debentures or other obligations of the Company; or
  - (ii) by way of the withholding in whole or in part of any relevant payment as defined in the Tax Concessions Law.

These concessions shall be for a period of THIRTY years from the 9<sup>th</sup> day of March 2020".

### **European Union Taxation**

#### ***The Proposed Financial Transactions Tax***

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a directive for a common Financial Transactions Tax ("**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has a very broad scope and could, if introduced, apply to certain dealings in the Class A2 Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of the Class A2 Notes should, however, be exempt.

Under the Commission's Proposal, the 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 Class A2 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 the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional Member States of the European Union may decide to participate.

Prospective holders of the Class A2 Notes are advised to seek their own professional advice in relation to the FTT.

## **FATCA and Similar Regimes**

### ***Tax Compliance Withholding***

Under provisions of U.S. law commonly referred to as "FATCA", withholding may be required on, among other things, (i) certain payments made by "foreign financial institutions" (ii) certain U.S. source payments (including dividend equivalent payments) and (iii) payments of gross proceeds from the disposition of assets that can produce U.S. source interest or dividends (including assets that generate dividend equivalent payments), in each case, to persons that fail to meet certain certification, reporting, or related requirements. The Note Issuer is a Reporting Model 1 FFI for these purposes. The Cayman Islands has entered into the U.S. IGA with the U.S. The Note Issuer will be required to comply with the Cayman Islands Tax Information Authority Law (2017 Revision) (as amended) together with regulations and guidance notes made pursuant to such Law that give effect to the U.S. IGA. If, as is expected, the Note Issuer is a "Reporting Cayman Islands Financial Institution" (as defined in the U.S. IGA), the Note Issuer will be required to undertake due diligence procedures that generally provide for the identification of certain direct and indirect U.S. investors and reporting to the TIA certain information with respect to such investors. The Cayman Islands Tax Information Authority will exchange such information with the IRS, as the case may be, under the terms of the U.S. IGA. Provided the Note Issuer complies with its obligations under the U.S. IGA and the Cayman Islands implementing authorities, the Note Issuer generally will not be subject to withholding under FATCA, either on payments it makes or receives. The Note Issuer will endeavour to comply with these requirements and expects it will be able to do so.

On 29 October 2014, the Cayman Islands along with 50 other jurisdictions signed the Multilateral Agreement to demonstrate its commitment to implement the CRS The Tax Information Authority (International Tax Compliance) (Common Reporting Standard) Regulations, 2015, which require extensive due diligence to be undertaken on new and pre-existing accounts, were enacted on 16 October 2015 with reporting commencing on such accounts in 2017. With more than 100 countries having since agreed to implement the CRS, which will impose similar reporting and other obligations as the U.S. IGA with respect to the Class A2 Noteholders who are tax resident in other signatory jurisdictions, the Note Issuer will be required to report to the Cayman Islands Tax Information Authority on an annual basis, with account information being disseminated by the Cayman Islands Tax Information Authority to tax authorities around the globe. The Cayman Islands government may also enter into additional agreements with other countries in the future, and additional countries may adopt CRS, which will likely further increase the reporting and/or withholding obligations of the Note Issuer.

Whilst the Class A2 Notes are in global form and held within Euroclear or Clearstream (together, the "ICSDs"), it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Class A2 Notes by the Note Issuer, any paying agent and the common depositary, given that each of the entities in the payment chain from (but excluding) the Note Issuer to (but including) the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Class A2 Notes. However, it should be noted that information relating to Class A2 Noteholders and their investments in the Class A2 Notes may need to be reported under regulations made pursuant to FATCA and/or CRS by financial institutions through which Class A2 Noteholders collect payments made to them under the Class A2 Notes.

### ***U.S. source withholding taxes and information reporting***

If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Class A2 Notes as a result of FATCA, none of the Note Issuer, any paying agent or any other person would, pursuant to the terms and conditions of the Class A2 Notes be required to pay additional amounts as a result of the deduction or withholding. As a result, investors would under these circumstances receive less interest or principal than expected.



FATCA, the CRS and similar reporting regimes are particularly complex and their application is uncertain at this time. The above description is based in part on regulations, official guidance and intergovernmental agreements, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their own tax advisers to obtain a more detailed explanation of FATCA and the CRS and how these regimes may affect them.

***Undertakings by Noteholders in relation to FATCA***

Each Class A2 Noteholder (which for the purpose of this paragraph shall include any beneficial owner of an interest in a Note) shall timely furnish the Note Issuer or any other authorised delegate of the Note Issuer any U.S. federal income tax form or certification (such as IRS Form W-9 (Request for Taxpayer Identification Number and Certification), IRS Form W-8BEN (Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding and Reporting (Individual)), IRS Form W-8BEN-E (Certificate of Status of Beneficial Owner for United States Tax Withholding and Reporting (Entities)), IRS Form W-8IMY (Certificate of Foreign Intermediary, Foreign Flow-Through Entity, or certain U.S. Branches for United States Tax Withholding and Reporting), IRS Form W-8EXP (Certificate of Foreign Government or Other Foreign Organization for United States Tax Withholding and Reporting), or IRS Form W-8ECI (Certificate of Foreign Person's Claim That Income Is Effectively Connected With the Conduct of a Trade or Business in the United States), or any successors to such IRS forms) that the Note Issuer or any such delegate may reasonably request, and any documentation, agreements, certifications or information that is reasonably requested by the Note Issuer or any such delegate (a) to permit the Note Issuer or any other authorised delegate of the Note Issuer to make payments to it without, or at a reduced rate of, deduction or withholding, (b) to enable the Note Issuer or its agents to qualify for a reduced rate of withholding or deduction in any jurisdiction from or through which the Note Issuer or its agents receive payments, and (c) to enable the Note Issuer or its agents to satisfy reporting and other obligations under the Code, the tax regulations issued by the IRS, FATCA or any other law and shall update or replace such documentation and information as appropriate or in accordance with its terms or subsequent amendments, and acknowledges that the failure to provide, update or replace any such documentation or information may result in the imposition of withholding or backup withholding upon payments to such Class A2 Noteholder. Amounts withheld pursuant to applicable tax laws shall be treated as having been paid to such Class A2 Noteholder by the Note Issuer. In addition, each Class A2 Noteholder agrees that the Note Issuer may provide information to the IRS, the Tax Information Authority of the Cayman Islands or any other non-U.S. taxing authority regarding such Class A2 Noteholder's investment in the Class A2 Notes, including any information relevant to the Note Issuer's compliance with FATCA as necessary so that (a) no tax, fines or other penalties will be imposed or withheld pursuant thereto in respect of payments to or for the benefit of the Note Issuer, the Note Trustee, the Note Cash Administrator, the Transaction Administrator or their respective agents and (b) the Note Issuer can comply with an agreement entered into under section 1471(b) of the Code and/or any applicable laws of the Cayman Islands or other Law enacted in connection with FATCA ("**FATCA Compliance**").

Each Class A2 Noteholder shall comply fully and in a timely manner with the obligations of each holder, purchaser, beneficial owner and subsequent transferee of a Class A2 Note or interest therein, by acceptance of a Class A2 Note or an interest in a Class A2 Note, (i) to provide the Note Issuer (or its authorised agent) and the Note Trustee any information and certification to be provided by such holder, purchaser, beneficial owner or subsequent transferee to the Note Issuer (or an agent of the Note Issuer) that is required to be requested by the Note Issuer (or an agent of the Note Issuer) or that is otherwise helpful or necessary (in all cases, in the sole discretion of the Note Issuer or the Note Trustee (or an agent thereof) to enable the Note Issuer to achieve FATCA Compliance and compliance with the CRS and (ii) to update or correct such information or certification, as may be necessary or helpful (in the sole determination of the Note Issuer or the Note Trustee or their agents, as applicable) to achieve FATCA Compliance and compliance with the CRS.

## ***Singapore Taxation***

The statements below are general in nature and are based on certain aspects of current tax laws in Singapore, and administrative guidelines and circulars issued by the Monetary Authority of Singapore ("MAS") in force as at the date of this Prospectus and are subject to any changes in such laws, administrative guidelines or circulars, or the interpretation of those laws, guidelines or circulars, occurring after such date, which changes could be made on a retroactive basis. Neither these statements nor any other statements in this Prospectus are intended or are to be regarded as advice on the tax position of any holder of the Class A2 Notes or of any person acquiring, selling or otherwise dealing with the Class A2 Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Class A2 Notes. The statements made herein do not purport to be a comprehensive or exhaustive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Class A2 Notes and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or financial institutions in Singapore which have been granted the relevant Financial Sector Incentive(s)) may be subject to special rules or tax rates. Prospective holders of the Class A2 Notes are advised to consult their own tax advisors as to the Singapore or other tax consequences of the acquisition, ownership of or disposal of the Class A2 Notes, including, in particular, the effect of any foreign, state or local tax laws to which they are subject. It is emphasized that neither the Note Issuer, the Lead Manager nor any other persons involved in the issuance of the Class A2 Notes accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of the Class A2 Notes.

The disclosure below is on the assumption that the Inland Revenue Authority of Singapore ("IRAS") regards the Class A2 Notes as "debt securities" for the purposes of the SITA and eligible for the qualifying debt securities scheme and holders thereof may therefore enjoy the tax concessions and exemptions available for qualifying debt securities, provided the other conditions for the qualifying debt securities scheme are satisfied. If the Class A2 Notes are not regarded as "debt securities" for the purposes of the SITA, the tax treatment to holders may differ. Investors and holders of the Class A2 Notes should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding and disposal of the Class A2 Notes.

### ***Interest and Other Payments***

Subject to the following paragraphs, under Section 12(6) of the SITA, the following payments are deemed to be derived from Singapore:

- (a) any interest, commission, fee or any other payment in connection with any loan or indebtedness or with any arrangement, management, guarantee, or service relating to any loan or indebtedness which is (i) borne, directly or indirectly, by a person resident in Singapore or a permanent establishment in Singapore (except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore or any immovable property situated outside Singapore) or (ii) deductible against any income accruing in or derived from Singapore; or
- (b) any income derived from loans where the funds provided by such loans are brought into or used in Singapore.

Such payments, where made to a person not known to the paying party to be a resident in Singapore for tax purposes, are generally subject to withholding tax in Singapore. The rate at which tax is to be withheld for such payments (other than those subject to the 15.0% final withholding tax described below) to non-resident persons (other than non-resident individuals) is currently 17.0%. The applicable rate for non-resident individuals is currently 22.0%. However, if the payment is derived by a person not resident in Singapore otherwise than from any trade, business, profession or vocation carried on or exercised by such person in Singapore and is not effectively connected with any permanent establishment in Singapore of that person, the payment is subject to a final withholding tax of 15.0%. The rate of 15.0% may be reduced by applicable tax treaties.

However, certain Singapore-sourced investment income derived by individuals from financial instruments is exempt from tax, including:

- (a) interest from debt securities derived on or after 1 January 2004;
- (b) discount income (not including discount income arising from secondary trading) from debt securities derived on or after 17 February 2006; and
- (c) prepayment fee, redemption premium and break cost from debt securities derived on or after 15 February 2007,

except where such income is derived through a partnership in Singapore or is derived from the carrying on of a trade, business or profession.

In addition, as the issue of the Class A2 Notes is solely lead-managed by DBS Bank Ltd., which is a Financial Sector Incentive (Standard Tier) Company or a Financial Sector Incentive (Capital Market) Company (as defined in the SITA) at such time, and the Class A2 Notes are issued as debt securities prior to 31 December 2023, the Class A2 Notes would be qualifying debt securities ("**QDS**") for the purposes of the SITA, to which the following treatment applies:

- (a) subject to certain prescribed conditions having been fulfilled (including the furnishing by the Note Issuer, or such other person as the MAS may direct, to the MAS of a return on debt securities for the Class A2 Notes in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Class A2 Notes as the MAS may require and the inclusion by the Note Issuer in all offering documents relating to the Class A2 Notes of a statement to the effect that where interest, discount income, prepayment fee, redemption premium or break cost from the Class A2 Notes is derived by any person who is not resident in Singapore and who carries on any operation in Singapore through a permanent establishment in Singapore, the tax exemption for qualifying debt securities shall not apply if the non-resident person acquires the Class A2 Notes using the funds and profits of such person's operations through a permanent establishment in Singapore), interest, discount income (not including discount income arising from secondary trading), prepayment fee, redemption premium and break cost (collectively, the "**Qualifying Income**") from the Class A2 Notes paid by the Note Issuer and derived by a holder who is not resident in Singapore and who (aa) does not have any permanent establishment in Singapore or (bb) carries on any operation in Singapore through a permanent establishment in Singapore but the funds used by that person to acquire the Class A2 Notes are not obtained from such person's operation through a permanent establishment in Singapore, are exempt from Singapore tax;
- (b) subject to certain conditions having been fulfilled (including the furnishing by the Note Issuer, or such other person as the MAS may direct, to the MAS of a return on debt securities for the Class A2 Notes in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Class A2 Notes as the MAS may require), Qualifying Income from the Class A2 Notes paid by the Note Issuer and derived by any company or body of persons (as defined in the SITA) in Singapore is subject to tax at a concessionary rate of 10.0% (except for holders of the relevant Financial Sector Incentive(s) who may be taxed at different rates); and
- (c) subject to:
  - (i) the Note Issuer including in all offering documents relating to the Class A2 Notes a statement to the effect that any person whose interest, discount income, break cost, prepayment fee or redemption premium derived from the Class A2 Notes is not exempt from tax shall include such income in a return of income made under the SITA; and

- (ii) the furnishing by the Note Issuer, or such other person as the MAS may direct, to the MAS of a return on debt securities for the Class A2 Notes in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Class A2 Notes as the MAS may require,

payments of Qualifying Income derived from the Class A2 Notes are not subject to withholding of tax (if applicable) by the Note Issuer.

Notwithstanding the foregoing:

- (a) if during the primary launch of the Class A2 Notes, the Class A2 Notes are issued to fewer than four persons and 50.0% or more of the issue of such Class A2 Notes is beneficially held or funded, directly or indirectly, by related parties of the Note Issuer, such Class A2 Notes would not qualify as QDS; and
- (b) even though the Class A2 Notes are QDS, if at any time during the tenure of the Class A2 Notes, 50.0% or more of such Class A2 Notes which are outstanding at any time during the life of their issue is beneficially held or funded, directly or indirectly, by any related party(ies) of the Note Issuer, Qualifying Income derived from such Class A2 Notes held by:
  - (i) any related party of the Note Issuer; or
  - (ii) any other person where the funds used by such person to acquire such Class A2 Notes are obtained, directly or indirectly, from any related party of the Note Issuer,

shall not be eligible for the tax exemption or concessionary rate of tax as described above.

All foreign-sourced income received in Singapore on or after 1 January 2004 by Singapore tax-resident individuals will be exempted from tax, provided such foreign-sourced income is not received through a partnership in Singapore.

The term "**related party**", in relation to a person, means any other person who, directly or indirectly, controls that person, or is controlled, directly or indirectly, by that person, or where he and that other person, directly or indirectly, are under the control of a common person.

The terms "**break cost**", "**prepayment fee**" and "**redemption premium**" are defined in the SITA as follows:

"break cost", in relation to debt securities and qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by any loss or liability incurred by the holder of the securities in connection with such redemption;

"prepayment fee", in relation to debt securities and qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by the terms of the issuance of the securities; and

"redemption premium", in relation to debt securities and qualifying debt securities, means any premium payable by the issuer of the securities on the redemption of the securities upon their maturity.

References to "break cost", "prepayment fee" and "redemption premium" in this Singapore tax disclosure have the same meaning as defined in the SITA.

Where interest, discount income, prepayment fee, redemption premium or break cost (i.e. the Qualifying Income) is derived from the Class A2 Notes by any person who is not resident in Singapore and who carries on any operations in Singapore through a permanent establishment in Singapore, the tax exemption available for QDS under the SITA (as mentioned above) shall not apply if such person acquires such Class A2 Notes using the funds and profits of such person's operations

through a permanent establishment in Singapore. Any person whose interest, discount income, prepayment fee, redemption premium or break cost (i.e. the Qualifying Income) derived from the Class A2 Notes is not exempt from tax (including for the reasons described above) shall include such income in a return of income made under the SITA.

