IMPORTANT NOTICE

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

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

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

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

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

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

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and any of J.P. Morgan Securities plc ("**JPM**"), The Korea Development Bank ("**KDB**") or UBS AG Hong Kong Branch ("**UBS**" and together with JPM and KDB, the "**Managers**") or any affiliate of the Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Manager or such affiliate on behalf of us in such jurisdiction.

Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct – Important Notice to Prospective Investors: Prospective investors should be aware that certain intermediaries in the context of this offering of the Notes (as defined in the Offering Circular), including all Managers, are "capital market intermediaries" (together, the "**CMIs**") subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "**Code**"). This notice to prospective investors is a summary of certain obligations the Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as "overall coordinators" (together, the "**OCs**") for this offering and are subject to additional requirements under the Code.

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

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e., two or more corresponding or identical orders placed via two or more CMIs). If a prospective investor is an asset management arm affiliated with any Manager, such prospective investor should so indicate when placing an order if it is for a fund or portfolio where the Manager or its group company has more than 50% interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to this offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order." If a prospective investor is otherwise affiliated with any Manager, such that its order may be considered to be a "proprietary order" (pursuant to the Code), such prospective investor should so indicate to the relevant Manager when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order." Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to this offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to this offering.

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

The following Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of the Issuer, the Guarantor, the Managers, nor any person who controls any of them nor any director, officer, employee nor agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Managers.

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

STRICTLY CONFIDENTIAL

Offering Circular dated September 23, 2025

Korean Air Lines Co., Ltd.
US$300,000,000 4.000% Guaranteed Senior Unsecured Notes due 2030
Unconditionally and Irrevocably Guaranteed by

The Korea Development Bank

(a statutory juridical entity established under The Korea Development Bank Act of 1953, as amended, in the Republic of Korea)

Issue Price: 99.369%

The US$300,000,000 4.000% Guaranteed Senior Unsecured Notes due 2030 (the "**Notes**") will be issued by Korean Air Lines Co., Ltd. (the "**Issuer**") and unconditionally and irrevocably guaranteed by The Korea Development Bank (the "**Guarantor**" or the "**Bank**" and such guarantee, the "**Guarantee**"). The Notes constitute direct, general and unsubordinated obligations of the Issuer which will be unsecured and will rank *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer (save for such as may be preferred by mandatory provision of applicable law). The Guarantee relating to the Notes constitutes a direct, general and unconditional obligation of the Guarantor which will be unsecured and will rank *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor (save for such as may be preferred by mandatory provision of applicable law).

The Notes will bear interest from and including September 30, 2025 (the "**Issue Date**") at a rate of 4.000% per annum. Interest will be payable semi-annually in arrear on March 30 and September 30 of each year (each an "**Interest Payment Date**," with the first Interest Payment Date falling on March 30, 2026 in respect of the period from and including the Issue Date to but excluding such Interest Payment Date).

Unless previously redeemed or purchased and canceled, the Notes will be redeemed at their outstanding principal amount on September 30, 2030 (the "**Maturity Date**"). The Notes are subject to redemption in whole, but not in part, at their outstanding principal amount together with any accrued but unpaid interest thereon, in the event of certain changes to tax laws. See "*Terms and Conditions of the Notes — Redemption*."

Investing in the Notes involves certain risks. See "*Risk Factors*" beginning on page 4.

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

The Notes and the Guarantee have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S ("**Regulation S**") under the Securities Act), unless pursuant to an exemption from or in a transaction not subject to the registration requirements of the Securities Act. For a description of these and certain further restrictions on offers and sales of the Notes and the Guarantee and the distribution of this Offering Circular, see "*Subscription and Sale.*"

The Notes are expected to be rated "Aa2" by Moody's Investors Service ("**Moody's**") and "AA" by S&P Global Ratings, a division of S&P Global, Inc. ("**S&P**"). Such ratings of the Notes do not constitute a recommendation to buy, sell or hold the Notes and may be subject to revision or withdrawal at any time by such rating organizations. Such ratings should be evaluated independently of any other ratings of the Notes, the Issuer's or Guarantor's other securities or the Issuer or Guarantor.

The Notes will initially be represented by beneficial interests in a global certificate (the "**Global Certificate**") in registered form which will be registered in the name of a nominee of, and shall be deposited on or about September 30, 2025 with a common depositary for, Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, certificates for Notes will not be issued in exchange for interests in the Global Certificate.

Joint Bookrunners and Lead Managers

J.P. Morgan **Korea Development Bank** **UBS**

TABLE OF CONTENTS

	Page
SUMMARY	1
RISK FACTORS	4
TERMS AND CONDITIONS OF THE NOTES	6
THE GLOBAL CERTIFICATE	21
USE OF PROCEEDS	22
THE ISSUER	23
THE GUARANTOR	29
THE REPUBLIC OF KOREA	56
TAXATION	98
SUBSCRIPTION AND SALE	102
LEGAL MATTERS	109
INDEX TO THE FINANCIAL STATEMENTS	F-1

You should rely only on the information contained in this Offering Circular. None of the Issuer, the Guarantor or any of the Managers (as defined in "*Subscription and Sale*") has authorized anyone to provide you with information that is different or to make any representation other than as contained in this Offering Circular in connection with the offering of the Notes. If anyone provides you with different or inconsistent information, you should not rely on it. The contents of the Issuer's or the Guarantor's website do not form any part of this Offering Circular.

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

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

The Issuer and the Guarantor have furnished the information contained in this Offering Circular. No representation, undertaking or warranty, express or implied, is made by the Managers, the Agents or any of their respective affiliates or advisers as to the accuracy or completeness of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise or representation by the Managers, the Agents or any of their respective affiliates or advisers. Neither the Managers nor the Agents assume responsibility for the accuracy, adequacy, reasonableness or completeness of any of the information contained in this Offering Circular or any other information (financial, legal or otherwise) provided by the Issuer or the Guarantor in connection with the issue or distribution of the Notes, the issue of the Guarantee or the future performance of the Notes or the Guarantee. Each person receiving this Offering Circular acknowledges that such person has not relied on the Managers, the Agents or any of their respective affiliates or advisers in connection with the investigation of the accuracy of such information or such person's investment decisions.

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

This Offering Circular is confidential. This Offering Circular has been prepared by the Issuer and the Guarantor solely for use in connection with the proposed offering of the Notes described in this Offering Circular. This Offering Circular is personal to each prospective investor and does not constitute an offer to any other person or to the public generally to subscribe for, or otherwise acquire, the Notes. Distribution of this Offering Circular to

any person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorized and any disclosure of any of its contents or use of such information for any purpose other than making an investment decision, without the prior written consent of the Issuer and the Guarantor, is prohibited. Each prospective investor, by accepting delivery of this Offering Circular, agrees to the foregoing.

The Notes are subject to restrictions on transferability and may not be transferred or resold except as permitted under applicable U.S. federal and state securities laws pursuant to a registration statement or an exemption from registration. Any investor who purchases the Notes will be deemed to have made acknowledgments, representations, warranties and agreements intended to restrict the resale or other transfer of the Notes, as set forth under "*Subscription and Sale — Transfer Restrictions*." As a prospective purchaser, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.

In connection with this offering, the Managers (or person(s) acting on their behalf) may, subject to all applicable laws, rules and regulations, over-allot the Notes or effect transactions that stabilize or maintain the market price of the Notes at a higher level than the Notes might otherwise achieve in the open market for a limited period of time after the issue date. However, there is no assurance that the Managers (or person(s) acting on their behalf) will undertake stabilization action. Such stabilizing, if commenced, may be discontinued at any time and must be brought to an end after a limited period. For a description of these activities, see "*Subscription and Sale.*"

Notice to investors in Singapore: By accepting this Offering Circular, if you are an investor in Singapore, you: (I) represent and warrant that you are either (1) an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore (the "**SFA**")) pursuant to Section 274 of the SFA; or (2) an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA, and (II) agree to be bound by the limitations and restrictions described herein.

ENFORCEABILITY OF CIVIL LIABILITIES

The Guarantor is a statutory juridical entity established under The Korea Development Bank Act of 1953, as amended (the "**KDB Act**"), in the Republic of Korea ("**Korea**"). All of the officers and directors of the Guarantor named in this Offering Circular reside in Korea, and all or a substantial portion of the assets of the Guarantor and of such officers and directors are located outside the United States.

The Issuer is a corporation with limited liability organized under the laws of Korea. Most of the officers and directors of the Issuer named in this Offering Circular reside in Korea, and all or a substantial portion of the assets of the Issuer and of such officers and directors are located outside the United States.

As a result, it may not be possible for you to effect service of process within the United States upon such persons or to enforce against them or the Issuer or the Guarantor in U.S. courts judgments predicated upon civil liability provisions of the federal securities laws of the United States. There is doubt as to the enforceability in Korea, either in original actions or in actions for enforcement of judgments of U.S. courts, of civil liabilities predicated on the U.S. federal securities laws.

AVAILABLE INFORMATION

Copies of the Fiscal Agency Agreement will be on file and available for inspection at the specified office of the Fiscal Agent (as defined in this Offering Circular) upon prior written request during normal office hours. In accordance with the Notes and the Fiscal Agency Agreement, the Fiscal Agent also will make available for

inspection by holders of the Notes (the "Holders") or, in certain cases, arrange for the mailing to such Holders, certain documents or communications received from the Issuer or the Guarantor, as the case may be. See "*Terms and Conditions of the Notes.*"

PRESENTATION OF FINANCIAL INFORMATION

Each of the Issuer and the Guarantor maintains its financial books and records and prepares its financial statements in Won in accordance with International Financial Reporting Standards as adopted by Korea ("**Korean IFRS**" or "**K-IFRS**"). The Issuer's consolidated financial statements as of and for the years ended December 31, 2023 and 2024 and as of and for the six months ended June 30, 2025 and 2024, and the Guarantor's separate financial statements as of and for the years ended December 31, 2023 and 2024 included in this Offering Circular have been prepared in accordance with Korean IFRS. References in this Offering Circular to "separate" financial statements and information are to financial statements and information prepared on a nonconsolidated basis. Unless otherwise specified, the Guarantor's financial and other information included in this Offering Circular is presented on a separate basis in accordance with Korean IFRS and does not include such information with respect to its subsidiaries.

CERTAIN DEFINED TERMS AND CONVENTIONS

All references to the "Issuer" in this Offering Circular are to Korean Air Lines Co., Ltd. and, unless otherwise specified or the context otherwise requires, its consolidated subsidiaries. All references to the "Guarantor" or the "Bank" in this Offering Circular are references to The Korea Development Bank.

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

Unless otherwise indicated, references to "Won" and "₩" are to the currency of Korea, references to "Chinese Yuan" are to the lawful currency of the PRC, references to "USD", "$", "US$" and "U.S. dollars" are to United States dollars, references to "GBP" and "sterling" are to pounds sterling, references to "Japanese Yen" and "JPY" are to Japanese Yen, references to "SGD" are to the currency of Singapore and references to "EUR" and "Euro" are to the lawful currency of the European Economic and Monetary Union.

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

FORWARD-LOOKING STATEMENTS

This Offering Circular includes future expectations, projections or "forward-looking statements", as defined in Section 27A of the Securities Act and Section 21E of the U.S. Securities Exchange Act of 1934, as amended. The words "believe", "expect", "anticipate", "estimate", "project" and similar words identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Offering Circular are forward-looking statements. Although the Issuer and the Guarantor believe that the expectations reflected in the forward-looking statements are reasonable, no assurance can be given that such expectations will prove correct. This Offering Circular discloses important factors that could cause actual results to differ materially from

the Issuer's or the Guarantor's expectations, including factors that could adversely affect the future performance of the Korean economy, as described below (collectively, the "**Cautionary Statements**"). All subsequent written and oral forward-looking statements attributable to the Issuer or the Guarantor or persons acting on behalf of either of them are expressly qualified in their entirety by the Cautionary Statements.

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

- declines in consumer confidence and a slowdown in consumer spending, including as a result of severe health epidemics and increases in market interest rates;
- political uncertainty or increasing strife among or within political parties in Korea following the declaration of martial law by former President Yoon in December 2024 that led to his impeachment and subsequent removal in April 2025 and the election of Mr. Lee Jae-myung as President in June 2025;
- rising inflationary pressures leading to increases in costs of goods and services and a decrease in purchasing power;
- hostilities, political or social tensions involving Russia (including the Russia-Ukraine war and the ensuing actions that the United States and other countries have taken or may take in the future, such as the imposition of sanctions against Russia) and the resulting adverse effects on the global supply of oil and other natural resources and the global financial markets;
- adverse conditions or developments in the economies of countries and regions that are important export markets for Korea, such as China, the United States, Europe and Japan, or in emerging market economies in Asia or elsewhere, including as a result of the deteriorating economic and trade relations between the United States and such other countries (including the imposition of significant tariffs by the United States on its trading partners, which has been followed by retaliatory tariffs in some cases) and increased uncertainties in the global financial markets and industry;
- the imposition of significant tariffs on Korea's exports by any of its major export markets, such as the imposition of a 15% tariff on Korea's exports to the United States announced in July 2025;
- interest rate fluctuations and perceived or actual changes in policy rates, or other monetary and fiscal policies set forth, by the U.S. Federal Reserve and the central banks of Korea and other countries;
- disruptions in the global supply chain for raw materials, natural resources, consumer goods, rare earth minerals, component parts and other supplies, including as a result of health epidemics, government policies and labour shortages;
- adverse changes or volatility in foreign currency reserve levels, commodity prices (including oil prices), exchange rates (including fluctuations of the U.S. dollar, Euro or Japanese Yen exchange rates or revaluation of the Chinese Yuan), interest rates or stock markets;
- increased uncertainties in the global financial markets and industry, including difficulties faced by several banks in the United States and Europe;
- the occurrence of severe health epidemics in Korea or other parts of the world, such as the COVID-19 pandemic;
- a deterioration in economic or diplomatic relations between Korea and its trading partners or allies, including deterioration resulting from territorial or trade disputes or disagreements in foreign policy;
- increased sovereign default risks in select countries and the resulting adverse effects on the global financial markets;
- a deterioration in the financial condition or performance of small- and medium-sized enterprises and other companies in Korea;

- investigations of large Korean business groups and their senior management for possible misconduct;
- a continuing rise in the level of household debt and increasing delinquencies and credit defaults by retail and small- and medium-sized enterprise borrowers in Korea;
- the economic impact of any pending or future free trade agreements or of any changes to existing free trade agreements;
- social and labor unrest;
- substantial changes in the market prices of Korean real estate;
- a substantial decrease in tax revenues and a substantial increase in the Government's expenditures for fiscal stimulus measures, unemployment compensation and other economic and social programs, which, together, would likely lead to a national budget deficit as well as an increase in the Government's debt;
- financial problems or lack of progress in the restructuring of Korean business groups, other large troubled companies, their suppliers or the financial sector;
- loss of investor confidence arising from corporate accounting irregularities or corporate governance issues concerning certain Korean companies;
- increases in social expenditures to support an aging population in Korea or decreases in economic productivity due to the declining population size in Korea;
- geopolitical uncertainty and the risk of further attacks by terrorist groups around the world;
- hostilities or political or social tensions involving countries in the Middle East (including those resulting from the escalation of hostilities in the Middle East following the Israel-Hamas war and the Iran-Israel conflict) and Northern Africa and any material disruption in the global supply of oil or sudden increase in the price of oil;
- natural or man-made disasters that have a significant adverse economic or other impact on Korea or its major trading partners; and
- an increase in the level of tensions or an outbreak of hostilities between North Korea and Korea or the United States.

SUMMARY

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

Issuer	Korean Air Lines Co., Ltd., a corporation with limited liability established under the laws of Korea.
Notes	US$300,000,000 4.000% Guaranteed Senior Unsecured Notes due 2030.
Issue Price	99.369%.
Issue Date	September 30, 2025.
Form and Denomination	The Notes will be issued in registered form in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof.
Status of the Notes	The Notes constitute direct, general and unsubordinated obligations of the Issuer which will be unsecured and will rank *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer (save for such as may be preferred by mandatory provision of applicable law).
Guarantor	The Korea Development Bank, a statutory juridical entity established under The Korea Development Bank Act of 1953, as amended, in Korea.
Guarantee	The Guarantor has given for the benefit of the Holders an unconditional and irrevocable guarantee for the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes as and when the same shall become due according to the Conditions. The Guarantee relating to the Notes constitutes a direct, general and unconditional obligation of the Guarantor which will be unsecured and will rank *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor (save for such as may be preferred by mandatory provision of applicable law). The Guarantee will remain in full effect until the earlier of (i) the payment of all sums payable in respect of the relevant Notes having been made in full and (ii) the Maturity Date.
Interest Commencement Date	September 30, 2025.
Interest Payment Dates	March 30 and September 30 of each year, commencing on March 30, 2026, each subject to the following business day convention.
Rate of Interest	4.000% per annum, payable semi-annually in arrear.

Day Count Fraction	30/360.
Maturity Date	September 30, 2030.
Form and Denomination	The Notes will be issued in registered form in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof. Upon issue, the Global Certificate will be deposited with, and registered in the name of a nominee of, a common depositary for, Euroclear and Clearstream.
Redemption at Maturity	Unless previously redeemed or purchased and canceled, the Notes will be redeemed at their outstanding principal amount on the Interest Payment Date falling on the Maturity Date.
Redemption for Tax Reasons	The Issuer may redeem the Notes in whole, but not in part, at their outstanding principal amount together with any accrued but unpaid interest thereon, in the event that the Issuer is obliged to pay Additional Amounts provided in Condition 8.1.
Taxation	All payments in respect of the Notes by or on behalf of the Issuer will be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Korea, unless the withholding or deduction of such taxes is required by law. In that event, the Issuer or the Guarantor will pay such Additional Amounts as may be necessary in order that the net amounts received by the Holders after the withholding or deduction (including any withholding or deduction in respect of such payment of Additional Amounts) will equal the respective amounts which would otherwise have been receivable in respect of the Notes in the absence of the withholding or deduction.
Negative Pledge	The Notes will contain a negative pledge provision given by the Guarantor as described in Condition 3.2.
Cross Acceleration	The Notes will contain a cross-acceleration provision relating to indebtedness for money borrowed of the Guarantor as described in Condition 12.8.
Governing Law	The Notes and the Guarantee are governed by, and will be construed in accordance with, the laws of the State of New York.
Rating	The Notes are expected to be rated “Aa2” by Moody’s and “AA” by S&P. A rating is not a recommendation to buy, sell or hold the Notes and may be subject to revision or withdrawal at any time by the assigning rating organizations.
Fiscal Agent	Citicorp International Limited.

Paying Agent, Transfer Agent and Registrar	Citibank, N.A., London Branch.
Listing	Application will be made to the SGX-ST for the listing and quotation of the Notes on the SGX-ST. There can be no assurance, however, that the Issuer will obtain or be able to maintain a listing and quotation of the Notes on the SGX-ST. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of SGD200,000 (or its equivalent in foreign currencies). Accordingly, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of US$200,000.
Use of Proceeds	The Issuer expects to use the net proceeds from the Offering for general corporate purposes, including repayment of existing debt. See "*Use of Proceeds.*"
Clearance and Settlement	The Notes have been accepted for clearance by Euroclear and Clearstream under the following codes: ISIN: XS3177263418 Common Code: 317726341 The Legal Entity Identifier (LEI) of the Issuer is 988400C2UFBF4B660C58.

RISK FACTORS

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

Risks Relating to the Notes

Payments under the Guarantee may be restricted under certain circumstances.

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

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

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

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

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

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

The liquidity and price of the Notes may be volatile.

The price and trading volume of the Notes may be highly volatile. Factors such as variations in the Issuer's or the Guarantor's revenues, earnings and cash flows and proposals for new investments, strategic alliances and/ or acquisitions or dispositions, interest rates, fluctuations in price for comparable companies, government regulations and changes thereof applicable to the Issuer's or the Guarantor's industry, as well as general economic conditions in Korea or internationally, could cause the price of the Notes to fluctuate. Any such

developments may result in large and sudden adverse changes in the trading volume and price of the Notes. There is no assurance that these developments will not occur in the future.

An active trading market for the Notes may not develop.

The Notes are a new issue of securities for which there is currently no trading market. No assurance can be given that the Issuer will obtain or be able to maintain a listing and quotation of the Notes on the SGX-ST or that an active trading market for the Notes will develop or as to the liquidity or sustainability of any such market, the ability of Holders to sell their Notes or the price at which Holders will be able to sell their Notes.

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

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

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

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

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

The Notes issued will be represented by the Global Certificate. Such Global Certificate will be deposited with a common depositary for Euroclear and Clearstream (each of Euroclear and Clearstream, a "**Clearing System**," and together, the "**Clearing Sytems**"). Except in the circumstances described in the relevant Global Certificate, Holders will not be entitled to receive definitive note certificates. The relevant Clearing System(s) will maintain records of the beneficial interests in the Global Certificate. While the Notes are represented by the Global Certificate, Holders will be able to trade their beneficial interests only through the Clearing Systems.

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

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

TERMS AND CONDITIONS OF THE NOTES

The US$300,000,000 4.000% guaranteed senior unsecured notes due 2030 (the "**Notes**," which expression, unless the context otherwise requires, includes any further Notes issued pursuant to Condition 10 and forming a single series with the Notes) of Korean Air Lines Co., Ltd. (the "**Issuer**") are issued under a fiscal agency agreement dated September 30, 2025 (as amended from time to time, the "**Fiscal Agency Agreement**"), among the Issuer, The Korea Development Bank as the guarantor (the "**Guarantor**") and Citicorp International Limited, as fiscal agent (the "**Fiscal Agent**") and Citibank, N.A., London Branch, as registrar (the "**Registrar**"), transfer agent (the "**Transfer Agent**") and paying agent (the "**Paying Agent**") and any other agent or agents appointed from time to time with respect to the Notes. References herein to the "**Agents**" are to the Fiscal Agent, the Paying Agent, the Transfer Agent and the Registrar, and any reference to an "**Agent**" is to any one of them. The Notes are issued, and may or must be redeemed by the Issuer, on the terms set out in these Terms and Conditions (the "**Conditions**").

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Fiscal Agency Agreement. Copies of the Fiscal Agency Agreement are available for inspection upon reasonable prior notice with proof of holding statement during normal business hours by the Holders (as defined below) at the specified office of the Fiscal Agent. Holders are deemed to have notice of those provisions applicable to them of the Fiscal Agency Agreement.

1. FORM AND TRANSFER

1.1 Form and Principal Amount

The Notes are in registered form and are issued on their date of issue and transferable in minimum principal amounts (the "**Principal Amount**") of US$200,000 and integral multiples of US$1,000 in excess thereof. A security certificate (a "**Definitive Certificate**") will be issued to each Holder in respect of its registered holding of Notes. Each Definitive Certificate will be numbered serially with an identifying number which will be recorded on the relevant certificate and in the register of Holders (the "**Register**") which the Issuer will procure to be kept by the Registrar. The Notes will initially be represented by one or more certificates in global form (each, a "**Global Certificate**"). No individual certificates will be issued to Holders except upon the circumstances set forth in the Fiscal Agency Agreement. The Notes will be issued at the Issue Price.

1.2 Title

Title to the Notes passes only by registration in the Register. The holder of any Note will (except as otherwise required by law) be treated as its absolute owner for all purposes (regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Definitive Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Conditions, "**Holder**" and (in relation to a Note) "**holder**" means the person in whose name a Note is registered in the Register (or, in the case of a joint holding, the first named thereof).

2. TRANSFERS OF NOTES AND ISSUE OF DEFINITIVE CERTIFICATES

2.1 Transfers

Subject as provided in Condition 2.4, a Note may be transferred by depositing the Definitive Certificate issued in respect of that Note, with the form of transfer on the back duly completed and signed, at the specified office of the Fiscal Agent (or, in the case of a Note represented by a Global Certificate, delivery of a duly executed form of transfer as set forth in the Fiscal Agency Agreement), together with such evidence as the Fiscal Agent may reasonably require to prove title to the Notes that are the subject of the transfer and the authority of the individuals who have executed the form of transfer. Legal title to the Notes will pass upon registration of such transfer in the Register.

All transfers of Notes and entries in the Register will be made subject to the terms concerning transfers of Notes provided in the Fiscal Agency Agreement.

2.2 **Delivery of new Definitive Certificates**

Each new Definitive Certificate to be issued upon transfer of Notes will, within five Business Days of receipt by the Fiscal Agent of the duly completed form of transfer endorsed on the relevant Definitive Certificate, be mailed by uninsured mail at the risk of the holder entitled to the Note to the address specified in the form of transfer.

Where some but not all of the Notes in respect of which a Definitive Certificate is issued are to be transferred, a new Definitive Certificate in respect of the Principal Amount of Notes not so transferred will, within 10 Business Days of receipt by the Fiscal Agent of the original Definitive Certificate, be mailed by uninsured mail at the risk of the holder of the Notes not so transferred to the address of such holder appearing on the Register (or, in the case of a joint holding, the first named thereof).

2.3 **Formalities free of charge**

Registration of transfer of Notes will be effected without charge by or on behalf of the Issuer or the Fiscal Agent but upon payment (or the giving of such indemnity as the Issuer or the Fiscal Agent may reasonably require) in respect of any tax or other governmental charges which may be imposed on the Issuer or the Fiscal Agent (as the case may be) in relation to such transfer.

2.4 **Closed periods**

No Holder may require the transfer of a Note to be registered during the period of 15 days ending on the due date for any payment of any principal or interest on that Note.

3. STATUS AND NEGATIVE PLEDGE

3.1 **Status of the Notes**

The Notes constitute direct, general and unsubordinated obligations of the Issuer which will be unsecured and will rank *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer (save for such as may be preferred by mandatory provision of applicable law).

3.2 **Negative pledge**

So long as any of the Notes remains outstanding, the Guarantor will not create or permit to subsist any Encumbrance (as defined below) upon the whole or any part of its assets, present or future, to secure any indebtedness, or to secure any guarantee of indebtedness, unless the Guarantee (as defined below) is secured equally and ratably therewith, except that the Guarantor may create or permit to arise or subsist:

(i) any Encumbrance over promissory notes or other commercial paper discounted or otherwise provided as security to or issued by the Guarantor where such Encumbrance is created in favor of The Bank of Korea in the normal operation of its discount facilities or its facilities for the funding of loans by the Guarantor to customers of the Guarantor; or

(ii) any Encumbrance over or affecting any asset of the Guarantor which has been created or granted in relation to any of the Guarantor's transactions with The Bank of Korea; or

(iii) any Encumbrance over any immovable property owned by the Guarantor as security for the repayment by the Guarantor to a tenant of that property of any security deposit paid by such tenant to the Guarantor upon taking a tenancy or lease of that property; or

(iv) any Encumbrance or any other agreement or arrangement having a similar effect arising in connection with a sale and repurchase transaction entered under TBMA/ ISMA Global Master Repurchase Agreement or any other substantially similar repurchase agreement or arrangement of such kind entered into, or created, or arising in the ordinary course of business of the Guarantor, provided that the amount of such transaction (when aggregated with the amount of any other such transactions) does not exceed 15% of the borrowing liabilities of the Guarantor as set out in the latest audited separate balance sheet of the Guarantor; or

(v) any Encumbrance over any loan or other indebtedness (the "**Loan Asset**") denominated in one currency (the "**Denominated Currency**") owed by a party (together with its subsidiaries, and related entities, the "**Secured Counterparty**") to the Guarantor, which is granted in favor of the Secured Counterparty in connection with (a) a loan or other indebtedness denominated in a currency other than the Denominated Currency of the Guarantor or any of its subsidiaries or related entities owed to the Secured Counterparty (the "**Reciprocal Loan**") and (b) the Guarantor or any of its subsidiaries or related entities having been granted the benefit of an Encumbrance over the Reciprocal Loan by the Secured Counterparty, and which transaction or arrangement described herein is commonly regarded as a parallel loan or back-to-back loan, provided that such transaction or arrangement is entered into in the ordinary course of business of the Guarantor and the aggregate outstanding principal amount of the Loan Assets of the Guarantor which are subject to such Encumbrance does not exceed 5% of the borrowing liabilities of the Guarantor as set out in the latest audited separate balance sheet of the Guarantor; or

(vi) any statutory liens arising in the ordinary course of the Guarantor's business; or

(vii) any Encumbrance arising or preference given under the law of Korea, applicable generally to corporations established under the law of Korea, by virtue of a failure by the Guarantor to meet an obligation, provided that such Encumbrance does not subsist for more than 30 days; or

(viii) any Encumbrance over any asset purchased by the Guarantor (or documents of title thereto) or arising in connection with improvements to any asset of the Guarantor as security for the unpaid balance of the purchase price thereof or costs of improvement thereto; or

(ix) any Encumbrance constituted by any netting or set-off arrangement entered into by the Guarantor in the ordinary course of its banking arrangements for the purpose of netting debit and credit balances; or

(x) any Encumbrance constituted in respect of any payment or close out netting or set-off arrangement pursuant to any hedging transaction entered into by the Guarantor for the purpose of:

a. hedging any risk to which the Guarantor is exposed in its ordinary course of trading; or

b. its interest rate or currency management operations which are carried out in the ordinary course of business and for non-speculative purposes only, excluding, in any case, any Encumbrance under a credit support arrangement in relation to a hedging transaction; or

(xi) any Encumbrance securing indebtedness the principal amount of which (when aggregated with the principal amount of any other indebtedness which has the benefit of an Encumbrance given by the Guarantor other than any permitted under paragraphs (i) to (vii) above) does not exceed 1% of the net capital of the Guarantor based on the then most recent annual separate financial statements of the Guarantor.

For the purposes of these Conditions, "**Encumbrance**" means any mortgage, charge, encumbrance, pledge or other security interest.

4. GUARANTEE

Pursuant to the guarantee set out in Section 3 of the Fiscal Agency Agreement as evidenced by the notation of guarantee dated September 30, 2025 (the "**Guarantee**"), the Guarantor has given for the benefit of the Holders an unconditional and irrevocable guarantee for the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes, including without limitation the principal of, and interest on, such Notes, as and when the same shall become due according to these Conditions. The Guarantee relating to the Notes constitutes a direct, general and unconditional obligation of the Guarantor which will be unsecured and will rank *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor (save for such as may be preferred by mandatory provision of applicable law). The Guarantee will remain in full effect until the payment of all sums payable in respect of the relevant Notes have been paid in full.

5. INTEREST

5.1 Interest Payment Dates

The Notes bear interest from and including September 30, 2025 and such interest will be payable on March 30 and September 30 of each year (each, an "**Interest Payment Date**"). If any Interest Payment Date would otherwise fall on a day which is not a Business Day, it shall be postponed to the next day which is a Business Day. The period beginning on September 30, 2025 and ending on (but excluding) the first Interest Payment Date and each successive period beginning on an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date is called an "**Interest Period**".

If interest is required to be calculated for a period of less than a complete Interest Period, the relevant day–count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

5.2 Interest Payments

Each Note will cease to bear interest from the due date for redemption unless, after surrender of the relevant Definitive Certificate, payment of principal is improperly withheld or refused. In such event, it shall continue to bear interest at the rate set forth in Condition 5.3 (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Holder, and (ii) the day seven days after the Fiscal Agent has notified Holders of receipt of all sums due in respect of all the Notes up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions or any payment by the Issuer has subsequently become void).

5.3 Rate of Interest

Interest on the Notes will accrue from and including September 30, 2025 at the rate of 4.000% per annum.

6. REDEMPTION

6.1 Maturity

Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on September 30, 2030 (the "**Maturity Date**"). The Notes may not be redeemed at the option of the Issuer other than in accordance with Condition 6.2.

6.2 Early Redemption for Tax Reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date, at their outstanding principal amount together with any accrued but unpaid interest thereon, on giving

not less than 30 nor more than 60 days' notice to the Fiscal Agent and the Guarantor and, in accordance with Condition 14, the Holders (which notice shall be irrevocable), if:

(a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay Additional Amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations, which (including the cessation of tax exemptions presently applicable) change or amendment becomes effective on or after September 23, 2025; and

(b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it.

6.3 **Cancellations**

All Notes which are (a) redeemed or (b) purchased by or on behalf of the Issuer, or any of the Issuer's Subsidiaries and which the Issuer elects to cancel, will forthwith be cancelled.

7. PAYMENTS

7.1 Payments of principal and interest in respect of each Note will be made by transfer to the registered account of the Holder provided that the bank account details are received by the Paying Agent not later than 10 Payment Business Days before any date on which payment is scheduled. Interest on Notes due on an Interest Payment Date will be paid to the holder shown on the Register on the Record Date (as defined on the face of the applicable Global Certificate or Definitive Certificate).

A Holder's "**registered account**" means the U.S. dollar account maintained by or on behalf of it with a bank that processes payments in U.S. dollars, details of which appear on the Register at the close of business on the relevant Record Date, and a Holder's "**registered address**" means its address appearing on the Register at that time.

7.2 Where payment is to be made by transfer to a registered account, payment instructions (for value the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated and, where payment is to be made by check, the check will be mailed on the due date for payment, or if that is not a Payment Business Day, on the next succeeding Payment Business Day, without any interest or payment in respect of such delay.

7.3 Payments in respect of amounts payable by way of interest and on redemption of the Notes will be subject in all cases to: (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8; and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Holders in respect of such payments.

7.4 In this Condition, "**Payment Business Day**" means a day which is both: (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the city in which the Paying Agent has its registered office from time to time; and (b) a day on which banks are open for business in New York, Hong Kong, London and Seoul.

7.5 Unless the context otherwise requires, any reference in these Conditions to principal in respect of the Notes shall be deemed to include any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

8. TAXATION AND GROSS-UP

8.1 Payment without withholding

All payments in respect of the Notes by or on behalf of the Issuer will be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of a Relevant Jurisdiction ("**Relevant Taxes**"), unless the withholding or deduction of such Relevant Taxes is required by law. In that event, the Issuer will pay such additional amounts ("**Additional Amounts**") as may be necessary in order that the net amounts received by the Holders after the withholding or deduction (including any withholding or deduction in respect of such payment of Additional Amounts) will equal the respective amounts which would otherwise have been receivable in respect of the Notes in the absence of withholding or deduction; except that no Additional Amounts will be payable in relation to any Relevant Taxes imposed on, withheld or deducted from any payment in respect of any Note:

(a) held by or on behalf of a Holder or beneficial owner who is liable for such Relevant Taxes in respect of such Note by reason of having some connection with the Relevant Jurisdiction other than the mere holding of the Note or the receipt of payments or enforcement of rights thereunder; or

(b) held by or on behalf of a Holder or beneficial owner who is liable for such Relevant Taxes in respect of the Note by reason of having some relationship with the Issuer for Korean tax purposes other than the mere holding of such Note; or

(c) where such withholding or deduction is imposed by reason of a failure of a Holder or any other person to (i) comply with any certification, identification, information-provision or documentation requirement concerning the nationality, residence, identity or connection with the Relevant Jurisdiction of the Holder or beneficial owner or (ii) comply with any other certification, identification, information-provision or documentation requirement, or enter into any agreement with any taxing authority, provided that (x) the Issuer or the Fiscal Agent has given the Holder at least 30 calendar days prior notice of an opportunity to satisfy such a requirement and (y) compliance is required or imposed by a statute, treaty, rule, regulation, agreement or administrative practice of the Relevant Jurisdiction as a condition or precondition to relief or exemption from all or part of such Relevant Taxes; or

(d) where such withholding or deduction is imposed only by virtue of a Holder or any other person not having presented the Note (where presentation is required) for payment within 30 days after the date on which such payment becomes due and payable or the date on which such payment thereof is duly provided for, whichever occurs earlier, except to the extent such Holder or other person would be entitled to Additional Amounts had the Note been surrendered during such 30-day period; or

(e) in the event that a Holder or any other person who holds an interest in the Note is a fiduciary, a partnership or any person other than the sole beneficial owner of such payment, where such withholding or deduction would not have been imposed had the beneficiary or settlor with respect to such fiduciary, member of such partnership or beneficial owner of such payment been the actual Holder of the Note; or

(f) where such withholding or deduction is imposed as a result of any combination of (a) through (e) above.

Additionally, the obligation of the Issuer to pay such Additional Amounts shall not apply with respect to (i) any estate, inheritance, gift, sales, transfer or personal property tax or any similar taxes, duties, assessments or other governmental charges or (ii) any taxes, duties, assessments or other governmental charges that are payable otherwise than by deduction or withholding from payments on the Notes.

8.2 **Additional Amounts**

Any reference in these Conditions to any amounts in respect of the Notes will be deemed to include any Additional Amounts which may be payable under Condition 8.1 or under any undertakings given in substitution for Condition 8.1 pursuant to the Fiscal Agency Agreement.

8.3 **Documentation**

The Issuer will provide the Fiscal Agent with the official acknowledgment, if any, of the Relevant Jurisdiction (or, if such acknowledgment is not available, other reasonable documentation) evidencing payment of any Relevant Taxes in respect of which the Issuer has paid any Additional Amounts. Copies of such documentation will be made available to the Holders or beneficial owners of the Notes by the Fiscal Agent upon written request therefor.

8.4 **Other Taxes**

The Issuer will pay any stamp, issue, excise, registration, documentary or other similar taxes and duties, including interest and penalties, imposed by a Relevant Jurisdiction in respect of the creation, issue, delivery, registration and offering of the Notes. The Issuer will also pay and indemnify the Holders and beneficial owners of the Notes from and against all court taxes or other taxes and duties, including interest and penalties, paid by any of them in any jurisdiction in connection with any action permitted to be taken by the Holders and beneficial owners to enforce the Issuer's obligations under the Notes.

9. PRESCRIPTION

A claim against the Issuer or the Guarantor for payment under these Conditions will become void unless made within periods of 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date relating thereto.

10. FURTHER ISSUES

Subject to applicable law, the Issuer may from time to time without the consent of the Holders create and issue further securities or incur further debt obligations either (a) ranking *pari passu* in all respects (or in all respects save for the first payment of Interest Amount thereon) and so that the same will be consolidated and form a single series with the Notes (provided, however, that any such issuance of securities shall be subject to the prior written consent of the Guarantor); or (b) upon such terms as to ranking, distributions or interest, conversion, redemption and otherwise as the Issuer may determine at the time of issue.

11. CONSOLIDATION, MERGER AND SALE OF ASSETS

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

12. EVENTS OF DEFAULT

The holder of any Note may give written notice to the Issuer and the Guarantor that the Note is, and it shall accordingly forthwith become, immediately due and repayable at its principal amount, together with interest accrued to the date of repayment, if any of the following events ("**Events of Default**") shall have occurred and be continuing, provided that such notice is given in accordance with Condition 14:

12.1 **Non-payment of principal**: default in the payment of principal of the Notes when the same becomes due and payable, and such failure continues for a period of 14 consecutive days; or

12.2 **Non-payment of interest**: default in the payment of interest or Additional Amounts on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days; or

12.3 **Breach of other obligations**: default in the performance of or breaches of any other covenant or agreement under the Notes (other than a default specified in clause 12.1 or 12.2 above) and such default or breach continues for a period of 30 consecutive days after written notice of such default or breach to the Issuer by any Holder of Notes; or

the Issuer's Events of Default:

12.4 **Final judgment**: one or more final judgments or orders for the payment of money are rendered against the Issuer or any of its Significant Subsidiaries and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US$15.0 million (in excess of amounts that the Issuer's insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect, except in connection with a consolidation, merger, sale, transfer or conveyance pursuant to Condition 11; or

12.5 **Insolvency**: an involuntary case or other proceeding is commenced against the Issuer or any of its Significant Subsidiaries with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Issuer or any of its Significant Subsidiaries or for any substantial part of the property and assets of the Issuer or any of its Significant Subsidiaries and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Issuer or any of its Significant Subsidiaries under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect, in both cases except in connection with a consolidation, merger, sale, transfer or conveyance pursuant to Condition 11; or

12.6 **Voluntary insolvency**: the Issuer or any of its Significant Subsidiaries (1) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (2) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Issuer or any of its Significant Subsidiaries, or for all or substantially all of the property and assets of the Issuer or any of its Significant Subsidiaries, except for the purpose of a consolidation, merger, sale, transfer or conveyance pursuant to Condition 11, or (3) effects any general assignment for the benefit of creditors; or

the Guarantor's Events of Default:

12.7 **Guarantee**: the Guarantee ceases to be in full force and effect; or

12.8 **Validity of Guarantee**: the validity of the Guarantee is contested by the Guarantor or the Guarantor shall deny any of the Guarantor's obligations under the Guarantee or it is or will become unlawful for the Guarantor to perform or comply with any of its obligations under or in respect of the Guarantee or the Fiscal Agency Agreement or any of such obligations shall be or become unenforceable or invalid; or any

External Indebtedness (as defined below) of the Guarantor in an aggregate principal amount of US$10.0 million or more becomes due and payable prior to the due date for payment thereof by reason of default by the Guarantor; or

12.9 **Moratorium**: Korea declares a moratorium on the payment of any External Indebtedness (including obligations arising under guarantees) of Korea or Korea becomes liable to repay prematurely any sums in respect of such External Indebtedness (including obligations arising under guarantees) as a result of a default under, or breach of the terms applicable to, such External Indebtedness or such obligations, or the international monetary reserves of Korea become subject to any encumbrance or any segregation or other preferential arrangement (whether or not constituting an encumbrance) for the benefit of any creditor or class of creditors; or

12.10 **Bankruptcy**: the Guarantor is adjudicated or found bankrupt or insolvent or any order is made by a competent court or administrative agency or any resolution is passed by the Guarantor to apply for judicial composition proceedings with its creditors or for the appointment of a receiver or trustee or other similar official in insolvency proceedings in relation to the Guarantor or a substantial part of its assets or the Guarantor is wound up or dissolved or the Guarantor ceases to carry on the whole or substantially the whole of its business.

13. VARIATION OF RIGHTS

13.1 **Variation without consent**

The Fiscal Agent may agree with the Issuer and the Guarantor, without the approval of Holders, to amend, modify, alter or add to either these Conditions or the provisions of the Fiscal Agency Agreement, if the Fiscal Agent is of the opinion that the amendment, modification, alteration or addition is:

(a) of a formal, minor or technical nature;

(b) made to correct an error which, in the opinion of the Fiscal Agent, is proven; or

(c) required to comply with mandatory provisions of law.

13.2 **Substitution**

(a) Subject to applicable laws, the Issuer may, without the authority, assent or approval of Holders (but subject to the prior written consent of the Guarantor), substitute all (but not some only) of the Notes for other securities issued directly or indirectly by the Issuer, provided that such securities:

(i) have terms not materially less favorable to Holders than the terms of the Notes (as reasonably determined by the Issuer);

(ii) have a rating ascribed to them by Moody's Investors Service;

(iii) are guaranteed by the Guarantor to the same extent that the Notes are guaranteed pursuant to the Guarantee; and

(iv) are listed on the SGX-ST or another internationally recognized stock exchange selected by the Issuer.

(b) The Fiscal Agent shall (at the expense of the Issuer and following receipt by the Fiscal Agent of a certificate signed by an authorized signatory of the Issuer confirming (a)(i) to (iii) above) use reasonable efforts to assist the Issuer in such substitution of the Notes (including, but not limited to, entering into such documents or deeds as may be necessary to give effect thereto), provided that the Fiscal Agent shall not be obliged to participate in, or assist with, any such substitution if the substitution, or the Notes into which the Notes are to be substituted, or if the assistance with such substitution, would impose, in the Fiscal Agent's opinion, more onerous obligations upon it, expose it to liabilities or reduce its protections.