### ***Capital Gains***

Any gains considered to be in the nature of capital made from the sale of the Class A2 Notes will not be taxable in Singapore. However, any gains derived by any person from the sale of the Class A2 Notes which are gains from any trade, business, profession or vocation carried on by that person, if accruing in or derived from Singapore, may be taxable as such gains are considered revenue in nature.

Holders of the Class A2 Notes who apply or who are required to apply Singapore Financial Reporting Standard ("**FRS**") 39, FRS 109 or Singapore Financial Reporting Standard (International) 9 ("**SFRS(I) 9**") (as the case may be) may, for Singapore income tax purposes, be required to recognise gains or losses (not being gains or losses in the nature of capital) on the Class A2 Notes, irrespective of disposal, in accordance with FRS 39, FRS 109 or SFRS(I) 9 (as the case may be). Please see the section below on "Adoption of FRS 39, FRS 109 or SFRS(I) 9 for Singapore Income Tax Purposes".

### ***Adoption of FRS 39, FRS 109 or SFRS(I) 9 for Singapore Income Tax Purposes***

Section 34A of the SITA provides for the tax treatment for financial instruments in accordance with FRS 39 (subject to certain exceptions and "opt-out" provisions) to taxpayers who are required to comply with FRS 39 for financial reporting purposes. The Inland Revenue Authority of Singapore has also issued a circular entitled "Income Tax Implications Arising from the Adoption of FRS 39 — Financial Instruments: Recognition and Measurement".

FRS 109 or SFRS(I) 9 (as the case may be) is mandatorily effective for annual periods beginning on or after January 1, 2018, replacing FRS 39. Section 34AA of the SITA requires taxpayers who comply or who are required to comply with FRS 109 or SFRS(I) 9 for financial reporting purposes to calculate their profit, loss or expense for Singapore income tax purposes in respect of financial instruments in accordance with FRS 109 or SFRS(I) 9 (as the case may be), subject to certain exceptions. The Inland Revenue Authority of Singapore has also issued a circular entitled "Income Tax: Income Tax Treatment Arising from Adoption of FRS 109 — Financial Instruments".

Holders of the Class A2 Notes who may be subject to the tax treatment under Sections 34A or 34AA of the SITA should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding or disposal of the Class A2 Notes.

### ***Estate Duty***

Singapore estate duty has been abolished with respect to all deaths occurring on or after 15 February 2008.

## CLEARING AND SETTLEMENT ARRANGEMENT

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream (together, the "Clearing Systems") currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Note Issuer believes to be reliable, but none of the Note Issuer and the Lead Manager take any responsibility for the accuracy of this section. The Note Issuer confirms that this information has been accurately reproduced and as far as the Note Issuer is aware and is able to ascertain from the information published on the official websites of Euroclear and Clearstream, no facts have been omitted which would render the reproduced information inaccurate or misleading. 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 Note Issuer and any other party to the Transaction Documents 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 Class A2 Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

### **Clearing Systems**

#### ***Euroclear and Clearstream***

Euroclear and Clearstream each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

#### ***Registration and Form***

Book-entry interests in the Class A2 Notes held through Euroclear and Clearstream will be evidenced by the Class A2 Global Note, registered in the name of a nominee of the common depository of Euroclear and Clearstream. The Class A2 Global Note will be held by a common depository for Euroclear and Clearstream. Beneficial ownership in the Class A2 Notes will be held through financial institutions as direct and indirect participants in Euroclear and Clearstream.

The aggregate holdings of book-entry interests in the Class A2 Notes in Euroclear and Clearstream will be reflected in the book-entry accounts of each such institution. Euroclear and Clearstream, as the case may be, and every other intermediate holder in the chain to the beneficial owner of book-entry interests in the Class A2 Notes, will be responsible for establishing and maintaining accounts for their participants and customers having interests in the book-entry interest in the Class A2 Notes. The Principal Paying Agent will be responsible for ensuring that payments received by it from the Note Issuer for holders of interests in the Class A2 Notes holding through Euroclear and Clearstream are credited to Euroclear or Clearstream, as the case may be.

The Note Issuer will not impose any fees in respect of holding the Class A2 Notes; however, holders of book-entry interests in the Class A2 Notes may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and Clearstream.

## **Clearing and Settlement Procedures**

### ***Initial Settlement***

Interests in the Class A2 Notes will be in uncertificated book-entry form. Noteholders electing to hold book-entry interests in the Class A2 Notes through Euroclear and Clearstream accounts will follow the settlement procedures applicable to conventional eurobonds. Book-entry interests in the Class A2 Notes will be credited to Euroclear and Clearstream participants' securities clearance accounts on the business day following the Closing Date against payment (for value on the Closing Date).

### ***Secondary Market Trading***

Secondary market sales of book-entry interests in the Class A2 Notes held through Euroclear or Clearstream to purchasers of book-entry interests in the Class A2 Notes through Euroclear or Clearstream will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream and will be settled using the procedures applicable to conventional participants.

### **General**

Neither Euroclear nor Clearstream is under any obligation to perform or continue to perform the procedures referred to above, and such procedures may be discontinued at any time.

None of the Lead Manager, the Class A2 Initial Subscriber, the Originator, the Note Issuer, any Note Agent, any Bond Agent, the Bond Issuer, the Trustee, the Back-up Servicer, the Servicer, the Note Issuer Administrator or any of their agents or respective affiliates or any person by whom any of the foregoing is controlled will have any responsibility for the performance by Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations or the arrangements referred to above.

## SUBSCRIPTION AND SALE

DBS Bank Ltd (the "**Class A2 Initial Subscriber**") has, in a note subscription agreement dated 13 August 2020 (the "**Class A2 Note Subscription Agreement**") and made between the Note Issuer, the Bond Issuer, the Originator and the Class A2 Initial Subscriber, upon the terms and subject to the conditions contained therein, agreed to purchase the Class A2 Notes at their issue price of 100 per cent. of their principal amount less underwriting commission. The Originator has also agreed to reimburse the Class A2 Initial Subscriber for certain of its expenses incurred in connection with the management of the issue of the Class A2 Notes.

### **United States**

The Class A2 Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**") or the state securities law of any state of the U.S. Each of the Lead Manager and the Note Issuer agrees that they will not offer or sell the Class A2 Notes within the U.S. or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the U.S. Securities Act), except in accordance with Regulation S or pursuant to an exemption from, or in a transaction not subject to the registration requirements of the U.S. Securities Act.

Each of the Lead Manager, the Class A2 Initial Subscriber and the Note Issuer has represented and agreed that, except as permitted by the preceding paragraph, it will not offer, sell or deliver the Class A2 Notes (i) as part of their distribution at any time or (ii) otherwise, until forty (40) days after the later of the commencement of the offering and the Closing Date, within the U.S. or to, or for the account or benefit of, U.S. persons and it will have sent to each distributor, dealer or other person receiving a selling concession or similar fee to which it sells the Class A2 Notes in reliance to Regulation S during such distribution compliance period, a confirmation or other notice setting forth the restrictions on offers and sales of the Class A2 Notes within the U.S. or to, or for the account or benefit of, U.S. persons. In addition, until forty (40) days after the later of the commencement of the offering and the Closing Date, any offer or sale of the Class A2 Notes within the U.S. by any broker/dealer/distributor (whether or not it is participating in this offering), may violate the registration requirement of the Securities Act. Terms used in the preceding paragraph and in this paragraph have the meanings given to them by Regulation S under the U.S. Securities Act.

Each holder of the Class A2 Notes will be deemed to have represented that such holder is aware that the sale of such Class A2 Notes to it is being made in reliance on the exemption from registration provided by Regulation S and understands that the Note Certificates will bear the following legend:

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR THE STATE SECURITIES LAW OF ANY STATE OF THE UNITED STATES, AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT IT IS ACQUIRING THE CLASS A2 NOTES REPRESENTED HEREBY IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT, (2) AGREES THAT, PRIOR TO THE DATE THAT IS 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING AND THE CLOSING DATE, IT WILL NOT RESELL OR OTHERWISE TRANSFER THE CLASS A2 NOTES REPRESENTED HEREBY EXCEPT (A) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT OR (B) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND (3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THE CLASS A2 NOTES REPRESENTED HEREBY ARE TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION", AND "UNITED STATES" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.



## **Korea**

The Class A2 Notes subscribed for by the Class A2 Initial Subscriber will be subscribed for by it as principal and it will not directly or indirectly offer, sell or deliver any Class A2 Notes in Korea or to any resident of Korea or to others for re-offering or re-sale directly or indirectly in Korea, or to any resident of Korea, except as otherwise permitted by applicable Korean laws and regulations, and, furthermore, the Class A2 Initial Subscriber has undertaken that any securities dealer to whom it sells the Class A2 Notes will agree that he is purchasing such Class A2 Notes as principal and will not re-offer or re-sell any Note directly or indirectly in Korea or to any resident of Korea except as aforesaid. No person may offer or sell any Class A2 Notes in Korea or to any resident of Korea or to others for re-offering or re-sale directly or indirectly in Korea, or to any resident of Korea, except as otherwise permitted by applicable Korean law and regulations.

## **Japan**

Each of the Lead Manager and the Class A2 Initial Subscriber has, severally and not jointly, represented and agreed that none of the Class A2 Notes have been nor will be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25, 13 April 1948), as amended (the "FIEA"). Each of the Lead Manager and the Class A2 Initial Subscriber has, severally and not jointly, further agreed that it has not offered or sold and will not offer or sell any Notes, directly or indirectly, in Japan to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Control Law (Law No. 228 of 1949), as amended) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

## **Cayman Islands**

Each of the Lead Manager and the Class A2 Initial Subscriber has represented, warranted and agreed that the public in the Cayman Islands have not and will not be invited to subscribe for the Class A2 Notes.

## **Singapore**

Each of the Lead Manager and the Class A2 Initial Subscriber has, severally and not jointly, acknowledged that this Prospectus has not been, and will not be, registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"). Accordingly, each of Lead Manager and the Class A2 Initial Subscriber has, severally and not jointly, represented, warranted and agreed that it has not offered or sold any Class A2 Notes or caused such Class A2 Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Class A2 Notes or cause such Class A2 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 Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Class A2 Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) 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, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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Note:

Where the Class A2 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 Section 2(1) of 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 Class A2 Notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Singapore SFA Product Classification: In connection with Section 309B of the SFA and the CMP Regulations 2018, the Note Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309(A)(1) of the SFA), that the Class A2 Notes are capital markets products other than prescribed capital markets products (as defined in the CMP Regulations 2018) and 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).

Any reference to the SFA is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term or provision as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

## **Hong Kong**

Each of the Lead Manager and the Class A2 Initial Subscriber has, severally and not jointly, represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Class A2 Notes other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 622) of Hong Kong; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Class A2 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 that Ordinance.

### **United Kingdom**

Each of the Lead Manager and the Class A2 Initial Subscriber has represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the issue or sale of the Class A2 Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Note Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Class A2 Notes in, from or otherwise involving the United Kingdom.

### **European Economic Area**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Regulation (each, a "**Relevant Member State**"), each of the Lead Manager and the Class A2 Initial Subscriber has represented and agreed that with effect from and including the date on which the Prospectus Regulation is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Class A2 Notes which are the subject of the offering contemplated by this Prospectus to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Class A2 Notes to the public in that Relevant Member State:

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant dealer or dealers nominated by the Note Issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation;

*provided that* no such offer of Class A2 Notes referred to in (a) to (c) above shall require the Note Issuer or the Lead Manager or the Class A2 Initial Subscriber to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Class A2 Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Class A2 Notes to be offered so as to enable an investor to decide to purchase or subscribe the Class A2 Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Regulation in that Member State and the expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129 (as amended), and includes any relevant implementing measure in the Relevant Member State.

### **Prohibition of Sales to EEA Retail Investors**

Each of the Lead Manager and the Class A2 Initial Subscriber has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Class A2 Notes to any retail investor in the EEA. For the purposes of this provision:

- (a) the expression "retail investor" means a person who is one (or more) of the following:
- (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; and/or
  - (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - (iii) not a qualified investor as defined in the Prospectus Regulation; and
- (b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Class A2 Notes to be offered so as to enable an investor to decide to purchase or subscribe the Class A2 Notes.

## **General**

The Class A2 Initial Subscriber has acknowledged in the Class A2 Note Subscription Agreement that, no action has been or will be taken in any jurisdiction by the Note Issuer that would permit a public offering of the Class A2 Notes, or possession or distribution of any offering material in relation to a public offering of the Class A2 Notes, in any country or jurisdiction where action for that purpose is required.

The Class A2 Initial Subscriber has further undertaken in the Class A2 Note Subscription Agreement that it will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes any offering material in relation to the Class A2 Notes.

The Class A2 Initial Subscriber is offering the Class A2 Notes, subject to prior sale, when, as and if issued to and accepted by it, subject to approval of legal matters by its counsel, including the validity of the Class A2 Notes, and other conditions contained in the Class A2 Note Subscription Agreement, such as the receipt by the Class A2 Initial Subscriber of certificates and legal opinions. The Class A2 Initial Subscriber reserves the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

The Class A2 Initial Subscriber is not obliged to facilitate trading in the Class A2 Notes (or beneficial interests therein) and any such activities, if commenced, may be discontinued at any time, for any reason, without notice. If the Class A2 Initial Subscriber does not facilitate trading in the Class A2 Notes (or beneficial interests therein) for any reason, there can be no assurance that another firm or person will do so. Pursuant to the underwriting arrangements among the Class A2 Initial Subscriber, the Note Issuer and the Originator, the Class A2 Initial Subscriber is required to purchase the Class A2 Notes for its own account to the extent that accepted orders are insufficient to place the entire amount of the Class A2 Notes.

In the ordinary course of their businesses, the Class A2 Initial Subscriber and its affiliates have engaged, and in the future may engage, in investment banking and commercial banking business and other dealings in the ordinary course of business with KB Kookmin Card and its affiliates, including the extension of credit facilities ("**Other Business**"), from time to time and may receive fees and commissions for these transactions. The Class A2 Initial Subscriber and/or its affiliates may also be investors in the Class A2 Notes on the Closing Date and/or from time to time in the future. Notwithstanding the Class A2 Initial Subscriber's obligations under the Class A2 Note Subscription Agreement, the Class A2 Initial Subscriber (and its affiliates) will be entitled to act with respect to such Other Business in the same manner as if it had not entered into the Class A2 Note Subscription Agreement and regardless of the effect of such actions on the Class A2 Notes. The Class A2 Initial Subscriber or its affiliates may retain, purchase or sell the Class A2 Notes for its own account or enter into secondary market transactions or derivative transactions relating to the Class A2 Notes, including, without limitation, purchase, sale (or facilitation thereof), stock borrowing or credit or equity-linked derivatives such as asset swaps, repackagings and credit default swaps, at the same time as the

offering of the Class A2 Notes. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Class A2 Notes to which this Prospectus relates (notwithstanding that such selected counterparties may also be a purchaser of the Class A2 Notes). As a result of such transactions, the Class A2 Initial Subscriber or its affiliates may hold long or short positions relating to the Class A2 Notes. The Class A2 Initial Subscriber or its affiliates may also purchase Notes for asset management and/or proprietary purposes or may hold Notes on behalf of clients or in the capacity of investment advisors. While the Class A2 Initial Subscriber and its affiliates have policies and procedures to deal with conflicts of interests, any of the above transactions may cause the Class A2 Initial Subscriber or its affiliates or its clients or counterparties to have economic interests and incentives which may conflict with those of an investor in the Class A2 Notes. The Class A2 Initial Subscriber may receive returns on such transactions and has no obligation to take, refrain from taking or cease taking any action with respect to any such transactions based on the potential effect on a prospective investor in the Class A2 Notes. None of the Class A2 Initial Subscriber or its affiliates intend to disclose the extent of any such investments or transactions other than in accordance with any legal or regulatory obligation to do so.

Each of the Note Issuer, the Bond Issuer and the Originator has represented, warranted and undertaken to the Class A2 Initial Subscriber that neither it nor any of its affiliates (including any person acting on behalf of the Note Issuer, the Bond Issuer or, as the case may be, the Originator or any of its affiliates) has offered or sold, or will offer or sell, any Class A2 Notes in any circumstances which would cause the exemption afforded by the safe harbours of Regulation S of the Securities Act to cease to be applicable to the offer and sale of the Class A2 Notes.