(c) The Fiscal Agent may, without the consent of the Holders (but subject to the prior written consent of the Guarantor), agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition 13.2(c)) as the principal debtor under the Notes, subject to compliance with certain other conditions set out in the Fiscal Agency Agreement.

13.3 **Meetings**

(a) The Fiscal Agency Agreement contains provisions for convening meetings of the Holders to consider any matter relating to the Notes and/or the Fiscal Agency Agreement, including the modification or abrogation of any of these Conditions or any of the provisions of the Fiscal Agency Agreement, upon either the written consent of the Holders of not less than a majority in Principal Amount of the outstanding Notes or the approval of persons entitled to vote not less than a majority of the Principal Amount of such Notes represented and voting at a meeting of the Holders duly called. The quorum at such meeting shall be one or more persons entitled to vote a majority in Principal Amount of the outstanding Notes or, at an adjourned meeting, one or more persons entitled to vote 25% in Principal Amount of the outstanding Notes.

(b) Notwithstanding Condition 13.3(a), for the purposes of passing a resolution at a meeting the business of which includes a Special Matter, no amendment, modification or abrogation shall be made to the Notes (including these Conditions) or the Fiscal Agency Agreement without the approval or written consent of the Holders of not less than 90% in Principal Amount of the then outstanding Notes or the approval of persons entitled to vote not less than 75% of the Principal Amount of such Notes represented and voting at a meeting of the Holders duly called, and where at such meeting a special quorum shall be required comprising one or more persons entitled to vote two-thirds in Principal Amount of the then outstanding Notes or, at an adjourned meeting, one or more persons entitled to vote one-third in Principal Amount of the then outstanding Notes.

(c) On a poll, each Holder of a Note present in person or by proxy and entitled to vote shall have one vote in respect of each US$1,000 in Principal Amount of such Holder's Notes.

(d) The Issuer, the Guarantor and the Fiscal Agent may, at any time and from time to time, without the consent of any Holders, amend or supplement the Fiscal Agency Agreement or these Conditions: (i) to evidence the succession of another person to the Issuer or the Guarantor and the assumption by any such successor of the covenants of the Issuer or the Guarantor, as applicable, in the Fiscal Agency Agreement and the Notes; (ii) to add to the covenants of the Issuer or the Guarantor for the benefit of the Holders or to surrender any right or power conferred on the Issuer or the Guarantor; (iii) to provide for the issuance of additional Notes in accordance with the limitations set forth in these Conditions and the Fiscal Agency Agreement; (iv) to cure any ambiguity or to correct or supplement any provision in the Fiscal Agency Agreement or these Conditions, which may be inconsistent with any other provision therein, or to make any other provisions with respect to matters or questions arising under the Fiscal Agency Agreement that are not inconsistent with the provisions of the Fiscal Agency Agreement, provided that such action shall not adversely affect the interests of the Holders in any material respect; or (v) to make any other modifications to the Notes or the Fiscal Agency Agreement of a formal, minor or technical nature or necessary in the reasonable opinion of the Fiscal Agent to correct a manifest error or, in reliance on an opinion of counsel delivered to the Fiscal Agent, to comply with mandatory provisions of the laws of Korea so long as such modification does not adversely affect the rights of any Holder in any material respect.

13.4 **Waiver, authorization and determination**

The Fiscal Agent may agree, without the consent of the Holders, to the waiver or authorization of any breach or proposed breach of any of these Conditions or any of the provisions of the Fiscal Agency Agreement.

13.5 **Notification to the Holders**

Any modification, abrogation, waiver, determination, authorization or substitution pursuant to or described in this Condition 13 shall be (i) binding on the Holders, whether or not they are present at any meeting and whether or not they voted, and (ii) notified by the Issuer to the Holders as soon as practicable thereafter in accordance with Condition 14.

13.6 **Compliance with stock exchange rules**

In connection with any amendment, modification, alteration, addition or substitution under this Condition 13, the Issuer will comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

14. NOTICES

All notices regarding the Notes shall be valid if sent by post to the Holders at their respective addresses in the Register (which, in the case of a Global Certificate, is expected to consist solely of the common depositary of Euroclear or Clearstream or its nominee, or any successor thereto) and, if and for so long as the Notes are listed on the SGX-ST and the rules of that exchange so require, published in a newspaper of general circulation in Singapore and/or (where applicable) on the SGX-ST's website. The Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed. Any notice shall be deemed to have been given on the second day after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

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

The Issuer shall provide the Guarantor with a copy of each notice it is required to provide to the Holders or an Agent.

15. AGENTS

Under the terms of the Fiscal Agency Agreement, the Issuer has the right to terminate the appointment of any Agent and appoint a successor provided that there shall at all times be:

(a) at least one paying agent, provided that so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that a Global Certificate is exchanged for Definitive Certificates, and unless the Issuer obtains an exemption from the SGX-ST, the Issuer will appoint and maintain a paying agent in Singapore where the Definitive Certificates may be presented or surrendered for payment or redemption. In addition, in the event that a Global Certificate is exchanged for Definitive Certificates, announcement of such exchange shall be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the Definitive Certificates, including details of the paying agent in Singapore;

(b) a fiscal agent;

(c) a registrar; and

(d) a transfer agent.

16. GOVERNING LAW AND SUBMISSION TO JURISDICTION

16.1 Governing law

The Notes and the Guarantee are governed by, and will be construed in accordance with, the laws of the State of New York.

16.2 Jurisdiction

In relation to any suit, legal action or proceedings arising out of or in connection with the Notes, each of the Issuer and the Guarantor will irrevocably submit to the jurisdiction of the New York State and United States Federal courts sitting in the Borough of Manhattan, New York City.

16.3 Appointment of process agent

The Issuer has irrevocably and unconditionally appointed Korean Air Lines Co., Ltd., New York Office at 251, Cargo Building, 9 N Service Road, Jamaica, Queens, New York 11430, United States as its agent for service of process in respect of any suit, legal action or proceedings arising out of or in connection with the Notes and has undertaken that in the event of such agent ceasing so to act it will appoint another person as its agent for that purpose.

The Guarantor has irrevocably and unconditionally appointed The Korea Development Bank, New York Branch at its registered office for the time being at 320 Park Ave., 32nd Floor, New York NY 10022, United States as its agent for service of process in respect of any suit, legal action or proceedings arising out of or in connection with the Notes and has undertaken that in the event of such agent ceasing so to act it will appoint another person as its agent for that purpose.

16.4 Waiver of Immunity

To the extent that the Issuer or the Guarantor has or hereafter may acquire any immunity (sovereign or otherwise) from jurisdiction of any court or from any legal process (whether through service of notice, attachment prior to judgment, attachment in aid of execution, execution, set-off or otherwise) with respect to themselves or their respective property and assets or the Notes (in the case of the Issuer) or the Guarantee (in the case of the Guarantor), the Issuer and the Guarantor hereby irrevocably and unconditionally waive, and agree not to plead or claim, any such immunity, and consent to the relief or enforcement, in respect of its respective obligations under the Notes (in the case of the Issuer) or the Guarantee (in the case of the Guarantor) to the fullest extent permitted by applicable law.

17. DEFINITIONS

Unless the context otherwise requires, the following terms will have the following meanings in these Conditions:

"**Additional Amounts**" has the meaning specified in Condition 8.1.

"**Agent**" has the meaning specified in the preamble to these conditions.

"**Business Day**" means a day which is both: (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the city in which the Paying Agent has its registered office from time to time; and (b) a day on which banks are open for business in New York, Hong Kong, London and Seoul.

"**Calculation Amount**" means US$1,000 in Principal Amount of Notes.

"**Conditions**" means these terms and conditions of the Notes.

"**Definitive Certificate**" has the meaning specified in Condition 1.1.

"**Denominated Currency**" has the meaning specified in Condition 3.2.

"**Encumbrance**" has the meaning specified in Condition 3.2.

"**External Indebtedness**" means any obligation for the payment or repayment of money borrowed which is denominated in a currency other than the currency of Korea.

"**Fiscal Agency Agreement**" has the meaning specified in the preamble to these Conditions.

"**Fiscal Agent**" has the meaning specified in the preamble to these Conditions.

"**Global Certificate**" has the meaning specified in Condition 1.1.

"**Guarantee**" has the meaning specified in Condition 4.

"**Guarantor**" means The Korea Development Bank.

"**Holder**" has the meaning specified in Condition 1.2.

"**Indebtedness**" means any obligation (whether present or future, actual or contingent) for the payment or repayment of money which has been borrowed or raised (including money raised by way of acceptances or leasing).

"**Interest Amount**" means the amount payable per Calculation Amount on an Interest Payment Date.

"**Interest Payment Date**" has the meaning specified in Condition 5.1.

"**Interest Period**" has the meaning specified in Condition 5.1.

"**Issue Date**" means September 30, 2025.

"**Issue Price**", in relation to a Note, has the meaning specified in the prospectus or other issuance documentation in respect of that Note.

"**Issuer**" means Korean Air Lines Co., Ltd.

"**Korea**" means The Republic of Korea.

"**Loan Asset**" has the meaning specified in Condition 3.2.

"**Paying Agent**" has the meaning specified in the preamble to these Conditions.

"**Payment Business Day**" has the meaning specified in Condition 7.4.

"**Principal Amount**" has the meaning specified in Condition 1.1.

"**Reciprocal Loan**" has the meaning specified in Condition 3.2.

"**Record Date**" has the meaning specified on the face of the applicable Global Certificate or Definitive Certificate.

"**Register**" has the meaning specified in Condition 1.1.

"**registered account**" has the meaning specified in Condition 7.1.

"**registered address**" has the meaning specified in Condition 7.1.

"**Registrar**" has the meaning specified in the preamble to these Conditions.

"**Relevant Date**" means the date on which the relevant payment first becomes due but, if the full amount of the money payable has not been received by the relevant Agent on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Holders by the Issuer.

"**Relevant Jurisdiction**" means the Republic of Korea or any political subdivision or any authority thereof or therein having power to tax the Issuer or, in the event of any substitution, Solvent Reorganization or other corporate action resulting in the Issuer being tax resident in any other jurisdiction, that other jurisdiction or any political subdivision or any authority thereof or therein having power to tax the Issuer.

"**Relevant Taxes**" has the meaning specified in Condition 8.1.

"**Secured Counterparty**" has the meaning specified in Condition 3.2.

"**SGX-ST**" means the Singapore Exchange Securities Trading Limited.

"**Significant Subsidiary**" means any Subsidiary (except any entity which becomes a Subsidiary of the Issuer after the Issue Date in connection with the ongoing restructuring of the Hanjin Group following the Issuer's acquisition of Asiana Airlines Inc. and its Subsidiaries) (i) whose total assets or gross revenues (or, where the Subsidiary in question itself has Subsidiaries, whose total consolidated assets or gross consolidated revenues, as the case may be) attributable to the Issuer represent not less than 20% of the total consolidated assets or the gross consolidated revenues of the Issuer, all as calculated by reference to the then latest audited accounts of such Subsidiary and of any other entity which is a Subsidiary of that Subsidiary and which would, if the latter Subsidiary produced consolidated accounts, be included in such consolidated accounts and the then latest consolidated accounts of the Issuer; or (ii) to which all or substantially all the assets and undertakings of a Subsidiary, which immediately prior to such transfer is a Significant Subsidiary, are transferred.

"**Solvent Reorganization**" means, with respect to the Issuer, solvent Winding-Up, deregistration, dissolution, scheme of arrangement or other reorganization of the Issuer solely for the purposes of a consolidation, amalgamation, merger or reconstruction under which the continuing or resulting corporation effectively assumes the obligations of the Issuer under the Notes and the Fiscal Agency Agreement.

"**Special Matter**" means each of the following matters:

(i) reduction or cancellation of the amount payable or, where applicable, modification, except where such modification is in the opinion of the Fiscal Agent bound to result in an increase of any principal or interest in respect of the Notes;

(ii) modification of the date of payment in respect of any principal or interest in respect of the Notes;

(iii) alteration of the currency in which payments under the Notes are to be made;

(iv) modification or waiver of the provisions regarding the negative pledge of the Guarantor referred to in Condition 3.2 (Negative Pledge);

(v) alteration of the obligations of the Issuer under Conditions 6 (Redemption), 8 (Taxation and Gross-up) or 12 (Events of Default);

(vi) the terms of any consolidation, amalgamation, merger or reorganization of the Issuer or the Guarantor, except the terms of any consolidation, amalgamation, merger or reorganization of the Issuer under Condition 11 (Consolidation, Merger and Sale of Assets);

(vii) reduction of any of the percentage voting and quorum provisions in Condition 13.3 (Meetings); or

(viii) modification of any of the above matters constituting the Special Matters.

"**Subsidiary**" means any corporation or other business entity of which one person owns or controls (in either case, either directly or through another Subsidiary or other Subsidiaries) 50% or more of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such corporation or other business entity (other than capital stock or other ownership interest of any other class or classes which has voting power only upon the occurrence of any contingency).

"**Transfer Agent**" has the meaning specified in the preamble to these Conditions.

"**Winding-Up**" means, with respect to the Issuer or the Guarantor, a final and effective order or resolution for the bankruptcy (as set forth in Part 3 of the Debtor Rehabilitation and Bankruptcy Act of Korea), winding up, liquidation or any other proceedings in respect of the Issuer or the Guarantor, as the case may be, which commences with a view to liquidation of the Issuer or the Guarantor, as the case may be.

THE GLOBAL CERTIFICATE

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

Meetings

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

Cancelation

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

Transfers

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

Notices

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

Singapore Paying Agent

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that the Global Certificate is exchanged for Definitive Certificates, and unless the Issuer obtains an exemption from the SGX-ST, the Issuer will appoint and maintain a paying agent in Singapore, where the Definitive Certificates may be presented or surrendered for payment or redemption. In addition, in the event that the Global Certificate is exchanged for Definitive Certificates, an announcement of such exchange will be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the Definitive Certificates, including details of the paying agent in Singapore.

USE OF PROCEEDS

The net proceeds to the Issuer from this offering (after deducting underwriting commissions but not other estimated expenses relating to the offering) are expected to be US$296,607,000. The Issuer intends to use such net proceeds for general corporate purposes, including repayment of existing debt.

THE ISSUER

Overview

The Issuer is the leading airline in Korea in terms of total passengers and cargo carried according to data for the first half of 2025 released by the Korea Airports Corporation and the Incheon International Airport Corporation. The Issuer is the largest member company, in terms of assets, of the Hanjin Group, a Korean conglomerate with strengths in the airline and transportation industries. The Issuer engages primarily in air transportation for passengers and cargo through the operation of both international and domestic flights, providing commercial airline services to destinations in Korea and around the world from its hub at Incheon International Airport, one of the major air gateways in Asia. As of June 30, 2025, the Issuer provided services to 107 international destinations in 39 countries and 10 domestic destinations in connection with its passenger and cargo services businesses. The Issuer also operates related businesses in aerospace, hotels and other related businesses. As of June 30, 2025, the Issuer had 18,303 employees, including pilots, cabin crew, ground support employees, ground-handling employees and other staff members in its air transport, aerospace, hotels and other business operations. The Issuer is one of the founding members of the SkyTeam alliance, a global passenger alliance with 18 member airlines.

The Issuer's consolidated sales amounted to Won 16,112 billion in 2023, Won 17,871 billion in 2024 and Won 12,703 billion in the six months ended June 30, 2025. The Issuer recorded profits of Won 1,129 billion in 2023, Won 1,382 billion in 2024 and Won 907 billion in the six months ended June 30, 2025. The Issuer had total assets of Won 47,338 billion and total liabilities of Won 35,807 billion as of June 30, 2025, compared to total assets of Won 47,012 billion and total liabilities of Won 36,049 billion as of December 31, 2024.

The Issuer's headquarters and registered office are located at 260 Haneul-gil, Gangseo-gu, Seoul, Korea 07505. The Issuer's website is http://www.koreanair.com. The information on the Issuer's website does not constitute a part of this Offering Circular.

History

The Issuer was originally incorporated in 1962 as the state airline of Korea. The Issuer was subsequently listed on the Korea Exchange through an initial public offering in 1966 and was acquired by the Hanjin Group in 1969. The Issuer began transpacific cargo services in 1971 and transpacific passenger services in 1972. It introduced the Boeing 707 into service in 1971, the Boeing 747 in 1973, the Airbus A300 in 1975, the Airbus A380 in 2011 and the Boeing 787-10 in 2024. In August 2013, a new holding company, HANJIN KAL Corp. ("**Hanjin KAL**"), was established within the Hanjin Group, and the Issuer transferred its investment business, including all of its ownership in its low-cost carrier ("**LCC**") subsidiary Jin Air Co., Ltd. ("**Jin Air**"), to Hanjin KAL. In June 2022, as part of the Issuer's efforts to pursue business synergies through vertical integration of its LCC affiliates, the Issuer re-acquired its ownership of Jin Air by purchasing a 54.9% stake in Jin Air from Hanjin KAL, as a result of which Jin Air became one of the Issuer's consolidated subsidiaries. In June 2022, the Guarantor exercised its right to convert the Issuer's perpetual convertible bonds into shares of stock, as a result of which the Guarantor currently owns a 3.3% equity interest in the Issuer, which is now classified as an associated company of the Guarantor. As of June 30, 2025, Hanjin KAL was the largest shareholder of the Issuer and owned 26.13% of the Issuer's outstanding common shares and 0.86% of the Issuer's preferred shares.

Services

The Issuer's primary business segment is air transport, consisting of the passenger services business and cargo services business, which together have accounted for a significant majority of its total revenues in recent years. The Issuer also operates in the areas of aerospace, hotels and other related businesses.

Air Transport

Passenger Services Business

The Issuer maintains a global network for its passenger services. As of June 30, 2025, the Issuer operated passenger flights connecting 117 destinations (10 domestic and 107 international) in 40 countries. The Issuer pursues a route optimization strategy aimed at enhancing profitability and competitiveness across its passenger network. This strategy focuses on aligning flight schedules with high-value premium demand flows, flexibly adjusting capacity in response to market trends and consumer demand as well as strategically expanding into high-demand regions. In recent periods, the Issuer has improved profitability by recovering both unit prices and demand on routes to and from China, Southeast Asia and Japan, securing stable, fixed demand on Americas- and Europe-bound routes and launching new routes to high-potential destinations such as Lisbon, Macau, Taichung and Fuzhou.

In March 2017, the Issuer entered into a memorandum of understanding with Delta Air Lines, Inc. ("**Delta Air Lines**") to establish a joint venture for the trans-Pacific routes, followed by the execution of a formal agreement in June 2017. The joint venture became fully effective on May 1, 2018. Through this partnership, the Issuer and Delta Air Lines have significantly expanded their trans-Pacific network and jointly engage in sales and marketing activities.

In addition, the Issuer plans to acquire a 10% equity stake in WestJet Airlines Ltd. ("**WestJet**"), a Canadian airline, as part of a strategic co-investment with Delta Air Lines and Air France, founding members of the SkyTeam alliance. Delta Air Lines plans to acquire a 15% stake in WestJet, of which 2.3% is expected to be transferred to Air France. This joint initiative is intended to strengthen the Issuer's network and alliance competitiveness across key markets, including the northern U.S. region and Canada (led by Delta), trans-Pacific routes (led by the Issuer) and Europe (led by Air France). In particular, the Issuer expects to (i) leverage WestJet's broad Latin American network to develop new passenger demand, (ii) expand codeshare coverage on key routes and increase market share for both airlines and (iii) increase Korea-Canada route capacity in coordination with the anticipated launch of the integrated carrier following the Issuer's merger with Asiana Airlines Inc. ("**Asiana Airlines**"). The transaction is targeted for completion by the end of 2025, subject to regulatory approvals, including from the U.S. Department of Transportation.

Cargo Services Business

The Issuer's cargo services extended to 46 cities (1 domestic and 45 international) in 27 countries as of June 30, 2025. The Issuer's cargo business remains an important and stable source of revenue. In recent periods, the Issuer has navigated market volatility caused by changing trade policies, including the impact of U.S. tariff adjustments affecting cargo volumes between Asia and the United States. To address these challenges, the Issuer has diversified its product offerings and focused on high-yield cargo segments such as semiconductors, batteries, solar cells and seasonal perishables. The Issuer continues to benefit from steady demand driven by the manufacturing and e-commerce sectors. The Issuer utilizes dedicated cargo terminals at key airports including Incheon, Tokyo, Osaka, New York and Los Angeles.

Fleet

As of June 30, 2025, the Issuer operated a fleet of 161 aircraft, including 138 passenger aircraft, on which cargo transportation services are provided using the lower deck and 23 "all-cargo" aircraft. As of June 30, 2025, the Issuer's passenger fleet consisted of 34 B777-200ER/300ER/300 aircraft, 22 B737-8/800/900ER/900 aircraft, 19 A330-200/300 aircraft, 5 B747-8I aircraft, 7 A380-800 aircraft, 14 B787-9 aircraft, 9 B787-10 aircraft, 10 A220-300 aircraft, 2 A350-900 aircraft and 16 A321neo aircraft, while its cargo fleet comprised 12 B777-F aircraft, 7 B747-8F and 4 B747-400ERF aircraft. The Issuer, from time to time, enters into memoranda of understanding and firm purchase agreements with aircraft manufacturers, including Airbus and The Boeing Company, as part of its ongoing fleet development initiatives. Most recently, in August 2025, the Issuer entered

into a memorandum of understanding with The Boeing Company to acquire 103 next-generation aircraft, including B777-9, B787-10, B737-10 and B777-8F models, to support its long-term fleet modernization strategy. The Issuer plans to continue to modernize its fleet with a view toward sustainable future growth by phasing out older aircraft and building a core fleet with fuel-efficient and environmentally friendly aircraft.

Hub and Airport Operations

The Issuer's main hub is Incheon International Airport where, commencing in January 2018, the Issuer has been providing its passenger services from Terminal 2, a passenger terminal completed in late 2017 and newly expanded to a total floor area of approximately 730,000 square meters by December 2024. The Issuer also operates a substantial portion of its domestic flights out of Gimpo Airport, the second largest airport in Korea after Incheon International Airport. At these airports, the Issuer provides most of the operational services it requires for the handling of passengers and cargo. At other Korean airports and at overseas airports, the Issuer subcontracts the provision of most of its ground handling requirements. Runway, ramp and terminal facilities are provided by airport operators that charge airlines for the use of these facilities, principally through landing, parking and passenger charges. Navigation services are provided to the aircraft by the countries of the relevant airspace or by international bodies such as Eurocontrol. Navigation charges are generally based on distance flown and weight of the aircraft.

Other Businesses

The Issuer's business portfolio extends beyond its core passenger and cargo transportation operations to include businesses in aerospace as well as maintenance, repair and overhaul ("**MRO**") services. The Issuer's aerospace business includes the design and manufacture of airplanes and aircraft parts, maintenance services for commercial and military aircraft and research and development of unmanned aerial vehicles and satellites, and is based on its experience and expertise accumulated over the past four decades. The Issuer operates a research and development center located in Daejeon, Korea that focuses on next-generation aerospace technology. The Issuer's Maintenance and Engineering Division is responsible for the maintenance of civil aircraft and engines and performs both line and heavy maintenance for all aircraft types operated by the Issuer. The Issuer also conducts in-house engine overhaul maintenance for most of the engine types it operates. As of June 30, 2025, the Issuer's Maintenance and Engineering workforce consisted of approximately 3,024 employees, including approximately 397 MRO specialists, operating across four maintenance bases located in Gimpo, Incheon, Gimhae and Bucheon in Korea.

In addition, through its consolidated subsidiary Incheon Aviation Tech Co., Ltd. ("**IAT**"), the Issuer provides aircraft engine repair services primarily focused on testing large engines. To further enhance its engine maintenance capabilities, including engine repair, overhaul and testing as well as strengthen its competitiveness in the MRO market, the Issuer plans to construct a new engine maintenance facility in Incheon by the end of 2027.

Acquisition of Asiana Airlines

In November 2020, the Issuer, the Guarantor and Hanjin KAL entered into a series of agreements in connection with the Issuer's acquisition (the "**Asiana Acquisition**") of a 63.9% stake in Asiana Airlines, a member of the Kumho Asiana Group and the second-largest airline in Korea, which had been subject to financial difficulties, which had worsened during the COVID-19 pandemic. In December 2020, Asiana Airlines' shareholders approved a 3-to-1 share capital reduction plan aimed at offsetting part of Asiana Airlines' deficits in preparation for the Asiana Acquisition. In connection with the Asiana Acquisition, the Issuer made an initial payment of ₩300 billion in December 2020 and a second payment of ₩400 billion in March 2021 to Asiana Airlines. The Asiana Acquisition was also subject to a multi-year approval process by the antitrust authorities in several jurisdictions. During this process, the European Commission ("**EC**") and the Japan Fair Trade Commission ("**JFTC**") expressed concerns about a potential monopoly on cargo routes. In connection with obtaining

regulatory approvals, the Issuer and Asiana Airlines committed to completing the sale of Asiana Airlines' cargo freighter business to Air Incheon Co. Ltd. following the completion of the Asiana Acquisition in December 2024. On August 1, 2025, the sale of Asiana Airlines' cargo freighter business to Air Incheon was completed in accordance with the requirements set by the EC and JFTC for final approval of the merger. The completion of the Asiana Acquisition followed a final payment of ₩800 billion to Asiana Airlines, bringing the Issuer's total investment to ₩1.5 trillion. As of December 12, 2024, Asiana Airlines became a consolidated subsidiary of the Issuer through the acquisition by the Issuer of a 63.9% stake in newly issued shares. While the two carriers continue to operate under separate brands, the Issuer aims to complete full integration, including harmonization of flight operations, maintenance systems and customer service (including frequent flyer programs), by late 2026 or early 2027 to launch one integrated brand. Going forward, the Issuer plans to successfully execute key integration tasks across business units, maximize merger synergies through economies of scale and scope as well as improve profitability and financial soundness, thereby establishing a foundation for sustainable growth.

As part of its integration efforts, the Issuer unveiled a new corporate identity in March 2025, including an updated brand vision, value system and logo. Full integration remains subject to ongoing regulatory oversight, particularly from the Korea Fair Trade Commission (the "**KFTC**"), whose conditional approval of the merger in 2022 imposed several requirements, including restrictions on fare increases and obligations to maintain at least pre-merger seat capacity on certain key routes in the United States and Europe. In December 2024, the KFTC reiterated and clarified these requirements and mandated the submission of a mileage integration plan within six months. In June 2025, the Issuer submitted its mileage integration proposal to the KFTC, based on an in-depth analysis conducted with the support of an external consulting firm. The KFTC rejected the Issuer's initial mileage integration proposal and requested additional details on the proposed conversion criteria and redemption conditions for existing Asiana Airlines customers. The Issuer intends to continue working closely with the KFTC to develop a revised mileage integration plan and obtain regulatory approval in a timely manner.

Asiana Airlines had total assets of ₩12,644 billion and total liabilities of ₩11,332 billion as of June 30, 2025, compared to total assets of ₩13,450 billion and total liabilities of ₩12,447 billion as of December 31, 2024. There can be no assurance that Asiana Airlines' financial condition, particularly its level of liabilities, will not have a material adverse effect on the Issuer's consolidated results of operations and financial condition.

Government Regulation and Support

The Korean civil aviation industry is subject to a high degree of regulation by the Ministry of Land, Infrastructure and Transport (the "**MOLIT**") and is governed by applicable Korean aviation laws and regulations. The aviation industry is also subject to the Convention on International Civil Aviation. Regulations issued or implemented by the MOLIT encompass nearly all aspects of airline operations, including the approval of the establishment of airlines, domestic and international route allocations, licensing of pilots, operational safety standards, aircraft acquisitions, aircraft airworthiness certification, aircraft registration standards, aircraft maintenance, air traffic control and standards for airport operations.

The MOLIT strives to maintain a foundation for safe and convenient air travel while enhancing Korea's aviation industry. The MOLIT negotiates bilateral or multilateral air services agreements with other countries, including agreements governing the number of airlines and details of traffic rights such as routes and frequencies. A bilateral air services agreement is an agreement that governs aviation services between two contracting states and allows the airlines of both contracting states to launch commercial flights and to use international airports of the other, among others. Once negotiated, the traffic rights are allocated to airlines in Korea based on factors such as the airlines' applications and preferences, thorough scrutiny of the airlines' competitiveness and contribution to the market development of the route, and the balance of allocations among airlines. By June 2025, Korea had air services agreements with 96 countries. In addition, by June 2025, Korea had "open skies" agreements, which allow airlines on either side of the agreement to use all international airports of the other, form strategic alliances, lease airplanes or crew and share international routes with other airlines, with 37 countries for passenger routes and 46 countries for cargo routes. The MOLIT plans to continue to seek route expansion to support the business of Korean carriers, including the Issuer.

Flight Safety

Safety is the Issuer's top priority. Through SafeNet, the Issuer's integrated safety management IT system, the Issuer integrates multiple safety operations into a streamlined process, which enables increased effectiveness in managing the Issuer's safety. In addition to running a series of pilot training programs to ensure the dependability of its pilots and co-pilots, the Issuer operates a flight operational quality assurance program that assists flight crew members in understanding flight procedures more effectively and enables the Issuer to accurately monitor and analyze flight data, resulting in the reduction of unsafe factors and improvement in flight performance. The Issuer's safety culture is enhanced through its implementation of employee safety and health measures, enhancement of safety reporting and encouragement of employees' participation in safety education activities, as well as close cooperation with governmental agencies such as the MOLIT, the International Civil Aviation Organization and the U.S. Federal Aviation Administration.

Maintenance

In line with the paramount importance it places on flight safety, the Issuer is focused on maintaining its aircraft in optimal condition through a combination of scheduled and unscheduled maintenance as well as special inspections tailored to the operational characteristics of each aircraft.

Scheduled maintenance is conducted at regular intervals and is categorized into several types, including A checks, C checks and D checks. A checks involve visual inspections of key internal and external components of the aircraft as well as the replenishment of fluids and gases, and are conducted at relatively short intervals. C checks, which are typically performed every one to two years, are a form of heavy maintenance that takes approximately seven to ten days and involve comprehensive inspections of the aircraft's structure and systems to ensure airworthiness. D checks, performed approximately every five years, are the most extensive form of maintenance. These inspections, which take more than 15 days to complete, involve a complete disassembly of the aircraft to examine and service its primary airframe and structural components in detail.

In addition to these scheduled maintenance activities, the Issuer also conducts intermediate inspections during short ground times, post-flight inspections at the end of each day of operation as well as weekly inspections.

The Issuer maintains a stock of key spare parts to facilitate special maintenance work, such as performance upgrades and modifications based on seasonal or operational conditions. The Issuer has established and continues to maintain a systematic aircraft maintenance program to ensure regular and reliable inspection of its fleet.

SkyTeam and Other Alliances

In order to enhance its competitive position, the Issuer founded a global alliance of passenger airlines, the SkyTeam alliance, with Delta Air Lines, Air France and Aeroméxico in 2000. The member airlines in the SkyTeam alliance aim to develop a shared system for managing revenue and expenses, cooperate on frequent flyer schemes, and share airport facilities and lounges, resources and information technology to provide seamless service around the world. As of June 30, 2025, the SkyTeam alliance had 18 members, collectively serving more than 1,000 destinations in over 160 countries with approximately 13,600 daily flights and approximately 624 million annual passengers. In May 2018, the Issuer and Delta Air Lines launched a joint venture to allow the carriers to market and sell each other's seats and share costs, resources and revenues for flights.

In 2000, the Issuer also formed the world's first global cargo alliance, SkyTeam Cargo, which collectively operated more than 2,700 aircraft to more than 150 countries as of June 30, 2025. SkyTeam Cargo's vision is to become a competitive logistics provider offering global network access, standardized products and one-stop and seamless service across carriers. Similar to the SkyTeam alliance, SkyTeam Cargo seeks to explore synergy benefits from utilizing each member's worldwide network and cost savings by selecting a single ground handling company, which lowers ground handling fees. As of June 30, 2025, SkyTeam Cargo had seven members.

In addition, the Issuer has developed partnerships beyond the SkyTeam alliance through bilateral code-sharing agreements. Code-sharing is an operation under which an airline's flights can be marketed by a non-operating (code-sharing) airline, thereby allowing two or more carriers to sell seats on one aircraft. Code-sharing allows the non-operating airline to offer convenient, seamless flight services to its customers by expanding the number of destinations covered through the use of other airlines' flight services. As of June 30, 2025, the Issuer had bilateral code-sharing agreements for passenger flights with 35 airlines, including 15 members of the SkyTeam alliance and 20 airlines outside of the SkyTeam alliance.

Competition

The Issuer is the largest provider of airline passenger services in Korea in terms of number of passengers. The Issuer competes in the airline passenger services market based on a variety of factors, including fare pricing, customer service, safety record and reputation, on-time performance, routes served, flight schedules, types of aircraft, code-sharing relationships, in-flight entertainment systems, frequent flyer programs, effectiveness of marketing, promotional activity and the ability to identify and satisfy consumer preferences. Competition in international markets has intensified due to aggressive marketing, both by foreign carriers independently and through airline alliances formed by domestic and foreign carriers. The Issuer also faces competition from ground transportation alternatives.

The Issuer is currently a top-seven provider of international cargo services, its main competitors in this area being Qatar Airways and FedEx Express. The Issuer is one of the most competitive airlines in cargo transportation on Asia-Pacific routes.

Awards and Recognitions

The Issuer has received numerous international accolades for its operational performance and service quality. It has been awarded a 5-star global airline rating by the APEX Official Airline Ratings for eight consecutive years, a distinction shared by only a select group of leading carriers. In 2024, the Issuer was ranked first in the Business and First Class category for the second consecutive year in the 10Best Readers' Choice Awards by USA Today. Most recently, the Issuer was named "2025 Airline of the Year" by AirlineRatings.com, an aviation and travel media outlet based in Australia, which also recognized the Issuer for having the "World's Best Economy Class" and included it in its list of the world's 25 safest airlines, citing its strong safety record and enhanced operational efficiency following the introduction of Boeing 787-10 and Airbus A350-900 aircraft.

Legal Proceedings

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

THE GUARANTOR

Overview

The Guarantor was established in 1954 as a government-owned financial institution pursuant to The Korea Development Bank Act, as amended, or the KDB Act. Since its establishment, the Guarantor has been the leading bank in the Republic with respect to the provision of long-term financing for projects designed to assist the nation's economic growth and development. The Government directly owns all of the Guarantor's paid-in capital. The Guarantor's registered office is located at 14, Eunhaeng-ro, Yeongdeungpo-gu, Seoul, The Republic of Korea. The Guarantor's primary purpose, as stated in the KDB Act, the KDB Decree and the Guarantor's Articles of Incorporation, is to "furnish funds in order to expedite the development of the national economy." The Guarantor makes loans available to major industries for equipment, capital investment and the development of high technology, as well as for working capital.

As of December 31, 2024, the Guarantor had ₩212,382.5 billion of loans outstanding (including loans, call loans, domestic usance, bills of exchange bought, local letters of credit negotiation and loan-type suspense accounts pursuant to the applicable guidelines without adjusting for allowance for loan losses, present value discounts and deferred loan fees), ₩339,221.1 billion of total assets and ₩42,924.9 billion of total equity, compared to ₩203,067.3 billion of loans outstanding, ₩317,065.8 billion of total assets and ₩39,430.5 billion of total equity as of December 31, 2023. In 2024, the Guarantor recorded interest income of ₩12,105.9 billion, interest expense of ₩10,987.8 billion and net income of ₩2,007.2 billion, compared to ₩11,489.0 billion of interest income, ₩9,927.5 billion of interest expense and ₩3,027.1 billion of net income in 2023. See "—Selected Financial Statement Data."

Currently, the Government directly holds 100% of the Guarantor's paid-in capital. In addition to contributions to the Guarantor's capital, the Government provides direct financial support for the Guarantor's financing activities, in the form of loans or guarantees. The Government has the power to elect or dismiss the Guarantor's Chairman and Chief Executive Officer, members of its Board of Directors and Auditor. The Government may dismiss each such person if he/she (i) violates the KDB Act, an order issued thereunder, or the Articles of Incorporation or (ii) is unable to perform his/her duties due to physical or mental disability. The Chairman may be dismissed by the President of the Republic at the recommendation of the chairman of the Financial Services Commission. The Chief Executive Officer and members of the Board of Directors may be dismissed by the Financial Services Commission at the recommendation of the Chairman and the Auditor may be dismissed by the Financial Services Commission. There is no prescribed timeline for dismissal. Pursuant to the KDB Act, the Financial Services Commission has supervisory power and authority over matters relating to the Guarantor's general business including, but not limited to, capital adequacy and managerial soundness.

The Government supports the Guarantor's operations pursuant to Article 32 of the KDB Act. Article 32 provides that "the annual net losses of The Korea Development Bank shall be offset each year by the reserve, and if the reserve be insufficient, the deficit shall be replenished by the Government." As a result of the KDB Act, the Government is generally responsible for the Guarantor's operations and is legally obligated to replenish any deficit that arises if the Guarantor's reserve, consisting of its surplus and capital surplus items, is insufficient to cover its annual net losses. In light of the above, if the Guarantor had insufficient funds to make any payment under any of its obligations, including the debt securities and guarantees covered by this Offering Circular, the Government would take appropriate steps, such as by making a capital contribution, by allocating funds or by taking other action, to enable the Guarantor to make such payment when due. The provisions of Article 32 do not, however, constitute a direct guarantee by the Government of the Guarantor's obligations under the debt securities or the guarantees, and the provisions of the KDB Act, including Article 32, may be amended at any time by action of the National Assembly.

In January 1998, the Government amended the KDB Act to:

- subordinate the Guarantor's borrowings from the Government to other indebtedness incurred in its operations;
- allow the Government to offset any deficit that arises if the Guarantor's reserve fails to cover its annual net losses by transferring Government-owned property, including securities held by the Government, to the Guarantor; and
- allow direct injections of capital by the Government without prior approval of the National Assembly.

The Government amended the KDB Act in May 1999 and the KDB Decree in March 2000, to allow the Financial Services Commission to supervise and regulate the Guarantor in terms of capital adequacy and managerial soundness.

In March 2002, the Government amended the KDB Act to enable the Guarantor, among other things, to:

- obtain low-cost funds from The Bank of Korea and from the issuance of debt securities (in addition to already permitted industrial finance bonds), which may be used for increased levels of lending to small- and medium-sized enterprises;
- broaden the scope of borrowers to which the Guarantor may extend working capital loans to include companies in the manufacturing industry, enterprises which are "closely related" to enhancing the corporate competitiveness of the manufacturing industry and leading-edge high-tech companies; and
- extend credits to mergers and acquisitions projects intended to facilitate corporate restructuring efforts.

In July 2005 and May 2009, the Government amended the KDB Act to provide that:

(1) the Guarantor's annual net profit, after adequate allowances are made for depreciation in assets, shall be distributed as follows:

  (i) 40% or more of the net profit shall be credited to reserve, until the reserve amounts equal the total amount of paid-in capital; and

  (ii) any net profit remaining following the apportionment required under subparagraph (i) above shall be distributed in accordance with the resolution of the Guarantor's Board of Directors and the approval of the Guarantor's shareholders;

(2) accumulated amounts in reserve may be capitalized after offsetting any net losses; and

(3) any distributions made in accordance with paragraph (1)(ii) above may be in the form of cash dividends or dividends in kind, provided that any distributions of dividends in kind must be made in accordance with applicable provisions of the KDB Decree.

In February 2008, the Government further amended the KDB Act, primarily to transfer most of the Government's supervisory authority over the Guarantor from the Ministry of Economy and Finance to the Financial Services Commission.

In May 2009, the Government amended the KDB Act to facilitate the Guarantor's privatization. The amendment provided for, among others:

- the preparation for the transformation of the Guarantor from a special statutory entity into a corporation, including the application of the Banking Act as applicable;
- the expansion of the Guarantor's operation scope that enables the Guarantor to engage in commercial banking activities, including retail banking (which was subsequently adjusted due to a change in the Government's decision to halt its plan for the Guarantor's privatization and to consolidate and strengthen the Guarantor's public financing role, utilizing its rich experience and expertise in public policy financing);

- the provision of government guarantees for the Guarantor's mid- to long-term foreign currency debt outstanding at the time of initial sale of the Government's stake in KDB Financial Group ("**KDBFG**") (subject to the National Assembly's authorization of the Government guarantee amount) and possible guarantees for the Guarantor's foreign currency debt incurred for the refinancing of such mid- to long-term foreign currency debt with the government guarantee during the period when the Government owns more than 50% of the Guarantor's shares; and
- the establishment of KDBFG and Korea Finance Corporation ("**KoFC**") and application of the Financial Holding Company Act to KDBFG.

In May 2014, the Government and the National Assembly amended the KDB Act to streamline the financial policy roles among Government-owned banks and financial corporations in order to better respond systematically to rapidly changing domestic and international economic conditions by merging KDBFG and KoFC into the Guarantor. The amended KDB Act provides, among others, that:

- the Government will halt its plan for the Guarantor's privatization;
- public policy financing will be consolidated and strengthened through the newly merged entity;
- the Guarantor will comprehensively succeed to the properties, rights and obligations of KDBFG and KoFC upon the consummation of the merger;
- the bonds issued by KDBFG and the policy bank bonds issued by the KoFC shall be deemed as the industrial financial bonds issued by the Guarantor;
- the business engaged in by KoFC in accordance with the Korea Finance Corporation Act or other laws and decrees will be continuously performed by the Guarantor; and
- the repayment of the principal of and interest on foreign currency debt (with an original maturity of one year or more at the time of issuance) incurred by KoFC and the Guarantor before this amended KDB Act comes into force shall be guaranteed by the Government at the time of initial sale by the Government of its equity interest in the Guarantor, subject to the approval by the National Assembly.

In May 2020, the Government amended the KDB Act in order to provide statutory grounds for the establishment of the Key Industry Stabilization Fund to support businesses in certain key industries that face financial difficulties resulting from the COVID-19 pandemic. In accordance with the terms of its formation, all operations under the fund are currently scheduled to terminate by the end of 2025, at which point all rights and obligations under the fund will be transferred to the Government.

In August 2025, the National Assembly passed a proposal to amend the KDB Act to increase the Guarantor's authorized capital from ₩30,000 billion to ₩45,000 billion and to provide statutory grounds for the establishment of an Advanced Strategic Industries Fund to support businesses in industries such as semiconductors, secondary batteries and artificial intelligence. The KDB Act, as amended, is expected to be promulgated by the President of the Republic in September 2025.

Capitalization

As of December 31, 2024, the Guarantor's authorized capital was ₩30,000 billion and its capitalization was as follows:

	As of December 31, 2024[1]
	(billions of Won)
Long-term debt[2]:	
Won currency borrowings	₩ 4,358.6
Industrial finance bonds	162,692.0
Foreign currency borrowings	5,615.2
Total long-term debt	172,665.8[3][4]
Capital:	
Paid-in capital	26,316.6
Capital surplus	2,457.0
Retained earnings[5]	12,914.6
Accumulated other comprehensive income	1,236.7
Total capital	42,924.9
Total capitalization	₩215,590.7

(1) Except as disclosed in this Offering Circular, there has been no material adverse change in the Guarantor's capitalization since December 31, 2024.

(2) Defined as debt that has a maturity at issuance of one year or more.

(3) The Guarantor has translated borrowings in foreign currencies into Won at the rate of ₩1,470.0 to US$1.00, which was the market average exchange rate, as announced by the Seoul Money Brokerage Services Ltd., on December 31, 2024.