The Class A2 Notes are new securities for which there currently is no market. The Lead Manager has advised the Note Issuer that it intends to make a market in the Class A2 Notes as permitted by applicable law. The Lead Manager is not obligated, however, to make a market in the Class A2 Notes and any market making may be discontinued at any time at the sole discretion of the Lead Manager. Accordingly, no assurance can be given as to the development or liquidity of any market for the Class A2 Notes.

The Class A2 Initial Subscriber has, directly and indirectly, from time to time, provided investment and banking or financial advisory services to the Originator and its affiliates for which it has received customary fees and commissions. The Class A2 Initial Subscriber expects to provide those services to the Originator and its affiliates from time to time in the future, for which it expects to receive customary fees and commissions.

## **LEGAL MATTERS**

Certain legal matters in connection with the issuance of the Class A2 Notes will be advised upon for the Lead Manager by PwC Legal International Pte. Ltd. with respect to English law and by Kim & Chang with respect to Korean law. Certain matters as to Cayman Islands law will be advised upon for the Note Issuer by Walkers (Hong Kong).

Each of PwC Legal International Pte. Ltd., Kim & Chang and Walkers (Hong Kong) has given and not withdrawn its written consent to the issue of this Prospectus with the inclusion of statements attributed to it and references to its name in the form and context in which they are included.

## GENERAL INFORMATION

1. The issue of the Class A2 Notes has been duly authorised by resolutions of the Board of Directors of the Note Issuer passed on 2 April 2020 and 5 August 2020. The issue of the Class A2 Bond has been authorised by a resolution of the Equityholders of the Bond Issuer passed on 3 August 2020.
2. The Class A2 Notes have been accepted for clearance through Clearstream and Euroclear with the following Common Code and ISIN number:

### **Common Code and ISIN Number of the Class A2 Notes**

	Class A2 Notes
Common Code:.....	221395611
ISIN:.....	XS2213956118

3. Since their respective dates of incorporation, there are no governmental, litigation or arbitration proceedings against or affecting the Note Issuer or the Bond Issuer nor is the Note Issuer or the Bond Issuer aware of any pending or threatened proceedings of such kind, which may have, or have had, in the recent past, a significant effect on the Note Issuer's or the Bond Issuer's financial position or profitability.
4. Neither the Note Issuer nor the Bond Issuer has commenced operations or published any audited financial statements to date. The Note Issuer is not required under Cayman Islands law to prepare annual financial statements or have its financial statements audited. The Bond Issuer is not required under Korean law to prepare annual financial statements or have its financial statements audited. However, if published, such financial statements will be available free of charge during usual business hours at the registered office of the Bond Issuer. The Bond Issuer will not publish any interim financial statements.
5. Save as disclosed in this Prospectus, since its date of incorporation, there has been (i) no material adverse change in the prospects of the Note Issuer and (ii) no significant change in the financial or trading position of the Note Issuer.
6. Save as disclosed in this Prospectus, since its date of incorporation, there has been (i) no material adverse change in the prospects of the Bond Issuer and (ii) no significant change in the financial or trading position of the Bond Issuer.
7. Save as disclosed in this Prospectus, since 31 December 2019, there has been (i) no material adverse change in the prospects of KB Kookmin Card and (ii) no significant change in the financial or trading position of KB Kookmin Card.
8. Save as disclosed in this Prospectus, KB Kookmin Card is not, and has not been, involved in any litigation, arbitration or administrative proceedings which, if adversely decided, may have, or has had during the 12 months preceding the date of this Prospectus, a significant effect on its financial position or profitability nor is aware that any such proceedings are pending or threatened.
9. The language of this Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.
10. KB Kookmin Card will retain a material net economic interest of at least 5 per cent. in the securitisation in accordance with Article 6(1) of the Securitisation Regulation. As at the Closing Date, such interest will be comprised of an interest in the Seller Interest and the Subordinated Seller Interest which, in aggregate, is not less than 5 per cent. of the beneficial interest in the Trust. Any change to this manner in which this interest is held will be notified to investors.

11. Each prospective investor is required to independently assess and determine the sufficiency of the information described above and in this Prospectus generally for the purposes of complying with Article 6(1) of the Securitisation Regulation and none of the Note Issuer, nor the Lead Manager or the other parties to the Transaction Documents make any representation that the information described above or in this Prospectus is sufficient in all circumstances for such purposes. In addition, each prospective Noteholder should ensure that they comply with the implementing provisions in respect of Article 6(1) in their relevant jurisdiction. Investors who are uncertain as to the requirements which apply to them in respect of their relevant jurisdiction, should seek guidance from their regulator.

12. For so long as the Class A2 Notes are listed on any stock exchange and the rules of the stock exchange so require, copies of the following documents may be inspected in physical form or electronic form (and, in the case of each of (O) to (Q) below, will be available for collection free of charge) at the specified offices of the Principal Paying Agent during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for the term of the Class A2 Notes:

- (A) the Note Trust Deed;
- (B) the Note Agency Agreement;
- (C) the Note Issuer Administration Agreement;
- (D) the Trust Agreement;
- (E) the Servicing Agreement;
- (F) the Transaction Administration Agreement;
- (G) the Bond Issuer Servicing Agreement;
- (H) the Bond Issuer Administrator Agreement;
- (I) the Pledge Agreement;
- (J) the Equity Pledge Agreement;
- (K) the Security Assignment;
- (L) the Master Definitions Schedule;
- (M) the Bond Subscription and Agency Agreement;
- (N) the Class A2 Swap Agreement;
- (O) the constitutional documents of the Note Issuer;
- (P) the constitutional documents of the Bond Issuer; and
- (Q) the future published audited financial statements of the Bond Issuer.

13. Application has been made to the SGX-ST for the Class A2 Notes to be listed and quoted on the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this Prospectus. Approval-in-principle from the SGX-ST, admission of the Class A2 Notes to the Official List of the SGX-ST and quotation of any Class A2 Notes on the SGX-ST are not to be taken as an indication of the merits of this offering, the Note Issuer, the Bond Issuer, the Class A2 Initial Subscriber, their respective subsidiaries (if any), their respective associated companies (if any), their respective joint venture companies (if any) or the Class A2 Notes. The Class A2 Notes will, upon admission to listing on the Official List of the SGX-ST, be traded on the SGX-ST in a minimum board lot size of SGD250,000 for so long as the Class A2 Notes are listed on the SGX-ST and the rules of the SGX-ST so require.



14. For so long as the Class A2 Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Note Issuer will appoint and maintain a paying agent in Singapore, where the Class A2 Notes may be presented or surrendered for payment or redemption, in the event that a global certificate is exchanged for definitive certificates. In addition, in the event that a global certificate is exchanged for definitive certificates, an announcement of such exchange shall be made by or on behalf of the Note Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive certificates, including details of the paying agent in Singapore.

15. The Note Issuer's Legal Entity Identifier code is 5493008LD8GMQYXKGC42.

16. Allen & Gledhill, as the Singapore Listing Agent, is acting solely in its capacity as listing agent for the Note Issuer in connection with the listing and quotation of the Class A2 Notes to the Official List of the SGX-ST.

## MASTER DEFINITIONS SCHEDULE

**"Account"** means an account of an Accountholder maintained with the Originator for the provision of consumer finance services, including Credit Card Services, Cash Services and Instalment Services.

**"Account Bank"** means:

- (a) in connection with the Trust Collection Account, the Trust Reserve Account and the Bond Issuer Won Account, Citibank Korea Inc.;
- (b) in connection with the Bond Issuer USD Account, the Bond Issuer SGD Account, the Swap Cash Collateral Accounts and the Note Issuer A1 Account, Citibank, N.A., Hong Kong Branch; and
- (c) in connection with the Note Issuer A2 Account, Citibank, N.A., London Branch,

or, in any case, such other Eligible Entity approved in accordance with Clause 8.1 of the Trust Agreement, Clause 3.4 of the Transaction Administration Agreement and Clause 10.3 of the Note Trust Deed.

**"Account Records"** means, with respect to a Receivable, all documents, instruments and other agreements of whatever nature supporting or securing payment of such Receivable or related to such Receivable from time to time held or maintained by, or on behalf of, the Originator prior to the Entrustment Date of the relevant Receivable or by, or on behalf of, the Servicer thereafter, whether in physical or electronic form, including without limitation, the Core Records, any other related credit agreement or policy, instruments, account books and records, computer records, correspondence, application forms, notes of communication, collection notes and all other related documents, and documents evidencing guarantees or insurances (if any).

**"Accountholder"** means, in respect of any Account, the Person or Persons named and defined as the principal member in the relevant Card Agreement or any one of them (including, without limitation, as co-borrowers, co-signors or guarantors).

**"Act on Protection and Use of Credit Information"** means the Act on Protection and Use of Credit Information of Korea (Law No. 9617, 1 April 2009), as amended from time to time, and the rules, regulations and decrees promulgated thereunder.

**"Act on Supporting the Financial Life of the Low Income Households"** means the Act on Supporting the Financial Life of the Low Income Households of Korea (Law No. 14095, 22 March 2016), as amended from time to time, and the rules, regulations and decrees promulgated thereunder.

**"Act on the Structural Improvement of the Financial Industry"** means the Act on the Structural Improvement of the Financial Industry of Korea (Law No. 5257, 13 January 1997), as amended from time to time, and the rules, regulations and decrees promulgated thereunder.

**"Additional Accounts Notice"** means the notice relating to the entrustment of Additional Accounts substantially in the form set out in the First Schedule to the Trust Agreement.

**"Affected Party"** is defined in each Swap Agreement.

**"Agency Fees"** means all fees, costs, expenses, indemnities, claims, demands, legal fees, liabilities and other amounts specified in the Citi Fee Letter as payable by the Bond Issuer and the Note Issuer in accordance with the provisions of the Transaction Documents to the Bond Agents, the Note Agents, the Account Banks and any party as may be notified to the Transaction Administrator by either of the Bond Issuer or the Note Issuer from time to time, with the prior approval of the Majority Investor and prior written notice to the Rating Agency.

"**Agency Fees Maximum Amount**" means, on any Bond Payment Date falling prior to the Enforcement Date, the maximum amount in Won or U.S. dollars specified in the Citi Fee Letter or the relevant fee letter between the Bond Issuer or, as the case may be, the Note Issuer and any Bond Agent or Note Agent.

"**Annual Audit Reports**" means, together, each Collateral Audit confirmation and Collateral Audit report prepared by the Designated Accounting Firm pursuant to the Trust Agreement and each Servicing Review Report.

"**Applicable Exchange Rate**" is defined in the Class A2 Swap Agreement.

"**applicable Law**" means any law or regulation including, but not limited to: (i) any law, statute or regulation; (ii) any rule or practice of any authority by which any party to a Transaction Document is bound or with which it is accustomed to comply; (iii) any agreement between any authorities; and (iv) any customary agreement between any authority and any party to a Transaction Document.

"**Asset Transfer Registration**" means each registration of the transfer of assets to be filed with the FSC pursuant to the ABS Act in accordance with the provisions of the Trust Agreement.

"**Asset Warranty**" means each representation and warranty of the Originator in Clause 12.2 of the Trust Agreement in relation to the Designated Accounts and the Receivables.

"**Assigned Property**" means the assets and property of the Bond Issuer which have been assigned to the Bond Secured Parties and are subject to the Security created under the Security Assignment.

"**Audit Agreed Upon Procedures**" means:

- (a) in relation to the Initial Entrustment Date, the agreed upon procedures to be applied by the Designated Accounting Firm pursuant to the provisions of the Trust Agreement on the Initial Entrustment Date;
- (b) in relation to each Entrustment Date (other than the Initial Entrustment Date), the agreed upon procedures to be applied by the Designated Accounting Firm pursuant to the provisions of the Trust Agreement on each such Entrustment Date; or
- (c) the agreed upon procedures reasonably determined by the Majority Investor and to be applied by the Designated Accounting Firm pursuant to the provisions of Clause 5.5(a) of the Servicing Agreement.

"**Auto Debit**" means the transfer of payments from a debtor's bank account to a creditor's bank account by automatic direct debit either pursuant to certain Automatic Debit Agreements or by means of CMS operated by KFTC.

"**Auto Debit Arrangement**" means an arrangement between an Accountholder, the Originator and an Automatic Debit Bank pursuant to which payments due from the Accountholder to the Originator are effected by Auto Debit.

"**Automatic Debit Agreement**" means an agreement among the Originator, the Trustee and an Automatic Debit Bank which is in full force and effect and which provides for such Automatic Debit Bank to transfer payments due on an Account from an account of the relevant Accountholder held at such Automatic Debit Bank by Auto Debit to the related Auto Debit Account; *provided that* any such agreement shall cease to be an Automatic Debit Agreement if the bank which is party to it ceases to be an Automatic Debit Bank.

"**Automatic Debit Bank**" means each bank at which an Accountholder maintains a bank account designated and authorised under a Card Agreement by such Accountholder for the Originator to automatically debit the monthly payment due on his or her Account from such bank account.

**"Back-up Servicer Acceptance Fee"** means certain fees payable to the Back-up Servicer in accordance with the Citi Fee Letter and the Servicing Agreement for acceptance of the appointment by the Trustee as Back-up Servicer.

**"Back-up Servicer Expenses"** means certain costs and expenses of the Back-up Servicer payable in accordance with the Citi Fee Letter and the Trust Agreement for providing the Back-up Services other than the Back-up Servicer Standby Fee.

**"Back-up Servicer Standby Fee"** means certain fees payable to the Back-up Servicer in accordance with the Citi Fee Letter and the Servicing Agreement.

**"Back-up Services"** means certain services, which are set out in Part A of the Second Schedule to the Servicing Agreement, to be rendered by the Back-up Servicer pursuant to the Servicing Agreement with such changes thereto as may be agreed by the Majority Investor, the Back-up Servicer and the Originator from time to time.

**"Bank Agreements"** means (a) each of the bank agreements and mandates dated or to be dated on or about the Closing Date among, *inter alios* (i) the relevant Account Bank, the Transaction Administrator and the Bond Issuer in respect of the Bond Issuer Won Account, (ii) the relevant Account Bank, the Transaction Administrator and the Bond Issuer in respect of the Swap Cash Collateral Accounts, (iii) the relevant Account Bank, the Transaction Administrator and the Bond Issuer in respect of the Bond Issuer USD Account and the Bond Issuer SGD Account, (iv) the Designated FX Bank, the Transaction Administrator and the Bond Issuer in respect of the Bond Issuer FX Accounts, (v) the relevant Account Bank and the Trustee in respect of the Trust Collection Account and the Trust Reserve Account, (vi) the relevant Account Bank, the Note Issuer, the Note Cash Administrator and the Note Trustee in respect of the Note Issuer A1 Account and (vii) the relevant Account Bank, the Note Issuer, the Note Cash Administrator and the Note Trustee in respect of the Note Issuer A2 Account, (b) any bank agreements entered into from time to time with replacement Account Banks and (c) each of the Automatic Debit Agreements.

**"Bond Additional Amounts"** means, in respect of any Bond Payment Date, the additional amounts (if any) payable on such Bond Payment Date in accordance with the provisions of Bond Condition 5 payable to the Bondholder on such Bond Payment Date.

**"Bond Agents"** means, together, the Transaction Administrator, the Bond Issuer Servicer, the Bond Issuer Administrator, the Security Agent, the Bond Registrar and the Account Banks in respect of the Bond Issuer Won Account, the Bond Issuer USD Account, the Bond Issuer SGD Account and the Swap Collateral Accounts.

**"Bond Enforcement Date"** means the date of service of a Bond Enforcement Notice in accordance with the provisions of the Bond Conditions.

**"Bond Issuer Administrator Agreement"** means the bond issuer administrator agreement dated on or about 29 July 2020 between, *inter alios*, the Bond Issuer and the Bond Issuer Administrator.

**"Bond Issuer Expenses"** means all fees, taxes, filing fees, administrative fees or other fees levied by any Governmental Entity in respect of the Bond Issuer.

**"Bond Issuer Obligations"** means all amounts owed by the Bond Issuer under the Bonds to the Bondholder (including any Bond Additional Amounts) and under or in connection with the Transaction Documents to each of the Bond Secured Parties.