(4) As of December 31, 2024, the Guarantor had confirmed acceptances and guarantees totaling ₩12,355.3 billion under outstanding guarantees issued on behalf of its clients. See Note 39 of the notes to the Guarantor's separate financial statements as of and for the years ended December 31, 2024 and 2023 included in this Offering Circular.

(5) Includes regulatory reserve for credit losses of ₩77.6 billion as of December 31, 2024. If the Guarantor's allowance for credit losses is deemed insufficient for regulatory purposes, it compensates for the difference by recording a regulatory reserve for credit losses, which is shown as a separate item included in retained earnings. See Note 23 of the notes to the Guarantor's separate financial statements as of and for the years ended December 31, 2024 and 2023 included in this Offering Circular.

Business

Purpose and Authority

Since the Guarantor's establishment, it has been the leading bank in the Republic in providing long-term financing for projects designed to assist the nation's economic growth and development.

Under the KDB Act, the KDB Decree and the Guarantor's Articles of Incorporation, the Guarantor's primary purpose is to "contribute to the sound development of the financial industry and the national economy by supplying and managing funds necessary for the development and promotion of industries, expansion of social infrastructure, development of regions, stabilization of the financial markets and facilitation of sustainable growth." Since the Guarantor serves the public policy objectives of the Government, it does not seek to maximize profits. The Guarantor does, however, strive to maintain a level of profitability to strengthen its equity base and support growth in the volume of its business.

Under the KDB Act, the Guarantor may:

- carry out activities necessary to accomplish the expansion of the national economy, subject to the approval of the Financial Services Commission;
- provide loans or discount notes;
- subscribe to, underwrite or invest in securities, subject to certain restrictions;
- guarantee or assume indebtedness;
- raise funds by accepting demand deposits and time and savings deposits from the general public, issuing securities, borrowing from the Government, The Bank of Korea or other financial institutions, and borrowing from lenders overseas;
- execute foreign exchange transactions, including currency and interest swap transactions;
- provide planning, management, research and other support services at the request of the Government, public bodies, financial institutions or enterprises;
- manage and operate various funds established pursuant to Government-led initiatives; and
- carry out other businesses incidental to the foregoing (subject to the approval of the Financial Services Commission).

Government Support and Supervision

The Government owns directly all of the Guarantor's paid-in capital. Since the Guarantor's establishment, the Government has made capital contributions not only in cash but also in the form of shares of common stock of Government-affiliated entities. Recent examples include the Government's contributions to the Guarantor's capital of (i) ₩451 billion in cash and ₩1,652 billion in cash in April 2020 and July 2020, respectively, (ii) ₩510 billion in cash and ₩611 billion in cash in January 2021 and May 2021, respectively, (iii) ₩392 billion in cash in March 2022, ₩308 billion in cash in July 2022 and ₩565 billion in the form of shares of common stock of Korea Land and Housing Corporation in December 2022, (iv) ₩435 billion in the form of shares of common stock of Korea Land and Housing Corporation in March 2023, ₩120 billion in cash in May 2023 and ₩220 billion in cash in October 2023 and (v) ₩2 trillion in the form of shares of common stock of Korea Land and Housing Corporation in March 2024, ₩84 billion in cash in April 2024, ₩121 billion in cash in June 2024 and ₩185 billion in cash in July 2024.

Taking into account these capital contributions, as of December 31, 2024, the Guarantor's total paid-in capital was ₩26,316.6 billion. See Note 23 of the notes to the Guarantor's separate financial statements as of and for the years ended December 31, 2024 and 2023 included in this Offering Circular. Subsequently, the Government contributed ₩65 billion in cash in March 2025, ₩156 billion in cash in April 2025, ₩388 billion in cash in June 2025, ₩206 billion in cash in July 2025 and ₩90 billion in cash in September 2025 to the Guarantor's capital.

In addition to capital contributions, the Government directly supports the Guarantor's financing activities by:

- lending the Guarantor funds to on-lend;
- allowing the Guarantor to administer Government loans made from a range of special Government funds;
- allowing the Guarantor to administer some of The Bank of Korea's surplus foreign exchange holdings; and
- allowing the Guarantor to receive credit from The Bank of Korea.

The Government also supports the Guarantor's operations pursuant to Articles 31 and 32 of the KDB Act. Article 31 provides that "40% or more of the annual net profit of the Korea Development Bank shall be transferred to reserve, until the reserve amounts equal the total amount of paid-in capital" and that accumulated

amounts in reserve may be capitalized. Article 32 provides that "the net losses of the Korea Development Bank shall be offset each fiscal year by the reserve, and if the reserve be insufficient, the deficit shall be replenished by the Government."

As a result of the KDB Act, the Government is generally responsible for the Guarantor's operations and is legally obligated to replenish any deficit that arises if the Guarantor's reserve, consisting of its surplus and capital surplus items, is insufficient to cover its annual net losses. In light of the above, if the Guarantor had insufficient funds to make any payment under any of its obligations, including the debt securities and guarantees covered by this Offering Circular, the Government would take appropriate steps, such as by making a capital contribution, by allocating funds or by taking other action, to enable the Guarantor to make such payment when due. The provisions of Article 32 do not, however, constitute a direct guarantee by the Government of the Guarantor's obligations under the debt securities or the guarantees, and the provisions of the KDB Act, including Article 32, may be amended at any time by action of the National Assembly.

The Government closely supervises the Guarantor's operations in the following ways:

- the Government has the power to elect or dismiss the Guarantor's Chairman and Chief Executive Officer, members of its Board of Directors and Auditor;
- within three months after the end of each fiscal year, the Guarantor must submit its financial statements for the fiscal year to the Financial Services Commission;
- the Financial Services Commission has broad authority to require reports from the Guarantor on any matter and to examine its books, records and other documents. On the basis of the reports and examinations, the Financial Services Commission may issue any orders deemed necessary to enforce the KDB Act;
- the Financial Services Commission must approve the Guarantor's operating manual, which sets out the guidelines for all principal operating matters;
- the Financial Services Commission may supervise the Guarantor's operations to ensure managerial soundness based upon the KDB Decree and the Bank Supervisory Regulations of the Financial Services Commission and may issue orders deemed necessary for such supervision; and
- the Guarantor may amend its Articles of Incorporation only with the approval of the Financial Services Commission.

The Guarantor has had its annual financial statements for years commencing 1998 audited by an external auditor. See "—Financial Statements and the Auditors."

Pursuant to the Guarantor's most recently approved program of operations, it expects to support the reform and restructuring of the Republic's economic and industrial structure, including financing of promising small- and medium-sized enterprises, providing export finance and encouraging investments in infrastructure necessary to promote consumer demand and industrial reorganization.

The Guarantor also pays dividends on a regular basis to the Government. For fiscal years 2022, 2023 and 2024, the Guarantor paid to the Government dividends amounting to ₩164.7 billion, ₩878.1 billion and ₩758.7 billion, respectively.

Selected Financial Statement Data

Unless specified otherwise, the information provided below is stated on a separate basis in accordance with Korean IFRS.

Recent Developments

As of June 30, 2025, the Guarantor had ₩210,888.8 billion of loans outstanding (including loans, call loans, domestic usance, bills of exchange bought, local letters of credit negotiation and loan-type suspense accounts pursuant to the applicable guidelines without adjusting for allowance for loan losses, present value discounts and deferred loan fees), ₩340,869.4 billion of total assets and ₩44,847.9 billion of total equity, compared to ₩212,382.5 billion of loans outstanding, ₩339,221.1 billion of total assets and ₩42,924.9 billion of total equity as of December 31, 2024. For the six months ended June 30, 2025, the Guarantor recorded interest income of ₩5,582.3 billion, interest expense of ₩5,040.4 billion and net income of ₩1,908.4 billion, compared to ₩6,125.2 billion of interest income, ₩5,562.5 billion of interest expense and ₩1,673.8 billion of net income for the corresponding period of 2024.

The following tables present the Guarantor's selected separate financial information as of December 31, 2024 and June 30, 2025 and for the six months ended June 30, 2024 and 2025, which has been derived from the Guarantor's unaudited internal management accounts as of June 30, 2025 and for the six months ended June 30, 2024 and 2025 prepared in accordance with K-IFRS.

Separate K-IFRS Financial Statement Data

	Six Months Ended June 30,	
	2024	2025
	(billions of Won) (unaudited)	
Income Statement Data		
Total Interest Income	₩6,125.2	₩5,582.3
Total Interest Expenses	5,562.5	5,040.4
Net Interest Income	562.8	541.9
Operating Income	1,660.6	2,093.3
Income Before Income Tax	2,032.3	2,581.5
Income Tax Expense	358.5	673.1
Net Income	1,673.8	1,908.4

	As of December 31, 2024	As of June 30, 2025
	(billions of Won) (unaudited)	
Statements of Financial Position Data		
Total Loans[(1)]	₩212,382.5	₩210,888.8
Total Borrowings[(2)]	266,322.6	264,478.0
Total Assets	339,221.1	340,869.4
Total Liabilities	296,296.2	296,021.4
Equity	42,924.9	44,847.9

(1) Gross amount, which includes loans for facility development, loans for working capital, inter-bank loans, private loans, off-shore loan receivables, loans borrowed from overseas financial institutions, bills bought in foreign currencies, advance payments on acceptances and guarantees and other loans without adjusting for allowance for loan losses, present value discounts and deferred loan fees.

(2) Total borrowings include deposits, financial liabilities measured at fair value through profit or loss, borrowings and debentures.

Consolidated Statements of Financial Position Data

The following table presents selected statements of financial position data regarding the Guarantor's assets, liabilities and shareholders' equity on a consolidated basis as of December 31, 2024 and 2023, which have been derived from its audited consolidated financial statements as of and for the years ended December 31, 2024 and 2023.

	As of December 31,	
	2023	2024
	(billions of Won)	
Statements of Financial Position Data		
Total Loans (measured at amortized cost)(1)	₩217,196.1	₩227,453.1
Total Borrowings(2)	266,741.1	281,379.7
Total Assets	347,534.5(3)	372,581.1
Total Liabilities	308,106.9(3)	328,571.4
Equity	39,427.5(3)	44,009.7

(1) Gross amount, which includes loans for facility development, loans for working capital, loans for households, inter-bank loans, private loans, off-shore loan receivables, loans borrowed from overseas financial institutions, bills bought in foreign currencies, advance payments on acceptances and guarantees and other loans without adjusting for allowance for loan losses, present value discounts and deferred loan fees.

(2) Total Borrowings include deposits, financial liabilities measured at fair value through profit or loss, borrowings and debentures.

(3) The Guarantor's equity interest in HMM Company Limited was initially classified as assets held for sale in its consolidated financial statements as of and for the years ended December 31, 2023 and 2022 following the designation of a preferred bidder for the sale of HMM Company Limited in December 2023. However, upon the termination of negotiations in February 2024, the Guarantor's equity interest in HMM Company Limited was reclassified as an investment in an associate, with the reclassification being applied retroactively. See Note 2(6) of the notes to the Guarantor's consolidated financial statements as of and for the years ended December 31, 2024 and 2023, which are available on the Guarantor's website.

Consolidated Income Statement Data

The Guarantor's selected income statement data included in the following table have been derived from its audited consolidated financial statements as of and for the years ended December 31, 2024 and 2023.

	Year Ended December 31,	
	2023	2024
	(billions of Won)	
Income Statement Data		
Total Interest Income	₩12,831.8	₩13,555.8
Total Interest Expense	10,396.2	11,537.8
Net Interest Income	2,435.6	2,018.0
Operating Income	1,472.8	2,207.6
Non-operating Income (Expense)	(314.4)(1)	465.0
Profit before Income Taxes	1,158.3(1)	2,672.6
Income Tax Expense (Benefit)	(510.3)(1)	525.9
Profit from discontinued operations	2,328.1(2)	—
Net Income	3,996.7(1)	2,146.7

(1) The Guarantor's equity interest in HMM Company Limited was initially classified as assets held for sale in its consolidated financial statements as of and for the years ended December 31, 2023 and 2022 following the designation of a preferred bidder for the sale of HMM Company Limited in December 2023. However,

upon the termination of negotiations in February 2024, the Guarantor's equity interest in HMM Company Limited was reclassified as an investment in an associate, with the reclassification being applied retroactively. See Note 2(6) of the notes to the Guarantor's consolidated financial statements as of and for the years ended December 31, 2024 and 2023, which are available on the Guarantor's website.

(2) In September 2022, Hanwha Group entered into a conditional investment agreement with Daewoo Shipbuilding & Marine Engineering Co., Ltd., or DSME (now Hanwha Ocean Co., Ltd.) to acquire a 49.3% equity interest in DSME through a capital increase, provided that certain conditions were met. Following such agreement, the Guarantor reclassified its gains related to DSME as profit from discontinued operations. In May 2023, pursuant to such agreement, Hanwha Group completed the acquisition of newly issued shares of DSME and became its largest shareholder, and as of December 31, 2024, the shares of DSME owned by the Guarantor were classified as investments in associates. For more information, see Note 16 of the notes to the Guarantor's consolidated financial statements as of and for the years ended December 31, 2024 and 2023, which are available on the Guarantor's website.

Separate Financial Statement Data

The following tables present selected separate financial information as of and for the years ended December 31, 2024 and 2023, which has been derived from the Guarantor's audited separate financial statements as of and for the years ended December 31, 2024 and 2023 included in this Offering Circular. You should read the following financial statement data together with the financial statements and notes included in this Offering Circular.

	As of December 31,	
	2023	2024
	(billions of Won)	
Statements of Financial Position Data		
Total Loans (measured at amortized cost)(1)	₩203,067.3	₩212,382.5
Total Borrowings(2)	252,497.3	266,322.6
Total Assets	317,065.8(3)	339,221.1
Total Liabilities	277,635.2(3)	296,296.2
Equity	39,430.5(3)	42,924.9

(1) Gross amount, which includes loans for facility development, loans for working capital, loans for households, inter-bank loans, private loans, off-shore loan receivables, loans borrowed from overseas financial institutions, bills bought in foreign currencies, advance payments on acceptances and guarantees and other loans without adjusting for allowance for loan losses, present value discounts and deferred loan fees.

(2) Total Borrowings include deposits, financial liabilities measured at fair value through profit or loss, borrowings and debentures.

(3) The Guarantor's equity interest in HMM Company Limited was initially classified as assets held for sale in its consolidated financial statements as of and for the years ended December 31, 2023 and 2022 following the designation of a preferred bidder for the sale of HMM Company Limited in December 2023. However, upon the termination of negotiations in February 2024, the Guarantor's equity interest in HMM Company Limited was reclassified as an investment in an associate, with the reclassification being applied retroactively. See Note 2(6) of the notes to the Guarantor's separate financial statements as of and for the years ended December 31, 2024 and 2023 included in this Offering Circular.

As of December 31, 2024, the Guarantor's total assets increased by 7.0% to ₩339,221.1 billion from ₩317,065.8 billion as of December 31, 2023, primarily due to an increase in loans measured at amortized cost to ₩209,481.4 billion as of December 31, 2024 from ₩199,981.8 billion as of December 31, 2023, an increase in derivative financial assets to ₩13,915.3 billion as of December 31, 2024 from ₩7,383.3 billion as of December 31, 2023, an increase in cash and due from banks to ₩12,995.5 billion as of December 31, 2024 from ₩8,659.8 billion as of December 31, 2023, an increase in investments in subsidiaries and associates to ₩33,263.3 billion as of December 31, 2024 from ₩30,803.0 billion as of December 31, 2023 and an increase in

securities measured at fair value through profit or loss to ₩18,418.8 billion as of December 31, 2024 from ₩16,058.6 billion as of December 31, 2023. The effects of such increases were partially offset by a decrease in other assets to ₩8,056.5 billion as of December 31, 2024 from ₩10,175.8 billion as of December 31, 2023 and a decrease in securities measured at fair value through other comprehensive income to ₩32,760.2 billion as of December 31, 2024 from ₩33,888.1 billion as of December 31, 2023.

As of December 31, 2024, the Guarantor's total liabilities increased by 6.7% to ₩296,296.2 billion from ₩277,635.2 billion as of December 31, 2023, primarily due to an increase in debentures to ₩165,102.3 billion as of December 31, 2024 from ₩156,933.9 billion as of December 31, 2023, an increase in derivative financial liabilities to ₩14,873.9 billion as of December 31, 2024 from ₩7,654.9 billion as of December 31, 2023 and an increase in borrowings to ₩32,730.5 billion as of December 31, 2024 from ₩27,745.6 billion as of December 31, 2023. The effects of such increases were partially offset by a decrease in other liabilities to ₩9,983.5 billion as of December 31, 2024 from ₩12,100.4 billion as of December 31, 2023.

As of December 31, 2024, the Guarantor's total equity increased by 8.9% to ₩42,924.9 billion from ₩39,430.5 billion as of December 31, 2023, primarily due to an increase in issued capital to ₩26,316.6 billion as of December 31, 2024 from ₩23,926.6 billion as of December 31, 2023 and an increase in retained earnings to ₩12,914.6 billion as of December 31, 2024 from ₩10,876.9 billion as of December 31, 2023. The effects of such increases were partially offset by a decrease in accumulated other comprehensive income to ₩1,236.7 billion as of December 31, 2024 from ₩2,158.4 billion as of December 31, 2023.

The Guarantor's selected income statement data included in the following table have been derived from its audited separate financial statements as of and for the years ended December 31, 2024 and 2023 included in this Offering Circular.

	Year Ended December 31,	
	2023	2024
	(billions of Won)	
Income Statement Data		
Total Interest Income	₩11,489.0	₩12,105.9
Total Interest Expense	9,927.5	10,987.8
Net Interest Income	1,561.5	1,118.1
Operating Income	2,996.9	2,294.1
Profit before Income Taxes	3,965.7[(1)]	2,440.8
Income Tax Expense	938.6[(1)]	433.7
Net Income	3,027.1[(1)]	2,007.2

(1) The Guarantor's equity interest in HMM Company Limited was initially classified as assets held for sale in its consolidated financial statements as of and for the years ended December 31, 2023 and 2022 following the designation of a preferred bidder for the sale of HMM Company Limited in December 2023. However, upon the termination of negotiations in February 2024, the Guarantor's equity interest in HMM Company Limited was reclassified as an investment in an associate, with the reclassification being applied retroactively. See Note 2(6) of the notes to the Guarantor's separate financial statements as of and for the years ended December 31, 2024 and 2023 included in this Offering Circular.

2024

The Guarantor had net income of ₩2,007.2 billion in 2024 compared to ₩3,027.1 billion in 2023, on a separate basis. The principal factors for the decrease in net income included:

- a change in net gain (loss) on derivatives to a net loss of ₩829.8 billion in 2024 from a net gain of ₩1.3 billion in 2023, primarily due to a change in net gain (loss) on hedging purpose derivatives to a net loss in 2024 from a net gain in 2023, which in turn resulted mainly from foreign currency fluctuations;

- a significant decrease in reversal of impairment loss on investments in subsidiaries and associates to ₩160.9 billion in 2024 from ₩972.4 billion in 2023, primarily due to an increase in impairment loss on the Guarantor's investment in HMM Company Limited; and
- a significant decrease in reversal of provisions for credit losses to ₩244.1 billion in 2024 from ₩802.6 billion in 2023, primarily due to a provision of the Guarantor's loan loss allowances in 2024, which was in turn primarily due to a decrease in the reversal of provisions for loan loss allowance for Hanwha Ocean Co., Ltd.

The above factors were offset in significant part by the following factors:

- an increase in net foreign currency transaction gain to ₩864.9 billion in 2024 from ₩302.4 billion in 2023, primarily due to foreign currency fluctuations; and
- a decrease in income tax expense to ₩433.7 billion in 2024 from ₩938.6 billion in 2023, primarily due to a decrease in profit before income taxes to ₩2,440.8 billion in 2024 from ₩3,965.7 billion in 2023.

2023

The Guarantor had net income of ₩3,027.1 billion in 2023 compared to ₩465.0 billion in 2022, on a separate basis. The principal factors for the increase in net income included:

- a reversal of impairment loss on investments in subsidiaries and associates of ₩972.4 billion in 2023 compared to an impairment loss on such investments of ₩1,168.6 billion in 2022, primarily due to an increase in the recoverable amount of the Guarantor's investment in Hanwha Ocean Co., Ltd., resulting from an increase in the fair value of such investment following its acquisition by the Hanwha Group;
- a reversal of provisions for credit losses of ₩802.6 billion in 2023 compared to provisions for credit losses of ₩260.4 billion in 2022, primarily due to a reversal of the Guarantor's loan loss allowances in 2023, which was in turn primarily due to a decrease in its expected credit losses resulting from a general improvement in the credit ratings of companies in the Korean shipbuilding sector to which the Guarantor provided loans, including Hanwha Ocean Co., Ltd., K Shipbuilding Co., Ltd. (formerly, STX Offshore & Shipbuilding) ("**K Shipbuilding**") and Daehan Shipbuilding Co., Ltd. ("**Daehan Shipbuilding**");
- a change in net foreign currency transaction gain (loss) to a net gain of ₩302.4 billion in 2023 from a net loss of ₩300.9 billion in 2022, which was primarily due to foreign currency fluctuations; and
- a change in net gain (loss) on securities measured at fair value through profit or loss to a net gain of ₩518.8 billion in 2023 from a net loss of ₩39.4 billion in 2022, which was primarily due to the stabilization of interest rate levels in 2023 compared to 2022.

The above factors were partially offset by the following factors:

- an increase in income tax expense to ₩938.6 billion in 2023 from ₩127.7 billion in 2022, primarily due to an increase in profit before income taxes to ₩3,965.7 billion in 2023 from ₩592.7 billion in 2022;
- a change to a net loss on financial liabilities measured at fair value through profit or loss of ₩148.1 billion in 2023 from a net gain of ₩465.1 billion in 2022, primarily due to fluctuations in the interest rate levels of structured industrial finance debentures and structured deposits; and
- a decrease in net gain on derivatives to ₩1.3 billion in 2023 from ₩121.4 billion in 2022, primarily due to a change in net gain (loss) on fair value hedged items to a net loss in 2023 from a net gain in 2022, resulting from foreign currency fluctuations.

Allowances for Loan Losses and Loans in Arrears

The Guarantor establishes allowances for losses from problem loans, including guarantees and other extensions of credit, based on the length of the delinquent periods and the nature of the loans, including guarantees and other extensions of credit. Under Korean IFRS 1109, the Guarantor establishes allowances for credit losses based on expected credit losses instead of incurred losses by assessing changes in expected credit losses and recognizing such changes as impairment loss (or reversal of impairment loss) in profit or loss. The allowance required to be established with respect to a loan or receivable is the amount of the expected 12-month credit loss or the expected lifetime credit loss for the applicable loan or receivable, according to three stages of credit risk deterioration since initial recognition.

As of December 31, 2024, the Guarantor established allowances of ₩2,926.0 billion for loan losses, which was 5.6% lower than the allowances as of December 31, 2023 of ₩3,100.0 billion, resulting from the Guarantor's disposals of non-performing loans and participations in debt-for-equity swap transactions. Allowances for loan losses under Korean IFRS are recorded for loans based on expected credit losses, depending on whether there has been a significant increase in credit risk or a credit impairment since initial recognition and, if the Guarantor's allowances for loan losses are deemed insufficient for regulatory purposes, it compensates for the difference by recording a regulatory reserve for loan losses within retained earnings. See Notes 3(27), 9(1), 23(4) and 23(5) of the notes to the Guarantor's separate financial statements as of and for the years ended December 31, 2024 and 2023 included in this Offering Circular.

Certain of the Guarantor's customers have restructured loans with their creditor banks. As of December 31, 2024, the Guarantor has provided loans of ₩717.0 billion for companies under workout, court receivership, court mediation and other restructuring procedures. In addition, as of such date, the Guarantor held equity securities of such companies in the amount of ₩68.8 billion, acquired through debt-for-equity swap transactions. As of December 31, 2024, the Guarantor had established allowances of ₩367.4 billion for loan losses with respect to such companies. The Guarantor cannot assure you that actual results of the credit loss from the loans to these customers will not exceed the allowances established.

The following table provides information on the Guarantor's loan loss allowances.

		As of December 31, 2023[1]		As of December 31, 2024[1]	
		Loan Amount	Loan Loss Allowances	Loan Amount	Loan Loss Allowances
		(billions of Won)			
Loan Classification	Normal[2]	₩201,239.1	₩2,127.3	₩210,727.5	₩2,186.3
	Precautionary	412.3	77.1	551.5	100.0
	Substandard	624.1	223.6	566.8	225.6
	Doubtful	163.6	139.6	177.1	107.3
	Expected Loss	628.2	532.4	359.7	306.8
	Total	₩203,067.3	₩3,100.0	₩212,382.5	₩2,926.0

(1) These figures include loans for facility development, loans for working capital, loans for households, inter-bank loans, private loans, off-shore loan receivables, loans borrowed from overseas financial institutions, bills bought in foreign currencies, advance payments on acceptances and guarantees and other loans.

(2) Includes loans guaranteed by the Government. Under Korean IFRS, the Guarantor establishes loan loss allowances for all loans including loans guaranteed by the Government.

As of December 31, 2024, the Guarantor's non-performing loans totaled ₩1,103.5 billion, representing 0.5% of its outstanding loans as of such date. Non-performing loans are defined as loans that are classified as substandard or below. On December 31, 2024, the Guarantor's legal reserve was ₩3,725.5 billion, representing 1.8% of its outstanding loans as of such date.

Loans to Financially Troubled Companies

The Guarantor has credit exposure to a number of financially troubled Korean companies, including HMM Company Limited (formerly, Hyundai Merchant Marine Co., Ltd.), HJ Shipbuilding & Construction Co., Ltd. (formerly, Hanjin Heavy Industries & Construction Co., Ltd.), Daehan Shipbuilding, K Shipbuilding, GM Korea Company and Taeyoung E&C. As of December 31, 2024, the Guarantor's credit extended to these companies totaled ₩9,966.1 billion, accounting for 2.9% of its total assets as of such date.

The following table shows the changes in credit exposure (including loans, guarantees and equity investments classified as substandard or below) extended to these companies as of the dates indicated:

Company	As of December 31, 2023	As of December 31, 2024	Primary Reason for Change
	(billions of Won)		
HMM Company Limited	₩6,549.4	₩6,595.1	Increase due to the reclassification of shares from assets held for sale to investments in associates
HJ Shipbuilding & Construction	1,195.7	966.8	Decrease due to decreases in working capital loans and refund guarantees
Daehan Shipbuilding	977.2	1,067.3	Increase due to an increase in refund guarantees
K Shipbuilding	645.2	728.5	Increase due to an increase in refund guarantees
GM Korea Company	455.9	474.7	Increase due to an increase in the value of stocks
Taeyoung E&C	138.0	133.7	Decrease due to a reduction in the value of stocks in connection with debt-for-equity swaps
Total	₩9,961.4	₩9,966.1	

As of December 31, 2024, the Guarantor established allowances of ₩0.6 billion for HMM Company Limited, ₩133.3 billion for HJ Shipbuilding & Construction, ₩112.8 billion for Daehan Shipbuilding, ₩67.4 billion for K Shipbuilding, none for GM Korea Company and ₩17.9 billion for Taeyoung E&C.

In July 2016, HMM Company Limited executed a debt-to-equity swap with the Guarantor and other creditors, as part of its continued restructuring led by the Guarantor as its largest creditor, and affiliates of the Hyundai group reduced their shareholdings in HMM Company Limited, which resulted in the Guarantor becoming the largest shareholder of HMM Company Limited. In October 2018, the Guarantor injected ₩1 trillion in emergency aid into HMM Company Limited in order to normalize its operations by purchasing bonds with warrants and convertible bonds issued by HMM Company Limited. The Guarantor also concurrently entered into an agreement to jointly manage HMM Company Limited together with Korea Ocean Business Corporation until December 2020, which was subsequently extended to January 2022. In June 2021, the Guarantor exercised its right to convert ₩300 billion of its convertible bonds into 60 million common shares of HMM Company Limited. Following an improvement in the financial performance of HMM Company Limited, the Guarantor ended its joint management of HMM Company Limited in January 2022, upon which Korea Ocean Business Corporation became its sole manager. The Guarantor and Korea Ocean Business Corporation are each pursuing the sale of the Guarantor's respective equity shares in HMM Company Limited. In July 2023, the Guarantor and Korea Ocean Business Corporation jointly announced a combined sale of an aggregate of approximately 38.9% of the equity interest in HMM Company Limited through a competitive bidding process. Although a consortium led by Harim Group was initially selected as the preferred bidder in December 2023, the Guarantor concluded its negotiations with them in February 2024 upon failure to reach an agreement on certain commercial issues. In October 2023, the Guarantor exercised its right to convert ₩200 billion of its convertible bonds into 40 million common shares of HMM Company Limited and exercised its stock purchase warrant tied to the bonds with

warrants the Guarantor had purchased previously and acquired 60 million common shares of HMM Company Limited. In May, June and October 2024, the Guarantor exercised its right to convert an aggregate of ₩480 billion of its convertible bonds into an aggregate of 96 million common shares of HMM Company Limited. In April 2025, the Guarantor exercised its right to convert ₩360 billion of its convertible bonds into 72 million common shares of HMM Company Limited, following which the Guarantor's equity stake in HMM Company Limited amounted to 36.02% as of April 30, 2025.

In January 2019, HJ Shipbuilding & Construction Philippines, a subsidiary of HJ Shipbuilding & Construction at Subic Bay in the Philippines, declared bankruptcy and filed for corporate rehabilitation with a regional trial court following its failure to comply with loan obligations to its Philippine lenders. In March 2019, creditors in Korea (including the Guarantor) and lenders in the Philippines agreed on, and executed, a business normalization plan including a debt-to-equity swap and capital reduction for HJ Shipbuilding & Construction, as a result of which the Guarantor became the largest shareholder of HJ Shipbuilding & Construction. In September 2021, creditors of HJ Shipbuilding & Construction (including the Guarantor) sold a 66.85% interest in the company to a consortium led by Dongbu Corporation.

K Shipbuilding has faced financial difficulties for the past several years due to prolonged slowdowns in the Korean shipbuilding and shipping industries. K Shipbuilding, which had filed for court receivership in May 2016 and executed debt-to-equity swaps with their creditors (including the Guarantor) in December 2016 under a rehabilitation plan through which the Guarantor increased its equity interest to 43.9% and became its largest shareholder, exited court receivership in July 2017. In November 2020, the Guarantor selected a consortium consisting of KH Investment and UAMCO., Ltd. as the preferred bidder for the sale of shares of K Shipbuilding. In July 2021, the consortium acquired a 97% interest in K Shipbuilding for ₩250 billion. In December 2021, the Guarantor terminated its creditor management of K Shipbuilding, and in December 2022, sold all of its equity stake in K Shipbuilding.

In January 2024, Taeyoung Engineering & Construction Co., or Taeyoung E&C, commenced workout procedures, pursuant to which its creditors, including the Guarantor, agreed to temporarily defer all of its debt payment obligations. Subsequently, the Guarantor, as the lead creditor, worked together with external consultants to evaluate Taeyoung E&C's ability to maintain its business and repay its loans. In April 2024, the Guarantor proposed a corporate improvement plan to restructure Taeyoung E&C based on such evaluation, which would involve debt-to-equity swaps and capital reductions, among others, and the creditors approved such corporate improvement plan, following which the Guarantor entered into an agreement with Taeyoung E&C to implement such plan.

In 2024, the Guarantor sold non-performing loans worth ₩387.4 billion to Hana F&I Co., Ltd.

The Guarantor's large exposure to financially troubled companies in Korea means that it is also exposed to financial difficulties experienced by its borrowers as a result of, among other things, adverse economic conditions in Korea and globally, which could disrupt the business, activities and operations of many of the Guarantor's borrowers, which in turn could have an adverse impact on the ability of the Guarantor's borrowers to meet existing payment or other obligations to the Guarantor. For example, the COVID-19 pandemic resulted in significant global and domestic economic and financial disruptions, and had an especially direct negative impact on certain of the Guarantor's borrowers, among them the airline industry, which required significant liquidity following a sharp decline in aircraft traffic and a dramatic increase in the number of suspended flights due to entry restrictions imposed by many countries in response to COVID-19 during the course of the pandemic.

In April 2020, the Guarantor provided Asiana Airlines, a subsidiary of Kumho Asiana Group and the second-largest airline in Korea, with liquidity support in the aggregate amount of approximately ₩1.2 trillion, in the form of the provision of a credit line and an investment in its perpetual convertible bonds. The Guarantor's decision to take such measures was largely driven by a need to address Asiana Airlines' financial difficulties resulting from the negative impact of the COVID-19 pandemic on the airline industry, although the Guarantor

had previously provided Asiana Airlines with liquidity support in similar amount and form in 2019 as well with the aim of enhancing its financial condition. In the fourth quarter of 2020, the Guarantor injected ₩0.3 trillion into Asiana Airlines through the Key Industry Stabilization Fund, which was established by the Government to support businesses in certain key industries that faced financial difficulties resulting from the COVID-19 pandemic, in order to normalize its operations following the cancellation of plans by a consortium led by HDC Hyundai Development to acquire Asiana Airlines. In November 2020, the Guarantor signed an investment agreement with Hanjin KAL, the parent company of the Issuer, to inject ₩800 billion (consisting of ₩500 billion through participation in a rights offering and ₩300 billion through purchase of exchangeable bonds) into Hanjin KAL in connection with the Issuer's contemplated acquisition of a 63.9% stake in Asiana Airlines through a transaction valued at ₩1.8 trillion (the "Asiana Acquisition"). In December 2020, Asiana Airlines' shareholders approved a 3-to-1 share capital reduction plan, which was aimed at offsetting part of Asiana Airlines' deficits and improving its capital structure. The Asiana Acquisition was consummated in December 2024 after a lengthy approval process by the antitrust authorities of a number of jurisdictions, following which Asiana Airlines became a consolidated subsidiary of the Issuer. As of December 31, 2024, the Guarantor's equity interest in Hanjin KAL amounted to approximately 10.6%. In February 2025, Asiana Airlines repaid all of its outstanding credit obligations to the Guarantor, in the aggregate amount of approximately ₩1.4 trillion. See "The Issuer—Acquisition of Asiana Airlines."

In addition, adverse economic conditions in Korea have prompted the Government in recent years to implement various emergency aid initiatives involving Korean banks, including the Guarantor, to provide liquidity assistance to a range of financially troubled companies. Such initiatives include, among others, the provision of new loans to financially troubled companies, extension of maturity dates for existing loans and suspension of interest payment obligations for an extended period of time. For example, in February 2024, the Government announced a financial support program amounting to ₩75.9 trillion mostly aimed at helping small- and medium-sized enterprises overcome adverse economic conditions resulting from the prevailing high interest rate environment and expand their businesses into new industries. The Guarantor provided ₩15.3 trillion toward this program as of December 31, 2024. The Guarantor's participation in such Government-led initiatives may lead the Guarantor to extend credit to financially troubled borrowers that the Guarantor would not otherwise extend, or offer terms for such credit that the Guarantor would not otherwise offer, in the absence of such initiatives. Furthermore, there is no guarantee that the financial condition and liquidity position of the Guarantor's financially troubled borrowers benefiting from such initiatives will improve sufficiently for them to service their debt on a timely basis, or at all. Accordingly, increases in the Guarantor's exposure to financially troubled borrowers resulting from such Government-led initiatives may have a material adverse effect on the Guarantor's financial condition and results of operations.

A deterioration in the financial condition of the Guarantor's borrowers, including those under workout, court receivership, court mediation or other restructuring procedures, could result in a deterioration in the quality of the Guarantor's loan portfolio. This, in turn, could result in an increase in delinquency ratios, increased charge-offs and higher provisioning, as well as an increase in impairment losses on such loans, which could have a material adverse impact on the Guarantor's business, financial condition or results of operations.

Operations

Loan Operations

The Guarantor mainly provides equipment capital loans, project loans and working capital loans to private Korean enterprises that undertake major industrial projects either directly or indirectly through on-lending. The loans generally cover over 50%, and in some cases as much as 100%, of the total project cost. Equipment capital loans include loans to major industries for development of high technology and for acquisition, improvement or repair of machinery and equipment. The Guarantor disburses loan proceeds in installments to ensure that the borrower uses the loan for its intended purpose.

Before approving a loan, the Guarantor considers:

- the economic benefits of the project to the Republic;
- the extent to which the project serves priorities established by the Government's industrial policy;
- the project's operational feasibility;
- the loan's and the project's profitability; and
- the quality of the borrower's management.

The interest rate the Guarantor charges on its loans varies based on a number of factors, including the purpose of the loan, maturity date and the borrower's credit ratings. Certain loans bear interest at below market rates. Equipment capital loans generally have original maturities of three to five years, although the Guarantor occasionally makes equipment capital loans with longer maturities. Working capital loans usually mature within two years.

The Business Planning Department functions as the Guarantor's centralized policy-making and planning division with respect to the Guarantor's lending activities. The Business Planning Department formulates and revises the Guarantor's internal regulations on loan programs as well as setting basic lending guidelines.

The Guarantor has multiple levels of loan approval authority, depending on the loan amount and other factors such as the availability of collateral or guarantee, debt repayment ability and business prospects. The Credit Review Committee, Division Credit Review Committee, Division Credit Review Sub-Committee, Credit Officer, Head of the Regional Head Office and General Manager each has authority to approve loans up to a specified amount. The amount differs depending on the type of loan and certain other factors, for example, whether a loan is collateralized or guaranteed.

The Guarantor's overall risk management policy is set by the Risk Management Committee. For detailed information regarding the Guarantor's risk management policy and procedures, see Note 48 of the notes to the Guarantor's separate financial statements as of and for the years ended December 31, 2024 and 2023 included in this Offering Circular.

The following table sets out, by currency and category of loan, the Guarantor's total outstanding loans:

Loans[1]

	As of December 31,	
	2023	2024
	(billions of Won)	
Equipment Capital Loans:		
Domestic Currency	₩ 61,149.1	₩ 62,063.4
Foreign Currency	11,861.3	12,719.7
	73,010.4	74,783.1
Working Capital Loans:		
Domestic Currency[2]	69,497.3	68,969.5
Foreign Currency	17,458.0	21,931.6
	86,955.4	90,901.1
Other Loans[3]	43,101.6	46,698.2
Total Loans	₩203,067.3	₩212,382.5

(1) Includes loans extended to affiliates.

(2) Includes loans on households.
(3) Includes inter-bank loans, private loans, off-shore loan receivables, loans borrowed from overseas financial institutions, bills bought in foreign currencies, advance payments on acceptances and guarantees and other loans.

As of December 31, 2024, the Guarantor had ₩212,382.5 billion in outstanding loans, which represents a 4.6% increase from ₩203,067.3 billion of outstanding loans as of December 31, 2023.

Maturities of Outstanding Loans

The following table categorizes the Guarantor's outstanding equipment capital and working capital loans by their remaining maturities:

Outstanding Equipment Capital and Working Capital Loans by Remaining Maturities(1)

	As of December 31,		As % of December 31, 2024 Total
	2023	2024	
	(billions of Won, except percentages)		
Loans with Remaining Maturities of One Year or Less	₩ 69,771.0	₩ 78,640.4	47.5%
Loans with Remaining Maturities of More Than One Year	90,194.7	87,043.8	52.5
Total	₩159,965.7	₩165,684.2	100.0%

(1) Includes loans extended to affiliates.

Loans by Industrial *Sector*

The following table sets out the total amount of the Guarantor's outstanding equipment capital and working capital loans, categorized by industry sector:

Outstanding Equipment Capital and Working Capital Loans by Industry Sector(1)

	As of December 31,		As % of December 31, 2024 Total
	2023	2024	
	(billions of Won, except percentages)		
Manufacturing	₩ 72,985.3	₩ 76,354.0	46.1%
Banking and Insurance	38,223.0	40,685.5	24.6
Transportation	10,493.9	10,259.3	6.2
Public Administration	539.4	745.9	0.5
Electric, Gas and Water Supply Industry	5,562.0	5,689.7	3.4
Others(2)	32,162.2	31,949.8	19.3
Total	₩159,965.7	₩165,684.2	100.0%
Percentage increase (decrease) from previous period	1.5%	3.6%	

(1) Includes loans extended to affiliates.
(2) Includes wholesale and retail trade, real estate and leasing, and construction.

Industrial Bank of Korea was the Guarantor's single largest borrower as of December 31, 2024, accounting for 4.1% of the Guarantor's outstanding equipment capital and working capital loans. As of December 31, 2024, the Guarantor's five largest borrowers and 20 largest borrowers accounted for 10.2% and 20.1%, respectively, of the Guarantor's outstanding equipment capital and working capital loans.

The following table breaks down the equipment capital and working capital loans to the Guarantor's 20 largest borrowers outstanding as of December 31, 2024 by industry sector:

20 Largest Borrowers by Industry Sector

	As % of December 31, 2024 Total Outstanding Equipment Capital and Working Capital Loans to the Guarantor's 20 Largest Borrowers
Manufacturing	36.4%
Banking and Insurance	47.9
Transportation	7.7
Electric, Gas and Water Supply Industry	4.4
Others[1]	3.6
Total	100.0%

(1) Includes wholesale and retail trade, real estate and leasing, and construction.

The following table categorizes the new loans made by the Guarantor by industry sector:

New Loans by Industry Sector

	Year Ended December 31,		As % of Year Ended December 31, 2024 Total
	2023	2024	
	(billions of Won, except percentages)		
Manufacturing	₩40,217.9	₩41,700.8	52.8%
Banking and Insurance	17,283.5	13,487.1	17.1
Transportation	4,249.5	4,033.8	5.1
Electric, Gas and Water Supply Industry	2,752.8	3,394.9	4.3
Public Administration	163.9	258.3	0.3
Others[1]	15,940.9	16,170.3	20.5
Total	₩80,608.5	₩79,045.2	100.0%
Percentage increase (decrease) from previous period	4.0%	(1.9)%	

(1) Includes wholesale and retail trade, real estate and leasing, and construction.

Loans *by Categories*

In addition to dividing its loans into equipment capital and working capital loans, the Guarantor classifies loans into several groupings, the most important being:

- industrial fund loans;
- on-lending loans;
- foreign currency loans;
- local currency loans denominated in foreign currencies;
- offshore loans in foreign countries; and
- government fund loans.

The following table sets out equipment capital and working capital loans by categories as of December 31, 2024:

	Equipment Capital Loans[1]		Working Capital Loans[1]	
	As of December 31, 2024	%	As of December 31, 2024	%
	(billions of Won, except percentages)			
Industrial fund loans	₩56,651.8	75.8%	₩55,151.6	60.7%
On-lending loans	2,018.1	2.7	13,114.0	14.4
Foreign currency loans	7,792.4	10.4	1,712.5	1.9
Local currency loans denominated in foreign currencies	0.7	0.0	16.4	0.0
Offshore loans in foreign currencies	4,824.8	6.5	18,487.3	20.3
Government fund loans	61.4	0.1	0.0	0.0
Overdraft	0.0	0.0	131.1	0.1
Others[1]	3,433.9	4.6	2,288.2	2.5
Total	₩74,783.1	100.0%	₩90,901.1	100.0%

(1) Includes loans on households and loans extended to affiliates.

Industrial Fund Loans. Industrial fund loans are equipment capital and working capital loans denominated in Won to borrowers in major industries to finance equipment and facilities.