**"Bond Issuer Property"** means, together, the Pledged Property and the Assigned Property.

**"Bond Issuer Servicing Agreement"** means the bond issuer servicing agreement dated on or about 29 July 2020, among, *inter alios*, the Bond Issuer and the Bond Issuer Servicer.

**"Bond Payment Date"** means one (1) Business Day prior to each Note Payment Date.

**"Bond Redemption Amount"** means, in respect of the Class A2 Bond, at any date, an amount equal to the Principal Amount Outstanding of the Class A2 Bond as at such date plus accrued and unpaid interest thereon to, but excluding, such date.

**"Bond Secured Parties"** means the Note Trustee (in its individual capacity and in its capacity as trustee for the benefit of the Noteholders), the Bondholder, the Swap Providers, the Calculation Agents, the Bond Agents, the Note Agents, the Bond Issuer Administrator, the Note Issuer Administrator, the Designated FX Bank, the Initial Subscribers and the Account Banks. For the avoidance of doubt, any holder of the Bonds other than the Bondholder shall not become a Bond Secured Party only by reason of such person being the holder of the Bonds.

**"BSS Grade"** means the grade under the Behaviour Scoring System developed by, amongst others, the Originator.

**"Business Day"** means 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 currency deposits) in Hong Kong, London, New York, Singapore and Seoul.

**"Calculation Agents"** means, together, the Class A2 Calculation Agent and the calculation agent in respect of the Class A1 Swap Agreement.

**"Capital Adequacy Ratio"** means the capital adequacy ratio calculated from time to time in accordance with, and in the manner prescribed by, applicable laws and regulations in Korea then in effect, in order to determine whether the Minimum Capital Adequacy Ratio is satisfied by the Originator or, as the case may be, the Servicer.

**"Cash Services"** means the provision of Cash Advances and/or Revolving Cash Advances by the Originator to an Accountholder.

**"CB Grade"** means the grade under the Korea Credit Bureau credit scoring system.

**"Change of Law"** means an amendment, supplement, novation or re-enactment of relevant Law.

**"Changeover Date"** means the day falling thirty (30) days after the Closing Date (or the next succeeding Seoul Business Day).

**"CMS Arrangement"** means an arrangement whereby KFTC has consented to the KFTC Application providing for a direct transfer of payments due from a bank account of the relevant Accountholder to the Trust Collection Account.

**"Code"** means the U.S. Internal Revenue Code of 1986, as amended.

**"Collateral Audit Agreed Upon Procedures"** means the agreed upon procedures to be applied by the Designated Accounting Firm pursuant to the provisions of the Trust Agreement in connection with the performance of each Collateral Audit, in the form set out in the Seventh Schedule to the Bond Subscription and Agency Agreement.

**"Collection Period"** means, with respect to the first Trust Distribution Date, the period from but excluding the Initial Cut-off Date to and including the last day of the immediately preceding calendar month and, with respect to each subsequent Trust Distribution Date, the period from and including the first day of the immediately preceding calendar month to and including the last day of such calendar month.

**"Collection Report"** means a report which may be prepared by the Servicer on any Seoul Business Day and which is in the form set out in the Fourth Schedule to the Bond Subscription and Agency Agreement.

**"Collections"** means, with respect to a Receivable and any Collection Period, all amounts collected and received by the Trustee or the Servicer in respect thereof during such Collection Period, including collections in respect of amounts owed for Credit Card Services, Instalment Services, Cash Services, interest, finance charges, cash advance fees, late charges, annual membership fees and other fees payable thereunder (but, for the avoidance of any doubt, excluding any merchant fees or similar charges to merchants), principal or interest amounts recovered or collected upon enforcement of such Receivable, recoveries of Receivable Balance Adjustments and payments of any Reassignment Price.

**"Controlled Amortisation Period"** means the period from and including the day immediately following the last day of the Revolving Period until the earlier to occur of (a) the date on which the Early Amortisation Period commences, (b) the Enforcement Date and (c) the date on which all Trust Obligations, Bond Issuer Obligations and Note Issuer Obligations have been paid in full; *provided that* the Controlled Amortisation Period shall not commence if the Early Amortisation Period has commenced or if an Enforcement Notice has been served.

**"Core Records"** means, with respect to each Account, the related Card Agreements (including the application forms held by the Originator, in physical form or electronic form (*provided that* such electronic form shall be duplicate of the same document in physical form and that the physical form of such document shall be readily available)) and all electronic payment records relating to such Account and the relevant Automatic Debit Agreement and CMS Arrangement.

**"Corporate Income Tax Law of Korea"** means the Corporate Income Tax Law of Korea (Law No. 5581, 28 December 1998), as amended from time to time, and the rules, regulations and decrees promulgated thereunder.

**"Credit Card Guidelines"** means the policies and procedures of the Originator relating to the operation of its credit card business (as may be amended, modified, waived or varied from time to time by the Originator in accordance with the provisions of the Transaction Documents), including, without limitation, the policies and procedures for determining the creditworthiness of Accountholders and the extension of credit to Accountholders and the policies and procedures relating to the collection of credit card receivables.

**"Credit Card Membership Agreement"** means each credit card membership agreement pursuant to which a Receivable arises (including, without limitation, the related application forms and the confirmation letters and the related schedules, sub-schedules, supplements, amendments thereto and all other documents and reports relating thereto) between the Accountholder as principal member and the Originator, which, as of the Closing Date, conforms in all material respects to the English translation thereof which is annexed to the Trust Agreement.

**"Credit Card Services"** means the provision of credit card services by the Originator to an Accountholder for Lump Sum Purchases and/or Revolving Purchases.

**"Data File"** means a data file containing all relevant information, compiled by the Originator and the Servicer and delivered to the Trustee and the Back-up Servicer pursuant to the provisions of the First Schedule to the Servicing Agreement, with respect to the Receivables for the purpose of servicing such Receivables, including payment records of Accountholders.

**"Defaulted Amounts"** means, in relation to a Collection Period, the aggregate principal amount of Defaulted Receivables as of the end of such Collection Period which became Defaulted Receivables during such Collection Period.

**"Defaulted Receivable"** means an Eligible Receivable (without duplication between any of the items set out below):

- (a) any portion of which is past due for 180 days or more;

- (b) in respect of which the Servicer learns or determines that the Accountholder is deceased;
- (c) in respect of which the Servicer learns or determines that the Accountholder has been imprisoned;
- (d) in respect of which the Servicer learns or determines that the Accountholder is bankrupt or has filed for bankruptcy, insolvency, rehabilitation or otherwise is subject to the Consolidated Insolvency Act or similar legal proceedings (or an analogous event occurs with respect to the Accountholder) including the Individual Workout Program;
- (e) in respect of which the Servicer is (or determines that it is) unable to locate the Accountholder;
- (f) in respect of which the Servicer in its discretion determines that all amounts likely to be received with respect to such Receivable have been received;
- (g) which is written off by the Servicer in accordance with the Credit Card Guidelines;
- (h) in respect of which the Servicer learns or determines that the relevant Accountholder has emigrated from Korea;
- (i) which has been, since the date it arose, rescheduled, reduced, restructured, refinanced, Re-aged or changed to avoid delinquency or default; or
- (j) in respect of which the Originator, in its capacity as Servicer, reasonably determines that such Receivable is, or is likely to be, subject to charge-off and requests the reassignment of such Receivable to the Originator in accordance with the Trust Agreement;

*provided that*, (i) any Eligible Receivable arising under an Account in respect of which there exists a Defaulted Receivable shall be deemed to be a Defaulted Receivable; (ii) a Receivable shall not be deemed to be a Defaulted Receivable solely because such Receivable is subject to a Receivable Balance Adjustment; and (iii) once a Receivable is deemed to be a Defaulted Receivable, it shall thereafter always be deemed to be a Defaulted Receivable.

**"Delinquency Ratio"** means, with respect to any Collection Period, as of the end of such Collection Period, the aggregate Receivable Balance of those Receivables which have become Delinquent Receivables during such Collection Period as a percentage of the aggregate Receivable Balance of all Eligible Receivables as at the opening of business on the first day of such Collection Period.

**"Delinquent Receivable"** means an Eligible Receivable (other than a Defaulted Receivable), any payment with respect to which is not made by the last day of the calendar month following the month in which such payment was first due, without regard to any extensions; *provided that* any Eligible Receivable arising under an Account in respect of which there exists a Delinquent Receivable shall be deemed to be a Delinquent Receivable.

**"Designated Account"** means each Account, including, for the avoidance of doubt, each Initial Account and each Additional Account designated as such by the Originator from time to time in a Receivables List delivered to the Trustee pursuant to the provisions of the Trust Agreement, the Receivables in which have been, or shall be, entrusted to the Trustee.

**"Designated Accounting Firm"** means, in respect of the audits of the Receivables to be entrusted on each Entrustment Date in accordance with the Audit Agreed Upon Procedures, Ernst & Young Han Young and, in respect of each Collateral Audit in accordance with the Collateral Audit Agreed Upon Procedures, Ernst & Young Han Young or, in each case any other firm of internationally recognised

public accountants or asset review firm as may be designated by the Majority Investor and agreed by the Originator, such consent not to be unreasonably withheld, delayed or conditioned.

**"Determination Date"** means the 12<sup>th</sup> day of each month or if such day is not a Seoul Business Day the immediately preceding Seoul Business Day; *provided that* the first Determination Date shall fall in September 2020.

**"Dilution Ratio"** means, as of the last day of each Collection Period (excluding the first Collection Period), the ratio, calculated as a percentage, of (a) the aggregate of all Receivable Balance Adjustments made during such Collection Period to (b) the aggregate Receivable Balance as at the opening of business on the first day of such Collection Period.

**"Early Amortisation Period"** means the period from and including the first day of the Collection Period in which an Early Amortisation Event is declared to have occurred by the Transaction Administrator in accordance with Clause 6 of the Transaction Administration Agreement, until the earlier to occur of (i) the Enforcement Date and (ii) the date on which all the Trust Obligations, the Bond Issuer Obligations and the Note Issuer Obligations have been paid in full.

**"Early Termination Date"** is defined in each Swap Agreement.

**"Eligible Account"** means a Designated Account which (1) as of the relevant Cut-off Date and as of the relevant Entrustment Date satisfies each of the following criteria and (2) thereafter as of the date of creation of any New Receivable arising therein satisfies each of the following criteria, other than those set out in paragraphs (a), (d), (e)(iii), (g), (h), (i), (l), (m), (n) and (p) below:

- (a) is in existence, is serviced by the Servicer on the relevant Cut-off Date, and has been in existence for at least 6 months prior to the relevant Cut-off Date;
- (b) all amounts payable thereunder are denominated in Won and the Originator is not subject to any restrictions on collecting any such payments or Receivables thereunder as a result of any Governmental Payment Suspension Measures;
- (c) it has not been cancelled or classified as written-off in accordance with the relevant Credit Card Guidelines;
- (d) it is an Account which is not currently suspended or disabled by the Originator for reasons of delinquency or default;
- (e) it is held by an Accountholder who:
  - (i) has provided their billing address in Korea;
  - (ii) is not an employee of the Originator;
  - (iii) is a natural Person who is at least twenty (20) and not more than seventy (70) years of age as calculated in accordance with Korean Laws and is not deceased;
  - (iv) has not been registered with the Korea Credit Information Services (Shinyongjeongbowon) as being a delinquent or defaulted debtor;
  - (v) has no other credit card account with the Originator;
  - (vi) has not entered into the Individual Workout Program;
  - (vii) has not been subject to any proceedings under the Consolidated Insolvency Act or any similar legal proceedings; and



- (viii) is not permitted to postpone, suspend or otherwise not make payments in respect of any Receivable arising under the relevant Account as a result of any Governmental Payment Suspension Measures;
- (f) no Receivable arising in such Account has been rescheduled, reduced, restructured, refinanced, Re-aged or otherwise changed in order to avoid delinquency and/or default at any time in the immediately preceding five-year period;
- (g) it was selected as a Designated Account without use of any selection procedures adverse to the Trust on a random basis from the Originator's portfolio of card accounts and will in the aggregate have characteristics similar in all material respects to the characteristics of the Originator's aggregate portfolio of card accounts;
- (h) as of the relevant Cut-off Date, no Receivables in any Initial Account or Additional Account are past due, or were more than thirty (30) days past due within the preceding three months, in each case without regard to any extensions (including, for the avoidance of doubt, as a result of any applicable Governmental Payment Suspension Measures);
- (i) with respect to any Account, it has not had a Delinquent Receivable in such Account in accordance with the relevant Credit Card Guidelines more than twice in the lesser of (x) the eighteen-month period prior to the relevant Cut-off Date and (y) the number of months for which such Account has been in existence, prior to the relevant Cut-off Date;
- (j) the related Credit Card Membership Agreement, together with the relevant application forms entered into by the related Accountholder:
  - (i) conforms in all material respects to the English translation thereof which is annexed to the Trust Agreement or as modified from time to time in accordance with the provisions of the Transaction Documents;
  - (ii) represents the entire agreement between the Originator and the related Accountholder in respect of the Account;
  - (iii) is in full force and effect; and
  - (iv) constitutes the legal, valid and binding obligation of the relevant Accountholder enforceable against it in accordance with its terms (subject to applicable bankruptcy or insolvency related exceptions) and does not contravene any applicable Laws;
- (k) it was opened by the Originator in the ordinary course of its business and in accordance with the Credit Card Guidelines and all other applicable requirements of its policies, practices and procedures relating to its card business;
- (l) it is an Account that has a BSS Grade of at least 9;
- (m) it is an Account that has a CB Grade of at least 7;
- (n) it is an Account which has not been, and in respect of which there are no Receivables which have been sold or otherwise conveyed to, or made the subject of a Lien in favour of, any Person (except pursuant to the Trust Agreement), other than in respect of Accounts and Receivables arising thereunder for which any such sale, conveyance or Lien is revoked or released on or before the relevant Entrustment Date;

- (o) it is an Account that has a credit limit not exceeding KRW70,000,000 as of the relevant Cut-off Date and KRW100,000,000 at anytime thereafter;
- (p) at least three separate billing statements have been issued in respect thereof since the date it was opened until the relevant Cut-off Date;
- (q) it is not an Account classified by the Originator as fraudulent; and
- (r) it is an Account that is subject to an Auto Debit Arrangement in respect of which the Automatic Debit Bank is Kookmin Bank.

**"Eligible Account Collections"** means, with respect to each Collection Period:

- (a) all Collections received by the Trustee and the Servicer during each such Collection Period on Receivables which arose under Designated Accounts which were Eligible Accounts on the relevant date of collection; and
- (b) any amounts which constitute Eligible Account Collections in accordance with the provisions of the Trust Agreement (including, following the occurrence of an Early Amortisation Event, principal and interest amounts recovered or collected in connection with any Defaulted Receivables or recoveries of Receivable Balance Adjustments);

*provided that*, prior to the Early Amortisation Period or the Enforcement Date, principal and interest amounts recovered or collected in connection with any Defaulted Receivables or recoveries of Receivable Balance Adjustments, shall not constitute Eligible Account Collections.

**"Eligible Account Interest Collections"** means, with respect to Eligible Account Collections which are (i) on deposit in the Trust Collection Account and each Auto Debit Account (without duplication) or (ii) retained by the Servicer as Daily Cash Release upon satisfaction of certain conditions in accordance with the Trust Agreement for any Collection Period (without duplication between any of the items set out below):

- (a) the portion thereof (including the interest portion of any amount of any Reassignment Price deposited into the Trust Collection Account) representing interest, finance charges, cash advance fees, late charges and other fees payable thereunder;
- (b) all investment income arising from (i) investments made with amounts on deposit in the Trust Collection Account or Trust Reserve Account and credited to each of the Trust Collection Account and the Trust Reserve Account, respectively and (ii) all accrued interest on the amounts on deposit in each Auto Debit Account from time to time;
- (c) all amounts paid pursuant to Clauses 8 and 9 of the Trust Agreement and designated as Eligible Account Interest Collections; and
- (d) during the Early Amortisation Period or on or after the Enforcement Date, interest amounts recovered or collected upon enforcement of Defaulted Receivables, but excluding Eligible Account Principal Collections.

**"Eligible Account Principal Collections"** means, with respect to Eligible Account Collections which are (i) on deposit in the Trust Collection Account and each Auto Debit Account (without duplication) or (ii) retained by the Servicer as Daily Cash Release upon satisfaction of certain conditions in accordance with the Trust Agreement for any Collection Period:

- (a) the portion thereof (including the principal portion of any amount of any Reassignment Price deposited into the Trust Collection Account) representing amounts owed

for Credit Card Services, Cash Services and Instalment Services (in each case not constituting Eligible Account Interest Collections);

(b) all amounts transferred from the Trust Reserve Account to the Principal Collections Ledger of the Trust Collection Account and designated as Eligible Account Principal Collections pursuant to the provisions of the Trust Agreement; and

(c) during the Early Amortisation Period or on or after the Enforcement Date, principal amounts recovered or collected upon enforcement of Defaulted Receivables and recoveries of Receivable Balance Adjustments.

"**Eligible Credit Support**" is defined in the Class A2 Swap Agreement.

"**Eligible Entity**" means any entity having a long-term foreign currency issuer default rating of "A" or higher by Fitch or having a short-term foreign currency issuer default rating of "F1" or higher by Fitch (or such other rating as the Majority Investor and the Originator may agree (with notice to the Rating Agency) in respect of any entity from time to time; *provided that*:

(a) in the case of each of the Account Banks, the Swap Cash Collateral Account Banks and any custodian in respect of a Swap Collateral Account, the relevant rating shall be that of its head office;

(b) in the case of the Back-up Servicer, any entity having (or whose head office has) a long-term foreign currency issuer default rating of "BBB-" or higher by Fitch; and

(c) in the case of a Swap Provider, any entity having (or whose head office has) a long-term foreign currency issuer default rating of at least "A" by Fitch or a short-term foreign currency issuer default rating of at least "F1" by Fitch.

"**Eligible Investments**" means the following investments, in each case denominated in Won, U.S. dollars or Singapore dollars:

(a) time deposits, overnight loans, certificates of deposit or banker's acceptances of depository institutions having (or whose head office has): (x) in respect of investments with a tenor of up to and including thirty (30) days, a long-term foreign currency issuer default rating of at least "A" by Fitch or a short-term foreign currency issuer default rating of at least "F1" by Fitch (or such other ratings as the Majority Investor, the Trustee, the Originator and the Transaction Administrator may agree from time to time (with notice to the Rating Agency)); and (y) in respect of investments with a tenor between thirty-one (31) days and two hundred and seventy (270) days (both inclusive), a long-term foreign currency issuer default rating of at least "AA-" by Fitch or a short-term foreign currency issuer default rating of at least "F1+" (or, in respect of such investments made with funds on deposit in the Reserve Account only, "F1") by Fitch (or such other ratings as the Majority Investor, the Trustee, the Originator and the Transaction Administrator may agree from time to time (with notice to the Rating Agency));

(b) commercial paper having, at the time of investment, a short-term foreign currency issuer default rating of at least "F1" by Fitch (or such other rating as the Majority Investor, the Trustee, the Originator and the Transaction Administrator may agree from time to time (with notice to the Rating Agency)); *provided that* any such investment must mature prior to the next succeeding Trust Distribution Date and the purchase price thereof must not exceed the principal amount thereof;

(c) to the extent permitted under applicable laws and regulations, any investments made by the Trustee in trust certificates issued by an investment trust registered pursuant to the Financial Investment Services and Capital Markets Act and having, at the time of investment,

a long-term foreign currency issuer default rating of at least "A" by Fitch or a short-term foreign currency issuer default rating of at least "F1" by Fitch (or such other rating as the Majority Investor, the Trustee and the Originator may agree from time to time (with notice to the Rating Agency)); *provided that* (for purposes of this paragraph) such investment can only be made (x) with amounts credited to the Reserve Account and (y) with the prior written consent of the Majority Investor and the Trustee;

*provided that:*

- (i) any such investment made by the Trustee shall have a maturity date which falls on or prior to the Seoul Business Day immediately preceding the next succeeding Trust Distribution Date or otherwise, such investment can be withdrawn at any time without penalty; and
- (ii) any such investment made by the Transaction Administrator shall have a maturity date which falls on or prior to the Seoul Business Day immediately preceding the next succeeding Bond Payment Date or otherwise, such investment can be withdrawn at any time without penalty,

and, in each of paragraphs (i) and (ii) above, "penalty" shall be construed as a penalty in the form of the loss of, or reduction in, the nominal or principal amount of such investment.

**"Eligible Pool Balance"** means, as of any date of determination, an amount equal to the aggregate of the Receivable Balances of all Eligible Receivables in the Receivables Pool less the aggregate Receivable Balance of all Excluded Receivables.

**"Eligible Pool Balance Requirement"** means the requirement that, as of any date of determination, the sum of:

- (a) the Eligible Pool Balance as of the close of business at the end of the day falling one (1) Seoul Business Day prior to such date of determination; plus
- (b) all amounts standing to the credit of the Trust Collection Account and the Trust Reserve Account (including the aggregate amount of Eligible Investments made with amounts on deposit in the Trust Collection Account and the Trust Reserve Account but excluding any Collections deposited into the Trust Collection Account in respect of any Eligible Receivables forming part of the Eligible Pool Balance determined under paragraph (a) above) in excess of the sum of (i) the Required Collection Amount and (ii) the Required Reserve Amount as of the close of business at the end of the immediately preceding Seoul Business Day; plus
- (c) during the Controlled Amortisation Period, so long as no Early Amortisation Event has occurred and neither Swap Agreement has been terminated, all amounts standing to the credit of the Trust Collection Account and the Trust Reserve Account (which are not already included under paragraph (b) above) which are Principal Collections held in relation to the next payment of the Investor Amortisation Amount as of the close of business at the end of the immediately preceding Seoul Business Day,

is not less than the Required Percentage of the Trust Interest Amount as of such date.

**"Eligible Receivable"** means a Receivable which satisfies each of the following criteria as of the relevant Cut-off Date (other than with respect to paragraph (f) below) and as of the relevant Entrustment Date, or in the case of a New Receivable, as of the date of its creation:

- (a) it has arisen under an Eligible Account;

- (b) it was created in compliance with all requirements of applicable Law and pursuant to a Credit Card Membership Agreement which complies with all requirements of applicable Law, in either case the failure to comply with which may have a Material Adverse Effect on the collectibility of such Receivable;
- (c) all consents, licences, approvals or authorisations of, or registrations or declarations with, any Governmental Entity required to be obtained, effected or given in connection with the creation of such Receivable or the execution, delivery and performance by the Originator of the related Card Agreement have been duly obtained or given and are in full force and effect;
- (d) it has arisen in an Account in respect of which the related Credit Card Membership Agreement and application forms conform in all material respects to the English form of Credit Card Membership Agreement and application form attached as the Eighth Schedule to the Trust Agreement and represents the entire agreement between the Originator and the related Accountholder covering the Account and is in full force and effect, and which constitutes the legal, valid and binding obligation of the relevant Accountholder enforceable against it in accordance with its terms (subject to applicable bankruptcy or insolvency related exceptions) and does not contravene any applicable Laws;
- (e) on and after the relevant Entrustment Date, the Trustee will have good and marketable title thereto, free and clear of all Liens except those created under the Transaction Documents;
- (f) on and after the relevant Entrustment Date, it has been the subject of a valid entrustment from the Originator to the Trustee of all the Originator's right, title, interest and benefit therein and in the proceeds thereof and a valid transfer from the Originator to the Trustee of the related Account Records;
- (g) on and after the relevant Entrustment Date, the Trustee has a valid and enforceable perfected ownership interest in such Receivable (against all parties other than the related Accountholder, perfection against which shall require only delivery of a Perfection Notice in accordance with the Servicing Agreement), free and clear of any Lien other than those created pursuant to the Transaction Documents;
- (h) it will at all times be the legal, valid and binding payment obligation of the relevant Accountholder enforceable against such Accountholder in accordance with its terms, subject to applicable bankruptcy or insolvency related exceptions;
- (i) it has not been rescheduled, reduced, waived, Re-aged, restructured, refinanced or otherwise changed to avoid delinquency and/or default;
- (j) it is not subject to any right of rescission, set-off, counterclaim, adverse claim or defence (including the defence of usury), other than defences related to bankruptcy or insolvency, and no circumstances exist (including any Governmental Payment Suspension Measures) which would give the relevant Accountholder the right to refuse to make any payment under the related Credit Card Membership Agreement;
- (k) the Originator has satisfied all obligations to be fulfilled as to such Receivable at the time it is entrusted to the Trustee;
- (l) the Originator has done nothing, at or prior to the time of its entrustment to the Trustee, to impair the rights of the Trustee with respect thereto;

- (m) its entrustment to the Trustee, transfer, assignment or sale is not prohibited or restricted for any reason and does not require prior notice to, or consent from, the Accountholder or any other Person;
- (n) it is, and will at all times be, capable of being, segregated and identified for ownership purposes;
- (o) it has arisen under a Card that has not been reported as stolen or lost, or if so reported, it has arisen before such report has been made or after cancellation and replacement of such Card in accordance with the Credit Card Guidelines;
- (p) it has not been identified by the Servicer as having been created as a result of fraudulent use of any Card;
- (q) it represents a direct bilateral obligation of the relevant Accountholder and the Originator;
- (r) other than with respect to Receivables arising under the Instalment Services provisions of a Credit Card Membership Agreement, it is required to be repaid on a Lump Sum Basis or a Revolving Payment Basis;
- (s) if it arises under an Account where the relevant Accountholder uses multiple services provided by the Originator, it arises in respect of the use of Credit Card Services, Cash Services or Instalment Services;
- (t) it was originated by the Originator in the ordinary course of its business in accordance with the Credit Card Guidelines and all other applicable requirements of its policies, practices and procedures relating to its card business;
- (u) it has not been transferred or assigned by the Originator to any third party (other than to the Trustee under the Trust Agreement); and
- (v) the Originator is in possession of all Account Records and the Card Agreements with respect thereto.

**"Enforcement Date"** means the date on which an Enforcement Notice is delivered.

**"Enforcement Notice"** means a Bond Enforcement Notice or a Note Enforcement Notice.

**"Equity Pledge Assets"** means, together, the Equity Interests held by each Equityholder and all dividends, interest and other moneys payable in respect thereof and any other rights, assets, benefits and proceeds in respect of or derived therefrom (whether by way of redemption, bonus, preference, option, substitution, conversion or otherwise) which are pledged to the Bond Secured Parties by the Equityholders pursuant to the Equity Pledge Agreement.

**"Excess Trust Expenses"** means, for any Collection Period, expenses in excess of Trust Expenses which are (a) reasonably incurred by the Trustee and (b) of an exceptional nature or otherwise outside the scope of the normal duties of the Trustee under the Trust Agreement.

**"Excluded Receivables"**, as of the close of business on any date (other than as specified below), shall have the following meaning (without duplication between any of the items set out below):

- (a) the amount by which the aggregate Receivable Balance of all Eligible Receivables as of the close of business on such date which arise under the Instalment Services provisions of the Card Agreements exceeds 50 per cent. of the Receivable Balance of all Eligible Receivables as of the close of business on such date, shall constitute Excluded Receivables;

- (b) the amount by which the aggregate Receivable Balance of all Eligible Receivables as of the close of business on such date which arise from Cash Services exceeds 10 per cent. of the Receivable Balance of all Eligible Receivables as of the close of business on such date, shall constitute Excluded Receivables;
- (c) the amount by which the aggregate Receivable Balance of all Eligible Receivables as of the close of business on such date which are payable on a Revolving Payment Basis exceeds 40 per cent. of the Receivable Balance of all Eligible Receivables as of the close of business on such date, shall constitute Excluded Receivables;
- (d) the amount by which the aggregate Receivable Balance of all Eligible Receivables as of the close of business on such date which are payable on a Lump Sum Basis exceeds 50 per cent. of the Receivable Balance of all Eligible Receivables as of the close of business on such date, shall constitute Excluded Receivables;
- (e) the amount of the aggregate Receivable Balances of all Eligible Receivables as of the close of business on such date arising in respect of Instalment Services, from instalments which are due after the Note Expected Maturity Date shall constitute Excluded Receivables;
- (f) after the Changeover Date, the amount of the aggregate Receivable Balances of all Eligible Receivables as of the close of business on such date arising from a payment made thereon by a method other than Auto Debit pursuant to the Automatic Debit Agreements shall constitute Excluded Receivables;
- (g) Eligible Receivables in respect of Instalment Services, the terms of payment for such Receivable do not provide for equal monthly repayments of principal or equal monthly principal payments plus any interest;
- (h) Eligible Receivables in respect of Instalment Services, the payment of which will be made, as of the date of determination, other than in equal monthly instalments over a maximum remaining period of 24 months;
- (i) Eligible Receivables which arise in a Designated Account in respect of which the Automatic Debit Agreement applicable to such Designated Account is either (x) terminated or (y) not renewed (i) in a form which is the same or substantially the same as the form approved by the Majority Investor on or prior to the Changeover Date and which is approved by the Trustee or (ii) if not in the same or substantially the same as the form approved by the Majority Investor on or prior to the Changeover Date, then in a form which has been approved by the Trustee;
- (j) Eligible Receivables which are payable on the Revolving Payment Basis and whose minimum monthly payment due is less than 10 per cent. of the total outstanding balance of such Eligible Receivables; and
- (k) if any amendment, modification or waiver which has a Material Adverse Effect is made to the terms of the relevant Card Agreement other than in accordance with the Transaction Documents (including an amendment, modification or waiver required by a mandatory provision of applicable Law), then all Receivables then existing and thereafter arising in the related Account shall be Excluded Receivables.

**"Excluded Rights"** means each and every right, power, authority and discretion of, or exercisable by each Bond Agent and each Note Agent under or in relation to any Transaction Documents to which it is a party:

(a) which enables it to protect its own interests under and with respect to the Transaction Documents to which it is a party (i) to determine and collect fees, expenses and indemnities and (ii) to limit the scope of its liabilities and duties; and

(b) without prejudice to the generality of paragraph (a) above, to determine, claim and take action to recover amounts due in relation to indemnities in its favour under the Transaction Documents to which it is a party.

"**Extra Charges**" is defined in each Swap Agreement.

"**Financial Investment Services and Capital Markets Act**" means the Financial Investment Services and Capital Markets Act of Korea (Law No. 8635, 3 August 2007), as amended from time to time and the rules, regulations and decrees promulgated thereunder.

"**Force Majeure Event**" means any present or future strike, lockout, other industrial action, riot, terrorism, rebellion, civil commotion, flood, storm, fire, explosion, acts of God, war (whether declared or undeclared), action of any government or governmental authority, general failure of electricity or other supply, aircraft collision or Technical Failure, computer failure or failure of any money transmission system beyond the reasonable control of the party to the Transaction Documents affected thereby.

"**Foreign Exchange Transaction Law**" means the Foreign Exchange Transaction Law of Korea (Law No. 5550, 16 September 1998), as amended from time to time and the rules, regulations and decrees promulgated thereunder.

"**FSC**" means the Financial Services Commission of Korea.

"**FSS**" means the Financial Supervisory Service of Korea.

"**FX Dealer**" means, with respect to any spot exchange of Won into U.S. dollars or Singapore dollars or any other currency to be effected by the Transaction Administrator or, as the case may be, the Security Agent in accordance with the provisions of the Transaction Administration Agreement or by the Transaction Administrator or the Trustee in connection with any Eligible Investments, any of the Account Banks or any leading dealer in the relevant foreign exchange markets as selected by the Transaction Administrator or, as the case may be, the Security Agent with a short-term foreign currency issuer default rating of at least "F1" by Fitch or a long-term foreign currency issuer default rating of at least "A" by Fitch.

"**GAAP**" means generally accepted accounting principles in effect from time to time in a specified jurisdiction.

"**Governmental Entity**" means any:

(a) multinational, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau or agency, domestic or foreign;

(b) any subdivision, agent, commission, board or authority of any of the foregoing; or

(c) any quasi-governmental or private body exercising any executive, legislative, judicial, administrative, regulatory, expropriation or taxing authority under or for the account of any of the foregoing.