The Guarantor currently makes equipment capital industrial fund loans at floating or fixed rates for terms of up to 20 years and for up to 100% of the equipment cost being financed. The Guarantor makes working capital industrial fund loans at floating or fixed rates and in amounts constituting up to 50% of the borrower's estimated annual sales for the manufacturing industry or up to 40% for the non-manufacturing industry, excluding depreciation expenses.

On-lending Loans. On-lending is a form of indirect financing that involves intermediary financial institutions which on-lend the funds provided by the Guarantor to industrial borrowers and are responsible for repayment to the Guarantor. Most of the funds provided by the Guarantor through on-lending are ultimately lent to small- and medium-sized enterprises for their equipment purchases and working capital. The Guarantor explicitly sets detailed guidelines (including scope of borrowers, maturity and interest rates) for intermediary financial institutions to be followed when on-lending to the ultimate borrowers. The Guarantor monitors its exposure to, and the credit standing of, each financial institution to which it lends. Borrowers do not apply directly to the Guarantor and may only apply for the Guarantor's on-lending loans through their regular bank or another bank of their choice. The intermediary bank appraises the financial and business situation of the applicant and generally assumes liability for repayment to the Guarantor. Although the processing of individual loans requires two formally separate loan approvals for each borrower, first by the intermediary bank and then by the Guarantor, the ultimate borrower need only apply to the intermediary bank for approval.

Foreign Currency Loans. The Guarantor extends loans denominated in U.S. dollars, Japanese Yen or other foreign currencies principally to finance the purchase of industrial equipment from abroad or the implementation of overseas industrial development projects by Korean companies. The Guarantor makes these loans at floating interest rates with original maturities, in the case of equipment capital foreign currency loans, of up to 20 years and, in the case of working capital foreign currency loans, of up to three years.

Local Currency Loans Denominated in Foreign Currencies. The Guarantor makes local currency loans denominated in foreign currencies for the same purposes, and to the same borrowers, as foreign currency loans. Although the Guarantor denominates the loans in foreign currency, the borrower receives and repays the loans in Won based on foreign exchange rates at the time of receipt and repayment. The Guarantor currently makes loans of this type at floating interest rates, with original maturities, in the case of equipment capital loans, of up to 20 years and, in the case of working capital loans, of up to three years.

Offshore Loans in Foreign Currencies. The Guarantor extends offshore loans in foreign currencies to finance:

- the purchase of industrial equipment and the implementation of overseas industrial projects by overseas subsidiaries and branches of Korean companies; and
- the overseas industrial development projects of foreign government entities, international organizations and foreign companies.

The Guarantor makes these loans at floating interest rates with original maturities, in the form of equipment capital foreign currency loans, generally of up to 20 years and, working capital foreign currency loans, generally of up to three years. However, longer maturities may be negotiated on an individual basis.

Government Fund Loans. The Guarantor makes government fund loans primarily to finance:

- water supply and drainage facilities;
- the Seoul subway system;
- freight terminal facilities;
- hospitals; and
- other facilities.

Government fund loans that are equipment capital loans require approval by the appropriate Government ministry. The Guarantor currently makes government fund loans in Won at floating interest rates with original maturities of 10 to 20 years.

Other Loans. The Guarantor also makes special purpose fund loans for particular industries or projects using funds lent to the Guarantor by the Government and foreign financial institutions. The Government funds that finance these loans include, among others:

- the Tourism Promotion Fund (hotel and resort projects);
- the Rational Use of Energy Fund (energy conservation projects and collective energy supply projects); and
- the Small- and Medium-sized Enterprises Promotion Fund (small- and medium-sized enterprises).

For further information relating to such loans, see "—Sources of Funds."

Guarantee Operations

The Guarantor extends guarantees to its clients to facilitate their other borrowings and to finance major industrial projects. The Guarantor guarantees Won-denominated corporate debentures, local currency loans, and other Won liabilities and foreign currency loans from domestic and overseas Korean financial institutions and from foreign institutions. The KDB Act and the Guarantor's Articles of Incorporation limit the aggregate amount of the Guarantor's industrial finance bond obligations and guarantee obligations. See "—Sources of Funds."

The Guarantor generally obtains collateral valued in excess of the original guarantee. The Guarantor appraises the value of its collateral at least once a year. Depending on the borrower, the collateral may be industrial plants, real estate and/or marketable securities.

The following table shows the Guarantor's outstanding guarantees:

Guarantees Outstanding

	As of December 31,	
	2023	2024
	(billions of Won)	
Acceptances	₩ 179.8	₩ 208.8
Guarantees on local borrowing	795.7	742.5
Guarantees on foreign borrowing	9,793.3	11,361.3
Letter of guarantee for importers	35.9	42.7
Total	₩10,804.7	₩12,355.3

Investments

The Guarantor invests in a range of Korean private and Government-owned enterprises but it will not take a controlling interest in a company unless the acquisition is necessary for the corporate restructuring of the company. Although generally a long-term investor, the Guarantor sells investments from time to time. In recent years, sales resulted principally from the Government's privatization program, and the Guarantor expects to continue such sales in the future. The Government plans to sell its direct or indirect interest in certain private sector companies acquired during previous restructuring programs, including Daewoo Engineering & Construction Co., Ltd., depending on market conditions. In accordance with such plan, the Guarantor expects to sell its equity holdings in certain private sector companies if favorable opportunities for sale arise. The Guarantor's equity investments increased to ₩51,083.5 billion as of December 31, 2024 from ₩45,040.4 billion as of December 31, 2023.

The KDB Act and the Guarantor's Articles of Incorporation provide that the cost basis of the Guarantor's total equity investments may not exceed twice the sum of its paid-in capital and its reserve from profit. In addition, pursuant to the KDB Decree, the Guarantor may not acquire equity securities of a single company in excess of 15% of its entire voting shares. The 15% limit, however, does not apply to certain investments, including those in companies financed by capital contributions from the Government. As of December 31, 2024, the cost basis of the Guarantor's equity investments subject to restriction under the KDB Act and the Guarantor's Articles of Incorporation totaled ₩25,346.7 billion, equal to 42.1% of its equity investment ceiling. For a discussion of Korean accounting principles relating to the Guarantor's equity investments, see "—Financial Statements and the Auditors."

The following table sets out the Guarantor's equity investments by industry sector on a book value basis as of December 31, 2024:

Equity Investments

	Book Value as of December 31, 2024
	(billions of Won)
Electric, Gas and Water Supply Industry	₩16,984.6
Construction	1,013.5
Banking and Insurance	13,170.6
Real Estate Business	9.7
Manufacturing	3,753.1
Transportation and Communication	5,939.7
Others	10,212.3
Total	₩51,083.5

As of December 31, 2024, the Guarantor held total equity investments, on a book value basis, of ₩2,227.9 billion in one of its five largest borrowers and ₩3,381.0 billion in three of its 20 largest borrowers. The Guarantor has not established a policy addressing loans to enterprises in which it holds equity interests or equity interests in enterprises to which it has extended loans.

When possible, the Guarantor uses the prevailing market price of a security to determine the value of its interest. However, if no readily ascertainable market value exists for its holdings, the Guarantor records these investments at the cost of acquisition. With respect to its equity interests in enterprises in which the Guarantor holds more than 15% of interest, the Guarantor values these investments annually, with certain exceptions, on a net asset value basis when the investee company releases its financial statements. As of December 31, 2024, the aggregate value of the Guarantor's equity investments accounted for approximately 78.9% of their aggregate cost basis.

As part of its investment activities, the Guarantor underwrites straight and convertible bond issuances in Won for domestic corporations. The Guarantor also invests in municipal bonds, extending funds to municipalities at subsidized interest rates, mostly to finance water supply and drainage infrastructure projects.

Other Activities

The Guarantor engages in a range of industrial development activities in addition to providing loans and guarantees, including:

- conducting economic and industrial research;
- performing engineering surveys;
- providing business analyses and managerial assistance; and
- offering trust services.

As of December 31, 2024, the Guarantor held in trust cash and other assets totaling ₩30,231.7 billion, and it generated in 2024 trust fee income equaling ₩441.5 billion. As of December 31, 2023, the Guarantor held in trust cash and other assets totaling ₩32,834.0 billion, and it generated in 2023 trust fee income equaling ₩449.1 billion. Pursuant to Korean law, the Guarantor segregates trust assets from its other assets; trust assets are not available to satisfy claims of the Guarantor's depositors or other creditors. Accordingly, the Guarantor accounts for its trust accounts separately from its banking accounts. However, if the Guarantor's trust operations fail to preserve the principal of its clients' trust assets, the Guarantor is responsible for covering the deficit either from previously established provisions in its trust accounts or by a transfer from its banking accounts. In 2023 and 2024, the Guarantor did not transfer any funds from its banking accounts to cover deficits in its trust accounts. Surplus funds generated by the trust assets may be deposited into the clients' accounts and earn interest. The Guarantor reflects trust fees earned by the Guarantor on its trust account management services as other operating revenues in the income statement of the banking accounts.

Sources of Funds

In addition to its capital and reserves, the Guarantor obtains funds primarily from:

- borrowings from the Government;
- issuances of bonds in the domestic and international capital markets;
- borrowings from international financial institutions or foreign banks; and
- deposits.

All of the Guarantor's borrowings are unsecured.

Borrowings from the Government

The Guarantor borrows from the Government's general purpose funds and its special purpose funds. General purpose loans generally are in Won and have fixed interest rates and maturities ranging from five to 20 years. The Guarantor incurs special purpose loans, principally from the Tourism Promotion Fund, the Rational Use of Energy Fund and the Small- and Medium-sized Enterprises Promotion Fund, in connection with specific projects the Guarantor finances. The Government links the interest rate and maturity of each special purpose borrowing to the terms of the financing the Guarantor provides for the specific project.

The following table sets out the Guarantor's Government borrowings as of December 31, 2024:

Type of Funds Borrowed	As of December 31, 2024 (billions of Won)
General Purpose	₩ 62.2
Special Purpose	4,626.9
Total	₩4,689.0

Domestic and International Capital Markets

The Guarantor issues industrial finance bonds both in Korea and abroad, some of which the Government directly guarantees. The Guarantor generally issues domestic bonds at fixed interest rates with original maturities of one to ten years.

The following table sets out the outstanding balance of the Guarantor's industrial finance bonds as of December 31, 2024:

Outstanding Balance	As of December 31, 2024 (billions of Won)
Denominated in Won	₩115,502.4
Denominated in Other Currencies	52,024.1
Total	₩167,526.5

The KDB Act provides that the aggregate outstanding principal amount of the Guarantor's industrial finance bonds, other than those directly guaranteed or purchased by the Government, plus the aggregate outstanding amount of debt (including bonds and loans) guaranteed or purchased by the Guarantor, other than those excepted by the KDB Act, may not exceed 30 times the sum of the Guarantor's paid-in capital and its reserve from profit. As of December 31, 2024, the aggregate amount of the Guarantor's industrial finance bonds and guarantee obligations (including guarantee obligations relating to loans that had not been borrowed as of December 31, 2024) was ₩187,040.0 billion, equal to 20.7% of its authorized amount under the KDB Act, which was ₩903,587.9 billion.

In 2024, the Guarantor issued ₩50.1 trillion in Won-denominated industrial finance bonds and ₩16.5 trillion in industrial finance bonds denominated in other currencies. In 2025, the Guarantor is targeting to issue approximately ₩51.2 trillion in Won-denominated industrial finance bonds and approximately ₩20.3 trillion in industrial finance bonds denominated in other currencies, subject to change depending on the Guarantor's funding needs and market conditions.

Foreign Currency Borrowings

The Guarantor borrows money from institutions, principally syndicates of commercial banks, outside the Republic in foreign currencies. The Guarantor frequently enters into related interest rate and currency swap

transactions. The loans generally have original maturities of one to five years. As of December 31, 2024, the outstanding amount of the Guarantor's foreign currency borrowings was US$19.0 billion.

The Guarantor's long-term and short-term foreign currency borrowings increased to ₩27,999.4 billion as of December 31, 2024 from ₩22,934.4 billion as of December 31, 2023.

Deposits

The Guarantor takes demand deposits and time and savings deposits from the general public. Time and savings deposits generally have maturities shorter than three years and bear interest at fixed rates. As of December 31, 2024, demand deposits held by the Guarantor totaled ₩2,078.6 billion and time and savings deposits held by the Guarantor totaled ₩54,865.3 billion.

Debt

Debt Repayment Schedule

The following table sets out the Guarantor's principal repayment schedule as of December 31, 2024:

Debt Principal Repayment Schedule[1]

Currency[2][3]	Maturing on or before December 31, 2025	2026	2027	2028	Thereafter
			(billions of Won)		
Won	₩51,514.3	₩39,346.6	₩15,690.1	₩ 5,071.3	₩ 8,277.5
Foreign	40,715.7	14,176.9	10,157.7	6,011.6	8,961.6
Total Won Equivalent	₩92,230.0	₩53,523.5	₩25,847.8	₩11,082.9	₩17,239.0

(1) Excludes bonds sold under repurchase agreements.
(2) Borrowings in foreign currencies have been translated into Won at the market average exchange rates on December 31, 2024, as announced by the Seoul Money Brokerage Services, Ltd.
(3) The Guarantor categorizes debt with respect to which the Guarantor has entered into currency swap agreements by its repayment currency under such agreements.

The following table summarizes, as of December 31 of the years indicated, the Guarantor's outstanding direct internal debt:

Direct Internal Debt

	(billions of Won)
2020	113,091.4
2021	115,318.8
2022	126,854.0
2023	121,108.9
2024	120,191.5

The following table summarizes, as of December 31 of the years indicated, the Guarantor's outstanding direct external debt:

Direct External Debt

	(billions of Won)
2020	42,207.6
2021	52,412.9
2022	60,771.2
2023	66,102.6
2024	80,023.5

The following table sets out, by currency and the equivalent amount in U.S. Dollars, the Guarantor's outstanding external bonds as of December 31, 2024:

External Bonds

	Amount in Original Currency		Equivalent Amount in U.S. Dollars[1]
		(millions)	
US$	USD	27,349	27,349
Euro (EUR)	EUR	1,929	2,006
New Zealand Dollar (NZD)	NZD	140	79
Hong Kong dollar (HKD)	HKD	6,200	799
Chinese offshore renminbi (CNH)	CNH	5,330	730
Swiss franc (CHF)	CHF	925	1,023
Brazilian real (BRL)	BRL	11,400	1,846
Australian dollar (AUD)	AUD	1,466	911
Great Britain Sterling (GBP)	GBP	311	390
Norwegian Krone (NOK)	NOK	400	35
Indonesian Rupiah (IDR)	IDR	1,620,000	100
Indian Rupee (INR)	INR	11,213	131
Swedish Krona (SEK)	SEK	1,410	128
Mexican Peso (MXN)	MXN	3,500	169
Thai Baht (THB)	THB	4,580	134
Singapore Dollar (SGD)	SGD	20	15
Japanese Yen (JPY)	JPY	10,000	64
Total			US$35,909

(1) Amounts expressed in currencies other than US$ are converted to US$ at the exchange rate announced by the Seoul Money Brokerage Services, Ltd. in effect on December 31, 2024.

Debt Record

The Guarantor has never defaulted in the payment of principal or interest on any of its obligations.

Overseas Operations

The Guarantor operates overseas subsidiaries in Hong Kong, Dublin, Budapest, Sao Paulo, Tashkent, Jakarta and Mountain View. The subsidiaries engage in a variety of banking and merchant banking services, including:

- managing and underwriting new securities issues;
- syndicating medium and long-term loans;

- trading securities;
- trading in the money market; and
- providing investment management and advisory services.

The Guarantor currently maintains twelve branches in Tokyo, Shanghai, Singapore, New York City, London, Beijing, Guangzhou, Qingdao, Shenyang, Yangon, Hong Kong and Frankfurt, and six overseas representative offices in Ho Chi Minh City, Abu Dhabi, Moscow, Sydney, Bangkok and Jakarta.

Property

The Guarantor's head office is located at 14 Eunhaeng-ro, Yeongdeungpo-gu, Seoul, Korea, a 35,996 square meter building completed in July 2001 and owned by the Guarantor. In addition to the head office, the Guarantor maintains 60 branches in major cities throughout the Republic, including 18 in Seoul. The Guarantor generally leases its domestic and overseas offices under long-term leases.

Directors and Management; Employees

The Guarantor's Board of Directors has ultimate responsibility for management of its affairs. Under the KDB Act and the Guarantor's Articles of Incorporation, the Guarantor's Board of Directors is to consist of one Chief Executive Officer (who also serves as the Chairman of the Board of Directors), one Chief Operating Officer and not more than eight directors. Under the KDB Act, the President of the Republic appoints the Guarantor's Chief Executive Officer and Chairman of the Board of Directors upon the recommendation of the Chairman of the Financial Services Commission. The Financial Services Commission appoints all of the Guarantor's directors upon the recommendation of its Chief Executive Officer. Under the Guarantor's Articles of Incorporation, the Guarantor's executive directors serve for three-year terms and they may be re-appointed, and the Guarantor's independent non-executive directors serve for two-year terms and they may be re-appointed; provided, however, that the Guarantor's independent non-executive directors shall not serve more than one year for each reappointment and shall not serve more than five years consecutively.

Currently, the members of the Guarantor's Board of Directors are:

Position	Name	Expiration of Term
Chief Executive Officer and Chairman of the Board of Directors	—(1)	—
Acting Chief Executive Officer, Chief Operating Officer and Vice Chairman of the Board of Directors	Bock Kyu Kim	March 22, 2026
Auditor	Jae Shin Kim	August 25, 2027
Independent Non-executive Directors	Hee Rak Kim	January 28, 2026
	Sun Key You	January 28, 2026
	Seung Cheol Jeon	May 1, 2027
	Seonghoon Cho	May 1, 2027

(1) Seog Hoon Kang's term as the Chief Executive Officer and the Chairman of the Board of Directors of the Guarantor ended on June 6, 2025. As of the date of this Offering Circular, no successor has been appointed, and as such, Bock Kyu Kim currently serves as the Acting Chief Executive Officer of the Guarantor.

As of December 31, 2024, the Guarantor employed 3,513 persons with 2,091 persons located in its head office.

Financial Statements and the Auditors

The Government elects the Guarantor's Auditor who is responsible for examining its financial operations and auditing its financial statements and records. The present Auditor is Jae Shin Kim, who was appointed by the Financial Services Commission for a three-year term on August 26, 2024.

The Guarantor prepares its financial statements annually for submission to the Financial Services Commission, accompanied by an opinion of the Auditor. Although the Guarantor is not legally required to have financial statements audited by external independent auditors, an independent public accounting firm has audited its separate and consolidated financial statements commencing with such financial statements as of and for the year ended December 31, 1998. As of the date of this Offering Circular, the Guarantor's external independent auditor is Nexia Samduk, located at 12th Floor, S&S Building, 48 Ujeongguk-ro, Jongno-gu, Seoul 03145, Korea, which has audited the Guarantor's separate financial statements as of and for the years ended December 31, 2024 and 2023 included in this Offering Circular.

The Guarantor's separate financial statements appearing in this Offering Circular were prepared in conformity with Korean IFRS, as summarized in Note 2 of the notes to the Guarantor's separate financial statements as of and for the years ended December 31, 2024 and 2023 included in this Offering Circular. These principles and procedures differ in certain material respects from generally accepted accounting principles in the United States.

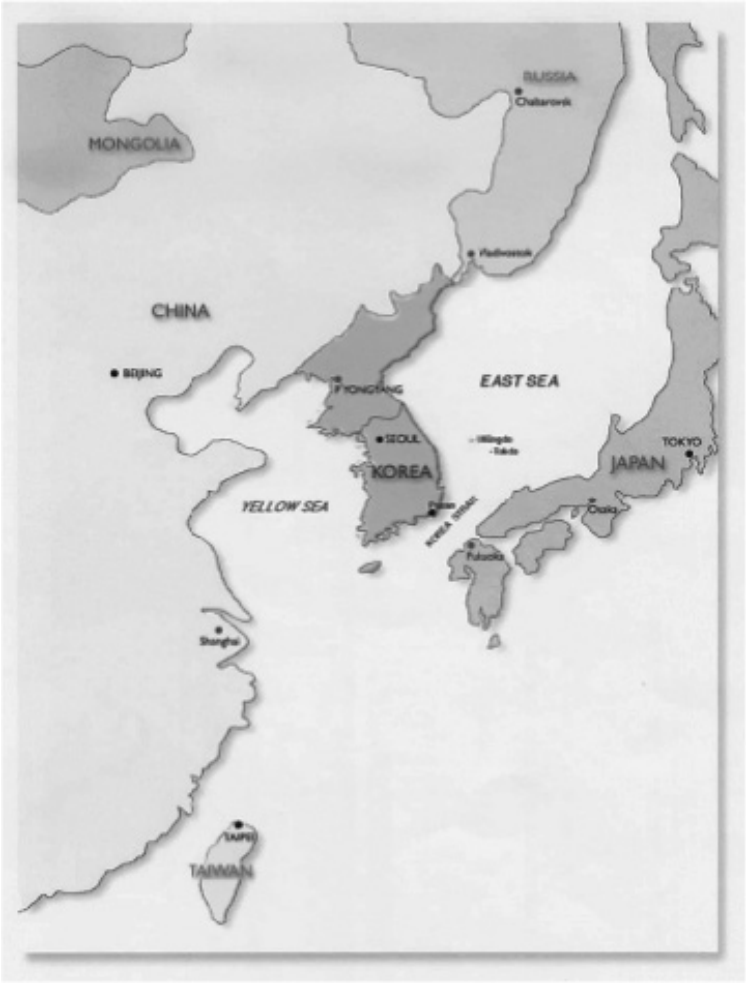
THE REPUBLIC OF KOREA

Land and History

Territory and Population

Located generally south of the 38th parallel on the Korean peninsula, The Republic of Korea covers about 38,000 square miles, approximately one-fourth of which is arable. The Republic has a population of approximately 52 million people. The country's largest city and capital, Seoul, has a population of about 9 million people.

Map of the Republic of Korea



Political History

Dr. Rhee Seungman, who was elected President in each of 1948, 1952, 1956 and 1960, dominated the years after the Republic's founding in 1948. Shortly after President Rhee's resignation in 1960 in response to student-led demonstrations, a group of military leaders headed by Park Chung Hee assumed power by coup. The military leaders established a civilian government, and the country elected Mr. Park as President in October 1963. President Park served as President until his assassination in 1979 following a period of increasing strife between the Government and its critics. The Government declared martial law and formed an interim government under

Prime Minister Choi Kyu Hah, who became the next President. After clashes between the Government and its critics, President Choi resigned, and General Chun Doo Hwan, who took control of the Korean army, became President in 1980.

In late 1980, the country approved, by national referendum, a new Constitution, providing for indirect election of the President by an electoral college and for certain democratic reforms, and shortly thereafter, in early 1981, re-elected President Chun. Responding to public demonstrations in 1987, the legislature revised the Constitution to provide for direct election of the President. In December 1987, Roh Tae Woo won the presidency by a narrow plurality, after opposition parties led by Kim Young Sam and Kim Dae Jung failed to unite behind a single candidate. In February 1990, two opposition political parties, including the one led by Kim Young Sam, merged into President Roh's ruling Democratic Liberal Party.

In December 1992, the country elected Kim Young Sam as President. The election of a civilian and former opposition party leader considerably lessened the controversy concerning the legitimacy of the political regime. President Kim's administration reformed the political sector and deregulated and internationalized the Korean economy.

In December 1997, the country elected Kim Dae Jung as President. President Kim's party, the Millennium Democratic Party (formerly known as the National Congress for New Politics), formed a coalition with the United Liberal Democrats led by Kim Jong Pil, with Kim Jong Pil becoming the first prime minister in President Kim's administration. The coalition, which temporarily ended before the election held in April 2000, continued with the appointment of Lee Han Dong of the United Liberal Democrats as the Prime Minister in June 2000. The coalition again ended in September 2001.

In December 2002, the country elected Roh Moo Hyun as President. President Roh and his supporters left the Millennium Democratic Party in 2003 and formed a new party, the Uri Party, in November 2003. On August 15, 2007, 85 members of the National Assembly, previously belonging to the Uri Party, or the Democratic Party, formed the United New Democratic Party, or the UNDP. The Uri Party merged into the UNDP on August 20, 2007. In February 2008, the UNDP merged back into the Democratic Party. In December 2011, the Democratic Party merged with the Citizens Unity Party to form the Democratic United Party, which changed its name to the Democratic Party in May 2013.

In December 2007, the country elected Lee Myung-Bak as President. He commenced his term in February 2008. In April 2018, the Korean prosecutor's office indicted former President Lee on 16 counts of corruption, including bribery, abuse of power, embezzlement and other irregularities. In October 2018, a Seoul district court sentenced him to 15 years of prison term, which decision he subsequently appealed. In October 2020, the Supreme Court ruled against such appeal and sentenced him to 17 years of prison term. Subsequently, he was released from prison pursuant to a special presidential pardon in December 2022.

In December 2012, the country elected Park Geun-hye as President. She commenced her term in February 2013. In March 2017, the Constitutional Court unanimously upheld a parliamentary vote to impeach President Park, triggering her immediate dismissal, for a number of constitutional and criminal violations, including violation of the Constitution and abuse of power by allowing her confidant to exert influence on state affairs and allowing senior presidential aides to aid in her extortion from companies. After a series of trials, former President Park was sentenced to a combined 22 years of prison term and a fine of ₩21.5 billion. In light of her deteriorating health, however, former President Park was granted a special pardon by President Moon, her successor, and was released from prison in December 2021.

A special election to elect a successor to former President Park was held in May 2017 and the country elected Moon Jae-in as President. His term, which commenced on May 10, 2017, ended on May 9, 2022.

In March 2022, the country elected Yoon Suk-yeol as President. His term commenced on May 10, 2022. On December 3, 2024, President Yoon declared martial law, citing an urgent need to protect the country. The National Assembly swiftly voted to rescind the declaration of martial law, which led to President Yoon's revocation of the decree hours later. On December 14, 2024, the National Assembly voted in favor of President Yoon's impeachment, for his purported acts of insurrection, among others, which resulted in an immediate suspension of his presidential powers, with the prime minister simultaneously taking over the role of acting President. On April 4, 2025, the Constitutional Court unanimously upheld the National Assembly's vote to impeach President Yoon, triggering his immediate dismissal.

A special election to elect a successor to former President Yoon was held in June 2025 and the country elected Lee Jae-myung as President for a five-year term. His term commenced on June 4, 2025.

Government and Politics

Government and Administrative Structure

Governmental authority in the Republic is centralized and concentrated in a strong presidency. The President is elected by popular vote and can only serve one term of five years. The President chairs the State Council, which consists of the President, the prime minister, the deputy prime ministers, the respective heads of Government ministries and the ministers of state. The President can select the members of the State Council and appoint or remove all other Government officials, except for elected local officials.

The President can veto new legislation and take emergency measures in cases of natural disaster, serious fiscal or economic crisis, state of war or other similar circumstances. The President must promptly seek the concurrence of the National Assembly for any emergency measures taken and failing to do so automatically invalidates the emergency measures. In the case of martial law, the President may declare martial law without the consent of the National Assembly; provided, however, that the National Assembly may request the President to rescind such martial law.

The National Assembly exercises the country's legislative power. The Constitution and the Public Official Election Act provide for the direct election of about 84% of the members of the National Assembly and the distribution of the remaining seats proportionately among parties winning more than five seats in the direct election or receiving over 3% of the popular vote. National Assembly members serve four-year terms. The National Assembly enacts laws, ratifies treaties and approves the national budget. The executive branch drafts most legislation and submits it to the National Assembly for approval.

The country's judicial branch comprises the Supreme Court, the Constitutional Court and lower courts of various levels. The President appoints the Chief Justice of the Supreme Court and appoints the other Justices of the Supreme Court upon the recommendation of the Chief Justice. All appointments to the Supreme Court require the consent of the National Assembly. The Chief Justice, with the consent of the conference of Supreme Court Justices, appoints all the other judges in Korea. Supreme Court Justices serve for six years and all other judges serve for ten years. Other than the Chief Justice, justices and judges may be reappointed to successive terms.

The President formally appoints all nine judges of the Constitutional Court, but three judges must be designated by the National Assembly and three by the Chief Justice of the Supreme Court. Constitutional Court judges serve for six years and may be reappointed to successive terms.

Administratively, the Republic comprises six provinces (Gyeonggi, Chungbuk, Chungnam, Jeonnam, Gyeongbuk and Gyeongnam), three special autonomous provinces (Jeju, Gangwon and Jeonbuk), one special city (Seoul), six metropolitan cities (Busan, Daegu, Incheon, Gwangju, Daejeon and Ulsan) and one special autonomous city (Sejong). From 1961 to 1995, the national government controlled the provinces and the President appointed provincial officials. Local autonomy, including the election of provincial officials, was reintroduced in June 1995.

Political Parties

The 22nd legislative general election was held on April 10, 2024 and the term of the National Assembly members elected in the 22nd legislative general election commenced on May 30, 2024. Currently, there are three major political parties: The Democratic Party of Korea, or the DPK, the People Power Party, or the PPP, and the Rebuilding Korea Party, or the RKP.

As of June 30, 2025, the parties control the following number of seats in the National Assembly:

	DPK	PPP	RKP	Others	Total
Number of seats	167	107	12	12	298

Relations with North Korea

Relations between the Republic and North Korea have been tense over most of the Republic's history. The Korean War began with the invasion of the Republic by communist forces from the north in 1950, which was repelled by the Republic and the United Nations forces led by the United States. Following a military stalemate, an armistice was reached establishing a demilitarized zone monitored by the United Nations in the vicinity of the 38th parallel in 1953.

North Korea maintains a military force estimated at more than a million regular troops, mostly concentrated near the northern side of the demilitarized zone, and approximately 7.6 million reserves. The Republic's military forces, composed of approximately 500,000 regular troops and 3.1 million reserves, maintain a state of military preparedness along the southern side of the demilitarized zone. In addition, the United States has maintained its military presence in the Republic since the signing of the armistice and currently has approximately 28,500 troops stationed in the Republic. The Republic and the United States share a joint command structure over their military forces in Korea. In October 2014, the United States and the Republic agreed to implement a conditions-based approach to the dissolution of their joint command structure at an appropriate future date, which would allow the Republic to assume the command of its own armed forces in the event of war on the Korean peninsula. Over the years, the Republic and the United States have entered into a series of Special Measures Agreements, or SMAs, which cover the Republic's contribution to the cost of maintaining the U.S. military presence in the Republic. In March 2021, the Republic and the United States reached an agreement to enter into a new six-year SMA, under which the Republic would increase its share of the cost of the American military presence in the Republic, which became effective in September 2021 upon ratification by the National Assembly.

The level of tension between the two Koreas has fluctuated and may increase abruptly as a result of current and future events. In particular, since the death of Kim Jong-il in December 2011, there has been increased uncertainty with respect to the future of North Korea's political leadership and concern regarding its implications for political and economic stability in the region. Kim Jong-il's third son, Kim Jong-un, has assumed power as his father's designated successor.

In addition, there have been heightened security concerns in recent years stemming from North Korea's nuclear weapons, ballistic missile and satellite programs as well as its hostile military and other actions against Korea. Some of the significant incidents in recent years include the following:

- From time to time, North Korea has conducted ballistic missile tests. In February 2016, North Korea launched a long-range rocket in violation of its agreement with the United States as well as United Nations sanctions barring it from conducting launches that use ballistic missile technology. Despite international condemnation, North Korea released a statement that it intends to continue its rocket launch program and it conducted a series of ballistic missile tests in 2016 and 2017. In response, the United Nations Security Council issued unanimous statements condemning North Korea and agreeing to continue to closely monitor the situation and to take further significant measures, and in December 2017, unanimously passed a resolution extending existing sanctions that were imposed on North Korea.

Despite such actions, North Korea increased the frequency of its military actions since the beginning of 2022, firing numerous ballistic missiles, including intercontinental ballistic missiles, and in November 2023, successfully launched its first spy satellite.

- North Korea renounced its obligations under the Nuclear Non-Proliferation Treaty in January 2003 and conducted three rounds of nuclear tests between October 2006 and February 2013. In January 2016, North Korea conducted a fourth nuclear test, claiming that the test involved its first hydrogen bomb. In September 2016, North Korea conducted a fifth nuclear test, claiming to have successfully detonated a nuclear warhead that could be mounted on ballistic missiles. In September 2017, North Korea announced that it successfully conducted its sixth nuclear test by detonating a hydrogen bomb designed to be mounted on an intercontinental ballistic missile, which resulted in increased tensions in the region and elicited strong objections worldwide. In response to such tests (as well as North Korea's long-range ballistic missile program), the United Nations Security Council unanimously passed several rounds of resolutions condemning North Korea's actions and significantly expanding the scope of the sanctions applicable to North Korea, while the United States and the European Union also imposed additional sanctions on North Korea.
- In August 2015, two Korean soldiers were injured in a landmine explosion near the Korean demilitarized zone. Claiming the landmines were set by North Koreans, the Korean army re-initiated its propaganda program toward North Korea utilizing loudspeakers near the demilitarized zone. In retaliation, the North Korean army fired artillery rounds on the loudspeakers, resulting in the highest level of military readiness for both Koreas.
- In March 2010, a Korean naval vessel was destroyed by an underwater explosion, killing many of the crewmen on board. The Government formally accused North Korea of causing the sinking, while North Korea denied responsibility. Moreover, in November 2010, North Korea fired more than one hundred artillery shells that hit Korea's Yeonpyeong Island near the Northern Limit Line, which acts as the de facto maritime boundary between Korea and North Korea on the west coast of the Korean peninsula, causing casualties and significant property damage. The Government condemned North Korea for the attack and vowed stern retaliation should there be further provocation.

North Korea's economy also faces severe challenges, which may further aggravate social and political pressures within North Korea. Although bilateral summit meetings were held between Korea and North Korea in April, May and September 2018 and between the United States and North Korea in June 2018, February 2019 and June 2019, there can be no assurance that the level of tension on the Korean peninsula will not escalate in the future or that such escalation will not have a material adverse impact on the Republic's economy and us. Any further increase in tension, which may occur, for example, if North Korea experiences a leadership crisis, high-level contacts between the Republic and North Korea or between the United States and North Korea break down or further military hostilities occur, could have a material adverse effect on the Republic's economy and us. Over the longer term, reunification of the two Koreas could occur. Reunification may entail a significant economic commitment by the Republic.

Foreign Relations and International Organizations

The Republic maintains diplomatic relations with most nations of the world, most importantly with the United States with which it entered into a mutual defense treaty and several economic agreements. The Republic also has important relationships with Japan and China, its largest trading partners together with the United States.

The Republic belongs to a number of supranational organizations, including:

- United Nations;
- the International Monetary Fund, or the IMF;
- the World Bank;
- the Asian Development Bank, or the ADB;

- the Multilateral Investment Guarantee Agency;
- the International Finance Corporation;
- the International Development Association;
- the African Development Bank;
- the International Bank for Reconstruction and Development;
- the European Bank for Reconstruction and Development;
- the Bank for International Settlements;
- the World Health Organization, or the WHO;
- the World Trade Organization, or the WTO;
- the International Atomic Energy Agency, or the IAEA;
- the Inter-American Development Bank, or the IDB;
- the Organization for Economic Cooperation and Development, or the OECD; and
- the Asian Infrastructure Investment Bank.

The Economy

The following table sets forth information regarding certain of the Republic's key economic indicators for the periods indicated.

	As of or for the year ended December 31,				
	2020	**2021**	**2022**	**2023**	**2024**
	(billions of dollars and trillions of Won, except percentages)				
GDP Growth (at current prices)	0.9%	7.9%	4.6%	3.7%	6.2%[7]
GDP Growth (at chained 2020 year prices)	(0.7)%	4.6%	2.7%	1.6%	2.0%[7]
Inflation[1]	0.5%	2.5%	5.1%	3.6%	2.3%[7]
Unemployment[2]	4.0%	3.7%	2.9%	2.7%	2.8%[7]
Trade Surplus (Deficit)[3]	$ 44.9	$ 29.3	$ (47.8)	$ (10.4)	$ 51.6[7]
Foreign Currency Reserves	$ 443.1	$ 463.1	$ 423.2	$ 420.1	$ 415.6
External Liabilities[4]	$ 550.6	$ 630.7	$ 673.3	$ 672.5	$ 670.0[7]
Fiscal Balance	₩ (71.2)	₩ (30.5)	₩ (64.6)	₩ (36.8)	₩ (43.5)[7]
Direct Internal Debt of the Government[5] (as % of GDP[6])	39.3%	43.1%	46.2%	48.1%	49.2%
Direct External Debt of the Government[5] (as % of GDP[6])	0.5%	0.5%	0.5%	0.5%	0.5%

(1) Measured by the year-on-year change in the consumer price index with base year 2020, as announced by The Bank of Korea.
(2) Average for year.
(3) Derived from customs clearance statistics on a C.I.F. basis, meaning that the price of goods includes insurance and freight cost.
(4) Calculated under the criteria based on the sixth edition of the Balance of Payment Manual published by the International Monetary Fund in December 2010.
(5) Does not include guarantees by the Government. See "—Debt — External and Internal Debt of the Government — Guarantees by the Government" for information on outstanding guarantees by the Government.
(6) At chained 2020 year prices.
(7) Preliminary.

Source: The Bank of Korea

Worldwide Economic and Financial Difficulties

In recent years, the global financial markets have experienced significant volatility as a result of, among other things:

- the occurrence of severe health epidemics, including the COVID-19 pandemic;
- hostilities, political or social tensions involving Russia (including the Russia-Ukraine war and the ensuing actions that the United States and other countries have taken or may take in the future, such as the imposition of sanctions against Russia) and the resulting adverse effects on the global supply of oil and other natural resources and the global financial markets;
- rising inflationary pressures leading to increases in the costs of goods and services and a decrease in purchasing power;
- interest rate fluctuations as well as perceived or actual changes in policy rates, or other monetary and fiscal policies set forth, by the U.S. Federal Reserve and other central banks;
- disruptions in the global supply chain for raw materials, natural resources, consumer goods, rare earth minerals, component parts and other supplies, including as a result of health epidemics, government policies and labor shortages;
- increased uncertainties in the global financial markets and industry, including difficulties faced by several banks in the United States and Europe;
- a deterioration in economic and trade relations between the United States and its trading partners, including as a result of the imposition of significant tariffs by the United States on its trading partners;
- financial and social difficulties affecting many governments worldwide, in particular in Latin America and Europe;
- escalations in trade protectionism globally and geopolitical tensions in East Asia and the Middle East (including those resulting from the escalating hostilities in the Middle East following the Israel-Hamas war as well as in light of the ongoing Iran-Israel conflict);
- the slowdown of economic growth in China and other major emerging market economies;
- political and social instability in various countries in the Middle East, including Iran, Iraq, Syria and Yemen; and
- fluctuations in oil and commodity prices.

There has been significant volatility in global financial markets resulting from, among others, the COVID-19 pandemic, the Russia-Ukraine war and ensuing sanctions against Russia, the escalating hostilities in the Middle East following the Israel-Hamas war as well as in light of the ongoing Iran-Israel conflict, difficulties faced by several banks in the United States and Europe and significant fluctuations in policy interest rates globally, which has also led to significant volatility in the Korea Composite Stock Price Index in recent years. See "—The Financial System — Securities Markets". Declines in the index and large amounts of sales of Korean securities by foreign investors and subsequent repatriation of the proceeds of such sales may adversely affect the value of the Won, the foreign currency reserves held by financial institutions in Korea, and the ability of Korean companies and banks to raise capital. Moreover, the value of the Won relative to major foreign currencies in general and the U.S. dollar in particular has depreciated significantly in recent years. A depreciation of the Won generally increases the cost of imported goods and services and the required amount of the Won revenue for Korean companies to service foreign currency-denominated debt.

In light of the high level of interdependence of the global economy, any of the foregoing developments could have a material adverse effect on the Korean economy and financial markets. In addition, in the event of difficult conditions in the global credit markets or a deterioration of the global economy in the future, the Korean economy could be adversely affected and Korean banks may be forced to fund their operations at a higher cost or may be unable to raise as much funding as they need to support their lending and other activities.

In addition to the global developments, domestic developments that could lead to or contribute to a material adverse effect on the Korean economy include, among other things, the following:

- a slowdown in consumer spending and depressed consumer sentiment due to the outbreak of infectious diseases, such as the COVID-19 pandemic;
- increasing delinquencies and credit defaults by consumer and small- and medium-sized enterprise borrowers, which may occur due to, among others, higher levels of market interest rates;
- steadily rising household debt consisting of housing loans and merchandise credit, which increased to approximately Won 1,927.3 trillion as of December 31, 2024 from Won 843.2 trillion as of December 31, 2010, primarily due to increases in mortgage loans and purchases with credit cards;
- deterioration in economic or diplomatic relations between Korea and other countries resulting from territorial or trade disputes or disagreements in foreign policy;
- a substantial increase in the Government's expenditures for pension and social welfare programs, due in part to an aging population (defined as the population of people aged 65 years or older) that accounted for approximately 19.2% of the Republic's total population as of December 31, 2024, an increase from 7.2% as of December 31, 2000, and is expected to surpass 22.5% in 2027;
- decreases in the market prices of Korean real estate; and
- the occurrence of severe health epidemics that affect the livestock industry.

Gross Domestic Product

GDP measures the market value of all final goods and services produced within a country for a given period and reveals whether a country's productive output rises or falls over time. Economists present GDP in both current market prices and "real" or "inflation-adjusted" terms. In March 2009, the Republic adopted a method known as the "chain-linked" measure of GDP, replacing the previous fixed-base, or "constant" measure of GDP, to show the real growth of the aggregate economic activity, as recommended by the System of National Accounts 1993. GDP at current market prices values a country's output using the actual prices of each year, whereas the "chain-linked" measure of GDP is compiled by using "chained indices" linking volume growth between consecutive time periods. In March 2014, the Republic published a revised GDP calculation method by implementing the System of National Accounts 2008 and updating the reference year from 2005 to 2010 to align Korean national accounts statistics with the recommendations of the new international standards for compiling national economic accounts and to maintain comparability with other nations' accounts. The main components of these revisions include, among other things, (i) recognizing expenditures for research and development and creative activity for the products of entertainment, literary and artistic originals as fixed investment, (ii) incorporating a wide array of new and revised source data such as the economic census, the population and housing census and 2010 benchmark input-output tables, which provide thorough and detailed information on the structure of the Korean economy, (iii) developing supply-use tables, which provide a statistical tool for ensuring consistency among the production, expenditure and income approaches to measuring GDP and (iv) recording merchandise trade transactions based on ownership changes rather than movements of goods across the national border. The Republic updated the reference year from 2010 to 2015 in July 2019, and from 2015 to 2020 in June 2024, to better align Korean national accounts statistics with the recommendations of the previously implemented System of National Accounts 2008, to accurately reflect recent economic structural changes, and to maintain comparability with other countries' accounts.

The following table sets out the composition of the Republic's GDP at current market and chained 2020 year prices and the annual average increase in the Republic's GDP.