"**Governmental Payment Suspension Measures**" means any Law or other measures or provisions (whether temporary or permanent) made by a Governmental Entity in Korea (including, without limitation, the FSS or FSC) which allows payments of interest and/or repayments of principal in respect of any Lump Sum Purchases, Cash Advances, Instalment Purchases, Revolving Purchases



and/or Revolving Cash Advances under an Accountholder's Account to be suspended, postponed or otherwise ceased for any period of time, or which, directly or indirectly, prevents the Originator from collecting any such payments from an Accountholder for a period of time, including, without limitation, the Loan Deferment Guidelines for small and medium-sized enterprise and small merchants hit by COVID-19 issued by the FSC on 31 March 2020, effective 1 April 2020.

**"IFRS"** means the International Financial Reporting Standards.

**"Individual Workout Program"** means the program under which debt adjustments and any similar measures taken or to be taken for the purpose of credit restoration and the prevention of the insolvency of an Accountholder by way of (i) granting a grace period for repayment of the principal and interest of a Receivable, (ii) debt reduction or release, (iii) extension of the repayment period, (iv) allowing instalment repayments, and/or otherwise, in accordance with the Work-out Code and shall include any relevant Pre-Workout Plan.

**"Ineligible Account"** means, on any date, an Account which:

- (a) is not an Eligible Account on such date; or
- (b) has an Ineligible Receivable in it on such date; or
- (c) is, or in respect of which the relevant Accountholder is, subject to, or entitled to the benefit of, any Governmental Payment Suspension Measures,

and any Account which has been at any time an Ineligible Account may never again be an Eligible Account and may not be designated as an Eligible Account by the Originator on any subsequent Cut-off Date.

**"Ineligible Receivable"** means, on any date, any Receivable which:

- (a) arises or has arisen in the same Designated Account as a Receivable which is not an Eligible Receivable on such date; or
- (b) arises in a Designated Account which is or is determined to be or becomes an Ineligible Account; or
- (c) is not repayable (whether in whole or in part) by the relevant Accountholder, or which is otherwise not collectible by the Originator or Servicer, as a result of any Governmental Payment Suspension Measures; or
- (d) is not an Eligible Receivable on such date.

**"Initial Entrustment Date"** means the Closing Date.

**"Initial Investor Interestholder"** means the Bond Issuer.

**"Insolvency Event"** means in relation to any Person:

- (a) a court, agency or supervisory authority having jurisdiction enters a decree or order for the appointment of a receiver, trustee, examiner, administrator or liquidator for such Person in any insolvency, bankruptcy, individual debtor rehabilitation, corporate reorganisation, composition, examination proceedings, readjustment of debt, marshalling of assets and liabilities or similar proceedings, or for the winding up or liquidation of its affairs;
- (b) such Person initiates or consents to the appointment of a receiver, trustee, examiner, administrator or liquidator in any insolvency, bankruptcy, individual debtor rehabilitation, corporate reorganisation, composition, examination proceedings, readjustment of debt,

marshalling of assets and liabilities or similar proceedings of or relating to such Person or of or relating to substantially all of its property or such Person makes a conveyance or assignment for the benefit of creditors generally (or any class of its creditors) or enters into an arrangement or composition with its creditors generally (or any class of its creditors);

(c) that such Person admits in writing its inability to pay its debts generally as they become due, files a petition for its bankruptcy, composition, individual debtor rehabilitation or corporate reorganisation, makes an assignment for the benefit of any class of its creditors or members, enters into a moratorium involving any of them, or voluntarily suspends payments of its obligations or its liabilities exceed its assets;

(d) such Person becomes a failing company (busiljinhugiup) under the CRPA or a failing financial institution (busilkeumyunggikwan) under the Act on the Structural Improvement of the Financial Industry;

(e) such Person ceases to carry on all or any substantial part of its business, or threatens to do so;

(f) an application or petition for bankruptcy, composition, corporate reorganisation, individual debtor rehabilitation or insolvency proceedings is filed against such Person and any such petition or application has not been withdrawn or dismissed by the date which is thirty (30) days after the date of such filing; or

(g) any event analogous or having a similar effect to any of the events described in paragraphs (a) to (f) above occurs under the Laws of any relevant jurisdiction.

**"Insolvency Law"** means all applicable laws of Korea relating to liquidation, bankruptcy, the granting of a moratorium, rearrangements, receivership, insolvency, reorganisation, composition, rehabilitation, suspension of payments or similar debtor relief laws from time to time in effect affecting the rights of creditors generally, including, but without limitation, the Consolidated Insolvency Act and the CRPA.

**"Interest Collections"** means all such amounts standing to the credit of the Bond Issuer Won Account which have been deposited into such account from the Trust Collection Account by way of distribution of Eligible Account Interest Collections on a Trust Distribution Date.

**"Interest Collections Ledger"** means the interest collections ledger of the Trust Collections Account.

**"Interestholders"** means, together, the Investor Interestholder, the Seller Interestholder and the Subordinated Seller Interestholder.

**"Investment Company Act"** means the United States Investment Company Act of 1940, as amended from time to time.

**"Investor Amortisation Amount"** means, in respect of any Trust Distribution Date, the Won Equivalent of the aggregate Scheduled Amortisation Amounts payable on the Bonds on the corresponding Bond Payment Date (or, if an Early Termination Date has been designated, the Won Exchange Amount of such amount) together with the Won Equivalent or, as the case may be, the Won Exchange Amount, of all other amounts payable on the Bonds in respect of principal on such Bond Payment Date.

**"Investor Interest Subscription Agreement"** means the subscription agreement relating to the Investor Interest dated on or about 29 July 2020 among, *inter alios*, the Initial Investor Interestholder, the Trustee, the Note Trustee and the Security Agent.

**"Investor Percentage"** means, for each Trust Distribution Date:

(a) (i) for the purpose of determining the allocation of Eligible Account Interest Collections pursuant to the Trust Agreement during the Revolving Period, the Controlled Amortisation Period, the Early Amortisation Period or on or after the Enforcement Date and (ii) for the purpose of determining the allocation of Eligible Account Principal Collections pursuant to the Trust Agreement during the Revolving Period, the percentage equivalent of (x) the Trust Interest Amount as of the first day of the immediately preceding Collection Period divided by (y) the sum of (I) the Eligible Pool Balance and (II) all amounts standing to the credit of the Trust Reserve Account in excess of the amounts referred to in the definition of the Required Reserve Amount, in each case as of the first day of such Collection Period; and

(b) for the purpose of determining the allocation of Eligible Account Principal Collections pursuant to the Trust Agreement with respect to any Collection Period in the Controlled Amortisation Period, the Early Amortisation Period or on or after the Enforcement Date, the percentage equivalent of (i) the Trust Interest Amount as of the last day of the Revolving Period, divided by (ii) the sum of (I) the Eligible Pool Balance and (II) all amounts standing to the credit of the Trust Reserve Account in excess of the amounts referred to in the definition of the Required Reserve Amount, in each case as of the last day of the Revolving Period;

*provided that* the Investor Percentage shall not exceed one hundred per cent. (100%).

**"Junior Bond Issuer Amounts"** means the amounts payable by the Bond Issuer pursuant to paragraphs (a)(v) and (vi) of *"Transaction Overview—Application of Collections on Trust Distribution Dates—Distributions during the Revolving Period and Controlled Amortisation Period"* and paragraphs (a)(vi) and (vii) of *"Transaction Overview—Application of Collections on Trust Distribution Dates—Distributions during the Early Amortisation Period or following Enforcement Date"*.

**"KFTC"** means the Korea Financial Telecommunications and Clearings Institute.

**"KFTC Application"** means the application to be made by the Servicer on behalf of the Trustee to KFTC substantially in the form of Part C of the Second Schedule of the Servicing Agreement.

**"K-IFRS"** means the Korean International Financial Reporting Standards as adopted by the Korean Accounting Standards Board.

**"Korean Bank Agreements"** means, together, the Bank Agreements relating to the Bond Issuer Won Account, the Trust Collection Account, the Bond Issuer FX Accounts, the Trust Reserve Account and each of the Automatic Debit Agreements.

**"Korean Civil Code"** means the Civil Code of Korea (Law No. 471, 22 February 1958), as amended from time to time, and the rules, regulations and decrees promulgated thereunder.

**"Korean GAAP"** means the generally accepted accounting principles in effect from time to time in Korea.

**"Korean Pledged Documents"** means, together:

- (a) the Trust Agreement;
- (b) the Servicing Agreement;
- (c) the Transaction Administration Agreement;
- (d) the Bond Issuer Servicing Agreement;
- (e) the Bond Issuer Administrator Agreement;

- (f) the Investor Interest Subscription Agreement;
- (g) the Korean Bank Agreements (excluding the Automatic Debit Agreements);
- (h) the Citi Fee Letter; and
- (i) any other agreements and documents delivered or executed in connection with any of the foregoing.

**"Korean Resident"** has the meaning given to it in the Foreign Exchange Transaction Law.

**"KRW Fixed Rate Payer"** means the Bond Issuer.

**"Law"** means any law (including common law), constitution, statute, treaty, regulation, rule, ordinance, order, injunction, writ, decree, judgment, directive or award of any Governmental Entity.

**"Liability"** means any loss, damage, cost, charge, claim, demand, expense, judgment, action, proceeding or other liability whatsoever (including, without limitation, in respect of taxes, duties, levies, imposts and other charges) and including any value added tax or similar tax charged or chargeable in respect thereof and legal fees and expenses on a full indemnity basis.

**"Lien"** means any interest in property securing an obligation owed to, or a claim by, any Person other than the owner of the property, whether such interest is based on Law or contract, whether or not such interest is recorded or perfected and whether or not such interest is contingent upon the occurrence of some future event or events or the existence of some future circumstance or circumstances, and includes any mortgage, charge, pledge, deed of trust, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), equity interest, preference, priority or other security interest or preferential arrangement of any kind or nature whatsoever, including without limitation, any conditional sale or other retention of title agreement and any financing lease having substantially the same effect as any of the foregoing.

**"Material Adverse Change"** means, in respect of any Person, an adverse change in the legal status, financial condition, assets or business prospects of that party which, in the reasonable opinion of the Majority Investor, is material and affects that Person's ability to perform its obligations under the Transaction Documents.

**"Material Adverse Effect"** means any event, condition, regulatory action, sanction or fine which, in the reasonable opinion of the Majority Investor, would have a material adverse effect on (a) the collectibility of the Receivables, (b) the legal status, condition (financial or otherwise), businesses or operation of the Originator or the Servicer, (c) the ability of the Originator, the Transaction Administrator, the Trustee, the Note Cash Administrator, the Note Trustee or the Servicer to perform their respective obligations under the Transaction Documents, (d) the interests of the Investor Interestholder, the Bond Issuer, the Note Issuer, the Noteholders, the Swap Providers or the Note Trustee under the Transaction Documents or (e) the Trust or the Trust Assets.

**"Minimum Capital Adequacy Ratio"** means the adjusted capital adequacy ratio or any other capital adequacy ratio, required to be maintained by the Originator or, as the case may be, the Servicer, under applicable laws and regulations in Korea (as amended from time to time) and for the avoidance of doubt, the Minimum Capital Adequacy Ratio as of the Closing Date shall be 8 per cent. as prescribed by the FSC.

**"MOEF"** means the Ministry of Economy and Finance in Korea.

**"Monthly Servicer Report"** means the report to be prepared by the Servicer each month in the form set out in the Fifth Schedule to the Bond Subscription and Agency Agreement as may be amended from time to time with the agreement of the parties to the Servicing Agreement.

**"Net Yield"** means, in respect of any Collection Period, the amount by which:

- (i) the aggregate amount of Eligible Account Interest Collections for such Collection Period (excluding any amounts withdrawn from the Trust Reserve Account and any Investor Interest Shortfall transferred from the Principal Collections Ledger to the Interest Collections Ledger), including fees and penalties and any interest earned on amounts on deposit in the Trust Collection Account, the Trust Reserve Account and the Auto Debit Accounts in such Collection Period); exceeds
- (ii) the aggregate amounts due and payable under paragraphs (a)(i) to (iv) (inclusive) and (b)(i) to (ii) of "*Transaction Overview—Application of Collections on Trust Distribution Dates—Distributions during the Revolving Period and Controlled Amortisation Period*" on the Trust Distribution Date related to such Collection Period.

**"New Receivable"** means a Receivable arising from time to time in a Designated Account after the Cut-off Date for such Designated Account (including, for the avoidance of doubt, any Receivable created as a result of Re-aging as of the date on which it was Re-aged other than, for the avoidance of doubt, any such Receivable in the form of a loan).

**"Note Agents"** means, together, the Note Trustee, the Class A1 Paying Agent, the Class A1 Transfer Agent, the Class A1 Note Registrar, the Class A1 Interest Calculation Agent, the Principal Paying Agent, the Principal Transfer Agent, the Singapore Paying Agent, the Class A2 Interest Calculation Agent, the Class A2 Note Registrar, the Paying Agents, the Note Cash Administrator, the Account Bank in respect of the Note Issuer A1 Account, the Account Bank in respect of the Note Issuer A2 Account and any other agents appointed as "Note Agents" from time to time under the Note Agency Agreement.

**"Note Enforcement Date"** means the date of service of a Note Enforcement Notice in accordance with Note Condition 8.

**"Note Issuer Expenses"** means (i) all fees, taxes, filing fees, administrative fees or other fees levied by any Governmental Entity in respect of the Note Issuer, (ii) all fees and expenses payable by the Note Issuer to its Singapore legal advisors from time to time in connection with services related to the listing, approval and authorisation of the Class A2 Notes with, and by, the SGX-ST and the Monetary Authority of Singapore and (iii) the fees payable to the Note Issuer Administrator under the Note Issuer Administration Agreement.

**"Note Issuer Obligations"** means all amounts owed by the Note Issuer under the Notes or in connection with the Transaction Documents to the Note Secured Parties.

**"Note Redemption Amount"** means, as the context may require, the Class A1 Note Redemption Amount or the Class A2 Note Redemption Amount.

**"Note Secured Property"** means the property and assets of the Note Issuer which have been assigned to the Note Trustee and are subject to the Note Security created under the Note Trust Deed.

**"Note Security"** means the security assigned to the Note Trustee pursuant to the Note Trust Deed to secure the Note Issuer Obligations.

**"Note Subscription Agreements"** means, together, the Class A2 Note Subscription Agreement and the subscription agreement in respect of the Class A1 Notes.

**"Note Trustee Excluded Rights"** means each and every right, power, authority and discretion of, or exercisable by, the Note Trustee under or in relation to any Transaction Documents to which it is a party:

- (a) to make any determination expressed to be made by the Note Trustee under Clause 14.1(o) of the Note Trust Deed;
- (b) which enables it to protect its own interests under and with respect to the Transaction Documents to which it is a party (i) to determine and collect fees, expenses and indemnities and (ii) to limit the scope of its liabilities and duties; and
- (c) without prejudice to the generality of paragraph (c) above, to determine, claim and take action to recover amounts due to it in relation to indemnities in its favour under the Transaction Documents to which it is a party.

**"Noteholder Reporting Obligations"** means the obligations of each holder, purchaser, beneficial owner and subsequent transferee of a Note or interest therein, by acceptance of a Note or an interest in a Note, (i) to provide the Note Issuer (or its authorised agent) and the Note Trustee any information and certification to be provided by such holder, purchaser, beneficial owner or subsequent transferee to the Note Issuer (or an agent of the Note Issuer) that is required to be requested by the Note Issuer (or an agent of the Note Issuer) or that is otherwise helpful or necessary (in all cases, in the sole discretion of the Note Issuer or the Note Trustee (or an agent thereof) to enable the Note Issuer to achieve FATCA Compliance and compliance with the CRS and (ii) to update or correct such information or certification, as may be necessary or helpful (in the sole determination of the Note Issuer or the Note Trustee or their agents, as applicable) to achieve FATCA Compliance and compliance with the CRS.

**"Noteholders"** means, together, the Class A2 Noteholders and the holders of the Class A1 Notes and **"Noteholder"** means any of them.

**"Notes"** means, together, the Class A1 Notes and the Class A2 Notes and **Note** means any of them.

**"Notice Expenses"** means the costs and expenses incurred by the Trustee or the Back-up Servicer in connection with the preparation and delivery of the Perfection Notices and the Servicer Termination Notices and payable from the Trust Reserve Account (subject to a maximum amount of KRW2,400,000,000) and in accordance with the provisions of the Trust Agreement and the relevant fee letter.

**"Opinion"** means an opinion of Korean legal counsel reasonably acceptable to the Majority Investor confirming that the entrustment of the Receivables under the Trust Agreement to the Trustee is, as of the date of the opinion, legal, valid, binding and enforceable, subject only to the giving of notice thereof to the relevant Accountholders and such other insolvency matters as the Majority Investor shall consider reasonably relevant.

**"Paying Agents"** means:

- (a) the several institutions (including where the context requires, the Class A1 Paying Agent, the Principal Paying Agent and the Singapore Paying Agent) at their respective Specified Offices initially appointed as Paying Agents by the Note Issuer pursuant to the Note Agency Agreement; and/or
- (b) such other or further paying agents in respect of the Notes as may from time to time be appointed by the Note Issuer; and/or
- (c) such other or further Specified Offices as may from time to time be nominated, in each case, by the Note Issuer, and (except in the case of the initial Paying Agents) notice of whose appointment or of which nomination has been given to the Noteholders in accordance with Note Condition 15.

**"Payment Rate"** means, for any Collection Period in respect of all Eligible Receivables, the aggregate Eligible Account Principal Collections (excluding any amounts withdrawn from the Trust Reserve Account) for such Collection Period as a percentage of the aggregate Receivable Balance of all Eligible Receivables as at the opening of business on the first day of such Collection Period.

**"Perfection Notices"** means the notices to be delivered to Accountholders, in the form set out in the Third Schedule to the Trust Agreement (or such other form which may be appropriate under the then applicable Law), to perfect the Trustee's ownership interest in the Receivables against Accountholders.

**"Person"** means an individual, partnership, limited liability company, corporation, joint stock company, trust (including a business trust), unincorporated association, joint venture, firm, enterprise, Governmental Entity or any other entity.

**"Personal Information Protection Act"** means the Personal Information Protection Act of Korea (Law No. 10465, 29 March 2011) as amended from time to time, and the rules, regulations and decrees promulgated thereunder.

**"Pledge"** means the pledge created pursuant to the Pledge Agreement.

**"Pledged Property"** means the property and assets of the Bond Issuer which are subject to the Pledge created under the Pledge Agreement.

**"Pre-Workout Plan"** means the plan recommended for the rehabilitation of an Accountholder.

**"Principal Amount Outstanding"** means, on any date:

(a) in relation to either the Class A1 Bond or the Class A2 Bond, the principal amount of such Bond on the Closing Date less the aggregate amount of all payments of principal in respect of such Bond which have been paid on such Bond after the Closing Date and prior to such date; and

(b) in relation to either the Class A1 Notes or the Class A2 Notes, the aggregate principal amount of such Notes on the Closing Date less the aggregate amount of all payments of principal in respect of such Notes which have been paid on such Notes after the Closing Date and prior to such date.

**"Principal Collections"** means all such amounts standing to the credit of the Bond Issuer Won Account which have been deposited into such account from the Trust Collection Account by way of distribution of Eligible Account Principal Collections on a Trust Distribution Date.

**"Principal Collections Ledger"** means the principal collections ledger of the Trust Collections Account.

**"Pro Rata Share"** means, in respect of each Swap Payment Date:

(a) in respect of the Class A1 Swap Provider or the Class A1 Noteholder, the proportion represented by the following formula:

$$\text{Pro Rata Share} = X / (X+Y); \text{ and}$$

(b) in respect of the Class A2 Swap Provider or the Class A2 Noteholder, the proportion represented by the following formula:

$$\text{Pro Rata Share} = Y / (X+Y),$$

Where in each case:

X = Principal Amount Outstanding of the Class A1 Notes on such Swap Payment Date x Applicable Exchange Rate (as defined in the Class A1 Swap Agreement); and

Y = Principal Amount Outstanding of the Class A2 Notes on such Swap Payment Date x Applicable Exchange Rate (as defined in the Class A2 Swap Agreement).

**"Re-aging"** means treating Receivables which are past due as being current on payment due, in accordance with the Credit Card Guidelines and **"Re-aged"** shall be construed accordingly.

**"Reassignment Price"** means, in respect of any Receivable being re-assigned to the Originator on any date pursuant to the provisions of Clause 3.2 of the Trust Agreement, or any Receivable in respect of which an indemnity payment is payable under Clause 15.2 of the Trust Agreement, the higher of:

(a) an amount equal to the Receivable Balance (without regard to any reduction due to a Receivable Balance Adjustment) and accrued but unpaid interest of such Receivable as at the close of business on the date of determination of the Reassignment Price; and

(b) the Receivable Balance and accrued but unpaid interest of such Receivable warranted by the Originator pursuant to the Trust Agreement on the related Entrustment Date less the aggregate of all Collections in respect thereof allocated to principal and received after the relevant Cut-off Date and up to the close of business on the date of determination of the Reassignment Price.

**"Receivable"** means any receivable (other than any receivable reassigned to the Originator pursuant to the Trust Agreement) existing on, or arising from time to time after, the related Cut-off Date and until the Trust Termination Date in any Designated Account and consisting of all amounts owed by the Accountholder of the related Designated Account for Credit Card Services, Instalment Services, Cash Services and such other services provided in connection with Credit Card Services, Instalment Services and Cash Services under the Designated Account and annual membership fees, together with finance charges and other fees and charges and any other amounts owed by the Accountholder thereunder.

**"Receivable Balance"** means, as of any date of determination, the outstanding principal amount of a Receivable as of the related Cut-off Date or, if such Receivable is created after the Cut-off Date, the date of its creation less the sum of (a) the aggregate of all Collections in respect thereof allocated to principal and received after such Cut-off Date or date of creation and on or before such date of determination and (b) any Receivable Balance Adjustments for such Receivable arising after such Cut-off Date or date of creation and on or before such date of determination; *provided that* the amount of such Receivable which is a Defaulted Receivable as of such date shall not be included.

**"Receivable Balance Adjustment"** means, with respect to any Receivable, the amount of any reduction in the amounts owing by an Accountholder in respect of such Receivable attributable to any non-cash items including billing errors, merchandise returns, rebates, refunds, defences, fraudulent charges, counterfeit charges, allowances, disputes, set-offs, counterclaims, account cancellation or termination or other adjustments (except any write-off in respect of a Defaulted Receivable).

**"Receivables Data Report"** means the receivables data report to be delivered by the Back-up Servicer to the Note Trustee, the Investor Interestholder, the Transaction Administrator, the Swap Providers and the Majority Investor pursuant to the Second Schedule to the Servicing Agreement, the form of which is set out in the Fifth Schedule thereto.

**"Receivables List"** means, with respect to Receivables to be entrusted to (or reassigned by) the Trustee from time to time, a schedule (which may be a computer file, CD-rom or microfiche list) prepared by the Originator (in encrypted form and in form and substance reasonably acceptable to the Trustee, the Servicer and the Majority Investor) which contains the following information (in encrypted form) with respect to each Designated Account as of the relevant Cut-off Date:



- (a) Reporting date (month);
- (b) Account number;
- (c) Accountholder's name;
- (d) Accountholder's current address;
- (e) Accountholder's current telephone number;
- (f) Account origination date;
- (g) Interest rate for Instalment Services;
- (h) Interest rate for Cash Advances;
- (i) Interest rate for Revolving Purchases;
- (j) Interest rate for Revolving Cash Advances;
- (k) Remaining term of Instalment Services;
- (l) First payment date for Instalment Services;
- (m) Final scheduled payment date for Instalment Services;
- (n) Date of payments;
- (o) Next payment due date;
- (p) Days currently delinquent;
- (q) Lump Sum Purchases - Receivables Balance;
- (r) Instalment Services - Receivables Balance;
- (s) Revolving Purchases - Receivables Balance;
- (t) Revolving Cash Advances - Receivables Balance;
- (u) Cash Advances - Receivables Balance;
- (v) Lump Sum Purchases - scheduled principal payment;
- (w) Instalment Services - scheduled principal payment;
- (x) Revolving Purchases - scheduled principal payment;
- (y) Revolving Cash Advances - scheduled principal payment;
- (z) Cash Advances - scheduled principal payment;
- (aa) Instalment Services - scheduled interest payment;
- (bb) Revolving Purchases - scheduled interest payment;

- (cc) Revolving Cash Advances - schedule interest payment;
- (dd) Cash Advances - scheduled interest payment;
- (ee) Lump Sum Purchases - actual paid principal payment;
- (ff) Instalment Services - actual paid principal payment;
- (gg) Revolving Purchases - actual paid principal payment;
- (hh) Revolving Cash Advances - actual paid principal payment;
- (ii) Cash Advances - actual paid principal payment;
- (jj) Instalment Services - actual paid interest payment;
- (kk) Revolving Purchases - actual paid interest payment;
- (ll) Revolving Cash Advances - actual paid interest payment;
- (mm) Cash Advances - actual paid interest payment;
- (nn) Annual membership fee;
- (oo) Late fee;
- (pp) Other fees and charges;
- (qq) Payment method;
- (rr) Name of Automatic Debit Bank;
- (ss) Automatic Debit Bank Account number;
- (tt) Credit limit; and
- (uu) BSS Grade;

*provided that*, in the case of a Receivables List being provided to a party that is neither the Trustee nor the Servicer, the Receivables List may not contain the information specified above in paragraphs (b) through (e) inclusive and (ss) (and such omitted information shall be marked with "xxx"), unless permitted by applicable Laws (including Laws relating to protection of personal data and credit information) and *provided further that*, in the case of a Receivables List with respect to Receivables to be entrusted in respect of an Additional Account or to be reassigned by the Trustee, it may be in such other form (and contain such other information) as the Trustee, the Majority Investor and the Originator may otherwise agree from time to time subject to applicable Laws (including Laws relating to protection of personal data and credit information).

**"Receivables Pool"** means the aggregate pool of Receivables in the Designated Accounts at any time.

**"Release Date"** means the latest to occur of:

- (a) the date on which each Swap Agreement has been terminated and the Swap Providers are no longer subject to any of their respective obligations thereunder;

- (b) all amounts payable to the Swap Providers under the Swap Agreements have been paid in full; and
- (c) all amounts payable by the Bond Issuer under the Bonds have been paid in full.

**"Required Bond Issuer Amount"** means, in respect of any Collection Period, the amount of Korean Won which is equal to the sum of:

- (a) all amounts (other than Scheduled Amortisation Amounts or other amounts payable in respect of principal of the Bonds) which the Bond Issuer is obliged to pay to any other Person on the Swap Payment Date or, without duplication, the Bond Payment Date, falling in the next succeeding Collection Period (including any amounts that have become payable by the Bond Issuer on any earlier date and remain unpaid) and as notified to the Trustee by the Transaction Administrator (which such amounts shall include the Won Equivalent (in the case of any KRW Fixed Amounts payable under the Swap Agreements), or (in any other case) the Won Exchange Amount of any amounts due in U.S. dollars or Singapore dollars, as the case may be, on such date and the amount of Korean Won required to purchase any amounts due in any other currency on such Swap Payment Date or Bond Payment Date, in each case as calculated by the Transaction Administrator and notified to the Trustee in accordance with the Transaction Administration Agreement); plus
- (b) all amounts (other than Investor Amortisation Amounts or other amounts payable in respect of principal on the Investor Interest) required to be paid to the Investor Interestholder under the Trust Agreement in respect of Trust Additional Amounts on the Trust Distribution Date falling in the next succeeding Collection Period.

**"Required Collection Amount"** means, on any Seoul Business Day in a Collection Period, an amount equal to the estimated aggregate amount payable by the Trustee (including, without limitation, all accrued Taxes assessed in respect of the Trust Assets and any Trust Additional Amounts) to all parties other than the Seller Interestholder, the Subordinated Seller Interestholder and (if the Servicer is the Originator) the Servicer in accordance with paragraphs (a), (b), (c) and (d) of "*Transaction Overview—Application of Collections on Trust Distribution Dates—Distributions during the Revolving Period and Controlled Amortisation Period*" on the Trust Distribution Date immediately following such Seoul Business Day.

**"Required Percentage"** means as of any date of determination, 100 per cent. plus the greater of (x) 4.5 per cent. and (y) the most recently determined Dilution Ratio multiplied by 6.

**"Required Reserve Amount"** means, with respect to a Trust Distribution Date, the sum of:

- (a) an amount equal to the sum of (A) the aggregate amount payable by the Trustee in accordance with paragraphs (a)(i), (ii) and (iii) and (b)(i) and (ii) of "*Transaction Overview—Application of Collections on Trust Distribution Dates—Distributions during the Revolving Period and Controlled Amortisation Period*" during the Revolving Period and the Controlled Amortisation Period, or paragraphs (a)(i), (ii) and (iii) and (b)(i) and (ii) of "*Transaction Overview—Application of Collections on Trust Distribution Dates—Distributions during the Early Amortisation Period or following Enforcement Date*" during the Early Amortisation Period on such Trust Distribution Date and (B) the estimated aggregate amount payable by the Trustee in accordance with paragraphs (a)(i), (ii) and (iii) and (b)(i) and (ii) of "*Transaction Overview—Application of Collections on Trust Distribution Dates—Distributions during the Revolving Period and Controlled Amortisation Period*" during the Revolving Period and the Controlled Amortisation Period, or paragraphs (a)(i), (ii) and (iii) and (b)(i) and (ii) of "*Transaction Overview—Application of Collections on Trust Distribution Dates—Distributions during the Early Amortisation Period or following Enforcement Date*" during the Early Amortisation Period on the immediately succeeding Trust Distribution Date; and

(b) the Transfer Costs.

**"Revolving Period"** means the period from but excluding the Initial Cut-off Date to and including the earlier to occur of (i) the last day of the Collection Period falling in April 2023, (ii) the day immediately prior to the commencement of the Early Amortisation Period and (iii) the day immediately prior to the Enforcement Date.

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

**"Securitisation Plans"** means the two plans of asset securitisation in connection with the transactions contemplated by the Transaction Documents, to be filed in the name of the Trustee and the Bond Issuer for registration with the FSC pursuant to the ABS Act on or before the Closing Date.

**"Securitisation Regulation"** means Regulation (EU) 2017/2402 (together with any implementing regulation, technical standards and official guidance related thereto, in each case as amended, varied or substituted from time to time).

**"Security"** means the security assigned to the Bond Secured Parties pursuant to the Security Assignment to secure the Bond Issuer Obligations.

**"Seller Collections"** means, with respect to each Collection Period, all Collections received by the Trustee or the Servicer during such Collection Period which do not constitute Eligible Account Collections or which are deemed to constitute Seller Collections pursuant to the provisions of the Trust Agreement (including, prior to the Early Amortisation Period or the Enforcement Date, principal and interest amounts recovered or collected in connection with any Defaulted Receivables or recoveries of Receivable Balance Adjustments).

**"Seller Interest"** means the interest in the distributions from the Trust issued to the Originator as Seller Interestholder pursuant to the Trust Agreement.

**"Seller Interestholder"** means the holder from time to time of the Seller Interest.

**"Seller Percentage"** means, for each Trust Distribution Date relating to:

(a) (i) the Revolving Period, for all purposes or (ii) the Controlled Amortisation Period, the Early Amortisation Period or following the Enforcement Date, for the purpose of determining the allocation of Eligible Account Interest Collections pursuant to the Trust Agreement, 100 per cent. less the Investor Percentage for such Trust Distribution Date as set forth in paragraph (a) of the definition thereof; and

(b) the Controlled Amortisation Period or the Early Amortisation Period or following the Enforcement Date, for the purpose of determining the allocation of Eligible Account Principal Collections pursuant to the Trust Agreement, 100 per cent. less the Investor Percentage for such Trust Distribution Date as set forth in paragraph (b) of the definition thereof.

**"Senior Trust Interest Amount"** means as of any date, an amount equal to the initial amount of the Investor Interest on the Closing Date (as specified in the Bond Subscription and Agency Agreement) less the Won Equivalent of the aggregate amounts paid by the Bond Issuer to the Bondholder prior to such date in respect of principal of the Bonds (including in respect of any calculation on the last day of a Collection Period such amount to be paid on the Bond Payment Date related to such Collection Period).

**"Seoul Business Day"** means 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 dealings in foreign currency deposits) in Seoul.