Gross Domestic Product

	2020	2021	2022	2023	2024[1]	As % of GDP 2024[1]
			(billions of Won)			
Gross Domestic Product at Current Market Prices:						
Private	984,088.0	1,046,772.2	1,139,397.2	1,203,106.7	1,239,725.4	48.5
Government	349,586.2	378,268.2	409,866.5	428,148.6	447,056.5	17.5
Gross Capital Formation	648,928.8	721,964.5	774,411.5	768,159.8	766,388.6	30.0
Exports of Goods and Services	712,542.3	874,074.3	1,052,553.6	995,305.3	1,134,176.9	44.4
Less Imports of Goods and Services	(636,678.7)	(799,166.2)	(1,052,447.3)	(986,033.0)	(1,030,011.0)	(40.3)
Statistical Discrepancy	0.0	0.0	0.0	0.0	(479.1)	(0.0)
Expenditures on Gross Domestic Product	2,058,466.5	2,221,912.9	2,323,781.5	2,408,687.4	2,556,857.4	100.0
Net Factor Income from the Rest of the World	16,943.8	23,413.6	28,055.4	34,674.5	36,904.7	1.4
Gross National Income[2]	2,075,410.3	2,245,326.5	2,351,837.0	2,443,361.9	2,593,762.0	101.4
Gross Domestic Product at Chained 2020 Year Prices:						
Private	984,088.0	1,020,878.4	1,063,928.5	1,085,426.6	1,097,036.0	47.9
Government	349,586.2	369,293.7	384,235.8	391,677.5	400,082.5	17.5
Gross Capital Formation	648,928.8	675,845.0	676,282.5	677,134.3	661,465.3	28.9
Exports of Goods and Services	712,542.3	789,432.2	820,347.6	848,332.6	906,303.1	39.5
Less Imports of Goods and Services	(636,678.7)	(701,537.0)	(730,672.0)	(752,696.6)	(771,407.8)	(33.7)
Statistical Discrepancy	0.0	(489.4)	(842.9)	(221.4)	220.2	0.0
Expenditures on Gross Domestic Product[3]	2,058,466.5	2,153,422.9	2,212,158.9	2,247,177.7	2,292,202.4	100.0
Net Factor Income from the Rest of the World in the Terms of Trade	16,943.8	22,553.7	25,584.2	31,083.4	32,301.5	1.4
Trading Gains and Losses from Changes in the Terms of Trade	0.0	(21,620.0)	(94,623.4)	(91,660.0)	(51,879.6)	(2.3)
Gross National Income[4]	2,075,410.3	2,154,356.5	2,143,107.5	2,186,579.3	2,272,601.1	99.1
Percentage Increase (Decrease) of GDP over Previous Year:						
At Current Prices	0.9	7.9	4.6	3.7	6.2	
At Chained 2020 Year Prices	(0.7)	4.6	2.7	1.6	2.0	

(1) Preliminary.

(2) GDP plus net factor income from the rest of the world is equal to the Republic's gross national income.

(3) Under the "chain-linked" measure of GDP, the components of GDP will not necessarily add up to the total GDP.

(4) Under the "chain-linked" measure of Gross National Income, the components of Gross National Income will not necessarily add up to the total Gross National Income.

Source: The Bank of Korea

The following table sets out the Republic's GDP by economic sector at current market prices:

Gross Domestic Product by Economic Sector

(at current market prices)

	2020	2021	2022	2023	2024[1]	As % of GDP 2024[1]
			(billions of Won)			
Industrial Sectors:	719,110.4	773,620.4	789,147.0	818,260.2	904,125.1	35.4
Agriculture, Forestry and Fishing	32,481.6	36,998.4	33,656.4	34,871.5	37,285.4	1.5
Manufacturing, Mining and Quarrying	530,768.1	585,053.1	617,557.4	615,334.3	682,814.6	26.7
Mining and Quarrying	1,737.2	1,843.5	1,807.8	2,199.5	2,231.0	0.1
Manufacturing	529,030.9	583,209.6	615,749.6	613,134.8	680,583.6	26.6
Electricity, Gas and Water Supply	45,605.3	37,579.5	16,493.8	43,159.0	61,455.6	2.4
Construction	110,255.4	113,989.4	121,439.4	124,895.4	122,569.5	4.8
Services:	1,171,665.8	1,264,275.9	1,349,454.4	1,418,346.5	1,470,206.0	57.5
Wholesale and Retail Trade, Accommodation and Food Services	214,871.3	227,253.6	248,366.2	257,714.3	264,793.9	10.4
Transportation and Storage	66,603.8	82,702.3	95,655.6	99,398.5	103,383.0	4.0
Finance and Insurance	110,016.4	124,021.2	136,404.4	138,480.1	139,729.3	5.5
Real Estate	161,030.1	162,658.9	158,314.6	161,757.8	168,109.5	6.6
Information and Communication	89,215.3	102,319.0	103,549.3	109,212.6	114,001.9	4.5
Business Activities	156,652.6	166,098.7	177,636.8	195,980.4	200,094.9	7.8
Public Administration, Defense and Social Security	129,850.9	138,688.7	149,078.6	155,941.9	164,768.8	6.4
Education	90,436.1	96,862.5	101,581.8	105,710.7	109,857.9	4.3
Human Health and Social Work	106,034.6	114,340.0	123,519.0	129,825.3	137,316.8	5.4
Cultural and Other Services	46,954.8	49,330.9	55,348.1	64,324.9	68,150.0	2.7
Taxes Less Subsidies on Products	167,690.3	184,016.7	185,180.2	172,080.7	182,526.4	7.1
Gross Domestic Product at Current Market Prices	2,058,466.5	2,221,912.9	2,323,781.5	2,408,687.4	2,556,857.4	100.0
Net Factor Income from the Rest of the World	16,943.8	23,413.6	28,055.4	34,674.5	36,904.7	1.4
Gross National Income at Current Market Price	2,075,410.3	2,245,326.5	2,351,837.0	2,443,361.9	2,593,762.0	101.4

(1) Preliminary.

Source: The Bank of Korea

The following table sets out the Republic's GDP per capita:

Gross Domestic Product per capita

(at current market prices)

	2020	2021	2022	2023	2024(1)
GDP per capita (thousands of Won)	39,711	42,919	44,971	46,578	49,407
GDP per capita (U.S. dollar)	33,652	37,503	34,809	35,681	36,223
Average Exchange Rate (in Won per U.S. dollar)	1,180.1	1,144.4	1,292.0	1,305.4	1,364.0

(1) Preliminary.
Source: The Bank of Korea

The following table sets out the Republic's Gross National Income, or GNI, per capita:

Gross National Income per capita

(at current market prices)

	2020	2021	2022	2023	2024(1)
GNI per capita (thousands of Won)	40,038	43,372	45,514	47,249	50,120
GNI per capita (U.S. dollar)	33,929	37,898	35,228	36,195	36,745
Average Exchange Rate (in Won per U.S. dollar)	1,180.1	1,144.4	1,292.0	1,305.4	1,364.0

(1) Preliminary.
Source: The Bank of Korea

The following table sets out the Republic's GDP by economic sector:

Gross Domestic Product by Economic Sector

(at chained 2020 year prices)

	2020	2021	2022	2023	2024[1]	As % of GDP 2024[1]
			(billions of Won)			
Industrial Sectors:	719,110.4	754,589.3	771,177.9	777,094.3	799,717.0	34.9
Agriculture, Forestry and Fishing	32,481.6	33,598.5	33,866.3	33,239.9	33,452.8	1.5
Manufacturing, Mining and Quarrying	530,768.1	565,269.6	579,036.4	587,525.2	612,533.6	26.7
Mining and Quarrying	1,737.2	1,974.8	1,785.3	1,748.2	1,620.8	0.1
Manufacturing	529,030.9	563,294.8	577,227.8	585,750.1	610,925.5	26.7
Electricity, Gas and Water Supply	45,605.3	46,403.2	48,020.4	46,767.1	48,309.2	2.1
Construction	110,255.4	109,318.0	110,254.8	109,562.1	105,421.4	4.6
Services:	1,171,665.8	1,222,603.2	1,269,070.6	1,303,096.2	1,324,200.8	57.8
Wholesale and Retail Trade, Accommodation and Food Services	214,871.3	219,693.4	231,974.4	225,315.5	222,021.2	9.7
Transportation and Storage	66,603.8	73,634.5	82,748.1	96,656.7	105,152.6	4.6
Finance and Insurance	110,016.4	117,411.7	120,645.5	121,470.6	125,704.2	5.5
Real Estate	161,030.1	163,741.0	160,447.8	161,591.7	164,810.0	7.2
Information and Communication	89,215.3	97,513.5	99,786.9	104,404.3	104,960.0	4.6
Business Activities	156,652.6	159,603.6	163,453.3	170,792.4	169,644.0	7.4
Public Administration, Defense and Social Security	129,850.9	134,868.3	139,003.2	141,575.3	144,757.3	6.3
Education	90,436.1	95,484.0	98,708.1	99,980.4	101,155.4	4.4
Human Health and Social Work	106,034.6	112,370.6	119,255.3	122,755.8	127,459.8	5.6
Cultural and Other Services	46,954.8	48,282.6	52,244.1	56,689.6	57,543.0	2.5
Taxes Less Subsidies on Products	167,690.3	176,230.4	172,134.2	165,969.0	168,062.9	7.3
Gross Domestic Product[2]	2,058,466.5	2,153,422.9	2,212,158.9	2,247,177.7	2,292,202.4	100.0

(1) Preliminary.

(2) Under the "chain-linked" measure of GDP, the components of GDP will not necessarily add up to the total GDP.

Source: The Bank of Korea

GDP in 2020 contracted by 0.7% at chained 2020 year prices, primarily due to a 4.6% decrease in private consumption expenditures and a 1.7% decrease in exports of goods and services, which were offset in significant part by a 3.3% decrease in imports of goods and services, a 5.2% increase in general government consumption expenditures and a 2.8% increase in gross domestic fixed capital formation, each compared with 2019. The contraction of the Republic's GDP in 2020 was primarily due to the COVID-19 pandemic.

GDP growth in 2021 was 4.6% at chained 2020 year prices, as exports of goods and services increased by 10.8%, aggregate private and general government consumption expenditures increased by 4.2% and gross domestic fixed capital formation increased by 4.3%, which more than offset an increase in imports of goods and services by 10.2%, each compared with 2020.

GDP growth in 2022 was 2.7% at chained 2020 year prices, as aggregate private and general government consumption expenditures increased by 4.2% and exports of goods and services increased by 3.9%, which more than offset an increase in imports of goods and services by 4.2% and a decrease in gross fixed capital formation by 0.2%, each compared with 2021.

GDP growth in 2023 was 1.6% at chained 2020 year prices, as exports of goods and services increased by 3.4% and aggregate private and general government consumption expenditures increased by 2.0%, which was offset in significant part by a 3.0% increase in imports of goods and services, each compared with 2022.

Based on preliminary data, GDP growth in 2024 was 2.0% at chained 2020 year prices, as exports of goods and services increased by 6.8% and aggregate private and general government consumption expenditures increased by 1.4%, which was offset in part by a 2.5% increase in imports of goods and services and a 0.8% decrease in gross domestic fixed capital formation, each compared with 2023.

Based on preliminary data, GDP growth in the first half of 2025 was 0.2% at chained 2020 year prices, primarily due to a 2.8% increase in exports of goods and services and a 1.2% increase in aggregate private and general government consumption expenditures, the effects of which were offset in part by a 4.0% decrease in gross domestic fixed capital formation and a 3.1% increase in imports of goods and services, each compared with the corresponding period of 2024.

Principal Sectors of the Economy

Industrial Sectors

The following table sets out production indices for the principal industrial products of the Republic and their relative contribution to total industrial production:

Industrial Production

(2020 = 100)

	Index Weight[1]	2020	2021	2022	2023	2024[2]
Industries	10,000.0	100.0	108.2	108.8	108.8	113.2
Mining and Manufacturing	9,555.0	100.0	108.2	108.8	108.8	113.2
Mining	23.0	100.0	94.2	95.8	113.9	95.5
Manufacturing	9,532.0	100.0	108.2	108.8	108.8	113.2
Food Products	485.9	100.0	111.7	114.0	109.3	125.3
Beverage Products	102.0	100.0	93.0	91.4	77.7	75.3
Tobacco Products	44.7	100.0	88.4	93.2	100.9	114.2
Textiles	110.6	100.0	104.3	100.4	82.1	81.3
Wearing Apparel, Clothing Accessories and Fur Articles	83.2	100.0	137.3	117.6	114.0	73.6
Tanning and Dressing of Leather, Luggage and Footwear	17.6	100.0	92.0	78.7	49.4	36.0
Wood and Products of Wood and Cork (Except Furniture)	31.0	100.0	80.4	89.5	94.5	77.9
Pulp, Paper and Paper Products	133.8	100.0	97.5	95.1	93.7	102.3
Printing and Reproduction of Recorded Media	43.9	100.0	109.4	129.3	118.0	110.7
Coke, hard-coal and lignite fuel briquettes and Refined Petroleum Products	354.5	100.0	98.4	101.9	104.3	108.8
Chemicals and Chemical Products	756.8	100.0	105.9	93.6	91.0	96.3
Pharmaceuticals, Medicinal Chemicals and Botanical Products	288.9	100.0	96.2	111.7	141.2	157.3
Rubber and Plastic Products	414.8	100.0	104.5	110.9	112.8	120.3
Non-metallic Minerals	213.6	100.0	107.6	96.4	84.9	95.3
Basic Metals	600.2	100.0	101.0	95.5	97.5	97.2
Fabricated Metal Products	495.9	100.0	83.7	82.7	93.4	112.7
Electronic Components, Computer, Radio, Television and Communication Equipment and Apparatuses	2,402.9	300.0	342.5	316.7	329.7	335.2
Medical, Precision and Optical Instruments, Watches and Clocks	389.1	300.0	297.5	365.1	364.4	388.9
Electrical Equipment	478.2	100.0	113.4	138.3	120.8	94.4
Other Machinery and Equipment	776.7	100.0	116.6	113.4	108.6	100.3
Motor Vehicles, Trailers and Semitrailers	1,014.2	100.0	109.6	121.0	137.1	135.5
Other Transport Equipment	144.1	100.0	93.3	108.0	103.4	110.8
Furniture	43.1	100.0	72.9	64.1	52.4	50.7
Other Products	106.3	200.0	232.8	340.2	243.9	278.1
Electricity, Gas	445.0	100.0	104.9	107.5	103.5	105.1
Total Index	10,000.0	100.0	108.2	108.8	108.8	113.2

(1) Index weights were established on the basis of an industrial census in 2020 and reflect the average annual value added by production in each of the classifications shown, expressed as a percentage of total value added in the mining, manufacturing and electricity and gas industries in that year.

(2) Preliminary.

Source: The Bank of Korea; Korea National Statistical Office

Industrial production decreased by 0.3% in 2020, primarily due to decreased domestic consumption and exports resulting from the COVID-19 pandemic. Industrial production recovered and increased by 8.2% in 2021, primarily due to increased exports and domestic consumption. Industrial production increased by 0.6% in 2022, primarily due to increased exports and domestic consumption. Industrial production remained stable in 2023. Based on preliminary data, industrial production increased by 4.0% in 2024, primarily due to increased exports.

Manufacturing

The manufacturing sector decreased production by 0.4% in 2020, primarily due to decreased demand for automobiles. The manufacturing sector increased production by 8.2% in 2021, primarily due to increased demand for consumer electronics products, electronic components (including semiconductors) and machinery. The manufacturing sector increased production by 0.6% in 2022, primarily due to increased demand for electrical equipment and automobiles. Production levels for the manufacturing sector remained stable in 2023. Based on preliminary data, the manufacturing sector increased production by 4.0% in 2024, primarily due to increased demand for electronic components (including semiconductors) and pharmaceuticals.

Automobiles. In 2020, automobile production decreased by 11.2% and export sales volume recorded a decrease of 21.4%, compared with 2019, primarily due to a general decline in global demand for automobiles caused by the COVID-19 pandemic, which outpaced a 4.7% increase in domestic sales volume from 2019 to 2020, primarily due to increased domestic demand for automobiles. In 2021, automobile production decreased by 1.3% and domestic sales volume recorded a decrease of 8.5%, compared with 2020, primarily due to the global shortage of semiconductors amid the COVID-19 pandemic, but export sales volume recorded an increase of 8.6% compared with 2020, primarily due to an increase in the market share of domestic automobile manufacturers in the global automotive market. In 2022, automobile production increased by 8.5% and export sales volume recorded an increase of 12.7%, compared with 2021, primarily due to an increase in demand for Korean automobiles in the global automotive market as well as the gradual easing of the global shortage of automotive semiconductors in the second half of 2022, but domestic sales volume recorded a decrease of 3.2% compared with 2021, primarily due to the global shortage of automotive semiconductors during the first half of 2022. In 2023, automobile production increased by 13.0%, export sales volume recorded an increase of 20.3% and domestic sales volume recorded an increase of 3.3%, compared with 2022, primarily due to the continued easing of the global shortage of automotive semiconductors and increased global and domestic demand for environmentally-friendly automobiles. Based on preliminary data, in 2024, automobile production decreased by 2.7% and domestic sales volume recorded a decrease of 6.5%, compared with 2023, primarily due to a decrease in demand for automobiles following a deterioration in domestic economic conditions, but export sales volume recorded an increase of 0.6% compared with 2023, primarily due to an increase in demand for environmentally-friendly automobiles in the global automotive market.

Electronics. In 2020, electronics production amounted to ₩329,872 billion, an increase of 2.2% from the previous year, and exports of electronics amounted to US$183.5 billion, an increase of 3.7% from the previous year, primarily due to an increase in demand for semiconductors, computers and other electronic apparatuses. In 2020, export sales of semiconductor memory chips constituted approximately 19.5% of the Republic's total exports. In 2021, electronics production amounted to ₩370,907 billion, an increase of 12.4% from the previous year, and exports amounted to US$227.6 billion, an increase of 24.0% from the previous year, primarily due to an increase in demand for semiconductors, display panels, mobile devices, solid state drives and secondary cell batteries. In 2021, export sales of semiconductor memory chips constituted approximately 20.0% of the Republic's total exports. In 2022, electronics production amounted to ₩378,091 billion, an increase of 1.9% from the previous year, and exports amounted to US$233.2 billion, an increase of 2.5% from the previous year, primarily due to an increase in demand for semiconductors, display panels and secondary cell batteries. In 2022, export sales of semiconductor memory chips constituted approximately 19.1% of the Republic's total exports. Based on preliminary data, in 2023, electronics production amounted to ₩327,651 billion, a decrease of 13.3% from the previous year, and exports amounted to US$186.8 billion, a decrease of 19.9% from the previous year, primarily due to a decrease in demand for semiconductors, computers and other electronic apparatuses. In 2023,

export sales of semiconductor memory chips constituted approximately 15.8% of the Republic's total exports. Based on preliminary data, in 2024, electronics production amounted to ₩373,322 billion, an increase of 13.9% from the previous year, and exports amounted to US$235.1 billion, an increase of 25.9% from the previous year, primarily due to an increase in demand for semiconductors, computers and other electronic apparatuses. In 2024, export sales of semiconductor memory chips constituted approximately 20.8% of the Republic's total exports.

Iron and Steel. In 2020, crude steel production totaled 67.1 million tons, a decrease of 6.0% from 2019, primarily due to adverse conditions in the construction and shipbuilding industries in light of the COVID-19 pandemic, and export sales volume of iron and steel products decreased by 5.0%, primarily due to a decrease in global demand for crude steel products resulting from the COVID-19 pandemic. In 2021, crude steel production totaled 70.4 million tons, an increase of 4.9% from 2020, primarily due to an increase in domestic demand for crude steel products following a gradual economic recovery from the COVID-19 pandemic, but export sales volume of iron and steel products decreased by 6.1%, primarily due to an increase in the price of steel products coupled with a decrease in global demand for crude steel products resulting from the COVID-19 pandemic. In 2022, crude steel production totaled 65.8 million tons, a decrease of 6.5% from 2021, primarily due to disruptions in supply chain resulting from the Russia-Ukraine war and the temporary closure of steel production plants in Korea due to a typhoon during the course of 2022, and export sales volume of iron and steel products decreased by 5.3%, primarily due to a decrease in global demand for crude steel products resulting from the lingering effects of the COVID-19 pandemic and a general slowdown of the global economy. In 2023, crude steel production totaled 66.7 million tons, an increase of 1.3% from 2022, primarily due to the re-opening of steel production plants in Korea following the recovery from the damage caused by a typhoon during 2022, and export sales volume of iron and steel products increased by 6.5%, primarily due to an increase in demand for crude steel products from North America and Japan. Based on preliminary data, in 2024, crude steel production totaled 63.5 million tons, a decrease of 4.8% from 2023, primarily due to a decrease in domestic demand for crude steel products resulting from adverse conditions in the construction and shipbuilding industries, although export sales volume of iron and steel products increased by 3.7%, primarily due to an increase in demand for crude steel products from export destinations in Europe, Mexico and India.

Shipbuilding. In 2020, the Republic's shipbuilding orders amounted to approximately 8 million compensated gross tons, a decrease of 20.0% compared to 2019, primarily due to the adverse conditions in the domestic and global shipbuilding industry resulting from the COVID-19 pandemic. In 2021, the Republic's shipbuilding orders amounted to approximately 17 million compensated gross tons, an increase of 112.5% compared to 2020, primarily due to increased demand for container carriers and LNG carriers. In 2022, the Republic's shipbuilding orders amounted to approximately 16 million compensated gross tons, a decrease of 5.9% compared to 2021, primarily due to a decrease in demand for oil tankers and container carriers. In 2023, the Republic's shipbuilding orders amounted to approximately 10 million compensated gross tons, a decrease of 37.5% compared to 2022, primarily due to decreased demand for container carriers and LNG carriers. Based on preliminary data, in 2024, the Republic's shipbuilding orders amounted to approximately 11 million compensated gross tons, an increase of 9.1% compared to 2023, primarily due to an increase in demand for LNG carriers, oil tankers and container carriers.

Agriculture, Forestry and Fisheries

The Government's agricultural policy has traditionally focused on:

- grain production;
- development of irrigation systems;
- land consolidation and reclamation;
- seed improvement;
- mechanization measures to combat drought and flood damage; and
- increasing agricultural incomes.

Recently, however, the Government has increased emphasis on cultivating profitable crops and strengthening international competitiveness as a result of the continued opening of the domestic agricultural market.

In 2020, rice production decreased 5.4% from 2019 to 3.5 million tons. In 2021, rice production increased 11.4% from 2020 to 3.9 million tons. In 2022, rice production decreased 2.6% from 2021 to 3.8 million tons. In 2023, rice production decreased 2.6% from 2022 to 3.7 million tons. In 2024, rice production decreased 2.7% from 2023 to 3.6 million tons. Due to limited crop yields resulting from geographical and physical constraints, the Republic depends on imports for certain basic foodstuffs.

The Government is seeking to develop the fishing industry by encouraging the building of large fishing vessels and modernizing fishing equipment, marketing techniques and distribution outlets.

In 2020, the agriculture, forestry and fisheries industry decreased by 6.7% compared to 2019, primarily due to a decrease in farming and livestock production. In 2021, the agriculture, forestry and fisheries industry increased by 3.4% compared to 2020, primarily due to an increase in farming and fisheries production. In 2022, the agriculture, forestry and fisheries industry increased by 0.8% compared to 2021, primarily due to an increase in livestock production. Based on preliminary data, in 2023, the agriculture, forestry and fisheries industry decreased by 2.6% compared to 2022, primarily due to a decrease in farming and livestock production. Based on preliminary data, in 2024, the agriculture, forestry and fisheries industry increased by 0.8% compared to 2023, primarily due an increase in farming and livestock production.

Construction

In 2020, the construction industry decreased by 0.4% compared to 2019, primarily due to a decrease in the construction of residential buildings. In 2021, the construction industry decreased by 0.9% compared to 2020, primarily due to a decrease in the construction of residential buildings. In 2022, the construction industry increased by 0.9% compared to 2021, primarily due to an increase in the construction of commercial buildings. Based on preliminary data, in 2023, the construction industry increased by 3.1% compared to 2022, primarily due to an increase in the construction of commercial buildings. Based on preliminary data, in 2024, the construction industry decreased by 2.8% compared to 2023, primarily due to a decrease in the construction of residential buildings.

Electricity and Gas

The following table sets out the Republic's dependence on imports for energy consumption:

Dependence on Imports for Energy Consumption

	Total Primary Energy Supply	Imports	Imports Dependence Ratio
	(millions of tons of oil equivalents[1], except ratios)		
2020	285.6	271.3	95.0
2021	300.6	285.0	94.8
2022	304.0	287.0	94.4
2023[2]	297.6	279.4	93.9
2024[2]	303.5	284.1	93.6

(1) Conversion to tons of oil equivalents was calculated based on energy conversion factors under the Energy Act Enforcement Decree as amended in July 2017.

(2) Preliminary.

Source: Korea Energy Economics Institute; Korea National Statistical Office

Korea has almost no domestic oil or gas production and depends on imported oil and gas to meet its energy requirements. Accordingly, the international prices of oil and gas significantly affect the Korean economy. Any significant long-term increase in the prices of oil and gas will increase inflationary pressures in Korea and adversely affect the Republic's balance of trade.

To reduce its dependence on oil and gas imports, the Government has encouraged energy conservation and energy source diversification emphasizing nuclear energy. The following table sets out the principal primary sources of energy supplied in the Republic, expressed in oil equivalents and as a percentage of total energy consumption.

Primary Energy Supply by Source

	Coal		Gas		Oil		Nuclear		Others[1]		Total	
	Quantity	%	Quantity	%	Quantity	%	Quantity	%	Quantity	%	Quantity	%
	(millions of tons of oil equivalents[2], except percentages)											
2020	75,983	26.6	53,956	18.9	107,971	37.8	34,119	11.9	13,524	4.7	285,553	100.0
2021	76,968	25.6	59,628	19.8	115,205	38.3	33,657	11.2	15,092	5.0	300,550	100.0
2022	75,869	25.0	59,203	19.5	114,676	37.7	37,500	12.3	16,732	5.5	303,980	100.0
2023[3] ...	73,700	24.8	56,648	19.0	111,036	37.3	38,445	12.9	17,769	6.0	297,598	100.0
2024[3] ...	69,682	23.0	60,900	20.1	113,888	37.5	40,205	13.2	18,859	6.2	303,534	100.0

(1) Includes hydro-electric power, biofuels and waste-based energy, geothermal and solar power and heat.
(2) Conversion to tons of oil equivalents was calculated based on energy conversion factors under the Energy Act Enforcement Decree as amended in July 2017.
(3) Preliminary.
Source: Korea Energy Economics Institute; The Bank of Korea

The Republic's first nuclear power plant went into full operation in 1978 with a rated generating capacity of 587 megawatts. As of December 31, 2024, the Republic had 26 nuclear plants with a total estimated nuclear power installed generating capacity of 26,050 megawatts and four nuclear plants under construction.

In February 2025, the Government announced the Eleventh Basic Plan of Long-Term Electricity Supply and Demand for the period from 2024 to 2038, which focuses on, among other things, (i) promoting the use of scientific methods to estimate and calculate future electricity demand, (ii) pursuit of energy mix that prioritizes supply stability, efficiency and carbon neutrality, (iii) expansion of carbon-free energy sources instead of converting aging coal-fired generation plants into LNG power plants, (iv) expansion of power grid systems that take into account the construction of new facilities for renewable energy, and (v) effective utilization of the energy market to enhance supply stability and energy distribution. Furthermore, the Eleventh Basic Plan includes the following implementation measures: (i) continued utilization of nuclear power as a carbon-free energy source, (ii) systematic expansion of renewable energy sources while attaining greenhouse gas reduction goals, (iii) expansion of clean hydrogen- and ammonia-based power generation, and (iv) incorporation of district energy systems into the national electricity supply and demand management framework.

Services Sector

In 2020, the service industry decreased by 0.7% compared to 2019 as the arts, sports and recreation related services sector decreased by 31.9%, the accommodation and food service activities sector decreased by 17.9% and the transportation and storage sector decreased by 12.4%, each compared with 2019. In 2021, the service industry increased by 8.8% compared to 2020 as the arts, sports and recreation related services sector increased by 18.8%, the information and communications sector increased by 14.6% and the transportation and storage sector increased by 11.9%, each compared with 2020. In 2022, the service industry increased by 11.6% compared to 2021 as the arts, sports and recreation related services sector increased by 48.5%, the transportation and storage sector increased by 30.5% and the accommodation and food services sector increased by 25.6%, each

compared with 2021. In 2023, the service industry increased by 4.8% compared to 2022 as the arts, sports and recreation related services sector increased by 9.8%, the membership organizations, repair and other personal services sector increased by 8.9% and the financial and insurance activities sector increased by 8.1%, each compared with 2022. Based on preliminary data, in 2024, the service industry increased by 3.2% compared to 2023 as the transportation and storage sector increased by 7.6%, the information and communications sector increased by 6.5% and the arts, sports and recreation related services sector increased by 3.7%, each compared with 2023.

Prices, Wages and Employment

The following table shows selected price and wage indices and unemployment rates:

	Producer Price Index[1]	Increase (Decrease) Over Previous Year	Consumer Price Index[1]	Increase (Decrease) Over Previous Year	Wage Index[1][2]	Increase (Decrease) Over Previous Year	Unemployment Rate[1][3]
	(2020=100)	(%)	(2020=100)	(%)	(2015=100)	(%)	(%)
2020	100.0	(0.5)	100.0	0.5	115.5	(0.6)	4.0
2021	106.4	6.4	102.5	2.5	123.5	6.9	3.7
2022	115.3	8.4	107.7	5.1	130.7	5.8	2.9
2023	117.1	1.6	111.6	3.6	134.9	3.2	2.7
2024	119.1	1.7	114.2	2.3	N/A[4]	N/A[4]	2.8

(1) Average for the year.
(2) Nominal wage index of average earnings in the manufacturing industry.
(3) Expressed as a percentage of the economically active population.
(4) Not available.
Source: The Bank of Korea; Korea National Statistical Office

In 2020, the inflation rate increased to 0.5%, primarily due to increases in agricultural and livestock product prices. In 2021, the inflation rate increased to 2.5%, primarily due to increases in agricultural and livestock product prices and oil prices. In 2022, the inflation rate increased to 5.1%, primarily due to increases in agricultural and livestock product prices and oil prices. In 2023, the inflation rate decreased to 3.6%, primarily due to a slower rate of increase in the prices of agricultural and livestock products and oil. Based on preliminary data, in 2024, the inflation rate decreased to 2.3% despite increases in agricultural and livestock product prices, primarily due to a slower rate of increase in the prices of personal services, electricity, gas, water and processed goods and, to a lesser extent, a decrease in oil prices. Based on preliminary data, the inflation rate was 2.1% in the first half of 2025.

In 2020, the unemployment rate increased to 4.0%, primarily due to the COVID-19 pandemic. In 2021, the unemployment rate decreased to 3.7%, reflecting a gradual recovery of the Korean economy from the COVID-19 pandemic. In 2022, the unemployment rate decreased to 2.9%, reflecting a gradual recovery of the Korean economy from the COVID-19 pandemic. In 2023, the unemployment rate decreased to 2.7%, primarily due to an increase in the number of workers employed in the service industry. Based on preliminary data, in 2024, the unemployment rate increased to 2.8%, primarily due to a decrease in the number of workers employed in the manufacturing and construction sectors. Based on preliminary data, the unemployment rate was 3.1% in the first half of 2025.

From 1992 to 2009, the economically active population of the Republic increased by approximately 24.8% to 24.3 million, while the number of employees increased by approximately 23.7% to 23.5 million. The economically active population over 15 years old as a percentage of the total over-15 population has remained between 62% and 65% over the past decade. Literacy among workers under 50 is almost universal. As of December 31, 2024, the economically active population of the Republic was 29.4 million and the number of employees was 28.6 million.

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

	2020	2021	2022	2023	2024
	(all figures in percentages, except as indicated)				
Labor force (in thousands of persons)	26,904	27,273	28,089	28,416	28,576
Employment by Industry:					
Agriculture, Forestry and Fishing	5.4	5.3	5.4	5.3	5.2
Mining and Manufacturing	16.3	16.1	16.1	15.7	15.6
S.O.C & Services	78.3	78.6	78.5	79.0	79.2
Electricity, Transport, Communication and Finance	11.8	12.3	12.4	12.5	12.9
Business, Private & Public Service and Other Services	38.0	38.6	39.0	39.4	39.6
Construction	7.5	7.7	7.6	7.4	7.2
Wholesale & Retail Trade, Hotels and Restaurants	21.0	20.0	19.6	19.6	19.4
Total Employed	100.0	100.0	100.0	100.0	100.0
Employment by Gender:					
Male	57.2	57.0	56.7	56.1	55.7
Female	42.8	43.0	43.3	43.9	44.3
Total Employed	100.0	100.0	100.0	100.0	100.0

Source: The Bank of Korea

Pursuant to certain amendments to the Labor Standards Act that became effective on July 1, 2018, the maximum working hours of employees have been reduced from 68 hours per week to 52 hours per week, and the number of special industries that are exempt from restrictions on maximum working hours will be significantly reduced. This new maximum working hours restriction under the amended Labor Standards Act is in effect for workplaces with 300 or more workers from July 1, 2018, and has been extended to workplaces with 50 or more but fewer than 300 workers from January 1, 2020, and has been further extended to workplaces with five or more but fewer than 50 workers from July 1, 2021.

Labor unrest in connection with demands by unionized workers for better wages and working conditions and greater job security occurs from time to time in the Republic. Some of the significant incidents in recent years include the following:

- In October, November and December 2020, unionized workers at GM Korea went on partial strikes during wage and collective agreement negotiations.
- In November and December 2020, unionized workers at Kia went on partial strikes demanding higher wages, performance-based incentives and other benefits.
- In November and December 2021, unionized workers at Hankook Tire & Technology, one of Korea's largest tire makers, went on a full strike demanding higher wages and performance-based incentive payments.
- In 2021, unionized workers at CJ Logistics, one of Korea's largest freight transportation companies, went on a series of partial strikes and demonstrations, demanding higher wages commensurate with increases in parcel delivery fees.
- In June and November 2022, unionized truck drivers across various industries went on nationwide strikes demanding that a minimum pay system based on freight rates be made permanent and expanded in scope.
- In 2022, subcontracted workers of Daewoo Shipping and Marine Engineering went on a full strike demanding higher wages.

- In September 2023, the National Railroad Workers' Union went on strike demanding improved pay and working conditions and an expansion of the KTX bullet train services.
- In November 2023, unionized Seoul subway workers went on strike in protest of the city-run Seoul Metro's bid to downsize its workforce.
- In early 2024, thousands of doctors went on strike to protest the Government's plans to increase the number of medical school admissions, and to demand higher pay and reductions in their workload, among others.
- In December 2024, the National Railroad Workers' Union and Seoul Subway Workers' Union went on strike demanding increased pay and improved working conditions.

Actions such as these by labor unions may hinder implementation of the labor reform measures and disrupt the Government's plans to create a more flexible labor market. Although much effort is being expended to resolve labor disputes in a peaceful manner, there can be no assurance that further labor unrest will not occur in the future. Continued labor unrest in key industries of the Republic may have an adverse effect on the economy.

In 1997, the Korean Confederation of Trade Unions organized a political alliance, which led to the formation of the Democratic Labor Party in January 2000. The Democratic Labor Party merged with The New People's Participation Party and changed its name to The Unified Progressive Party, or the UPP, in December 2011. In October 2012, the UPP split and seven UPP members of the National Assembly and their supporters formed a new party, the Progressive Justice Party, which changed its name to the Justice Party in July 2013. In December 2014, the Constitutional Court ordered the dissolution of the UPP and the removal of the party's five lawmakers from the National Assembly for violating the Republic's Constitution after certain of its members were convicted of trying to instigate an armed rebellion and supporting North Korea. In the legislative general election held on April 13, 2016, the Justice Party won six seats in the National Assembly, and the members-elect began their four-year terms on May 30, 2016. As of December 31, 2024, the Justice Party did not hold any seat in the National Assembly.

Population and Birthrate

Both the population and birthrate in the Republic have been declining for most of the recent past. The population has decreased by 1.2% from 2020 to 2024, and the birthrate has decreased by 10.7% over the same period.

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

	2020	2021	2022	2023	2024
Population (in thousands of persons)	51,829	51,639	51,439	51,325	51,217
Birthrate (percentage)[1]	0.84	0.81	0.78	0.72	0.75[2]

(1) Represents the average number of children a woman gives birth to over her lifetime.
(2) Preliminary.
Source: Ministry of the Interior and Safety; Korea National Statistical Office

The Financial System

Structure of the Financial Sector

The Republic's financial sector includes the following categories of financial institutions:

- The Bank of Korea;
- banking institutions;
- non-bank financial institutions; and

- other financial entities, including:
  - financial investment companies;
  - credit guarantee institutions;
  - venture capital companies; and
  - miscellaneous others.

To increase transparency in financial transactions and enhance the integrity and efficiency of the financial markets, Korean law requires that financial institutions confirm that their clients use their real names when transacting business. The Government also strengthened confidentiality protection for private financial transactions.

In July 2007, the Korean National Assembly passed the Financial Investment Services and Capital Markets Act, or the FSCMA, under which various industry-based capital markets regulatory systems were consolidated into a single regulatory system. The FSCMA, which became effective in February 2009, expands the scope of permitted investment-related financial products and activities through expansive definitions of financial instruments and function-based regulations that allow financial investment companies to offer a wider range of financial services, as well as strengthening investor protection and disclosure requirements.

Prior to the effective date of the FSCMA, separate laws regulated various types of financial institutions depending on the type of the financial institution (for example, securities companies, futures companies, trust business companies and asset management companies) and subjected financial institutions to different licensing and ongoing regulatory requirements (for example, under the Securities and Exchange Act, the Futures Trading Act and the Indirect Investment Asset Management Business Act). By applying one uniform set of rules to financial businesses having the same economic function, the FSCMA attempts to improve and address issues caused by the previous regulatory system under which the same economic function relating to capital markets-related business were governed by multiple regulations. To this end, the FSCMA categorizes capital markets-related businesses into six different functions as follows:

- investment dealing (trading and underwriting of financial investment products);
- investment brokerage (brokerage of financial investment products);
- collective investment (establishment of collective investment schemes and the management thereof);
- investment advice;
- discretionary investment management; and
- trusts (together with the five businesses set forth above, the Financial Investment Businesses).

Accordingly, all financial businesses relating to financial investment products are classified as one or more of the Financial Investment Businesses described above, and financial institutions are subject to the regulations applicable to their relevant Financial Investment Businesses, irrespective of what type of financial institution it is. For example, under the FSCMA, derivative businesses conducted by securities companies and future companies are subject to the same regulations, at least in principle.

The banking business and the insurance business are not subject to the FSCMA and will continue to be regulated under separate laws; provided, however, that they are subject to the FSCMA if their activities involve any Financial Investment Businesses requiring a license based on the FSCMA.

Banking Industry

The banking industry comprises commercial banks and specialized banks. Commercial banks serve the general public and corporate sectors. They include nationwide banks, regional banks and branches of foreign banks.

Regional banks provide services similar to nationwide banks, but operate in a geographically restricted region. Branches of foreign banks have operated in the Republic since 1967 but provide a relatively small proportion of the country's banking services. As of December 31, 2024, there were seven nationwide banks, five regional banks, three internet-only banks and 33 foreign banks with branches operating in the Republic.

Specialized banks meet the needs of specific sectors of the economy in accordance with Government policy; they are organized under, or chartered by, special laws. Specialized banks include (i) The Korea Development Bank, (ii) The Export-Import Bank of Korea, (iii) Industrial Bank of Korea, (iv) SuHyup Bank and (v) NongHyup Bank. The Government has made capital contributions to three of these specialized banks as follows:

- **The Korea Development Bank**: the Government owns directly all of its paid-in capital and has made capital contributions since its establishment in 1954. Recent examples include the Government's contributions to its capital of ₩2,103 billion in 2020, ₩1,121 billion in 2021, ₩1,265 billion in 2022, ₩775 billion in 2023 and ₩2,185 billion in 2024. Taking into account these capital contributions, its total paid-in capital was ₩26,317 billion as of December 31, 2024.
- **The Export-Import Bank of Korea**: the Government owns, directly and indirectly, all of its paid-in capital and has made capital contributions since its establishment in 1976. Recent examples include the Government's contributions to its capital of ₩578 billion in 2020, ₩299 billion in 2021, ₩25 billion in 2022, ₩2,000 billion in 2023 and ₩2,100 billion in 2024. Taking into account these capital contributions, its total paid-in capital was ₩16,873 billion as of December 31, 2024.
- **Industrial Bank of Korea**: the Government directly owned 59.5% of its total shares (including common and preferred shares) as of December 31, 2024. The Government had owned all of the issued share capital of Industrial Bank of Korea until 1994, but the Government's minimum share ownership requirement was repealed in 1997, and the Government has since periodically adjusted its ownership percentage in Industrial Bank of Korea through transactions involving the purchase and sale of its common shares. In 2020, Industrial Bank of Korea issued an aggregate of 161,507,381 new common shares to the Government for a total of ₩1,266 billion in cash. In November 2020, Industrial Bank of Korea acquired from the Government and canceled an aggregate of 44,847,038 perpetual preferred shares that it had previously issued to the Government. In May 2021, Industrial Bank of Korea issued and sold 5,636,227 new ordinary shares to the Government for an aggregate consideration of ₩49 billion in cash. Taking into account such transactions, its total paid-in capital was ₩4,211 billion as of December 31, 2024.

The economic difficulties in 1997 and 1998 caused an increase in Korean banks' non-performing assets and a decline in capital adequacy ratios of Korean banks. From 1998 through 2002, the Financial Services Commission amended banking regulations several times to adopt more stringent criteria for non-performing assets that more closely followed international standards.

The following table sets out the total loans (including loans in Won and loans in foreign currencies) and non-performing assets of Korean banks as of the dates indicated.

	Total Loans	Non-Performing Assets[1]	Percentage of Total
	(trillions of Won)		(percentage)
December 31, 2020	2,171.7	13.9	0.6
December 31, 2021	2,371.9	11.8	0.5
December 31, 2022	2,532.4	10.1	0.4
December 31, 2023	2,629.0	12.5	0.5
December 31, 2024[2]	2,799.1	14.8	0.5

(1) Assets classified as substandard or below.
(2) Preliminary.
Source: Financial Supervisory Service

In 2020, these banks posted an aggregate net profit of ₩12.1 trillion, compared to an aggregate net profit of ₩13.9 trillion in 2019, primarily due to increased loan loss provisions. In 2021, these banks posted an aggregate net profit of ₩16.9 trillion, compared to an aggregate net profit of ₩12.1 trillion in 2020, primarily due to the significant amount of gains recognized by The Korea Development Bank in connection with the exercise of its right to convert its convertible bonds issued by HMM Company Limited into common shares, which took place in June 2021, and to a lesser extent, increased net interest income and decreased loan loss provisions. In 2022, these banks posted an aggregate net profit of ₩18.5 trillion, compared to an aggregate net profit of ₩16.9 trillion in 2021, primarily due to increased net interest income reflecting the rise in interest rates during 2022. In 2023, these banks posted an aggregate net profit of ₩21.2 trillion, compared to an aggregate net profit of ₩18.5 trillion in 2022, primarily due to an increase in net interest income, which was offset in part by an increase in loan loss provisions. Based on preliminary data, in 2024, these banks posted an aggregate net profit of ₩22.4 trillion, compared to an aggregate net profit of ₩21.2 trillion in 2023, primarily due to a decrease in loan loss provisions, which was offset in part by an increase in non-operating expenses.

Non-Bank Financial Institutions

Non-bank financial institutions include:

- savings institutions, including trust accounts of banks, mutual savings banks, credit unions, mutual credit facilities, community credit cooperatives and postal savings;
- life insurance institutions; and
- credit card companies.

As of December 31, 2024, 79 mutual savings banks, 22 life insurance institutions, which include joint venture life insurance institutions and wholly-owned subsidiaries of foreign life insurance companies, and eight credit card companies operated in the Republic.

Money Markets

In the Republic, the money markets consist of the call market and markets for a wide range of other short-term financial instruments, including treasury bills, monetary stabilization bonds, negotiable certificates of deposits, repurchase agreements and commercial paper.

Securities Markets

On January 27, 2005, the Korea Exchange was established pursuant to the now repealed Korea Securities and Futures Trading Act by consolidating the Korea Stock Exchange, the Korea Futures Exchange, the KOSDAQ Stock Market, Inc., or the KOSDAQ, and the KOSDAQ Committee of the Korea Securities Dealers Association, which had formerly managed the KOSDAQ. There are three major markets operated by the Korea Exchange: the KRX KOSPI Market, the KRX KOSDAQ Market, and the KRX Derivatives Market. The Korea Exchange has two trading floors located in Seoul, one for the KRX KOSPI Market and one for the KRX KOSDAQ Market, and one trading floor in Busan for the KRX Derivatives Market. The Korea Exchange is a joint stock company with limited liability, the shares of which are held by (i) financial investment companies that were formerly members of the Korea Futures Exchange or the Korea Stock Exchange and (ii) the stockholders of the KOSDAQ. Currently, the Korea Exchange is the only stock exchange in Korea and is operated by membership, having as its members Korean financial investment companies and some Korean branches of foreign financial investment companies.

The Korea Exchange publishes the Korea Composite Stock Price Index every ten seconds, which is an index of all equity securities listed on the Korea Exchange. The Korea Composite Stock Price Index is computed using the aggregate value method, whereby the market capitalizations of all listed companies are aggregated, subject to certain adjustments, and this aggregate is expressed as a percentage of the aggregate market capitalization of all listed companies as of the base date, January 4, 1980.

The following table shows the value of the Korea Composite Stock Price Index as of the dates indicated:

December 30, 2020	2,873.5
January 29, 2021	2,976.2
February 26, 2021	3,013.0
March 31, 2021	3,061.4
April 30, 2021	3,147.9
May 31, 2021	3,203.9
June 30, 2021	3,296.7
July 30, 2021	3,202.3
August 31, 2021	3,199.3
September 30, 2021	3,068.8
October 29, 2021	2,970.7
November 30, 2021	2,839.0
December 30, 2021	2,977.7
January 28, 2022	2,663.3
February 28, 2022	2,699.2
March 31, 2022	2,757.7
April 29, 2022	2,695.1
May 31, 2022	2,685.9
June 30, 2022	2,332.6
July 29, 2022	2,451.5
August 31, 2022	2,472.1
September 30, 2022	2,155.5
October 31, 2022	2,293.6
November 30, 2022	2,472.5
December 29, 2022	2,236.4
January 31, 2023	2,425.1
February 28, 2023	2,412.9
March 31, 2023	2,476.9
April 28, 2023	2,501.5
May 31, 2023	2,577.1
June 30, 2023	2,564.3
July 31, 2023	2,632.6
August 31, 2023	2,556.3
September 27, 2023	2,465.1
October 31, 2023	2,278.0
November 30, 2023	2,535.3
December 28, 2023	2,655.3
January 31, 2024	2,497.1
February 29, 2024	2,642.4
March 29, 2024	2,746.6
April 30, 2024	2,692.1
May 31, 2024	2,636.5
June 28, 2024	2,797.8
July 31, 2024	2,770.7
August 30, 2024	2,674.3
September 30, 2024	2,593.3
October 31, 2024	2,556.2
November 29, 2024	2,455.9

December 30, 2024	2,399.5
January 31, 2025	2,517.4
February 28, 2025	2,532.8
March 31, 2025	2,481.1
April 30, 2025	2,556.6
May 30, 2025	2,697.7
June 30, 2025	3,071.1
July 31, 2025	3,245.4
August 29, 2025	3,186.0

Over the years, liquidity and credit concerns and volatility in the global financial markets have led to fluctuations in the stock prices of Korean companies. In recent years, there was significant volatility in the stock prices of Korean companies due to deteriorating market conditions domestically and abroad. The index was 3,468.7 on September 22, 2025.

Supervision System

The Office of Bank Supervision, the Securities Supervisory Board, the Insurance Supervisory Board and all other financial sector regulatory bodies merged in January 1999 to form the Financial Supervisory Service. The Financial Supervisory Service acts as the executive body of the Financial Services Commission. The Financial Services Commission reports to, but operates independently of, the Prime Minister's office.

The Ministry of Economy and Finance focuses on financial policy and foreign currency regulations. The Bank of Korea manages monetary policy focusing on price stabilization.

Deposit Insurance System

The Republic's deposit insurance system insures amounts on deposit with banks, non-bank financial institutions, securities companies and life insurance companies.

Since January 2001, deposits at any single financial institution are insured only up to ₩50 million per person regardless of the amount deposited, although such limit is expected to be increased to ₩100 million per person through an amendment to the Depositor Protection Act of Korea and the Presidential Decree thereof which is expected to become effective by September 2025.

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

Monetary Policy

The Bank of Korea

The Bank of Korea was established in 1950 as Korea's central bank and the country's sole currency issuing bank. A seven-member Monetary Policy Committee, chaired by the Governor of The Bank of Korea, formulates and controls monetary and credit policies.

Inflation targeting is the basic system of operation for Korean monetary policy. The consumer price index is used as The Bank of Korea's target indicator. To achieve its established inflation target, the Monetary Policy Committee of The Bank of Korea determines and announces the "Bank of Korea Base Rate", the reference rate applied in transactions such as repurchase agreements between The Bank of Korea and its financial institution counterparts. The Bank of Korea uses open market operations as its primary instrument to keep the call rate in line with the Monetary Policy Committee's target rate. In addition, The Bank of Korea is able to establish policies regarding its lending to banks in Korea and their reserve requirements.

Interest Rates

The Bank of Korea lowered its policy rate to 1.5% from 1.75% on July 18, 2019 and to 1.25% from 1.5% on October 16, 2019 to address the sluggishness of the global and domestic economy. On March 16, 2020, The Bank of Korea further lowered its policy rate to 0.75% from 1.25%, which was further lowered to 0.5% on May 28, 2020, in response to deteriorating economic conditions resulting from the COVID-19 pandemic. However, as the economy began to show signs of recovery from the COVID-19 pandemic starting from the second half of 2021, The Bank of Korea raised its policy rate from 0.50% to 0.75% on August 26, 2021, 1.00% on November 25, 2021 and 1.25% on January 14, 2022. Subsequently, in response to rising levels of household debt and inflationary pressures, The Bank of Korea continued to raise its policy rate, to 1.50% on April 14, 2022, 1.75% on May 26, 2022, 2.25% on July 13, 2022, 2.50% on August 25, 2022, 3.00% on October 12, 2022, 3.25% on November 24, 2022 and 3.50% on January 13, 2023. More recently, however, The Bank of Korea began to lower its policy rate, to 3.25% on October 11, 2024, 3.00% on November 28, 2024, 2.75% on February 25, 2025 and 2.50% on May 29, 2025 in response to weak economic conditions in the Republic.

With the deregulation of interest rates on banks' demand deposits on February 2, 2004, The Bank of Korea completed the interest rate deregulation based upon the "Four-Stage Interest Rate Liberalization Plan" announced in 1991. The prohibition on the payment of interest on ordinary checking accounts was, however, maintained.

Money Supply

The following table shows the volume of the Republic's money supply:

	December 31,				
	2020	2021	2022	2023	2024
	(billions of Won)				
Money Supply (M1)[1]	1,197,828.9	1,372,336.6	1,236,983.3	1,246,196.4	1,297,881.8
Quasi-money[2]	2,002,006.8	2,241,351.0	2,521,252.2	2,658,356.2	2,862,473.9
Money Supply (M2)[3]	3,199,835.7	3,613,687.6	3,758,235.5	3,904,552.6	4,160,355.7
Percentage Increase Over Previous Year	9.8%	12.9%	4.0%	3.9%	6.6%

(1) Consists of currency in circulation and demand and instant access savings deposits at financial institutions.
(2) Includes time and installment savings deposits, marketable instruments, yield-based dividend instruments and financial debentures, excluding financial instruments with a maturity of more than two years.
(3) Money Supply (M2) is the sum of Money Supply (M1) and quasi-money.
Source: The Bank of Korea

Exchange Controls

Authorized foreign exchange banks, as registered with the Ministry of Economy and Finance, handle foreign exchange transactions. The ministry has designated other types of financial institutions to handle foreign exchange transactions on a limited basis.

Korean laws and regulations generally require a report to either the Ministry of Economy and Finance, The Bank of Korea or authorized foreign exchange banks, as applicable, for issuances of international bonds and other instruments, overseas investments and certain other transactions involving foreign exchange payments.

In 1993, 1994 and 1995, the Government relaxed regulations of foreign exchange position ceilings and foreign exchange transaction documentation and created free Won accounts which may be opened by non-residents at Korean foreign exchange banks. The Won funds deposited into the free Won accounts may be converted into foreign currencies and remitted outside Korea without any governmental approval. In December 1996, after joining the OECD, the Republic freed the repatriation of investment funds, dividends and profits, as well as loan

repayments and interest payments. The Government continues to reduce exchange controls in response to changes in the world economy, including the new trade regime under the WTO, anticipating that such foreign exchange reform will improve the Republic's competitiveness and encourage strategic alliances between domestic and foreign entities.

In September 1998, the National Assembly passed the Foreign Exchange Transactions Act, which became effective in April 1999 and has subsequently been amended numerous times. In principle, most currency and capital transactions, including, among others, the following transactions, have been liberalized:

- the investment in real property located overseas by Korean companies and financial institutions;
- the establishment of overseas branches and subsidiaries by Korean companies and financial institutions;
- the investment by non-residents in deposits and trust products having more than one year maturities; and
- the issuance of debentures by non-residents in the Korean market.

To minimize the adverse effects from further opening of the Korean capital markets, the Ministry of Economy and Finance is authorized to introduce a variable deposit requirement system to restrict the influx of short-term speculative funds.

The Government has also embarked on a second set of liberalization initiatives starting in January 2001, under which ceilings on international payments for Korean residents have been eliminated, including overseas travel expenses, overseas inheritance remittances and emigration expenses. Overseas deposits, trusts, acquisitions of foreign securities and other foreign capital transactions made by residents and the making of deposits in Korean currency by non-residents have also been liberalized. In line with the foregoing liberalization, measures will also be adopted to curb illegal foreign exchange transactions and to stabilize the foreign exchange market.

Effective as of January 1, 2006, the Government liberalized the regulations governing "capital transactions". The regulations provide that no regulatory approvals are required for any capital transactions. The capital transactions previously subject to approval requirements are now subject only to reporting requirements.

In January 2010, the Financial Supervisory Service introduced the Standards for Risk Management of Foreign Exchange Derivatives Transactions to the Enforcement Rules for Supervision of Banking Business to prevent over-hedging of foreign exchange risk by corporate investors. According to the standards as amended in October 2023, if a corporate investor, other than a financial institution or a public enterprise, wishes to enter into a currency forward, currency option, foreign exchange swap or currency swap agreement with a bank, the bank is required to verify whether the corporate investor's assets, liabilities or contracts face foreign exchange risks that could be mitigated by a currency forward, currency option, foreign exchange swap or currency swap agreement. In addition, the bank is required to ensure that the corporate investor's risk hedge ratio, which is the ratio of the aggregate notional amount to the aggregate amount of risk, does not exceed 125% as of the date of this Offering Circular.

Foreign Exchange

The following table shows the exchange rate between the Won and the U.S. Dollar (in Won per U.S. Dollar) as announced by the Seoul Money Brokerage Services, Ltd. as of the dates indicated:

	Won/U.S. Dollar Exchange Rate
December 31, 2020	1,088.0
January 29, 2021	1,114.6
February 26, 2021	1,108.4
March 31, 2021	1,133.5
April 30, 2021	1,119.4
May 31, 2021	1,116.0
June 30, 2021	1,130.0
July 30, 2021	1,147.4
August 31, 2021	1,164.4
September 30, 2021	1,184.9
October 29, 2021	1,171.7
November 30, 2021	1,193.4
December 31, 2021	1,185.5
January 28, 2022	1,202.4
February 28, 2022	1,202.7
March 31, 2022	1,210.8
April 29, 2022	1,269.4
May 31, 2022	1,245.8
June 30, 2022	1,299.4
July 29, 2022	1,304.0
August 31, 2022	1,347.5
September 30, 2022	1,434.8
October 31, 2022	1,419.3
November 30, 2022	1,331.5
December 30, 2022	1,267.3
January 31, 2023	1,228.7
February 28, 2023	1,317.4
March 31, 2023	1,303.8
April 28, 2023	1,339.9
May 31, 2023	1,322.2
June 30, 2023	1,312.8
July 31, 2023	1,280.0
August 31, 2023	1,321.4
September 27, 2023	1,344.8
October 31, 2023	1,352.8
November 30, 2023	1,289.0
December 29, 2023	1,289.4
January 31, 2024	1,330.6
February 29, 2024	1,334.0
March 29, 2024	1,346.8
April 30, 2024	1,378.7
May 31, 2024	1,376.5
June 28, 2024	1,389.2
July 31, 2024	1,384.6
August 30, 2024	1,335.3
September 30, 2024	1,319.6
October 31, 2024	1,383.3
November 29, 2024	1,394.7
December 31, 2024	1,470.0
January 31, 2025	1,433.3
February 28, 2025	1,439.6
March 31, 2025	1,466.5
April 30, 2025	1,438.5
May 30, 2025	1,381.4
June 30, 2025	1,356.4
July 31, 2025	1,382.9
August 29, 2025	1,388.6

During the period from January 2, 2008 through April 16, 2009, the value of the Won relative to the U.S. dollar declined by approximately 29.9%, due primarily to adverse economic conditions resulting from liquidity and credit concerns and volatility in the global credit and financial markets and repatriations by foreign investors of their investments in the Korean stock market. The exchange rate between the Won and the U.S. Dollar has fluctuated since then. In recent years, the value of the Won relative to the U.S. dollar depreciated significantly, due primarily to the COVID-19 pandemic, the Russia-Ukraine war and ensuing sanctions against Russia, the escalating hostilities in the Middle East following the Israel-Hamas war as well as in light of the ongoing Iran-Israel conflict and, more recently, the political situation in Korea following the declaration of martial law by former President Yoon in December 2024 that led to his impeachment and subsequent removal in April 2025 and the election of Mr. Lee Jae-myung as President in June 2025, among others. The market average exchange rate was Won 1,393.6 to US$1.00 on September 22, 2025.

Balance of Payments and Foreign Trade

Balance of Payments

Balance of payments figures measure the relative flow of goods, services and capital into and out of the country as represented in the current balance and the capital balance. The current balance tracks a country's trade in goods and services and transfer payments and measures whether a country is living within its income from trading and investments. The capital balance covers all transactions involving the transfer of capital into and out of the country, including loans and investments. The overall balance represents the sum of the current and capital balances. An overall balance surplus indicates a net inflow of foreign currencies, thereby increasing demand for and strengthening the local currency. An overall balance deficit indicates a net outflow of foreign currencies, thereby decreasing demand for and weakening the local currency. The financial account mirrors the overall balance. If the overall balance is positive, the surplus, which represents the nation's savings, finances the overall deficit of the country's trading partners. Accordingly, the financial account will indicate cash outflows equal to the overall surplus. If, however, the overall balance is negative, the nation has an international deficit which must be financed. Accordingly, the financial account will indicate cash inflows equal to the overall deficit.

The following table sets out certain information with respect to the Republic's balance of payments:

Balance of Payments[1]

Classification	2020	2021	2022	2023	2024[4]
			(millions of dollars)		
Current Account	75,902.2	85,228.2	25,828.6	32,821.7	99,042.9
Goods	80,604.8	75,730.9	15,620.0	37,657.7	100,126.9
Exports[2]	517,909.3	649,475.2	694,324.1	643,577.2	696,196.1
Imports[2]	437,304.5	573,744.3	678,704.1	605,919.5	596,069.2
Services	(14,670.1)	(5,286.7)	(7,253.1)	(26,824.1)	(23,701.6)
Income	13,486.9	19,444.9	20,347.1	26,249.3	26,619.3
Current Transfers	(3,519.4)	(4,660.9)	(2,885.4)	(4,261.2)	(4,001.7)
Capital and Financial Account	80,996.4	78,335.3	27,063.2	32,129.1	95,512.1
Capital Account	(386.3)	(155.3)	0.7	47.1	303.3
Financial Account[3]	81,382.7	78,490.6	27,062.5	32,082.0	95,208.8
Net Errors and Omissions	5,866.8	(6,582.3)	1,233.2	(786.8)	(4,137.4)

(1) Figures are prepared based on the sixth edition of the Balance of Payment Manual published by International Monetary Fund in December 2010 and implemented by the Government in December 2013. In December 2018, The Bank of Korea revised the Republic's balance of payments information to capture new economic activities and reflect the changes in raw data.

(2) These entries are derived from trade statistics and are valued on a free on board basis, meaning that the insurance and freight costs are not included.

(3) Includes borrowings from the IMF, syndicated bank loans and short-term borrowings.
(4) Preliminary.
Source: The Bank of Korea

The current account surplus in 2023 increased to US$32.8 billion in 2023 from the current account surplus of US$25.8 billion in 2022, primarily due to an increase in surplus from the goods account, as well as an increase in surplus from the income account, the effects of which were offset in part by an increase in deficit from the services account. Based on preliminary data, the current account surplus in 2024 increased to US$99.0 billion in 2024 from the current account surplus of US$32.8 billion in 2023, primarily due to an increase in surplus from the goods account and a decrease in deficit from the services account. Based on preliminary data, the Republic's current account surplus in the first half of 2025 increased to US$49.4 billion from the current account surplus of US$40.2 billion in the corresponding period of 2024, primarily due to increases in surpluses from the income account and the goods account, the effects of which were offset in part by an increase in deficit from the service account.

Foreign Direct Investment

Since 1960, the Government has adopted a broad range of related laws, administrative rules and regulations that provide a framework for the conduct and regulation of foreign investment activities. In September 1998, the Government promulgated the Foreign Investment Promotion Act, or the FIPA, which replaced previous foreign direct investment related laws, rules and regulations, to promote inbound foreign investments by providing incentives to, and facilitating investment activities in the Republic by, foreign nationals. The FIPA prescribes, among others, procedural requirements for inbound foreign investments, incentives for foreign investments such as tax reductions, and requirements relating to designation and development of foreign investment target regions. The Government believes that providing a stable and receptive environment for foreign direct investment will accelerate the inflow of foreign capital, technology and management techniques.

The following table sets forth information regarding annual foreign direct investment in the Republic for the periods indicated.

Foreign Direct Investment

	2020	2021	2022	2023	2024[2]
	(billions of dollars)				
Contracted and Reported Investment					
Greenfield Investment[1]	14.5	18.1	22.3	23.5	26.7
Merger & Acquisition	6.2	11.4	8.1	9.2	7.9
Total	20.7	29.5	30.4	32.7	34.6
Actual Investment	11.5	17.9	18.2	19.5	14.8

(1) Includes building new factories and operational facilities.
(2) Preliminary.
Source: Ministry of Trade, Industry and Energy

In 2023, the contracted and reported amount of foreign direct investment in the Republic increased to US$32.7 billion from US$30.4 billion in 2022, primarily due to an increase in foreign investment in the services sector to US$17.8 billion in 2023 from US$16.6 billion in 2022.

Based on preliminary data, in 2024, the contracted and reported amount of foreign direct investment in the Republic increased to US$34.6 billion from US$32.7 billion in 2023, primarily due to an increase in foreign investment in the manufacturing sector to US$14.5 billion in 2024 from US$11.9 billion in 2023.

The following table sets forth information regarding the source of foreign direct investment by region and country for the periods indicated:

Foreign Direct Investment by Region and Country

	2020	2021	2022	2023	2024
	(billions of dollars)				
North America					
U.S.A.	5.3	5.3	8.7	6.1	5.2
Others	3.5	1.6	5.8	6.5	5.5
	8.8	6.9	14.5	12.6	10.7
Asia					
Japan	0.8	1.2	1.5	1.3	6.1
Hong Kong	1.1	0.6	0.4	1.2	1.0
Singapore	2.3	4.2	3.2	2.7	2.4
China	2.0	1.9	1.5	1.6	5.8
Others	0.4	1.2	0.5	1.8	1.0
	6.6	9.1	7.1	8.6	16.3
European Union					
Ireland	0.0	1.8	0.1	0.0	0.0
Netherlands	0.6	1.0	4.9	1.1	0.9
Germany	0.5	2.8	0.5	0.2	0.3
France	0.2	0.2	0.2	1.2	0.9
Others	2.7	6.2	1.8	3.7	3.0
	4.0	12.0	7.5	6.2	5.1
Other regions and countries	1.3	1.5	1.3	5.3	2.5
Total	20.7	29.5	30.4	32.7	34.6

Source: Ministry of Trade, Industry and Energy

Trade Balance

Trade balance figures measure the difference between a country's exports and imports. If exports exceed imports the country has a trade balance surplus while if imports exceed exports the country has a deficit. A deficit, indicating that a country's receipts from abroad fall short of its payments to foreigners, must be financed, rendering the country a debtor nation. A surplus, indicating that a country's receipts exceed its payments to foreigners, allows the country to finance its trading partners' net deficit to the extent of the surplus, rendering the country a creditor nation.

The following table summarizes the Republic's trade balance for the periods indicated:

Trade Balance

	Exports[1]	As % of GDP[2]	Imports[1]	As % of GDP[2]	Balance of Trade	Exports as % of Imports
	(billions of dollars, except percentages)					
2020	512.5	29.4%	467.6	26.8%	44.9	109.6
2021	644.4	33.2%	615.1	31.7%	29.3	104.8
2022	683.6	38.0%	731.4	40.7%	(47.8)	93.5
2023	632.2	34.3%	642.6	34.8%	(10.4)	98.4
2024[3]	683.7	36.5%	632.1	33.7%	51.6	108.2

(1) These entries are derived from customs clearance statistics on a C.I.F. basis, meaning that the price of goods includes insurance and freight cost.
(2) At current market prices.
(3) Preliminary.
Source: The Bank of Korea; Korea Customs Service

The Republic, due to its lack of natural resources, relies on extensive trading activity for growth. The country meets virtually all domestic requirements for petroleum, wood and rubber with imports, as well as much of its coal and iron needs. Exports consistently represent a high percentage of GDP and, accordingly, the international economic environment is of crucial importance to the Republic's economy. See "—The Economy—Worldwide Economic and Financial Difficulties".

The following tables give information regarding the Republic's exports and imports by major commodity groups:

Exports by Major Commodity Groups (C.I.F.)[1]

	2020	As % of 2020 Total	2021	As % of 2021 Total	2022	As % of 2022 Total	2023	As % of 2023 Total	2024[2]	As % of 2024 Total[2]
	(billions of dollars, except percentages)									
Foods & Consumer Goods	8.6	1.7	9.8	1.5	10.4	1.5	10.7	1.7	11.6	1.7
Raw Materials and Fuels	32.1	6.3	51.4	8.0	75.1	11.0	62.6	9.9	60.9	8.9
Petroleum & Derivatives	24.7	4.8	38.8	6.0	63.3	9.3	52.4	8.3	50.7	7.4
Others	7.4	1.4	12.6	2.0	11.8	1.7	10.2	1.6	10.2	1.5
Light Industrial Products	32.4	6.3	35.3	5.5	35.2	5.1	33.4	5.3	34.2	5.0
Heavy & Chemical Industrial Products	439.3	85.7	547.9	85.0	563.0	82.4	525.5	83.1	577.0	84.4
Electronic & Electronic Products	178.5	34.8	221.8	34.4	224.2	32.8	181.1	28.6	231.0	33.8
Chemicals & Chemical Products	66.6	13.0	91.9	14.3	98.0	14.3	86.6	13.7	83.6	12.2
Metal Goods	39.6	7.7	52.6	8.2	55.3	8.1	49.8	7.9	48.2	7.0
Machinery & Precision Equipment	63.4	12.4	70.9	11.0	70.9	10.4	72.6	11.5	72.5	10.6
Transport Equipment	77.6	15.1	94.2	14.6	98.4	14.4	118.2	18.7	120.6	17.6
Passenger Cars	35.6	6.9	44.3	6.9	51.7	7.6	68.3	10.8	68.3	10.0
Ships & Boats	19.2	3.7	22.4	3.5	17.6	2.6	20.8	3.3	24.5	3.6
Others	22.8	4.4	27.5	4.3	29.2	4.3	29.1	4.6	27.8	4.1
Others	13.6	2.7	16.6	2.6	16.1	2.4	17.2	2.7	21.2	3.1
Total	512.5	100.0	644.4	100.0	683.6	100.0	632.2	100.0	683.7	100.0

(1) These entries are derived from customs clearance statistics. C.I.F. means that the price of goods includes insurance and freight costs.
(2) Preliminary.
Source: The Bank of Korea; Korea Customs Service

Imports by Major Commodity Groups (C.I.F.)[1]

	2020	As % of 2020 Total	2021	As % of 2021 Total	2022	As % of 2022 Total	2023	As % of 2023 Total	2024[2]	As % of 2024 Total[2]
	(billions of dollars, except percentages)									
Industrial Materials and Fuels	206.3	44.1	302.6	49.2	393.8	53.8	328.4	51.1	308.3	48.8
Crude Petroleum	44.5	9.5	67.0	10.9	106.0	14.5	86.2	13.4	85.4	13.5
Mineral	21.4	4.6	33.3	5.4	31.3	4.3	27.1	4.2	25.9	4.1
Chemicals	46.4	9.9	60.4	9.8	70.2	9.6	64.8	10.1	55.5	8.8
Iron & Steel Products	15.2	3.3	22.2	3.6	22.7	3.1	21.3	3.3	20.5	3.2
Non-ferrous Metal	11.7	2.5	18.4	3.0	19.5	2.7	15.9	2.5	15.9	2.5
Others	67.1	14.3	101.3	16.5	144.1	19.7	113.1	17.6	105.1	16.6
Capital Goods	177.1	37.9	212.8	34.6	228.9	31.3	211.5	32.9	222.3	35.2
Machinery & Precision Equipment	57.9	12.4	70.0	11.4	68.6	9.4	66.1	10.3	67.8	10.7
Electric & Electronic Machines	105.1	22.5	127.6	20.7	144.8	19.8	129.3	20.1	135.7	21.5
Transport Equipment	11.9	2.5	13.0	2.1	13.2	1.8	13.7	2.1	16.3	2.6
Others	2.3	0.5	2.2	0.4	2.3	0.3	2.4	0.4	2.5	0.4
Consumer Goods	84.2	18.0	99.6	16.2	108.7	14.9	102.7	16.0	101.4	16.0
Cereals	7.1	1.5	8.9	1.4	11.3	1.5	9.8	1.5	8.7	1.4
Goods for Direct Consumption	22.3	4.8	25.7	4.2	29.0	4.0	27.5	4.3	27.7	4.4
Durable Consumer Goods	34.9	7.5	42.2	6.9	42.8	5.9	40.7	6.3	40.4	6.4
Nondurable Consumer Goods	20.0	4.3	22.8	3.7	25.6	3.5	24.7	3.8	24.6	3.9
Total	467.6	100.0	615.1	100.0	731.4	100.0	642.6	100.0	632.1	100.0

(1) These entries are derived from customs clearance statistics. C.I.F. means that the price of goods includes insurance and freight costs.

(2) Preliminary.

Source: The Bank of Korea; Korea Customs Service

In 2020, the Republic recorded a trade surplus of US$44.9 billion. Exports decreased by 5.5% to US$512.5 billion in 2020 from US$542.2 billion in 2019, primarily due to a slowdown of the global economy resulting from the COVID-19 pandemic. Imports decreased by 7.1% to US$467.6 billion in 2020 from US$503.3 billion in 2019, primarily due to a decrease in oil prices, which also led to decreased unit prices of other major raw materials, as well as decreased domestic consumption, which were mainly attributed to the COVID-19 pandemic.

In 2021, the Republic recorded a trade surplus of US$29.3 billion. Exports increased by 25.7% to US$644.4 billion in 2021 from US$512.5 billion in 2020, primarily due to a recovery of the global economy from the COVID-19 pandemic. Imports increased by 31.5% to US$615.1 billion in 2021 from US$467.6 billion in 2020, primarily due to an increase in domestic consumption as well as an increase in oil prices, which also led to increased unit prices of other major raw materials.

In 2022, the Republic recorded a trade deficit of US$47.8 billion. Exports increased by 6.1% to US$683.6 billion in 2022 from US$644.4 billion in 2021, primarily due to an improvement in the domestic economic conditions of the Republic's major trading partners. Imports increased by 18.9% to US$731.4 billion in 2022 from US$615.1 billion in 2021, primarily due to an increase in energy and commodity prices, which also led to increased unit prices of other major raw materials.

In 2023, the Republic recorded a trade deficit of US$10.4 billion. Exports decreased by 7.5% to US$632.2 billion in 2023 from US$683.6 billion in 2022, primarily due to a deterioration in the domestic economic conditions of the Republic's major trading partners and a downturn in the semiconductor industry. Imports decreased by 12.1% to US$642.6 billion in 2023 from US$731.4 billion in 2022, primarily due to a decrease in energy and commodity prices, which also led to decreased unit prices of other major raw materials.

Based on preliminary data, in 2024, the Republic recorded a trade surplus of US$51.6 billion. Exports increased by 8.1% to US$683.7 billion in 2024 from US$632.2 billion in 2023, primarily due to a substantial growth in demand for semiconductor products globally and a general improvement in the domestic economic conditions of the Republic's major trading partners. Imports decreased by 1.6% to US$632.1 billion in 2024 from US$642.6 billion in 2023, primarily due to a decrease in oil prices, which also led to decreased unit prices of other major raw materials.

Based on preliminary data, the Republic recorded a trade surplus of US$27.8 billion in the first half of 2025. Exports remained relatively stable at US$334.7 billion in the first half of 2025 compared to US$334.8 billion in the corresponding period of 2024. Imports decreased by 1.6% to US$306.9 billion in the first half of 2025 from US$311.9 billion in the corresponding period of 2024, primarily due to a decrease in energy and commodity prices, which also led to decreased unit prices of other major raw materials.

The following table sets forth the Republic's exports trading partners:

Exports

	2020	As % of 2020 Total	2021	As % of 2021 Total	2022	As % of 2022 Total	2023	As % of 2023 Total	2024[1]	As % of 2024 Total[1]
	(millions of dollars, except percentages)									
China	132,565.4	25.9	162,913.0	25.3	155,789.4	22.8	124,817.7	19.7	133,036.3	19.5
United States	74,115.8	14.5	95,902.0	14.9	109,765.7	16.1	115,696.3	18.3	127,786.5	18.7
Japan	25,097.7	4.9	30,061.8	4.7	30,606.3	4.5	29,000.6	4.6	29,606.7	4.3
Hong Kong	30,653.8	6.0	37,467.1	5.8	27,651.2	4.0	25,193.6	4.0	35,022.8	5.1
Singapore	9,828.4	1.9	14,148.5	2.2	20,205.4	3.0	18,752.0	3.0	18,216.1	2.7
Vietnam	48,510.6	9.5	56,728.5	8.8	60,963.7	8.9	53,479.5	8.5	58,321.3	8.5
Taiwan	16,465.4	3.2	24,285.3	3.8	26,198.2	3.8	20,178.8	3.2	33,960.9	5.0
India	11,937.3	2.3	15,603.3	2.4	18,870.1	2.8	17,949.6	2.8	18,695.7	2.7
Indonesia	6,312.9	1.2	8,550.3	1.3	10,215.9	1.5	9,140.2	1.4	7,944.0	1.2
Mexico	8,241.0	1.6	11,290.2	1.8	12,654.2	1.9	12,222.0	1.9	13,607.2	2.0
Australia	6,188.5	1.2	9,750.5	1.5	18,753.0	2.7	17,791.4	2.8	15,593.1	2.3
Germany	9,576.1	1.9	11,109.9	1.7	10,067.7	1.5	10,317.1	1.6	9,037.9	1.3
Others[2]	133,005.1	26.0	166,590.0	25.9	181,844.0	26.6	177,687.0	28.1	182,863.1	26.7
Total	512,498.0	100.0	644,400.4	100.0	683,584.8	100.0	632,225.8	100.0	683,691.6	100.0

(1) Preliminary.
(2) Includes more than 200 countries and regions.
Source: The Bank of Korea; Korea Customs Service

The following table sets forth the Republic's imports trading partners:

Imports

	2020	As % of 2020 Total	2021	As % of 2021 Total	2022	As % of 2022 Total	2023	As % of 2023 Total	2024[1]	As % of 2024 Total[1]
	(millions of dollars, except percentages)									
China	108,884.6	23.3	138,628.1	22.5	154,576.3	21.1	142,857.3	22.2	139,867.8	22.1
Japan	46,023.0	9.8	54,642.2	8.9	54,711.8	7.5	47,656.5	7.4	47,898.7	7.6
United States	57,492.2	12.3	73,213.4	11.9	81,784.7	11.2	71,272.0	11.1	72,121.4	11.4
Saudi Arabia	15,979.6	3.4	24,271.3	3.9	41,640.3	5.7	32,762.5	5.1	31,502.2	5.0
Qatar	7,562.1	1.6	11,611.1	1.9	16,567.2	2.3	14,998.9	2.3	14,211.0	2.2
Australia	18,707.1	4.0	32,918.0	5.4	44,929.4	6.1	32,823.0	5.1	29,956.3	4.7
Germany	20,680.9	4.4	21,996.3	3.6	23,614.9	3.2	23,611.2	3.7	22,301.0	3.5
Kuwait	5,827.9	1.2	8,253.9	1.3	12,401.9	1.7	9,659.0	1.5	8,786.8	1.4
Taiwan	17,837.0	3.8	23,485.8	3.8	28,274.6	3.9	24,370.6	3.8	30,222.5	4.8
United Arab Emirates	5,692.7	1.2	7,318.7	1.2	15,492.8	2.1	16,422.8	2.6	17,988.2	2.8
Indonesia	7,594.7	1.6	10,725.1	1.7	15,734.9	2.2	12,145.9	1.9	12,569.0	2.0
Malaysia	8,892.6	1.9	10,456.2	1.7	15,249.1	2.1	15,237.1	2.4	13,982.0	2.2
Others[2]	146,458.4	31.3	197,573.3	32.1	226,391.8	31.0	198,755.3	30.9	190,693.1	30.2
Total	467,632.8	100.0	615,093.4	100.0	731,369.7	100.0	642,572.1	100.0	632,100.0	100.0

(1) Preliminary.
(2) Includes more than 200 countries and regions.
Source: The Bank of Korea; Korea Customs Service

In recent years, the value of the Won relative to the U.S. dollar has depreciated significantly, in particular due to the impact of the COVID-19 pandemic, the Russia-Ukraine war and ensuing sanctions against Russia and the escalating hostilities in the Middle East following the Israel-Hamas war as well as in light of the ongoing Iran-Israel conflict and, more recently, the political situation in Korea following the declaration of martial law by former President Yoon in December 2024 that led to his impeachment and subsequent removal in April 2025 and the election of Mr. Lee Jae-myung as President in June 2025, among others. See "—The Economy—Worldwide Economic and Financial Difficulties". An appreciation of the Won against the U.S. dollar increases the Won value of the Republic's export sales and diminishes the price-competitiveness of export goods in foreign markets in U.S. dollar terms. However, it also decreases the cost of imported raw materials in Won terms and the cost in Won of servicing the Republic's U.S. dollar-denominated debt. In general, when the Won appreciates, export dependent sectors of the Korean economy, including automobiles, electronics and shipbuilding, suffer from the resulting pressure on the price-competitiveness of export goods, which may lead to reduced profit margins and loss in market share, more than offsetting a decrease in the cost of imported raw materials. If the export dependent sectors of the Korean economy suffer reduced profit margins or a net loss, it could result in a material adverse effect on the Korean economy.

Since the Government announced its plans to pursue free trade agreements, or FTAs, in 2003, the Republic has entered into FTAs with key trading partners. The Republic has had bilateral FTAs in effect with Chile since 2004, Singapore since 2006, India since 2010, Peru since 2011, the United States since 2012, Turkey since 2013, Australia since 2014, Canada, China, New Zealand and Vietnam since 2015, Colombia since July 2016, the

United Kingdom since January 2021, Israel and Cambodia since December 2022, Indonesia since January 2023 and the Philippines since 2024. The Republic is currently in negotiations with a number of other key trading partners. In addition, the Republic has had regional FTAs in effect with the European Free Trade Association since 2006, the Association of Southeast Asian Nations since 2009, the European Union since 2011, with each of Panama, Costa Rica, Guatemala, Honduras, El Salvador and Nicaragua since 2021 and with the Regional Comprehensive Economic Partnership since 2022, and is currently negotiating additional regional FTAs. The Republic and Turkey have completed revisions to their bilateral FTA, which became effective in August 2018. The Republic and the United States have also completed revisions to their bilateral FTA, which became effective in January 2019.

Non-Commodities Trade Balance

The Republic had non-commodities trade deficits of US$4.7 billion in 2020, non-commodities trade surpluses of US$9.5 billion in 2021 and US$10.2 billion in 2022, and non-commodities trade deficits of US$4.8 billion in 2023. Based on preliminary data, the Republic had non-commodities trade deficits of US$1.1 billion in 2024.

Foreign Currency Reserves

The foreign currency reserves are external assets that are readily available to and controlled by monetary authorities for meeting balance of payments financing needs and for other related purposes. The following table shows the Republic's total official foreign currency reserves:

Total Official Reserves

	December 31,				
	2020	**2021**	**2022**	**2023**	**2024**
	(millions of dollars)				
Gold	$ 4,794.8	$ 4,794.8	$ 4,794.8	$ 4,794.8	$ 4,794.8
Foreign Exchange[(1)]	430,117.2	438,319.2	399,043.1	395,643.3	391,889.9
Total Gold and Foreign Exchange	434,912.0	443,114.0	403,837.9	400,438.1	396,684.7
Reserve Position at IMF	4,815.3	4,634.9	4,489.5	4,627.8	4,204.9
Special Drawing Rights	3,370.8	15,369.5	14,836.3	15,082.1	14,714.1
Total Official Reserves	$443,098.1	$463,118.4	$423,163.7	$420,147.9	$415,603.8

(1) More than 95% of the Republic's foreign currency reserves are comprised of convertible foreign currencies.
Source: The Bank of Korea; International Monetary Fund

The Government's foreign currency reserves increased to US$262.2 billion as of December 31, 2007 from US$8.9 billion as of December 31, 1997, primarily due to continued balance of trade surpluses and capital inflows. In 2008, the Government's foreign currency reserves decreased, falling to US$201.2 billion as of December 31, 2008, partially as a result of the Government's use of the foreign currency reserve to provide foreign currency liquidity to Korean financial institutions. The Government's foreign currency reserves increased to US$443.1 billion as of December 31, 2020 and US$463.1 billion as of December 31, 2021, primarily due to continued trade surpluses and capital inflows. The Government's foreign currency reserves decreased to US$423.2 billion as of December 31, 2022, US$420.1 billion as of December 31, 2023 and US$415.6 billion as of December 31, 2024, however, primarily in relation to the depreciation of the Won against the U.S. dollar. The amount of the Government's foreign currency reserve was US$411.3 billion as of July 31, 2025.

Government Finance

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

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

2023 budgeted revenues increased by 13.7% to ₩588.6 trillion from ₩517.7 trillion in 2022, led by an increase in budgeted tax revenues (including taxes on income, profits and capital gains). 2023 budgeted expenditures and net lending increased by 5.2% to ₩601.6 trillion from ₩571.8 trillion in 2022, led by increases in budgeted expenditures on revitalization of the economy. The 2023 budget anticipated a ₩13.1 trillion budget deficit.

2024 budgeted revenues decreased by 2.6% to ₩573.3 trillion from ₩588.6 trillion in 2023, led by a decrease in budgeted tax revenues (including taxes on income, profits and capital gains). 2024 budgeted expenditures and net lending increased by 2.7% to ₩617.7 trillion from ₩601.6 trillion in 2023, led by increases in budgeted expenditures on revitalization of the economy. The 2024 budget anticipated a ₩44.4 trillion budget deficit.

2025 budgeted revenues increased by 6.3% to ₩609.4 trillion from ₩573.3 trillion in 2024, led by increases in budgeted tax revenues (including taxes on income, profits and capital gains). 2025 budgeted expenditures and net lending increased by 2.2% to ₩631.1 trillion from ₩617.7 trillion in 2024, led by increases in budgeted expenditures on revitalization of the economy. The 2025 budget anticipated a ₩21.7 trillion budget deficit.

Beginning in March 2020, the National Assembly approved a series of supplementary budgets as part of the Government's efforts to mitigate adverse effects on the Korean economy resulting from the COVID-19 pandemic. See "—The Economy—Worldwide Economic and Financial Difficulties". These supplementary budgets, which amounted to ₩66.8 trillion in 2020, ₩49.8 trillion in 2021 and ₩78.9 trillion in 2022, were some of the largest of their kind drawn up in response to an outbreak of an infectious disease in Korea. The supplementary budgets were funded through the issuance of treasury bonds by the Government, The Bank of Korea's unappropriated surplus and other surplus funds available to the Government, among others.

Any significant increase in additional spending measures may lead to a budget deficit for 2025, which could result in a deterioration in the Government's fiscal position and an increase in borrowings.

The following table shows consolidated Government revenues and expenditures:

Consolidated Central Government Revenues and Expenditures

	Actual					Budget		
	2020	2021	2022	2023	2024[1]	2023	2024	2025[1]
	(billions of Won)							
Total Revenues	446,628	537,619	588,332	543,586	560,088	588,577	573,261	609,351
Current Revenues	443,694	534,999	585,325	539,887	556,112	584,672	569,507	601,063
Total Tax Revenues	360,129	422,182	479,384	432,989	429,335	486,573	459,643	478,925
Taxes on income, profits and capital gains	148,622	184,509	232,319	196,253	179,929	236,860	203,425	215,074
Social security contributions	74,583	78,104	83,444	88,918	92,802	86,116	92,329	96,496
Tax on property	22,735	31,392	27,696	25,311	24,243	27,815	24,149	22,473
Taxes on goods and services	91,047	99,840	105,828	97,008	105,610	107,760	110,503	115,619
Taxes on international trade and transaction	7,059	8,227	10,324	7,288	6,972	10,724	8,907	8,409
Other tax	16,084	20,110	19,773	18,211	19,778	17,299	20,330	20,855
Non-Tax Revenues	83,565	112,818	105,941	106,898	126,787	98,099	109,864	122,138
Operating surpluses of departmental enterprise sales and property income	33,571	56,664	47,459	42,537	56,969	36,492	41,432	51,959
Administration fees & charges and non-industrial sales	9,929	10,865	11,434	12,428	12,787	12,470	13,357	13,913
Fines and forfeits	23,583	26,993	28,276	29,752	32,997	27,816	30,829	31,107
Contributions to government employee pension fund	13,876	14,918	16,348	18,149	19,988	18,480	20,322	21,196
Current revenue of non-financial public enterprises	2,606	3,378	2,425	4,032	4,046	2,842	3,925	3,964
Capital Revenues	2,934	2,620	3,007	3,700	3,966	3,905	3,754	8,288
Total Expenditures and Net Lending	517,781	568,113	652,902	580,354	603,609	601,629	617,664	631,091
Total Expenditures	489,966	538,034	622,997	559,707	580,113	584,587	593,643	615,040
Current Expenditures	455,098	502,191	585,593	523,270	542,859	545,493	553,669	576,081
Expenditure on goods and service	79,460	88,144	89,759	90,389	93,217	94,966	98,053	97,971
Interest payment	14,452	15,431	18,481	22,362	26,310	21,726	24,968	27,530
Subsidies and other current transfers	357,295	395,826	473,661	405,733	417,643	424,353	425,078	445,013
Current expenditure of non-financial public enterprises	3,891	2,790	3,692	4,785	5,688	4,449	5,570	5,567
Capital Expenditures	34,868	35,842	37,404	36,437	37,254	39,094	39,974	38,959
Net Lending	27,815	30,079	29,905	20,647	23,496	17,042	24,021	16,051

(1) Preliminary.