**"Servicer Termination Event"** means the occurrence of any of the following events:

- (a) the Servicer defaults in the payment or deposit on the due date of any payment or deposit due and payable by it under any Transaction Document to which it is a party (other than such default as may be caused by a Force Majeure Event or technical or administrative error where such payment or deposit is delayed for a period of not more than two (2) Seoul Business Days), including the Servicer's failure to transfer Collections in accordance with the Servicing Agreement;
- (b) the Servicer defaults in the performance or observance of any of its other covenants and obligations under any Transaction Document to which it is a party and (except where such default is incapable of remedy) such default continues unremedied for a period of five (5) Seoul Business Days from the earlier to occur of (i) the date the Servicer becomes aware of such default and (ii) the date the Servicer receives a written notice from the Majority Investor requiring such default to be remedied, and which default is, or is likely in the reasonable opinion of the Majority Investor to be, materially prejudicial to the interests of the Investor Interestholder, the Swap Providers, the Bondholder and the Noteholders;
- (c) the Servicer (if it is the Originator) ceases or proposes to cease to carry on all or a substantial part of its card business; *provided that* it shall not constitute a Servicer Termination Event where such cessation of its business is due to a suspension imposed by a relevant supervisory or regulatory body which, in the reasonable opinion of the Majority Investor, would not have a Material Adverse Effect on the ability of the Servicer to perform its obligations under the Transaction Documents;
- (d) an Insolvency Event occurs in relation to the Servicer;
- (e) the suspension, revocation, termination or withdrawal of any approval, authorisation, consent or licence required by the Servicer to carry out any of its duties or obligations under any Transaction Document to which it is a party;
- (f) any representation, warranty or statement which is made (or deemed or acknowledged to have been made) by the Servicer in any Transaction Document proves to be in breach in any material respect (unless remedied (if, in the reasonable opinion of the Majority Investor, it is capable of remedy) to the reasonable satisfaction of the Majority Investor within five (5) Seoul Business Days of the earlier to occur of (i) the date the Servicer becomes aware of such default, or (ii) the date the Servicer receives a written notice from the Majority Investor requesting the remedy of any breach of any representation, warranty or statement in any material respect);
- (g) any indebtedness for borrowed money of the Servicer in an aggregate amount of not less than U.S.\$10 million (or its equivalent in any other currency or currencies) becomes due or capable of being declared due before its stated maturity or is not paid on maturity or on demand (if so payable) and such acceleration or failure to pay continues unremedied for five (5) Seoul Business Days;
- (h) the Servicing Agreement becomes void, voidable or unenforceable;
- (i) the Majority Investor determines (in its reasonable discretion) that a Material Adverse Change has occurred in respect of the Servicer;
- (j) the results of any Annual Audit Report reveal any matter which will have, based on the reasonable discretion of the Majority Investor, a Material Adverse Effect on the interests of the Bond Issuer, the Bond Secured Parties, the Noteholders or the Investor Interestholder and such matter continues for ten (10) Seoul Business Days after notice to the Servicer;

(k) a Monthly Servicer Report contains any material inaccuracy and such inaccuracy continues unremedied for a period of ten (10) Seoul Business Days from the earlier to occur of (i) the date the Servicer becomes aware of such inaccuracy and (ii) the date the Servicer receives a written notice from the Majority Investor requiring such inaccuracy to be remedied;

(l) the average Delinquency Ratio in respect of the three immediately preceding Collection Periods exceeds 2.25 per cent.; or

(m) the Servicer's Capital Adequacy Ratio, as calculated in the Monthly Servicer Report delivered as at the end of any fiscal semi-annual period as calculated by reference to the Servicer's most recent unconsolidated unaudited semi-annual or audited annual financial statements, falls below the Minimum Capital Adequacy Ratio.

**"Servicer Termination Notices"** means the notices to be delivered to each Accountholder by the Back-up Servicer following the termination of the appointment of the Servicer pursuant to the provisions of the Servicing Agreement and substantially in the form set out in Part B of the Second Schedule to the Servicing Agreement.

**"Services"** means certain services, which are set out in the First Schedule to the Servicing Agreement, to be rendered by the Servicer pursuant to the Servicing Agreement.

**"Servicing Agreement"** means the Servicing Agreement dated on or about 29 July 2020 among, *inter alios*, the Trustee and the Servicer.

**"Servicing Expenses"** means certain costs and expenses of the Servicer payable in accordance with the provisions of the Servicing Agreement and the Trust Agreement and, if the Back-up Servicer is performing the Services, in accordance with the relevant fee letter and the Trust Agreement, and include any Notice Expenses incurred by the Back-up Servicer in excess of the maximum amount set out in the definition of Notice Expenses.

**"Servicing Expenses Maximum Amount"** means KRW250,000,000 per month or any other amount from time to time agreed upon by the Trustee, the Servicer and the Majority Investor.

**"Servicing Fees"** means the fees of the Servicer set out in the Servicing Agreement or, if the Back-up Servicer is performing the Services, in the Citi Fee Letter, and payable to the Servicer and the Back-up Servicer in accordance with the provisions of the Servicing Agreement, the Trust Agreement and the Citi Fee Letter together with all expenses of the Servicer reimbursable pursuant to the Servicing Agreement.

**"Servicing Review Report"** means a report of the review of Monthly Servicer Reports for two (2) Collection Periods randomly selected by the Designated Accounting Firm from the prior twelve (12) Collection Periods (other than any Monthly Servicer Report that has already been subject to such a review) in the form set out in the Eighth Schedule to the Servicing Agreement.

**"Solvency Certificate"** means a certificate in the form set out in the Second Schedule to the Trust Agreement.

**"STTCL"** means the Special Tax Treatment Control Law of Korea (Law No. 5584, 28 December 1998), as amended from time to time, and the rules, regulations and decrees promulgated thereunder.

**"Subordinated Seller Interest"** means the interest in the distributions from the Trust subordinated to the Investor Interest and issued to the Originator pursuant to the Trust Agreement.

**"Subordinated Seller Interestholder"** means the holder from time to time of the Subordinated Seller Interest.

**"Subordinated Trust Interest Amount"** shall be the amount specified in the Bond Subscription and Agency Agreement.

"**Substitute Servicer**" means a substitute servicer appointed pursuant to the Servicing Agreement.

"**Swap Event of Default**" means, in respect of a Swap Agreement, an Event of Default under such Swap Agreement as set out in Section 5(a) thereof.

"**Swap Payment Date**" means one (1) Business Day prior to each Note Payment Date.

"**Swap Termination Amount**" means, in respect of a Swap Agreement, any amount (including, without limitation, breakage costs) payable under Section 6(e) of such Swap Agreement upon the designation or expected designation of an Early Termination Date (as defined in such Swap Agreement) by either the Bond Issuer or the relevant Swap Provider.

"**Swap Termination Event**" means, in respect of a Swap Agreement, a Termination Event or an Additional Termination Event under such Swap Agreement as set out in Section 5(b) thereof.

"**Tax Event**" means any change in the Laws of Korea or any change in the application or official interpretation of such Laws, including a holding by a court of competent jurisdiction in the relevant jurisdiction, which change or amendment becomes effective on or after the Closing Date and as a result of which:

- (a) the Trustee, the Back-up Servicer, the Bond Issuer, the Servicer, the Originator or the Accountholders would be required to pay any Taxes or any increased or additional amount in respect of any Taxes required to be deducted or withheld from or otherwise imposed on any payment by such parties in respect of the Receivables or the Investor Interest;
- (b) the Trust is or will be treated as a taxable entity in Korea and is or will become subject to any Korean income or other tax;
- (c) the Bond Issuer is or will be unable to deduct expenses incurred in respect of either of the Bonds or payment of interest on either of the Bonds in computing taxable income for Korean tax purposes; or
- (d) as long as the Bond Issuer is the Investor Interestholder, Korean withholding tax is or will be imposed on payments by the Bond Issuer (or any paying agent on its behalf) under either of the Bonds or Swap Agreements or on payments by the Swap Providers to the Bond Issuer under either of the Swap Agreements.

"**Taxes**" means any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of any jurisdiction, including, without limitation, all withholdings, deductions in respect of withholding taxes, stamp registration or other taxes and all related liabilities.

"**Technical Failure**" means a failure due to administrative or technical error in the banking system of Korea unrelated to any of the parties to the Transaction Documents.

"**Transaction Administration Agreement**" means the transaction administration agreement dated on or about 29 July 2020 among, *inter alios*, the Bond Issuer and the Transaction Administrator.

"**Transaction Administrator Report**" means the report to be prepared by the Transaction Administrator each month in the form set out in the Sixth Schedule to the Bond Subscription and Agency Agreement.

"**Transaction Documents**" means the Master Definitions Schedule, the Trust Agreement, the Servicing Agreement, the Transaction Administration Agreement, the Bond Issuer Servicing Agreement, the Investor Interest Subscription Agreement, the Bond Issuer Administrator Agreement, the Pledge Agreement, the Equity Pledge Agreement, the Security Assignment, the Bond Subscription and Agency Agreement, the Note Trust Deed, the Note Agency Agreement, each Note Subscription

Agreement, the Note Issuer Administrator Agreement, the Swap Agreements, the Bank Agreements, the Citi Fee Letter and any other agreements and documents delivered or executed in connection therewith (excluding the Card Agreements and the Credit Card Guidelines).

**"Transfer Agents"** means:

- (a) the several institutions (including where the context requires, the Class A1 Transfer Agent and the Principal Transfer Agent) at their respective Specified Offices initially appointed as Transfer Agents by the Note Issuer pursuant to the Note Agency Agreement; and/or
- (b) such other or further transfer agents in respect of the Notes as may from time to time be appointed by the Note Issuer; and/or
- (c) such other or further Specified Offices as may from time to time be nominated, in each case, by the Note Issuer, and (except in the case of the initial Transfer Agents) notice of whose appointment or of which nomination has been given to the Noteholders in accordance with Note Condition 15.

**"Transfer Costs"** means, together, the Transfer Fee and the Notice Expenses.

**"Transfer Expenses"** is defined in the Citi Fee Letter.

**"Transfer Fee"** means the fee payable in an amount of KRW400,000,000 to the Back-up Servicer from the Trust Reserve Account upon the occurrence of a Servicer Termination Event in accordance with the provisions of the Trust Agreement and the Servicing Agreement.

**"Transfer Plan"** means the plan for transfer of servicing to the Back-up Servicer, substantially in accordance with the Fourth Schedule to the Servicing Agreement and otherwise in form and substance satisfactory to the Originator, the Back-up Servicer and the Majority Investor.

**"Trust Act"** means the Trust Act of Korea (Law No. 10924, 25 July 2011), as amended from time to time, and the rules, regulations and decrees promulgated thereunder.

**"Trust Additional Amounts"** means, following the imposition of any withholding or reduction in respect of Taxes on any amounts payable by the Trustee to the Investor Interestholder pursuant to the provisions of the Trust Agreement, such additional amounts payable by the Trustee to the Investor Interestholder and/or the Swap Providers (as relevant) pursuant to the Trust Agreement in order that the net amount received by the Investor Interestholder and/or the Swap Providers (as relevant) on any Trust Distribution Date or any other date after such withholding or deduction shall equal the amounts which would have been received in respect of the Investor Interest and/or by the Swap Providers (as relevant) in the absence of such withholding or deduction.

**"Trust Assets"** means all of the assets of the Trust (including, without limitation, the Receivables, all Collections thereon and all monies standing to the credit of each Auto Debit Account, the Trust Reserve Account and the Trust Collection Account).

**"Trust Distribution Date"** means one (1) Business Day prior to each Note Payment Date.

**"Trust Expenses"** means, for any Collection Period, all costs, expenses and other amounts paid or reasonably incurred by the Trustee in connection with the Transaction Documents including the Trustee Fee, any expenses for establishing the Trust Collection Account, the Trust Reserve Account, each Auto Debit Account and related internet banking facilities, any fees and bank commissions payable by the Trustee to the Automatic Debit Banks pursuant to the Automatic Debit Agreements (to the extent that any such costs, expenses and other amounts are not paid or reimbursed by the Originator directly to the Trustee), transfer fees and bank commissions incurred on remittance from each Auto Debit Account to the Trust Collection Account, the fees and expenses payable by the



Trustee to the KFTC, the costs of certain audits, reports and opinions referred to in the Servicing Agreement, any costs and expenses relating to regulatory filings and registrations pursuant to the Trust Agreement or the Servicing Agreement (but only to the extent any such costs, expenses and other amounts are not paid or reimbursed by the Originator directly to the Trustee) and other administrative fees and expenses (but excluding the Servicing Expenses, the Notice Expenses and payments of profit or principal on the Trust Interests), all costs and expenses (if any) required under Clause 17.4 of the Trust Agreement to be treated as Trust Expenses, and any liability incurred and payable by the Trustee in respect of which the Trustee is entitled to be indemnified pursuant to the Transaction Documents, up to an aggregate agreed maximum (as set out in the Citi Fee Letter) in respect of the current and all prior Collection Periods for all such expenses.

**"Trust Interest Amount"** means, as of any date, an amount equal to the sum of the Senior Trust Interest Amount and the Subordinated Trust Interest Amount as of such date.

**"Trust Interests"** means, collectively, the Investor Interest, the Seller Interest and the Subordinated Seller Interest.

**"Trust Obligations"** means all accrued and unpaid profit and principal owing in respect of the Investor Interest and all other amounts to be paid by the Trustee under the Trust Agreement (including without limitation all amounts to be paid to the Investor Interestholder, the Trustee, the Back-up Servicer, the Servicer (if the Originator is not the Servicer) and the Swap Providers) and all tax gross-up amounts to be paid under the Trust Agreement (including Trust Additional Amounts), but excluding amounts to be paid to the Seller Interestholder, the Subordinated Seller Interestholder or, if the Originator is the Servicer, the Servicer.

**"Trust Termination Date"** means the date which is:

(a) in the event that no Enforcement Notice shall have been served and no Early Amortisation Event shall have occurred and have been declared to have occurred by the Transaction Administrator in accordance with Clause 6 of the Transaction Administration Agreement, in either case during the period from and including the Closing Date to the earlier to occur of (A) the Note Payment Date immediately succeeding the date on which all Trust Obligations, Bond Issuer Obligations and Note Issuer Obligations have been paid in full and (B) the Note Legal Maturity Date, the date which is one month after the earlier to occur of (I) the Note Payment Date immediately succeeding the date on which all Trust Obligations, Bond Issuer Obligations and Note Issuer Obligations have been paid in full and (II) the Note Legal Maturity Date; *provided however*, such Trust Termination Date under this paragraph (a) will only be effective upon the delivery of a Solvency Certificate, dated the Trust Termination Date under this paragraph (a), from the Seller Interestholder to the Trustee, the Investor Interestholder and the Majority Investor; or

(b) in the event that the conditions set out in paragraph (a) above are not satisfied, the date which is three months (or such shorter period as the Majority Investor and the Swap Providers may agree) after the earlier to occur of (i) the Note Payment Date immediately succeeding the date on which all Trust Obligations, Bond Issuer Obligations and Note Issuer Obligations have been paid in full and (ii) the Note Legal Maturity Date;

*provided that*, where (i) all Trust Obligations, Bond Issuer Obligations and Note Issuer Obligations have been paid in full and (ii) an unwind agreement has been entered into pursuant to the Trust Agreement, the effective date of such unwind agreement shall be deemed to be the Trust Termination Date.

**"Trustee Fee"** means the fees of the Trustee set out in the Citi Fee Letter.

**"Won Equivalent"** means the equivalent in Korean Won, calculated at the relevant Applicable Exchange Rate, of any amount denominated in U.S. dollars or, as the case may be, Singapore dollars.

**"Won Exchange Amount"** means, in relation to any obligation of the Bond Issuer to make a payment in a currency other than Korean Won on any Swap Payment Date or Bond Payment Date, the amount of Korean Won required to purchase such amount in a currency other than Korean Won at the spot exchange rate available to the Transaction Administrator or the Security Agent from the FX Dealer or otherwise in accordance with the provisions of the Transaction Administration Agreement and the Pledge Agreement.

**"Work-out Code"** means the agreement entered into by and among pursuant to the Act on Supporting the Financial Life of the Low Income Households, certain financial institutions for the support of credit restoration of individual obligors, effective as of 26 December 2016, to which the Originator is a party (including any amendment thereto).

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