Source: Ministry of Economy and Finance; The Bank of Korea; Korea National Statistical Office

The consolidated Government account consists of a General Account, Special Accounts (including a non-financial public enterprise special account) and Public Funds. The Government segregates the accounts of certain functions of the Government into Special Accounts and Public Funds for more effective administration and fiscal control. The Special Accounts and Public Funds relate to business type activities, such as economic development, road and railway construction and maintenance, monopolies, and communications developments and the administration of loans received from official international financial organizations and foreign governments.

Revenues derive mainly from national taxes and non-tax revenues. Taxes in Korea can be roughly classified into the following types:

- income tax and capital gains tax;
- property tax;
- value-added tax;
- customs duty tax; and
- other taxes.

Income tax and capital gains tax are imposed on income derived from labor, business operation and ownership of assets and profits derived from capital appreciation. Income tax and capital gains tax, depending on the type of taxpayer, can be further classified into corporate income tax and individual income tax. Property tax is imposed on exchange or ownership of property and includes inheritance tax and gift tax. Value-added tax is imposed on value added to goods and services. Customs duty tax is imposed on imported goods. Other taxes include tax on certain securities transactions and a stamp tax for certain documents.

Expenditures include general administration, national defense, community service, education, health, social security, certain annuities and pensions and local finance, which involves the transfer of tax revenues to local governments.

For 2020, the Republic recorded total revenues of ₩446.6 trillion and total expenditures and net lending of ₩517.8 trillion. The Republic had a fiscal deficit of ₩71.2 trillion in 2020.

For 2021, the Republic recorded total revenues of ₩537.6 trillion and total expenditures and net lending of ₩568.1 trillion. The Republic had a fiscal deficit of ₩30.5 trillion in 2021.

For 2022, the Republic recorded total revenues of ₩588.3 trillion and total expenditures and net lending of ₩652.9 trillion. The Republic had a fiscal deficit of ₩64.6 trillion in 2022.

For 2023, the Republic recorded total revenues of ₩543.6 trillion and total expenditures and net lending of ₩580.4 trillion in 2023. The Republic had a fiscal deficit of ₩36.8 trillion in 2023.

Based on preliminary data, the Republic recorded total revenues of ₩560.1 trillion and total expenditures and net lending of ₩603.6 trillion in 2024. The Republic had a fiscal deficit of ₩43.5 trillion in 2024.

Debt

The Government estimates that the total outstanding debt of the Government (including guarantees by the Government) as of December 31, 2023 amounted to approximately ₩1,102.1 trillion, an increase of 5.6% over the previous year.

The Government estimates that the total outstanding debt of the Government (including guarantees by the Government) as of December 31, 2024 amounted to approximately ₩1,150.9 trillion, an increase of 4.4% over the previous year.

The Ministry of Economy and Finance administers the national debt of the Republic.

External and Internal Debt of the Government

The following table sets out, by currency and the equivalent amount in U.S. dollars, the estimated outstanding direct external debt of the Government as of December 31, 2024:

Direct External Debt of the Government

	Amount in Original Currency	Equivalent Amount in U.S. Dollars[1]
	(millions)	
US$	US$6,525.0	US$6,525.0
Euro (EUR)	EUR1,400.0	1,455.9
Total		US$7,980.9

(1) Amounts expressed in currencies other than US$ are converted to US$ at the arbitrage rate announced by the Seoul Money Brokerage Services, Ltd. in effect on December 31, 2024.

The following table summarizes, as of December 31 of the years indicated, the outstanding direct internal debt of the Republic:

Direct Internal Debt of the Government

	(billions of Won)
2020	808,941.0
2021	927,865.2
2022	1,021,574.4
2023	1,080,844.4
2024	1,128,191.5

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

Guarantees by the Government

	December 31,				
	2020	2021	2022	2023	2024
	(billions of Won)				
Domestic	12,490.0	10,930.0	10,620.0	10,460.0	10,960.0
External[1]	—	—	—	—	—
Total	12,490.0	10,930.0	10,620.0	10,460.0	10,960.0

(1) Converted to Won at foreign exchange banks' telegraphed transfer selling rates to customers or the market average exchange rates in effect on December 31 of each year.

External Liabilities

The following tables set out certain information regarding the Republic's external liabilities calculated under the criteria based on the sixth edition of the Balance of Payment Manual published by the International Monetary

Fund in December 2010 and implemented by the Government in December 2013. Under BPM6, in particular, prepayments received in connection with the construction of ships are excluded from the external liabilities.

	December 31,				
	2020	2021	2022	2023	2024[1]
	(billions of dollars)				
Long-term Liabilities	390.6	465.6	499.3	531.9	523.2
General Government	119.4	144.4	153.2	170.8	160.6
Monetary Authorities	15.0	35.9	25.0	22.5	23.4
Banks	112.2	128.1	146.8	147.6	137.0
Other Sectors	144.0	157.2	174.2	190.9	202.1
Short-term Liabilities	160.1	165.1	174.0	140.7	146.9
General Government	2.1	1.6	3.9	1.6	2.5
Monetary Authorities	10.8	9.7	4.7	3.9	3.3
Banks	122.0	124.3	129.7	101.9	107.3
Other Sectors	25.2	29.6	35.6	33.3	33.8
Total External Liabilities	550.6	630.7	673.3	672.5	670.0

(1) Preliminary.

Commitments to Assume Treasury Obligations

The Government may, if deemed necessary for recovery from disasters and calamities, make commitments to assume treasury obligations to the extent resolved by the National Assembly each fiscal year. In such cases, such commitments shall be executed in accordance with the procedures for spending reserve funds within general accounts.

Debt Record

The Government has always paid when due the full amount of principal of, interest on, and amortization of sinking fund requirements of, all of its indebtedness.

TAXATION

Korean Taxation

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

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

Tax on Interest

Interest on the Notes paid to Non-Residents, being foreign currency denominated bonds issued outside of Korea, is exempt from individual and corporate income tax (whether payable by withholding or otherwise) pursuant to the Special Tax Treatment Control Law (the "**STTCL**").

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

The tax rates may be reduced by an applicable tax treaty, convention or agreement between Korea and the country of the recipient of the income.

In order to obtain the benefit of a reduced rate available under applicable tax treaties, a Non-Resident holder must submit an application for reduced rate to the party liable for the withholding before the receipt of the relevant interest payment (if there is no change in the contents of such application, it is not required to submit such application again within three years thereafter), together with a certificate of the Non-Resident holder's tax residence issued by a competent authority of the Non-Resident's resident country. If the Non-Resident holder was unable to receive the benefit of a reduced rate due to his or her failure to timely submit the aforementioned application, the Non-Resident holder may still receive a tax treaty benefit by submitting evidentiary documents to the relevant tax office within five years thereafter. If interest is paid to an overseas investment vehicle, the overseas investment vehicle (subject to certain exceptions) must submit a report of the overseas investment vehicle and a schedule of beneficial owners. The foregoing matter is discussed in more detail below.

Capital Gains Tax

Korean tax laws currently exclude from Korean taxation gains made by a Non-Resident without a permanent establishment in Korea from the sale of the Notes to other Non-Residents (other than to their permanent establishments in Korea). In addition, capital gains earned by Non-Residents from the transfer of the Notes taking place outside Korea are currently exempt from taxation by virtue of the STTCL, provided that the issuance of the Notes is deemed to be an overseas issuance and is denominated in a foreign currency under the STTCL.

If the exclusion or exemption from Korean taxation referred to above were to cease to be in effect, in the absence of an applicable treaty reducing or eliminating tax on capital gains, the applicable rate of tax would be the lower of 11% (including local income tax) of the gross realization proceeds or (subject to the production of satisfactory evidence of the acquisition cost and certain direct transaction costs of the relevant Note) 22% (including local income tax) of the realized gain (i.e., the excess of the gross realization proceeds over the acquisition cost and

certain direct transaction costs) made. If such evidence shows that no gain (or a loss) was made on the sale, no Korean tax is payable. There is no provision under relevant Korean tax law to allow offsetting of gains and losses or otherwise aggregating transactions for the purpose of computing the net gain attributable to sales of Notes issued by Korean companies.

The purchaser or any other designated withholding agent of Notes is obliged under Korean law to withhold the applicable amount of Korean tax and make payment thereof to the relevant Korean tax authority. Unless the seller can claim the benefit of an exemption from tax under an applicable tax treaty and on the failure of the seller to produce satisfactory evidence of his acquisition cost and certain direct transaction costs in relation to the Notes being sold, the purchaser or such withholding agent must withhold an amount equal to 11% (including local income tax) of the gross realization proceeds. The purchaser or withholding agent must pay any withholding tax to the competent Korean tax office no later than the tenth day of the month following the month in which the payment for the purchase of the relevant Notes occurred. Failure to transmit the withheld tax to the Korean tax authorities in time subjects the purchaser or such withholding agent to penalties under Korean tax laws. The Korean tax authorities may attempt to collect such tax from a Non-Resident who is liable for payment of any Korean tax on gains, as a purchaser or withholding agent who is obliged to withhold such tax, through proceedings against payments due to the Non-Resident from its Korean investments and the assets or revenues of any of the Non-Resident's branch or representative offices in Korea.

Withholding and Gross Up

Interest on the Notes is exempt from any withholding or deduction on account of income tax or corporation tax pursuant to the STTCL. However, if payment of any interest on the Notes to a Non-Resident holder of the Notes is subject to withholding tax in Korea, the Issuer will be required to pay such additional amounts, in accordance with the terms of the Notes, as may be necessary to ensure that such holder receives the amounts that would otherwise have been receivable in the absence of such deduction or withholding, subject to certain exceptions.

According to a tax ruling of Korea, interest on foreign currency denominated notes issued outside of Korea paid by a guarantor to a Non-Resident holder of Notes is exempt from Korean withholding. However, if the tax ruling were to cease to be in effect, all payments, other than the payment of the principal amount, under the Guarantee by the Guarantor to a Non-Resident holder of the Notes may be subject to withholding tax at the rate of 15.4% (including local income tax) or such reduced rate or non-taxation (tax exemption) as applicable under the relevant tax treaty between Korea and the residence country of the beneficial owner of the income. If payment of any interest on the Notes under the Guarantee by the Guarantor to a Non-Resident holder of the Notes is subject to withholding tax in Korea, the Guarantor will be required to pay such additional amounts, in accordance with the terms of the Notes, as may be necessary to ensure that such holder receives the amounts guaranteed under the Guarantee that would otherwise have been receivable in the absence of such deduction or withholding, subject to certain exceptions.

Inheritance Tax and Gift Tax

Korean inheritance tax is imposed upon (a) all assets (wherever located) of the deceased if at the time of his death he was a Korean resident and (b) all property located in Korea that passes on death (irrespective of the residence of the deceased). Gift tax is imposed in similar circumstances to the above. The taxes are imposed if the value of the relevant property is above a certain limit and the rate varies from 10% to 50%. At present, Korea has not entered into any tax treaties regarding its inheritance or gift taxes.

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

Stamp Duty and Securities Transaction Tax

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

Tax Treaties

At the date of this Offering Circular, Korea has tax treaties with, *inter alia*, Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Singapore, Sweden, Switzerland, the United Kingdom and the United States of America, under which the rate of withholding tax on interest is reduced, generally to between 10 and 15% (including local income tax), and the tax on capital gains is often eliminated.

A special withholding tax system took effect on July 1, 2006. Under the system, there is a special procedure to apply the Korea-Malaysia tax treaty on certain Korean source income. Payments made to the residents of Labuan, Malaysia will be subject to the default Korean withholding tax rates (generally 15.4% for interest and the lower of 11% of gross realization proceeds or 22% of capital gains (including local income tax)) rather than the reduced or exempted rate available under the Korea-Malaysia tax treaty. A Labuan taxpayer, however, will be given an opportunity to obtain a refund by proving that it is entitled to the tax treaty benefits as a beneficial owner of the income and is an actual resident of Labuan, Malaysia. A Labuan taxpayer may also file an application with the National Tax Service (the "**NTS**") for confirmation that it is entitled to the tax treaty benefits and obtain an advance confirmation from the NTS prior to receiving Korean source income.

In order for a Non-Resident to obtain the benefit of a tax reduction or exemption on certain Korean source incomes, such as interest and capital gains, under an applicable tax treaty, Korean tax law requires such Non-Resident (or its agents) to submit to the payer of such Korean source income an application for tax exemption under a tax treaty along with a certificate of tax residency of such Non-Resident issued by a competent authority of the Non-Resident's country of tax residence, subject to certain exceptions. If the amount of tax exemption sought to be applied to the Non-Resident is Won 1 billion or more (including cases where the aggregate amount exempted within one year from the last day of the month in which the payment was made is Won 1 billion or more) (excluding cases where the domestic source income is paid through an overseas investment scheme or where the real beneficiary of the domestic source income is a governmental organization of the other country that is party to a tax treaty prescribed by the Ministry of Economy and Finance, including the government of the other contracting state to the relevant tax treaty, a local government or a central bank), in addition to the certificate of tax residence, such Non-Resident will also be required to submit the names and addresses of all members of the board of directors, the identities and shareholding percentages of all shareholders (provided that if there are more than 100 shareholders, the Non-Resident may instead provide a statement showing the total number of shareholders and aggregate investment amount from each country), and financial statements (including appendices), tax returns or audit reports for the most recent three years submitted to the tax authorities of the other contracting state (or, if the entity has been in existence for less than three years, the aforementioned documents since incorporation), together with their Korean translations. The payer of such Korean source income, in turn, is required to submit such application to the relevant district tax office by the ninth day of the month following the date of the first payment of such income. An application for tax exemption submitted by a Non-Resident remains effective for three years from submission, and if any material changes occur with respect to information provided in the application, a new application reflecting such changes must be submitted.

If the Korean source incomes are paid to Non-Residents through an overseas investment vehicle, such investment vehicle must obtain an application for tax exemption from each Non-Resident, who are the beneficial owners of the Korean source income and submit to the payer of such Korean source income an overseas investment vehicle report, together with the applications for tax exemption prepared by the Non-Resident beneficial owners. An

overseas investment vehicle means an organization established outside of Korea that manages funds collected through investment solicitation by way of acquiring, disposing of, or otherwise investing in investment targets and distributes the outcome of such management to investors.

However, this requirement does not apply to exemptions under Korean tax law.

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

SUBSCRIPTION AND SALE

J.P. Morgan Securities plc, The Korea Development Bank and UBS AG Hong Kong Branch (the "**Managers**") have, pursuant to a Subscription Agreement (the "**Subscription Agreement**") dated September 23, 2025, agreed to subscribe and pay for, or to procure subscriptions and payment for, the principal amount of the Notes subject to certain conditions contained therein.

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

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

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

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

The Managers or their affiliates may subscribe the Notes for their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Notes and/or other securities of the Issuer, the Guarantor or their respective subsidiaries or associates at the same time as the offer and sale of the Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Notes to which this Offering Circular relates (notwithstanding that such selected counterparties may also be subscribers of the Notes).

Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct – Important Notice to CMIs (including Private Banks): This notice to capital market intermediaries ("**CMIs**", including private banks which act as CMIs in connection with the offering ("**Private Banks**")) is a summary of certain obligations the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "**Code**") imposes on CMIs, which require the attention and cooperation of other CMIs (including Private Banks). Certain CMIs may also be acting as overall coordinators ("**OCs**") for this offering and are subject to additional requirements under the Code.

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

CMIs are informed that, unless otherwise notified, the marketing and investor targeting strategy for this offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions set out elsewhere in this Offering Circular.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e., two or more corresponding or identical orders placed via two or more CMIs). CMIs should inquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the Notes (except for omnibus orders where underlying investor information may need to be provided to the OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including Private Banks as the case may be) in the order book and book messages.

CMIs (including Private Banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer or the Guarantor. In addition, CMIs (including Private Banks) should not enter into arrangements which may result in prospective investors paying different prices for the Notes.

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

When placing an order for the Notes, Private Banks should disclose, at the same time, whether such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private Banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the Code. Private Banks should be aware that placing an order on a "principal" basis may require the relevant affiliated Manager(s) (if any) to categorize it as a proprietary order and apply the "proprietary orders" requirements of the Code to such order.

In relation to omnibus orders, when submitting such orders, CMIs (including Private Banks) that are subject to the Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any "Associations" (as used in the SFC Code);
- Whether any underlying investor order is a "Proprietary Order" (as used in the SFC Code); and
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus orders should be sent to: investor.info.hk.bond.deals@jpmorgan.com, kdbdcm@kdb.co.kr and ol-ubs-dcm-hk-syndicate@ubs.com.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including Private Banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs,

each CMI (including Private Banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the Code, including to the Issuer, the Guarantor, relevant regulators and/or any other third parties as may be required by the Code, for the purpose of complying with the Code, during the bookbuilding process for this offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in this offering. The relevant Managers may be asked to demonstrate compliance with their obligations under the Code and may request other CMIs (including Private Banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including Private Banks) are required to provide the relevant Manager with such evidence within the timeline requested.

Selling Restrictions

The Managers have agreed that they will (to the best of their knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which they purchase, offer, sell or deliver the Notes or possess or distribute this Offering Circular and will obtain any consent, approval or permission required by them for the purchase, offer, sale or delivery by them of the Notes under the laws and regulations in force in any jurisdiction to which they are subject or in which they make such purchases, offers, sales or deliveries and neither the Issuer nor the Managers shall have any responsibility therefor.

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

United States

The Notes and the Guarantee have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer or sell the Notes and the Guarantee (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells the Notes and the Guarantee during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes and the Guarantee within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

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

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

United Kingdom

Each Manager has represented 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 Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; 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 Notes in, from or otherwise involving the United Kingdom.

Hong Kong

Each Manager has 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 Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Singapore

Each Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Manager has represented and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

Where the Notes are initially subscribed or purchased by (i) an institutional investor pursuant to Section 274 of the SFA, or (ii) an accredited investor pursuant to and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 of Singapore, the Notes may only be sold or transferred: (a) at any time, to an institutional investor pursuant to Section 274 of the SFA; (b) at any time, to an accredited investor pursuant to and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 of Singapore.

Korea

The Notes have not been and will not be registered with the FSC under the FSCMA. Accordingly, the Notes have not been and will not be offered, sold, delivered or transferred, directly or indirectly, in Korea or to, or for the account or benefit of, any resident of Korea (as defined in the Foreign Exchange Transactions Act of Korea and the enforcement decree thereof) or to others for re-offering or resale, directly or indirectly, in Korea or to any residents of Korea, except as otherwise permitted by applicable Korean laws and regulations. In addition, within one year following the issuance of the Notes, the Notes may not be transferred to any resident of Korea other than a Korean Qualified Institutional Investor (or a "**Korean QIB**," as defined in the Regulation on Issuance of Securities and Public Disclosure, etc. of Korea) registered with the Korea Financial Investment Association (the "**KOFIA**") for Korean QIB bond trading, provided that the amount of the Notes acquired by such Korean QIBs in the primary market is limited to no more than 20% of the aggregate issue amount of the Notes.

Switzerland

This Offering Circular is not intended to constitute an offer or solicitation to purchase or invest in the Notes described herein. The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Offering Circular nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland or a simplified prospectus or a prospectus as such term is defined in the Swiss Collective Investment Scheme Act, and neither this Offering Circular nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Offering Circular nor any other offering or marketing material relating to the offering, nor the Issuer nor the Notes have been or will be filed with or approved by any Swiss regulatory authority. The Notes are not subject to the supervision by any Swiss regulatory authority, e.g., the Swiss Financial Markets Supervisory Authority ("**FINMA**"), and investors in the Notes will not benefit from protection or supervision by such authority.

Transfer Restrictions

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

Transfer Restrictions under Korean Law

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

(a) The Notes have not been and will not be registered with the Financial Services Commission under the FSCMA. Accordingly, the Notes have not been and will not be offered, sold, delivered or transferred, directly or indirectly, in Korea or to, or for the account or benefit of, any resident of Korea (as defined in the Foreign Exchange Transactions Law of Korea and enforcement decree thereof) or to others for re-offering or resale, directly or indirectly, in Korea or to any residents of Korea, except as otherwise permitted by applicable Korean laws and regulations. In addition, within one year following the issuance of the Notes, the Notes may not be transferred to any resident of Korea other than a Korean QIB registered with the KOFIA for Korean QIB bond trading, provided that the amount of the Notes acquired by such Korean QIBs in the primary market is limited to no more than 20% of the aggregate issue amount of the Notes.

(b) The Notes will bear legends to the effect described in paragraph (a) above.

Other Transfer Restrictions Applicable to the Notes

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

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

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

(a) The Notes and the Guarantee have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States or any other jurisdiction and are subject to significant restrictions on transfer.

(b) Until forty (40) days after the commencement of offering of the Notes, an offer or sale of the Notes and the Guarantee within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

(c) Such purchaser will not offer, sell, pledge or otherwise transfer any interest in the Notes or the Guarantee except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

(d) The Notes will bear legends to the following effect, unless the Issuer determines otherwise in compliance with applicable law, and such purchaser will observe the restrictions contained therein:

THE NOTES EVIDENCED HEREBY (THE "NOTES") OF KOREAN AIR LINES CO., LTD. (THE "ISSUER") HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT").

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

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

THE NOTES HAVE NOT BEEN REGISTERED UNDER THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT OF KOREA (THE "FSCMA"). ACCORDINGLY, THE NOTES MAY NOT BE OFFERED, SOLD, DELIVERED OR TRANSFERRED DIRECTLY OR INDIRECTLY, IN THE REPUBLIC OF KOREA ("KOREA") OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY RESIDENT OF KOREA (AS SUCH TERM IS DEFINED UNDER THE FOREIGN EXCHANGE TRANSACTIONS LAW AND THE

ENFORCEMENT DECREE THEREOF) OR TO OTHERS FOR RE-OFFERING OR RESALE DIRECTLY OR INDIRECTLY IN KOREA OR TO ANY RESIDENT OF KOREA EXCEPT AS OTHERWISE PERMITTED UNDER APPLICABLE KOREAN LAWS AND REGULATIONS. IN ADDITION, WITHIN ONE YEAR FOLLOWING THE ISSUANCE OF THE NOTES, THE NOTES MAY NOT BE TRANSFERRED TO ANY RESIDENT OF KOREA OTHER THAN A QUALIFIED INSTITUTIONAL INVESTOR (OR A "KOREAN QIB", AS DEFINED IN THE REGULATION ON ISSUANCE OF SECURITIES AND PUBLIC DISCLOSURE, ETC. OF KOREA) REGISTERED WITH THE KOREA FINANCIAL INVESTMENT ASSOCIATION AS A KOREAN QIB, PROVIDED THAT THE AMOUNT OF THE NOTES ACQUIRED BY SUCH KOREAN QIBS IN THE PRIMARY MARKET IS LIMITED TO NO MORE THAN 20% OF THE AGGREGATE ISSUE AMOUNT OF THE NOTES.

LEGAL MATTERS

Certain legal matters relating to the issue and sale of the Notes will be passed upon for the Issuer by Cleary Gottlieb Steen & Hamilton LLP as to matters of New York law and by Yulchon LLC as to matters of Korean law, for the Guarantor by Cleary Gottlieb Steen & Hamilton LLP as to matters of New York law and by Yulchon LLC as to matters of Korean law, and for the Managers by Linklaters LLP as to matters of New York law. Yulchon LLC may rely as to all matters of New York law on the opinion of Cleary Gottlieb Steen & Hamilton LLP and Linklaters LLP, and Cleary Gottlieb Steen & Hamilton LLP and Linklaters LLP may rely as to all matters of Korean law on the opinion of Yulchon LLC.

INDEX TO THE FINANCIAL STATEMENTS

Consolidated Financial Statements of the Issuer

Condensed Consolidated Interim Financial Statements of the Issuer as of June 30, 2025 and December 31, 2024 and for the Three-Month and Six-Month Periods ended June 30, 2025 and 2024

Independent auditors' review report F-2

Consolidated interim statements of financial position as of June 30, 2025 and 2024 . . . . . F-4

Consolidated interim statements of comprehensive income for the three-month and six-month periods ended June 30, 2025 and 2024 . . . . . F-6

Consolidated interim statements of changes in equity for the six-month periods ended June 30, 2025 and 2024 . . . . . F-8

Consolidated interim statements of cash flows for the six-month periods ended June 30, 2025 and 2024 . . F-10

Notes to the consolidated interim financial statements F-14

Consolidated Financial Statements of the Issuer as of and for the Years ended December 31, 2024 and 2023

Independent auditors' report F-58

Consolidated statements of financial position as of December 31, 2024 and 2023 . . . . . F-63

Consolidated statements of comprehensive income for the years ended December 31, 2024 and 2023 . . . . F-65

Consolidated statements of changes in equity for the years ended December 31, 2024 and 2023 . . . . . F-67

Consolidated statements of cash flows for the years ended December 31, 2024 and 2023 . . . . . F-69

Notes to the consolidated financial statements F-73

Separate Financial Statements of the Guarantor

Separate Financial Statements of the Guarantor as of and for the Years ended December 31, 2024 and 2023

Independent auditors' report G-1

Separate statements of financial position as of December 31, 2024 and 2023 . . . . . G-3

Separate statements of comprehensive income for the years ended December 31, 2024 and 2023 . . . . . G-4

Separate statements of changes in equity for the years ended December 31, 2024 and 2023 . . . . . G-5

Separate statements of cash flows for the years ended December 31, 2024 and 2023 . . . . . G-6

Notes to the separate financial statements G-8

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Independent Auditors' Review Report

Based on a report originally issued in Korean

The Board of Directors and Shareholders
Korean Air Lines Co., Ltd.:

Reviewed Financial Statements

We have reviewed the accompanying consolidated interim financial statements of Korean Air Lines Co., Ltd., and its subsidiaries ("the Group"), expressed in Korean won which comprise the consolidated interim statements of financial position as of June 30, 2025, the consolidated interim statements of comprehensive income for the three-month and six-month periods ended June 30, 2025 and 2024, the consolidated interim statements of changes in equity and cash flows for the six-month periods ended June 30, 2025 and 2024 and notes, comprising of material accounting policy information and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with Korean International Financial Reporting Standards ("K-IFRS") No.1034 "Interim Financial Reporting", and for such internal control as management determines is necessary to enable the preparation of consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' review responsibility

Our responsibility is to issue a report on these consolidated interim financial statements based on our reviews.

We conducted our reviews in accordance with the Review Standards for Quarterly and Semiannual Financial Statements established by the Securities and Futures Commission of the Republic of Korea. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Korean Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements referred to above are not prepared, in all material respects, in accordance with K-IFRS No.1034 "Interim Financial Reporting".

Other matters

The consolidated statement of financial position of the Group as of December 31, 2024, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, which are not accompanying this report, were audited by us in accordance with Korean Standards on Auditing and our report thereon dated March 12, 2025, expressed an unqualified opinion. The accompanying statement of financial position as of December 31, 2024, presented for comparative purposes, is not different from that audited by us in all material respects.

The procedures and practices utilized in the Republic of Korea to review such consolidated interim financial statements may differ from those generally accepted and applied in other countries.

The accompanying consolidated interim financial statements as of June 30, 2025 and December 31, 2024 and for the three-month and six-month periods ended June 30, 2025 and 2024 have been translated into United States dollars solely for the convenience of the reader and such translation does not comply with K-IFRS. We have reviewed the translation and nothing came to our attention that cause us to believe that the consolidated interim financial statements expressed in Korean won have not been translated into dollars on the basis set forth in note 2 to the consolidated interim financial statements.

KPMG Samjong Accounting Corp.

Seoul, Korea
August 12, 2025

This report is effective as of August 12, 2025, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying consolidated interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

Korean Air Lines Co., Ltd. and Subsidiaries
Consolidated Interim Statements of Financial Position
As of June 30, 2025 and December 31, 2024

Assets	Notes	Korean won		Translation into US dollars (Note 2)	
		June 30, 2025	December 31, 2024	June 30, 2025	December 31, 2024
		(In millions)		(In thousands)	
Current assets:					
Cash and cash equivalents	5	₩ 1,548,488	₩ 2,215,625	$ 1,141,616	$ 1,633,460
Short-term financial instruments	6,20	4,533,329	4,475,286	3,342,177	3,299,385
Current portion of lease receivables	10,15	56,189	34,733	41,425	25,607
Trade and other receivables	7,37	1,364,841	1,584,575	1,006,223	1,168,221
Amount due from customers for contract work	29	8,981	5,083	6,621	3,747
Current portion of financial assets at amortized cost	8	3,009	2,506	2,218	1,848
Current portion of financial derivative assets	25,37	74,515	136,531	54,936	100,657
Inventories	15	1,296,707	1,170,693	955,992	863,088
Current tax assets		5,465	10,626	4,029	7,834
Other financial assets	9	62,833	40,015	46,323	29,501
Other current assets	18,29	465,572	442,005	343,241	325,867
Assets held for sale	38,40	1,077,027	1,499,195	794,033	1,105,275
Total current assets		10,496,956	11,616,873	7,738,834	8,564,490
Non-current assets:					
Long-term financial instruments	6	55,414	269,847	40,854	198,944
Long-term trade and other receivables	7,37	2,474	47	1,824	35
Financial assets at fair value	6,8	393,291	291,318	289,952	214,773
Financial assets at amortized cost	8	18,117	18,126	13,357	13,363
Lease receivables	10,15	551,631	362,349	406,688	267,140
Financial derivative assets	25,37	44,609	123,073	32,888	90,735
Investments in associates	12,15,37	163,068	154,582	120,221	113,965
Property, aircraft and equipment	13,14,15, 38	29,957,084	28,374,491	22,085,730	20,918,970
Investments in properties	13,15,16	274,992	277,863	202,737	204,853
Intangible assets	15,17	3,027,259	3,077,407	2,231,834	2,268,805
Deferred tax assets		1,889,071	1,959,232	1,392,709	1,444,435
Other financial assets	9	337,875	309,041	249,097	227,839
Other non-current assets	18,29	126,158	177,817	93,009	131,095
Total non-current assets		36,841,043	35,395,193	27,160,900	26,094,952
Total assets		₩ 47,337,999	₩ 47,012,066	$ 34,899,734	$ 34,659,442

(Continued)

Korean Air Lines Co., Ltd. and Subsidiaries
Consolidated Interim Statements of Financial Position (Continued)
As of June 30, 2025 and December 31, 2024

		Korean won		Translation into US dollars (Note 2)	
Liabilities	Notes	June 30, 2025	December 31, 2024	June 30, 2025	December 31, 2024
		(In millions)		(In thousands)	
Current liabilities:					
Trade and other payables	19,37	₩ 2,047,919	₩ 2,730,521	$ 1,509,819	$ 2,013,065
Short-term borrowings	15,20,37	2,063,286	2,517,022	1,521,149	1,855,664
Current portion of long-term borrowings	15,20,37,38	1,482,534	2,541,419	1,092,992	1,873,650
Current portion of lease obligations	15,21,37,38	2,086,800	2,182,081	1,538,484	1,608,730
Current portion of financial derivative liabilities	25,37	45,103	35,530	33,252	26,194
Current portion of provisions	23	637,972	653,638	470,342	481,892
Current portion of deferred revenue	24,29	800,921	805,008	590,476	593,489
Amount due to customers for contract work	29	11,833	26,498	8,724	19,536
Current tax liabilities		264,936	275,448	195,323	203,073
Other financial liabilities	26	4,214	13,235	3,107	9,757
Other current liabilities	27,29	5,028,395	4,777,952	3,707,162	3,522,524
Liabilities held for sale	38,40	239,068	415,134	176,251	306,056
Total current liabilities		14,712,981	16,973,486	10,847,081	12,513,630
Non-current liabilities:					
Long-term trade and other payables	19,37	27,587	30,081	20,338	22,177
Long-term borrowings	15,20,37,38	3,246,855	1,819,301	2,393,730	1,341,272
Debentures	20,37,38	1,991,324	1,463,108	1,468,095	1,078,670
Asset-backed securitization (“ABS”) loans	6,20,38	121,830	158,439	89,819	116,808
Lease obligations	15,21,37,38	9,025,343	8,744,564	6,653,895	6,446,892
Net defined benefit liabilities	22	2,629,118	2,558,853	1,938,306	1,886,503
Provisions	23,39	727,066	810,069	536,027	597,220
Deferred revenue	24,29	2,837,017	2,731,746	2,091,578	2,013,968
Financial derivative liabilities	25,37	35,547	7,096	26,207	5,231
Deferred tax liabilities		174,830	187,948	128,892	138,564
Other financial liabilities	26	53,073	36,943	39,128	27,236
Other non-current liabilities	27,29	224,060	527,240	165,187	388,705
Total non-current liabilities		21,093,650	19,075,388	15,551,202	14,063,246
Total liabilities		35,806,631	36,048,874	26,398,283	26,576,876
Equity:					
Share capital	1	1,846,657	1,846,657	1,361,440	1,361,440
Other capital surplus		4,144,857	4,145,341	3,055,778	3,056,135
Other capital components *(Directly associated with assets classified as held for sale June 30, 2025: ₩68 million, $50 thousand December 31, 2024: ₩68 million, $50 thousand)*	28,40	935,762	995,332	689,886	733,804
Retained earnings		3,982,310	3,485,552	2,935,941	2,569,708
Equity attributable to owners of the Parent Company		10,909,586	10,472,882	8,043,045	7,721,087
Non-controlling interest	11	621,782	490,310	458,406	361,479
Total equity		11,531,368	10,963,192	8,501,451	8,082,566
Total liabilities and equity		₩ 47,337,999	₩ 47,012,066	$ 34,899,734	$ 34,659,442

(Concluded)

The US dollar figures are provided for information purpose only and do not form part of the consolidated financial statements. (Refer to Note 2)

The above consolidated statements of financial position should be read in conjunction with the accompanying notes.

Korean Air Lines Co., Ltd. and Subsidiaries
Consolidated Interim Statements of Comprehensive Income
For the Three-Month and Six-Month Periods Ended June 30, 2025 and 2024

	Notes	Korean won			
		Three months ended June 30, 2025	Six months ended June 30, 2025	Three months ended June 30, 2024	Six months ended June 30, 2024
		(In millions, except for earnings per share)			
Sales	4,29,37	₩ 6,210,706	₩ 12,702,568	₩ 4,402,231	₩ 8,693,676
Cost of sales	4,34,37	5,219,293	10,642,255	3,565,889	6,926,269
Gross profit		991,413	2,060,313	836,342	1,767,407
Selling and administrative expenses	4,30,34,37	621,329	1,259,183	393,412	786,950
Operating profit	4	370,084	801,130	442,930	980,457
Financial income	31	98,876	239,347	176,110	405,380
Financial expenses	31,37	346,338	641,250	149,616	289,818
Share in profit of associates	12	4,702	9,178	-	-
Other non-operating income	32,40	1,086,434	1,621,062	272,813	514,890
Other non-operating expenses	32,40	435,002	798,478	258,091	579,582
Profit before income tax expense		778,756	1,230,989	484,146	1,031,327
Income tax expense	33	221,480	323,854	125,005	265,658
Profit for the period		₩ 557,276	₩ 907,135	₩ 359,141	₩ 765,669
Other comprehensive income (loss)					
Items that will not be reclassified to profit or loss					
Remeasurements of net defined benefit liabilities	22	120	(45)	(3,646)	(4,167)
Gain (loss) on valuation of financial assets at fair value through other comprehensive income (“FVTOCI”)	28	16,690	20,746	1,365	4,437
Revaluation surplus		205	-	-	-
Items that may be subsequently reclassified to profit or loss					
Shares of other comprehensive income (loss) of associates	12,28	(642)	(685)	-	-
Foreign currency translation adjustments	28	(78,585)	(79,634)	16,678	38,441
Other comprehensive income (loss) for the period, net of tax		(62,212)	(59,618)	14,397	38,711
Total comprehensive income for the period		₩ 495,064	₩ 847,517	₩ 373,538	₩ 804,380
Profit for the period attributable to:					
Owners of the Parent Company		₩ 484,887	₩ 769,601	₩ 352,452	₩ 727,377
Non-controlling interest		72,389	137,534	6,689	38,292
		₩ 557,276	₩ 907,135	₩ 359,141	₩ 765,669
Total comprehensive income for the period attributable to:					
Owners of the Parent Company		₩ 423,501	₩ 710,150	₩ 368,647	₩ 767,766
Non-controlling interest	11	71,563	137,367	4,891	36,614
		₩ 495,064	₩ 847,517	₩ 373,538	₩ 804,380
Earnings per share (in Korean won):	35				
Earnings attributes to common shares					
Basic and diluted earnings		₩ 1,319	₩ 2,095	₩ 954	₩ 1,969
Earnings attributes to preferred shares					
Basic and diluted earnings		₩ 1,369	₩ 2,145	₩ 1,004	₩ 2,019

(Continued)

Korean Air Lines Co., Ltd. and Subsidiaries
Consolidated Interim Statements of Comprehensive Income (Continued)
For the Three-Month and Six-Month Periods Ended June 30, 2025 and 2024

	Notes	Translation into US dollars (Note 2) Three months ended June 30, 2025	Six months ended June 30, 2025	Three months ended June 30, 2024	Six months ended June 30, 2024
		(In thousands, except for earnings per share)			
Sales	4,29,37	$ 4,578,816	$ 9,364,913	$ 3,245,526	$ 6,409,375
Cost of sales	4,34,37	3,847,901	7,845,956	2,628,937	5,106,362
Gross profit		730,915	1,518,957	616,589	1,303,013
Selling and administrative expenses	4,30,34,37	458,072	928,327	290,041	580,175
Operating profit	4	272,843	590,630	326,548	722,838
Financial income	31	72,896	176,458	129,836	298,865
Financial expenses	31,37	255,335	472,759	110,304	213,667
Share in profit of associates	12	3,467	6,766	-	-
Other non-operating income	32,40	800,967	1,195,121	201,130	379,600
Other non-operating expenses	32,40	320,703	588,674	190,276	427,294
Profit before income tax expense		574,135	907,542	356,934	760,342
Income tax expense	33	163,285	238,760	92,159	195,855
Profit for the period		$ 410,850	$ 668,782	$ 264,775	$ 564,487
Other comprehensive income (loss)					
Items that will not be reclassified to profit or loss					
Remeasurements of net defined benefit liabilities	22	88	(33)	(2,688)	(3,072)
Gain (loss) on valuation of financial assets at fair value through other comprehensive income (“FVTOCI”)	28	12,305	15,295	1,006	3,271
Revaluation surplus		151	-	-	-
Items that may be subsequently reclassified to profit or loss					
Shares of other comprehensive income (loss) of associates	12,28	(473)	(505)	-	-
Foreign currency translation adjustments	28	(57,936)	(58,710)	12,296	28,341
Other comprehensive income (loss) for the period, net of tax		(45,865)	(43,953)	10,614	28,540
Total comprehensive income for the period		$ 364,985	$ 624,829	$ 275,389	$ 593,027
Profit for the period attributable to:					
Owners of the Parent Company		$ 357,482	$ 567,385	$ 259,844	$ 536,256
Non-controlling interest		53,368	101,397	4,931	28,231
		$ 410,850	$ 668,782	$ 264,775	$ 564,487
Total comprehensive income for the period attributable to:					
Owners of the Parent Company		$ 312,225	$ 523,555	$ 271,783	$ 566,033
Non-controlling interest	11	52,760	101,274	3,606	26,994
		$ 364,985	$ 624,829	$ 275,389	$ 593,027
Earnings per share (in USD):	35				
Earnings attribute to common shares					
Basic and diluted earnings		$ 0.97	$ 1.54	$ 0.70	$ 1.45
Earnings attribute to preferred shares					
Basic and diluted earnings		$ 1.01	$ 1.58	$ 0.74	$ 1.49

(Concluded)

The US dollar figures are provided for information purpose only and do not form part of the consolidated financial statements. (Refer to Note 2.)

The above consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.

Korean Air Lines Co., Ltd., and Subsidiaries
Consolidated Interim Statements of Changes in Equity
For the Six-Month Periods Ended June 30, 2025 and 2024

	Korean won							
	Attributable to owners of the Parent Company							
		Other capital surplus						
	Share capital	Additional paid-in capital	Other capital surplus	Other capital components	Retained earnings	Total	Non-controlling interest	Total equity
	(In millions)							
Balance at January 1, 2024	₩ 1,846,657	₩ 4,071,270	₩ 74,071	₩ 942,060	₩ 2,591,941	₩ 9,525,999	₩ 289,209	₩ 9,815,208
Dividends	-	-	-	-	(277,054)	(277,054)	(1,175)	(278,229)
Profit for the period	-	-	-	-	727,377	727,377	38,292	765,669
Other comprehensive income (loss)	-	-	-	42,790	(2,401)	40,389	(1,678)	38,711
Balance at June 30, 2024	₩ 1,846,657	₩ 4,071,270	₩ 74,071	₩ 984,850	₩ 3,039,863	₩ 10,016,711	₩ 324,648	₩ 10,341,359
Balance at January 1, 2025	₩ 1,846,657	₩ 4,071,270	₩ 74,071	₩ 995,332	₩ 3,485,552	₩ 10,472,882	₩ 490,310	₩ 10,963,192
Dividends	-	-	-	-	(277,054)	(277,054)	(4,515)	(281,569)
Profit for the period	-	-	-	-	769,601	769,601	137,534	907,135
Other comprehensive income (loss)	-	-	-	(59,463)	12	(59,451)	(167)	(59,618)
Paid-in capital Increase of subsidiaries	-	-	-	-	-	-	3,082	3,082
Dividend for hybrid securities	-	-	-	-	4,092	4,092	(4,092)	-
Transfer of revaluation surplus	-	-	-	(107)	107	-	-	-
Acquisition of treasury shares by subsidiaries	-	-	(484)	-	-	(484)	(370)	(854)
Balance at June 30, 2025	₩ 1,846,657	₩ 4,071,270	₩ 73,587	₩ 935,762	₩ 3,982,310	₩ 10,909,586	₩ 621,782	₩ 11,531,368

(Continued)

Korean Air Lines Co., Ltd., and Subsidiaries
Consolidated Interim Statements of Changes in Equity (Continued)
For the Six-Month Periods Ended June 30, 2025 and 2024

	Translation into US dollars (Note 2)							
	Attributable to owners of the Parent Company							
		Other capital surplus						
	Share capital	Additional paid-in capital	Other capital surplus	Other capital components	Retained earnings	Total	Non-controlling interest	Total equity
	(In thousands)							
Balance at January 1, 2024	$ 1,361,440	$ 3,001,526	$ 54,609	$ 694,530	$ 1,910,897	$ 7,023,002	$ 213,218	$ 7,236,220
Dividends	-	-	-	-	(204,257)	(204,257)	(866)	(205,123)
Profit for the period	-	-	-	-	536,256	536,256	28,231	564,487
Other comprehensive income (loss)	-	-	-	31,547	(1,770)	29,777	(1,237)	28,540
Balance at June 30, 2024	$ 1,361,440	$ 3,001,526	$ 54,609	$ 726,077	$ 2,241,126	$ 7,384,778	$ 239,346	$ 7,624,124
Balance at January 1, 2025	$ 1,361,440	$ 3,001,526	$ 54,609	$ 733,804	$ 2,569,708	$ 7,721,087	$ 361,479	$ 8,082,566
Dividends	-	-	-	-	(204,257)	(204,257)	(3,329)	(207,586)
Profit for the period	-	-	-	-	567,385	567,385	101,397	668,782
Other comprehensive income (loss)	-	-	-	(43,839)	9	(43,830)	(123)	(43,953)
Paid-in capital Increase of subsidiaries	-	-	-	-	-	-	2,272	2,272
Dividend for hybrid securities	-	-	-	-	3,017	3,017	(3,017)	-
Transfer of revaluation surplus	-	-	-	(79)	79	-	-	-
Acquisition of treasury shares by subsidiaries	-	-	(357)	-	-	(357)	(273)	(630)
Balance at June 30, 2025	$ 1,361,440	$ 3,001,526	$ 54,252	$ 689,886	$ 2,935,941	$ 8,043,045	$ 458,406	$ 8,501,451

(Concluded)

The US dollar figures are provided for information purpose only and do not form part of the consolidated financial statements. (Refer to Note 2.)

The above consolidated statements of changes in shareholders' equity should be read in conjunction with the accompanying notes.

Korean Air Lines Co., Ltd. and Subsidiaries
Consolidated Interim Statements of Cash Flows
For the Six-Month Periods Ended June 30, 2025 and 2024

	Korean won		Translation into US dollars (Note 2)	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
	(In millions)		(In thousands)	
Cash flows from operating activities				
Cash generated from operations:				
Profit for the period	₩ 907,135	₩ 765,669	$ 668,782	$ 564,487
Adjustments to reconcile profit to net cash provided by operating activities:				
Loss (reversal) on valuation of inventories	(214)	(630)	(158)	(464)
Provision for leased aircraft maintenance	200,160	15,631	147,567	11,524
Retirement benefit costs	181,975	123,305	134,160	90,906
Depreciation	1,335,721	832,915	984,754	614,063
Amortization	57,431	29,351	42,341	21,639
Bad debt expenses (reversal)	(155)	(131)	(114)	(97)
Interest expense	417,185	268,386	307,569	197,866
Loss on valuation of derivatives	156,353	2,788	115,271	2,055
Loss on derivative transactions	67,693	18,644	49,906	13,745
Loss on foreign currency translation	414,316	364,887	305,453	269,011
Loss on foreign currency transaction	-	40,159	-	29,607
Other bad debt expenses	178	17,807	131	13,128
Loss on disposal of property, aircraft and equipment	33,168	10,636	24,453	7,841
Loss on disposal of assets held for sale	1,860	28	1,371	21
Loss on disposal of subsidiaries	9,834	-	7,250	-
Income tax expense	323,854	265,658	238,760	195,855
Other expenses	18,177	8,004	13,400	5,901
Interest income	(143,504)	(143,225)	(105,798)	(105,592)
Dividend income	(7,498)	(6,501)	(5,528)	(4,793)
Gain on valuation of derivatives	(31,626)	(183,373)	(23,316)	(135,191)
Gain on derivative transactions	(56,719)	(72,281)	(41,816)	(53,289)
Gain on valuation of equity method	(9,178)	-	(6,766)	-
Gain on foreign currency translation	(885,858)	(259,606)	(653,095)	(191,393)
Gain on foreign currency transaction	(13,179)	-	(9,716)	-
Gain on disposal of property, aircraft and equipment	(1,425)	(6,882)	(1,051)	(5,074)
Gain on disposal of assets held for sale	(93,983)	(69,994)	(69,289)	(51,603)
Gain on valuation of financial assets at FVTPL	(127)	(516)	(94)	(380)
Gain on disposal of financial assets at FVTPL	-	(10,743)	-	(7,920)
Other income	(289,615)	(18,656)	(213,517)	(13,754)
	₩ 1,684,824	₩ 1,225,661	$ 1,242,128	$ 903,612

(Continued)

Korean Air Lines Co., Ltd. and Subsidiaries
Consolidated Interim Statements of Cash Flows (Continued)
For the Six-Month Periods Ended June 30, 2025 and 2024

	Korean won		Translation into US dollars (Note 2)	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
	(In millions)		(In thousands)	
Changes in assets and liabilities resulting from operations:				
Decrease (increase) in trade receivables	₩ 243,015	₩ (11,368)	$ 179,162	$ (8,381)
Decrease (increase) in other receivables	(77,628)	(25,270)	(57,231)	(18,630)
Decrease (increase) in accrued revenues	21,255	(24,968)	15,670	(18,408)
Decrease (increase) in amount due from customers for contract work	(15,626)	(14,011)	(11,520)	(10,330)
Decrease (increase) in inventories	(76,467)	(47,827)	(56,375)	(35,260)
Decrease (increase) in advance payments	90,812	49,101	66,951	36,199
Decrease (increase) in prepaid expenses	(27,330)	(2,207)	(20,149)	(1,627)
Decrease (increase) in long-term advance payments	(42,824)	-	(31,572)	-
Increase (decrease) in trade payables	(107,036)	22,346	(78,912)	16,474
Increase (decrease) in non-trade payables	(44,366)	311	(32,709)	229
Increase (decrease) in long-term non-trade payables	31	66	23	49
Increase (decrease) in accrued expenses	(392,540)	(152,306)	(289,398)	(112,287)
Increase (decrease) in advances	161,852	364,809	119,325	268,954
Increase (decrease) in amount due to customers for contract work	4,551	(6,855)	3,355	(5,054)
Decrease (increase) in plan assets	30,775	25,826	22,689	19,040
Decrease (increase) in non-current prepaid expenses	23,792	-	17,541	-
Payment of severance benefit	(157,095)	(112,124)	(115,818)	(82,663)
Succession of defined benefit liabilities	10,863	399	8,009	294
Increase (decrease) in provisions	(48,542)	(35,951)	(35,787)	(26,505)
Increase (decrease) in deferred revenue	133,195	56,847	98,197	41,910
Others	25,952	21,773	19,132	16,052
	(243,361)	108,591	(179,417)	80,056
Interest received	173,856	182,679	128,175	134,679
Dividends received	61,561	6,501	45,386	4,793
Income taxes received (paid)	(280,963)	(224,292)	(207,139)	(165,358)
Net cash provided by operating activities	₩ 2,303,052	₩ 2,064,809	$ 1,697,915	$ 1,522,269

(Continued)

Korean Air Lines Co., Ltd. and Subsidiaries
Consolidated Interim Statements of Cash Flows (Continued)
For the Six-Month Periods Ended June 30, 2025 and 2024

	Korean won		Translation into US dollars (Note 2)	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
	(In millions)		(In thousands)	
Cash flows from investing activities				
Net decrease (increase) in short-term financial instruments	₩ (11,544)	₩ 100,977	$ (8,511)	$ 74,445
Net decrease (increase) in long-term financial instruments	(19,920)	(12,963)	(14,686)	(9,557)
Increase in long-term loans	(482)	-	(355)	-
Decrease in long-term loans	98	51	72	38
Decrease in lease receivables	29,392	(2,715)	21,669	(2,002)
Increase in other current assets	(177)	(61)	(130)	(45)
Disposal of current portion of financial assets at amortized cost	15,539	11	11,456	8
Acquisition of financial assets at FVTPL	(65,094)	(435)	(47,990)	(321)
Disposal of financial assets at FVTPL	-	11,943	-	8,805
Acquisition of financial assets at FVTOCI	-	(208,560)	-	(153,760)
Acquisition of financial assets at amortized cost	(3,015)	(10)	(2,223)	(7)
Disposal of financial assets at amortized cost	2,503	-	1,845	-
Disposal of investment in subsidiaries	24	-	18	-
Increase in short-term loans	(16)	(5)	(12)	(4)
Decrease in short-term loans	386	4	285	3
Disposal of property, aircraft and equipment	11,859	12,694	8,743	9,359
Acquisition of property, aircraft and equipment	(1,956,834)	(1,218,839)	(1,442,667)	(898,584)
Disposal of assets held for sale	387,720	186,790	285,845	137,710
Decrease in other non-current assets	-	60	-	44
Increase in other non-current assets	(898)	-	(662)	-
Disposal of intangible assets	1	-	1	-
Acquisition of intangible assets	(2,885)	(10,285)	(2,127)	(7,583)
Increase in financial derivatives	(222,126)	(184,875)	(163,761)	(136,298)
Decrease in financial derivatives	264,929	256,933	195,318	189,423
Decrease in guarantee deposits	133,353	11,009	98,314	8,116
Increase in guarantee deposits	(216,259)	(9,559)	(159,436)	(7,047)
Other cash flows from investing activities	3,294	(128)	2,428	(94)
Net cash used in investing activities	(1,650,152)	(1,067,963)	(1,216,566)	(787,351)
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings	(430,876)	16,982	(317,661)	12,520
Repayment of current portion of long-term borrowings	(1,747,899)	(1,474,681)	(1,288,631)	(1,087,202)
Repayment of current portion of lease obligations	(1,256,545)	(776,479)	(926,382)	(572,456)
Proceeds from long-term borrowings	1,681,493	930,383	1,239,673	685,921
Proceeds from debentures	1,020,699	837,877	752,506	617,721
Dividends paid	(281,569)	(278,229)	(207,586)	(205,123)
Interest paid	(333,452)	(277,556)	(245,836)	(204,627)
Other cash flows from financing activities	1,205	26	887	19
Net cash used in financing activities	₩ (1,346,944)	₩ (1,021,677)	$ (993,030)	$ (753,227)

(Continued)

Korean Air Lines Co., Ltd. and Subsidiaries
Consolidated Interim Statements of Cash Flows (Continued)
For the Six-Month Periods Ended June 30, 2025 and 2024

	Korean won		Translation into US dollars (Note 2)	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
	(In millions)		(In thousands)	
Net increase (decrease) in cash and cash equivalents	₩ (694,044)	₩ (24,831)	$ (511,681)	$ (18,309)
Cash and cash equivalents at the beginning of period	2,215,625	622,787	1,633,460	459,147
Effects of exchange rate changes on cash and cash equivalents	26,907	4,316	19,837	3,182
Cash and cash equivalents at the end of period	₩ 1,548,488	₩ 602,272	$ 1,141,616	$ 444,020

(Concluded)

The US dollar figures are provided for information purpose only and do not form part of the consolidated financial statements. (Refer to Note 2.)

The above consolidated statements of cash flows should be read in conjunction with the accompanying notes.

1. GENERAL:

Korean Air Lines Co., Ltd. (the "Company" or "Parent Company") was established on June 19, 1962, and is engaged in the business of domestic and international airline services, manufacturing of aircraft parts and maintenance of aircraft. The Company has become a publicly traded company upon listing its common shares on the Korea Exchange since 1966, and its headquarters is located at Seoul, Korea.

Total share capital of the Company as of June 30, 2025, is ₩1,846,657 million (including ₩5,554 million of preferred shares), and major shareholders of the Group are Hanjin KAL Co., Ltd. (26.13%) and its related parties (0.89%).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

2.1 Basis of Consolidated Financial Statements Presentation

The Company and its subsidiaries (the "Group") have prepared the consolidated financial statements in the Korean language (Hangul) in accordance with Korean International Financial Reporting Standards ("K-IFRSs"). Certain accounting principles applied by the Group that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these consolidated financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying consolidated financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

The Group maintains its accounting records and prepares its consolidated financial statements in Korean won. The United States dollar ("US dollar") amounts disclosed in the accompanying consolidated financial statements are presented solely for the convenience of the reader at the Korean won rate of 1,356.4 to the US dollar. Such translations should not be construed as representation that the Korean won amounts represent, or have been, or could be, converted into, US dollars at that or any other rate.

2.2 Basis of Preparation

The Group's consolidated financial statements as of and for the three-month and six-month periods ended June 30, 2025, are prepared in accordance with K-IFRS 1034, Interim Financial Reporting. The Group prepares its consolidated financial statements in accordance with K-IFRS 1110, Consolidated Financial Statements. In order to understand these consolidated financial statements, users should use annual consolidated financial statements that are prepared in accordance with K-IFRSs as of December 31, 2024.

The Group's accounting policies applied for the accompanying consolidated financial statements are the same as the policies applied for the preparation of consolidated financial statements as of and for the year ended December 31, 2024.

The Group has not applied the new and revised K-IFRS issued that is not mandatory for the reporting periods commencing January 1, 2025, with early application permitted.

3. SIGNIFICANT ACCOUNTING ESTIMATES:

The preparation of consolidated financial statements requires the application of accounting policies, certain critical accounting estimates and assumptions that may have a significant impact on the assets (liabilities) and incomes (expenses). Actual results may differ from these estimates.

The significant accounting estimates and assumptions used in the presentation of the consolidated financial statements are consistent with those of the consolidated financial statements as of and for the year ended December 31, 2024.

4. SEGMENT INFORMATION:

(1) The Group's segment information is prepared for the purpose of resource allocation and assessment of segment performance. The Group's reportable segments are as follows:

Segment	Type of service
Air transport	Passenger and cargo transportation
Aerospace	Maintenance of aircraft and manufacture of aircraft parts
Hotel	Accommodation service
Others	IT service, aircraft engine repair service, E-commerce and others

(2) Operating results by reportable segments for the six-month periods ended June 30, 2025 and 2024 are as follows:

(In millions of Korean won)

	2025					
	Air transport	Aerospace	Hotel	Others	Consolidation adjustments	Total
Total sales	₩ 12,606,795	₩ 297,405	₩ 97,664	173,853	₩ (473,149)	₩ 12,702,568
Intersegment sales	(413,095)	-	(14,381)	(45,673)	473,149	-
Net sales	12,193,700	297,405	83,283	128,180	-	12,702,568
Operating profit (loss)	821,342	4,980	(11,326)	15,334	(29,200)	801,130
Depreciation and amortization	(1,510,069)	(6,583)	(23,569)	(2,710)	149,779	(1,393,152)
Total assets	47,285,653	1,551,211	1,544,087	998,459	(4,041,411)	47,337,999

The operating results by reportable segments include the financial information of Asiana Airlines, Inc. and its subsidiaries, which were consolidated through a business combination as of the acquisition date of December 31, 2024. Meanwhile, as of June 30, 2025, the asset amounts for the air transport segment and others segment include investments in associates and joint ventures totaling ₩159,809 million and ₩3,259 million, respectively.

4. SEGMENT INFORMATION, CONTINUED:

(2) Operating results by reportable segments for the six-month periods ended June 30, 2025 and 2024 are as follows, continued:

(In millions of Korean won)	2024					
	Air transport	Aerospace	Hotel	Others	Consolidation adjustments	Total
Total sales	₩ 8,601,225	₩ 292,565	₩ 87,846	₩ 106,110	₩ (394,070)	₩ 8,693,676
Intersegment sales	(316,907)	-	(11,840)	(65,323)	394,070	-
Net sales	8,284,318	292,565	76,006	40,787	-	8,693,676
Operating profit (loss)	996,102	(16,235)	(13,119)	805	12,904	980,457
Depreciation and amortization	(823,107)	(5,914)	(22,318)	(3,469)	(7,459)	(862,267)
Total assets	30,973,087	1,377,302	1,592,123	432,362	(2,891,647)	31,483,227

(3) Operating results by geographical area for the six-month periods ended June 30, 2025 and 2024 are as follows:

(In millions of Korean won)	2025						
	Local companies			Overseas companies			
	Domestic lines and sale	International lines and export	Subtotal	Americas	Asia and others	Consolidation adjustments	Total
Total sales	₩ 1,407,218	₩ 11,653,315	₩ 13,060,533	₩ 99,740	₩ 15,444	₩ (473,149)	₩ 12,702,568
Intersegment sales			(438,266)	(19,740)	(15,143)	473,149	-
Net sales			12,622,267	80,000	301	-	12,702,568
Operating profit (loss)			842,416	(11,787)	(299)	(29,200)	801,130
Total assets			49,766,446	1,542,144	70,820	(4,041,411)	47,337,999

The operating results by geographical area include the financial information of Asiana Airlines, Inc. and its subsidiaries, which were incorporated through a business combination as of the acquisition date of December 31, 2024.

(In millions of Korean won)	2024						
	Local companies			Overseas companies			
	Domestic lines and sale	International lines and export	Subtotal	Americas	Asia and others	Consolidation adjustments	Total
Total sales	₩ 1,434,564	₩ 7,552,637	₩ 8,987,201	₩ 89,411	₩ 11,134	₩ (394,070)	₩ 8,693,676
Intersegment sales			(365,914)	(17,071)	(11,085)	394,070	-
Net sales			8,621,287	72,340	49	-	8,693,676
Operating profit (loss)			979,912	(13,423)	1,064	12,904	980,457
Total assets			32,769,547	1,588,807	16,520	(2,891,647)	31,483,227

(4) There is no single customer who accounted for more than 10% of the Group's sales for the six-month periods ended June 30, 2025 and 2024.

5. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents as of June 30, 2025 and December 31, 2024 consist of the following:

(In millions of Korean won)	June 30, 2025	December 31, 2024
Cash on hand	₩ 472	₩ 654
Bank deposits	1,548,016	2,214,971
	₩ 1,548,488	₩ 2,215,625

6. RESTRICTED DEPOSITS AND FINANCIAL ASSETS PROVIDED AS COLLATERAL:

Restricted deposits and financial assets provided as collateral as of June 30, 2025 consist of the following:

(In millions of Korean won and thousands of US dollars)	June 30, 2025	Purpose of restriction
	₩ 398,644	Deposit of trust account for payment purposes related to asset-backed securitization (“ABS”) loans, financial instruments pledged as collateral for the opening of letter of credit (“L/C”), payment guarantee for liquidated damages for delay and others
Short-term financial instruments[1]	$ 2,363	Guarantee deposit on North America L/C and others
Financial assets at fair value	₩ 85,631	Entrusted management of the employees’ association funds, pledged for payment guarantee, pledged for issuance of foreign currency-denominated bonds, pledged for equity investment in Korea Defense Guarantee Cooperative and others
Long-term financial instruments[2]	₩ 1,395	Pledged for Incheon GSE lease, deposit on accident compensation to employees, pledged for cargo contracts, checking account deposits and others
	₩ 485,670	
	$ 2,363	

[1] As of June 30, 2025, the Group classifies financial assets amounting to ₩2,628 million as short-term financial instruments for the purpose of guaranteeing repayment in relation to ABS (see Note 20).

[2] The Group prevailed in the litigation regarding the refund of the deposit received from HDC Hyundai Development Company (see Note 32).

7. TRADE AND OTHER RECEIVABLES:

(1) Trade and other receivables as of June 30, 2025 and December 31, 2024 consist of the following:

(In millions of Korean won)	June 30, 2025		December 31, 2024	
	Current	Non-current	Current	Non-current
Trade receivables	₩ 1,049,567	₩ 51	₩ 1,260,172	₩ 51
Less: loss allowance	(3,210)	(3)	(3,631)	(4)
	1,046,357	48	1,256,541	47
Non-trade receivables	126,361	2,479	116,558	-
Less: loss allowance	(4,855)	(53)	(4,673)	-
	121,506	2,426	111,885	-
Accrued revenues	196,978	-	216,149	-
	₩ 1,364,841	₩ 2,474	₩ 1,584,575	₩ 47

(2) Changes in loss allowance for trade receivables for the six-month periods ended June 30, 2025 and 2024 are as follows:

(In millions of Korean won)	2025	2024
Beginning balance	₩ 3,635	₩ 781
Bad debt expenses (reversal)	(155)	(131)
Others	(267)	(45)
Ending balance	₩ 3,213	₩ 605

8. FINANCIAL ASSETS AT FAIR VALUE AND FINANCIAL ASSETS AT AMORTIZED COST:

Financial assets at fair value and financial assets at amortized cost as of June 30, 2025 and December 31, 2024 consist of the following:

(In millions of Korean won)	June 30, 2025	December 31, 2024
Financial assets at FVTOCI[1]	₩ 292,826	₩ 254,463
Financial assets at FVTPL[2,3]	100,465	36,855
Financial assets at amortized cost:	21,126	20,632
	₩ 414,417	₩ 311,950

[1] As of June 30, 2025, listed equity securities amounting to ₩65,910 million are pledged as collateral for foreign currency-denominated bonds (see Note 6).

[2] As of June 30, 2025, equity investment amounting to ₩15,566 million is pledged to the Korea Defense Guarantee Cooperative as collateral for performance guarantee (see Note 6).

[3] As of June 30, 2025, some of the unlisted equity funds are pledged as collateral in relation to the Group's contract and warranty insurance. The hybrid securities are restricted for use by the Group as they are designated for the employees' association fund (see Note 6).

9. OTHER FINANCIAL ASSETS:

(1) Other financial assets as of June 30, 2025 and December 31, 2024 consist of the following:

(In millions of Korean won)	June 30, 2025		December 31, 2024	
	Current	Non-current	Current	Non-current
Guarantee deposits	₩ 61,067	₩ 330,482	₩ 38,689	₩ 301,249
Loan	1,766	7,393	1,326	7,792
	₩ 62,833	₩ 337,875	₩ 40,015	₩ 309,041

(2) There are no other financial assets overdue or impaired for the six-month periods ended June 30, 2025 and 2024.

10. LEASE RECEIVABLES:

(1) The Group has offered the leases of the aircraft and others, and the minimum lease payments and present value of the leases as of June 30, 2025 and December 31, 2024 are as follows:

(In millions of Korean won)	June 30, 2025	December 31, 2024
Within 1 year	₩ 57,523	₩ 34,536
1 year to 5 years	449,990	334,648
More than 5 years	227,873	86,729
	735,386	455,913
Discount on present value	(127,566)	(58,831)
	607,820	397,082
Less: current portion of lease receivables	(56,189)	(34,733)
	₩ 551,631	₩ 362,349

(2) Lease receivables are not impaired for the six-month periods ended June 30, 2025 and 2024.

11. SUBSIDIARIES:

(1) Subsidiaries as of June 30, 2025 and December 31, 2024 consist of the following:

	Principal business	Location	Ownership of the Group		Closing month
			June 30, 2025	December 31, 2024	
Asiana Airlines, Inc.[5]	Airline Services	Korea	63.88%	63.88%	Dec
Jin Air Co., Ltd.	Airline Services	Korea	54.91%	54.91%	Dec
Air Busan Co., Ltd.[3,5]	Airline Services	Korea	41.91%	41.91%	Dec
Korea Airport Service Co., Ltd.	Airport support service	Korea	59.54%	59.54%	Dec
Asiana IDT, Inc.[5]	IT services	Korea	76.22%	76.22%	Dec
Hanjin Information Systems & Telecommunication Co., Ltd.	Software development and supply	Korea	99.35%	99.35%	Dec
Incheon Aviation Tech Co., Ltd. (“IAT”)	Aircraft engine repair service	Korea	100.00%	100.00%	Dec
Air Total Service Co., Ltd.	Hotel management service	Korea	100.00%	100.00%	Dec
Wangsan Leisure Development Co., Ltd. (“WLD”)[2]	Sports and leisure service	Korea	100.00%	100.00%	Dec
Korea Global Logistics System Co., Ltd.	Cargo information network service	Korea	95.00%	95.00%	Dec
Cyber Sky Co., Ltd.	Online sales	Korea	100.00%	100.00%	Dec
K-Aviation Co., Ltd.	Small aircraft transport service	Korea	100.00%	100.00%	Dec
Air Korea Co., Ltd.	Airport support service	Korea	100.00%	100.00%	Dec
Asiana Sabre, Inc.[5]	Reservation service	Korea	80.00%	80.00%	Dec
Asiana Airport, Inc.[4,5]	Other airport support service	Korea	100.00%	100.00%	Dec
Air Seoul, Inc.[5]	Airline Services	Korea	100.00%	100.00%	Dec
Asiana T&I Incorporation[5]	Other financial business	Korea	80.00%	80.00%	Dec
KVI Incorporation.[5]	Other financial business	Korea	100.00%	100.00%	Dec
Hanjin Int'l Corp.[2]	Hotel and rental service	USA	100.00%	100.00%	Dec
TAS	Supply labors	USA	100.00%	100.00%	Dec
Hanjin Int'l Japan Co., Ltd	Airport support service	Japan	75.00%	75.00%	Dec
Korean Air Investment Japan Co., Ltd.[2]	Investment and rental service	Japan	100.00%	100.00%	Dec
Korean Air Airport Service Co., Ltd.[2]	Airport support service	Japan	65.00%	65.00%	Dec
Korean Air Investment Singapore Pte. Ltd.[2]	Investment and rental service	Singapore	100.00%	-	Dec
Hanjin Central Asia LLC.[6]	Hotel business	Uzbekistan	-	100.00%	Dec
Asiana Staff Service, Inc.[5]	Other airport support service	Japan	100.00%	100.00%	Dec
KAL 25 Asset Securitization Specialty Company[6]	Issuance and repayment of ABS loans	Korea	-	0.50%	Dec
KAL 26 Asset Securitization Specialty Company[1]	Issuance and repayment of ABS loans	Korea	0.50%	0.50%	Dec
KAL 27 Asset Securitization Specialty Company[1]	Issuance and repayment of ABS loans	Korea	0.50%	0.50%	Dec
KAL 28 Asset Securitization Specialty Company[1]	Issuance and repayment of ABS loans	Korea	0.50%	0.50%	Dec
Saekdongie 26th Asset Securitization Specialty Co., Ltd.[1,5]	Issuance and repayment of ABS loans	Korea	0.50%	0.50%	Dec

11. SUBSIDIARIES, COUNTINUED:

(1) Subsidiaries as of June 30, 2025 and December 31, 2024 consist of the following, continued:

[1] The Group classified KAL Asset Securitization Specialty Companies as investments in subsidiaries because the Group controls an investee when it has the power over the investee, and is exposed, or has rights to variable returns from its involvement with the investee and has the ability to use its power to affect its returns.
[2] Additional and new investments were made for the six-month period ended June 30, 2025, and the year ended December 31, 2024.
[3] Although the Group owns less than half of the voting power for Air Busan Co., Ltd., management has determined that Group controls Air Busan Co., Ltd. since the Group can exercise de facto control in accordance with the shareholders' agreement.
[4] As of June 30, 2025, the above investment in subsidiary is pledged as collateral (see Note 15).
[5] As a result of the acquisition of Asiana Airlines, Inc., during the year ended December 31, 2024, it was included in the consolidated financial statements.
[6] As of June 30, 2025, it has been liquidated.

(2) The condensed financial position of the Group's major subsidiaries as of June 30, 2025 is as follows:

(In millions of Korean won)	**Asiana Airlines, Inc.[1]**	**Jin Air Co., Ltd.**	**Korea Airport Service Co., Ltd.**
Current assets	₩ 2,429,413	₩ 642,539	₩ 181,967
Non-current assets	10,214,927	574,199	307,701
Total assets	12,644,340	1,216,738	489,668
Current liabilities	4,187,885	509,116	59,450
Non-current liabilities	7,144,019	445,823	54,464
Total liabilities	11,331,904	954,939	113,914
Total equity	₩ 1,312,436	₩ 261,799	₩ 375,754

[1] The financial information of Asiana Airlines, Inc. is presented on its consolidated basis.

The above financial information is presented prior to the elimination of internal transactions.

11. SUBSIDIARIES, CONTINUED:

(3) The condensed financial performance information of the Group's major subsidiaries for the six-month period ended June 30, 2025 is as follows:

(In millions of Korean won)	**Asiana Airlines, Inc.[1]**	**Jin Air Co., Ltd.**	**Korea Airport Service Co., Ltd.**
Sales	₩ 3,961,418	₩ 723,919	₩ 282,416
Operating income	48,484	15,987	18,932
Profit for the period	323,419	29,985	15,333
Other comprehensive income (loss)	(1,079)	562	632
Total comprehensive income	322,340	30,547	15,965

[1] The financial information of Asiana Airlines, Inc. is presented on its consolidated basis.

The above financial information is presented prior to the elimination of internal transactions.

(4) The condensed cash flow information of the Group's major subsidiaries for the six-month period ended June 30, 2025 is as follows:

(In millions of Korean won)	**Asiana Airlines, Inc.[1]**	**Jin Air Co., Ltd.**	**Korea Airport Service Co., Ltd.**
Cash flows from operating activities	₩ 190,838	₩ 67,053	₩ 16,275
Cash flows from investing activities	(15,746)	(87,288)	8,773
Cash flows from financing activities	(397,149)	(73,078)	(13,084)
Net change in cash and cash equivalents	(222,057)	(93,313)	11,964
Effects of exchange rate changes	(3,058)	(178)	(29)
Beginning balance	778,368	134,554	58,276
Ending balance	₩ 553,253	₩ 41,063	₩ 70,211

[1] The financial information of Asiana Airlines, Inc. is presented on its consolidated basis.

The above financial information is presented prior to the elimination of internal transactions.

11. SUBSIDIARIES, CONTINUED:

(5) The ownership interest held by non-controlling interests and details of financial position, results of operation and dividends vested in non-controlling interests by each of the major subsidiaries as of and for the six-month period ended June 30, 2025 is as follows:

(In millions of Korean won)	**Asiana Airlines, Inc.[2]**	**Jin Air Co., Ltd.**	**Korea Airport Service Co., Ltd.**
Ownership interest held by non-controlling interests[1]	36.10%	44.38%	38.36%
Cumulative non-controlling interests	₩ 271,810	₩ 190,132	₩ 141,043
Profit vested in non-controlling interests	135,071	(5,284)	5,875
Dividends paid to non-controlling interests	3,320	-	1,173

[1] The ownership interest held by non-controlling interests represents the effective ownership interest, which is calculated based on number of outstanding shares excluding treasury stock, and it may differ from the aggregated total, less the effective ownership interest held by the Group.
[2] The non-controlling interest information is based on the consolidated financial statements of Asiana Airlines, Inc.

12. INVESTMENTS IN ASSOCIATES:

(1) Investments in associates as of June 30, 2025 and December 31, 2024 consist of the following:

(In millions of Korean won)

	June 30, 2025					
Description	Principal business	Location	Ownership (%)	Acquisition cost	Book value	Closing month
Korean Air C&D Co., Ltd.[1,2]	In-flight catering and duty-free business	Korea	20.00	₩ 122,966	₩ -	Dec
LSG Skychefskorea Co., Ltd.[3]	Airline catering	Korea	20.00	8,638	-	Dec
Asiana Philippines GSA, Inc.[3]	Other airport support service	Philippines	50.00	133	428	Dec
Gate Gourmet Korea Co., Ltd.[3]	Airline catering	Korea	40.00	85,756	159,381	Dec
Kumho Samco Buslines Co., Ltd.[3]	Bus transportation	Vietnam	49.00	9,458	1,516	Dec
Kumho Viet Thanh Buslines Co., Ltd.[3]	Bus transportation	Vietnam	49.00	7,721	1,743	Dec
				₩ 234,672	₩ 163,068	

(In millions of Korean won)

	December 31, 2024					
Description	Principal business	Location	Ownership (%)	Acquisition cost	Book value	Closing month
Korean Air C&D Co., Ltd.[1,2]	In-flight catering and duty-free business	Korea	20.00	₩ 122,966	₩ -	Dec
LSG Skychefskorea Co., Ltd.[3]	Airline catering	Korea	20.00	8,638	-	Dec
Asiana Philippines GSA, Inc.[3]	Other airport support service	Philippines	50.00	133	426	Dec
Gate Gourmet Korea Co., Ltd.[3]	Airline catering	Korea	40.00	85,756	150,444	Dec
Kumho Samco Buslines Co., Ltd.[3]	Bus transportation	Vietnam	49.00	9,458	1,942	Dec
Kumho Viet Thanh Buslines Co., Ltd.[3]	Bus transportation	Vietnam	49.00	7,721	1,770	Dec
				₩ 234,672	₩ 154,582	

[1] The Group's interest was reduced to zero due to the elimination of unrealized gains or losses resulting from intragroup transactions. As of June 30, 2025, gain on valuation of equity method is not recognized until all the cumulative unrecognized losses of ₩96,338 million are eliminated.

[2] The Group provides the above investments in associate as collateral for borrowings of Korean Air C&D Co., Ltd. (see Note 15).

[3] It was included in the Group's investments in associates and joint ventures as a result of the acquisition of Asiana Airlines, Inc. during the year ended December 31, 2024.

12. INVESTMENTS IN ASSOCIATES, CONTINUED:

(2) The cumulative changes in the Group's equity in net asset value of the associates not recognized due to the respective book value of the investment account balance being zero as of June 30, 2025 and December 31, 2024 are as follows:

(In millions of Korean won)	June 30, 2025		
	Gain (loss) on valuation of equity method	Others[1]	Cumulated losses not recognized
Korean Air C&D Co., Ltd	₩ 6,862	₩ (48,000)	₩ (96,338)
LSG Skychefskorea Co., Ltd	188	(6,000)	(10,761)

[1] The effect of distributions received in excess of the carrying amount is included.

(In millions of Korean won)	December 31, 2024		
	Gain (loss) on valuation of equity method	Others	Cumulated losses not recognized
Korean Air C&D Co., Ltd	₩ 10,080	₩ (728)	₩ (55,200)
LSG Skychefskorea Co., Ltd[1]	1,014	-	(4,949)

[1] The financial information prior to the inclusion of Asiana Airlines, Inc. as a subsidiary is included.

13. INTERESTS IN JOINT OPERATIONS:

The Group owns a joint investment building, which has the material joint arrangement. Under the joint arrangement, the Group has 70% ownership of the Inha International Medical Center building located in Incheon, Korea, and is entitled to a proportionate share of the rental income received and bears a proportionate share of the joint operation's expenses.

14. PROPERTY, AIRCRAFT AND EQUIPMENT:

(1) Changes in property, aircraft and equipment for the six-month periods ended June 30, 2025 and 2024 are as follows:

(In millions of Korean won)	2025					
	Beginning balance	Acquisition or transfer[1]	Disposal	Depreciation	Others[2]	Ending balance
Land	₩ 2,961,451	₩ 28,020	₩ -	₩ -	₩ (29,927)	₩ 2,959,544
Buildings	1,416,413	31,325	(3,058)	(30,694)	(65,428)	1,348,558
Structures	74,003	2,755	(44)	(2,372)	(65)	74,277
Machinery	144,397	15,194	(244)	(8,392)	(416)	150,539
Aircraft and engines	6,030,134	1,058,988	-	(381,945)	(211,516)	6,495,661
Aircraft parts[3]	2,048,791	381,077	(54,134)	(138,413)	(2,916)	2,234,405
Others	371,876	86,326	(7,162)	(48,943)	(82,226)	319,871
Construction in progress	2,494,158	618,322	(782)	-	(34,975)	3,076,723
Right-of-use asset-aircraft	12,463,164	1,351,374	(25,672)	(664,721)	(165,489)	12,958,656
Right-of-use asset-others	370,104	114,541	(123,049)	(56,561)	33,815	338,850
	₩ 28,374,491	₩ 3,687,922	₩ (214,145)	₩ (1,332,041)	₩ (559,143)	₩ 29,957,084

[1] The acquisition of construction in progress amounted to ₩1,626,019 million, and construction in progress amounting to ₩1,007,697 million was transferred to property, aircraft and equipment for the period ended June 30, 2025.

[2] Other increase or decrease was mainly due to capitalized borrowing costs, reclassification of lease receivables, effects of changes in foreign currency translation adjustments and others.

[3] Maintenance supplies of aircraft parts are pledged as collateral for the Group's borrowings to financial institutions (see Note 15).

14. PROPERTY, AIRCRAFT AND EQUIPMENT, CONTINUED:

(1) Changes in property, aircraft and equipment for the six-month periods ended June 30, 2025 and 2024 are as follows, continued:

(In millions of Korean won)

	2024					
	Beginning balance	Acquisition or transfer[1]	Disposal	Depreciation	Others[2]	Ending balance
Land	₩ 2,809,443	₩ 1,392	₩ -	₩ -	₩ 9,195	₩ 2,820,030
Buildings	1,108,037	1,530	534	(23,871)	53,395	1,139,625
Structures	64,396	8,047	-	(2,245)	285	70,483
Machinery	104,415	9,992	-	(4,907)	82	109,582
Aircraft and engines	4,368,121	371,111	(14)	(250,077)	393,897	4,883,038
Aircraft parts	1,414,220	287,620	(22,627)	(91,477)	8,114	1,595,850
Others	140,584	22,978	(5,908)	(16,882)	10,536	151,308
Construction in progress	983,307	455,233	-	-	(58,474)	1,380,066
Right-of-use asset-aircraft	6,926,922	562,918	-	(401,578)	(1,321,036)	5,767,226
Right-of-use asset-others	255,441	75,684	(51,088)	(38,376)	(4,938)	236,723
	₩ 18,174,886	₩ 1,796,505	₩ (79,103)	₩ (829,413)	₩ (908,944)	₩ 18,153,931

[1] The acquisition of construction in progress amounted to ₩1,210,909 million, and construction in progress amounting to ₩755,676 million was transferred to property, aircraft and equipment for the period ended June 30, 2024.

[2] Other increase or decrease was mainly due to transfer to assets held for sale amounting to ₩853,184 million, capitalized borrowing costs, reclassification under lease transfer agreement and others.

(2) The Group capitalized borrowing costs of ₩29,668 million as part of the cost of construction in progress for the six-month period ended June 30, 2025. The specific borrowing capitalization rate and general borrowing capitalization rate used to calculate borrowing costs are between 1.22% and 4.25%.

15. PLEDGED ASSETS AND GUARANTEES (NON-FINANCIAL ASSETS):

(1) As of June 30, 2025, non-financial assets provided as collateral are as follows:

		June 30, 2025			
(In millions of Korean won, except number of shares)		Book value	Collateralized amount[6] or number of shares	Guarantee	Description
Land and buildings, etc.[1]		₩ 2,265,957	₩ 2,550,011		Collateral for short-term and long-term borrowings, including export growth loan and others
Aircraft and machinery [2]		2,763,626	3,564,745	Korea Development Bank ("KDB") and others	
Facility usage rights		16,993	72,000		
Investments in associates[3]		-	1,252,586 shares	NH Investment & Securities Co., Ltd. and others	Collateral for borrowings of Korean Air C&D Co., Ltd.
Land and buildings[4]	443-83 Ojeong-ro Gangseo gu Seoul and others	203,486	265,803	KDB, Woori Bank[5]	Foreign currency payment guarantees and others
Others[4]	Maintenance supplies	301,308	343,210	The Export-Import Bank of Korea	Loan for import funds and import performance guarantee transactions
Land and buildings	Air Busan Headquarters	55,523	44,979	Busan Bank	Foreign currency payment guarantee committed amount
		₩ 5,606,893			

[1] The carrying value of land and buildings provided as collateral consists of property, aircraft and equipment and investment properties.
[2] The carrying value of aircraft and machinery provided as collateral consists of property, aircraft and equipment and lease receivables.
[3] The investments in associate – Korean Air C&D Co., Ltd. are pledged as collateral for its borrowings. The investments in subsidiaries provided as collateral are part of the Group. Additionally, the investments in associates provided as collateral have no separate carrying value in the consolidated financial statements due to the suspension of the application of the equity method (see Note 12).
[4] When collateral limit ratio is not met in relation to the above secured borrowings, additional collateral should be provided, or a partial early repayment of the borrowings should be made.
[5] The assets are pledged as second-ranking as collateral to Woori Bank.
[6] It presents the undiscounted nominal amount, and collateralized amounts in foreign currency were converted into Korean won using the exchange rate as of June 30, 2025.

(2) The Group has provided right-of-use asset (leased aircraft) as collateral to the lessors for the lease obligations.

(3) The Group provides 600,000 shares (amount of investee's net assets: ₩36,489 million) of equity securities of Asiana Airport, Inc. as collateral to Woori Bank.

16. INVESTMENTS IN PROPERTIES:

(1) Changes in the carrying amount of investments in properties for the six-month periods ended June 30, 2025 and 2024 are as follows:

(In millions of Korean won)	2025			
	Beginning balance	Depreciation	Others[1]	Ending balance
Land	₩ 77,399	₩ -	₩ 9,696	₩ 87,095
Buildings	200,464	(3,680)	(8,887)	187,897
	₩ 277,863	₩ (3,680)	₩ 809	₩ 274,992

[1] Other increase or decrease was mainly due to the transfer between property, aircraft and equipment and investments in properties and foreign currency translation adjustments.

(In millions of Korean won)	2024			
	Beginning balance	Depreciation	Others[1]	Ending balance
Land	₩ 75,008	₩ -	₩ 540	₩ 75,548
Buildings	185,741	(3,502)	11,660	193,899
	₩ 260,749	₩ (3,502)	₩ 12,200	₩ 269,447

[1] Other increase or decrease was mainly due to the transfer between property, aircraft and equipment and investments in properties and foreign currency translation adjustments.

(2) Revenue related to investments in properties was ₩14,352 million and ₩12,304 million for the six-month periods ended June 30, 2025 and 2024, respectively.

17. INTANGIBLE ASSETS:

Changes in the carrying amount of intangible assets for the six-month periods ended June 30, 2025 and 2024 are as follows:

(In millions of Korean won)	2025				
	Beginning balance	Acquisition	Amortization	Others[1]	Ending balance
Goodwill	₩ 1,839,690	₩ -	₩ -	₩ -	₩ 1,839,690
Facility usage rights	20,930	-	(2,074)	-	18,856
Software	192,723	2,213	(16,471)	4,109	182,574
Other intangibles	1,024,064	675	(38,886)	286	986,139
	₩ 3,077,407	₩ 2,888	₩ (57,431)	₩ 4,395	₩ 3,027,259

[1] Other increase or decrease was due to the transfer of construction in progress to intangible assets and foreign currency translation adjustment.

(In millions of Korean won)	2024				
	Beginning balance	Acquisition	Amortization	Others[1]	Ending balance
Goodwill	₩ 439,977	₩ -	₩ -	₩ -	₩ 439,977
Facility usage rights	25,077	-	(2,073)	-	23,004
Software	183,141	967	(13,667)	2,722	173,163
Other intangibles	175,991	9,478	(13,611)	(1,371)	170,487
	₩ 824,186	₩ 10,445	₩ (29,351)	₩ 1,351	₩ 806,631

[1] Other increase or decrease was due to the foreign currency translation adjustment.

18. OTHER ASSETS:

Other assets as of June 30, 2025 and December 31, 2024 consist of the following:

(In millions of Korean won)	June 30, 2025		December 31, 2024	
	Current	Non-current	Current	Non-current
Advance payments	₩ 293,774	₩ 98,194	₩ 302,856	₩ 126,296
Prepaid expenses	105,232	8,593	83,626	31,778
Others	66,566	19,371	55,523	19,743
	₩ 465,572	₩ 126,158	₩ 442,005	₩ 177,817

19. TRADE AND OTHER PAYABLES:

Trade and other payables as of June 30, 2025 and December 31, 2024 are as follows:

(In millions of Korean won)	June 30, 2025		December 31, 2024	
	Current	Non-current	Current	Non-current
Trade payables	₩ 243,315	₩ -	₩ 351,893	₩ -
Non-trade payables	500,214	-	573,348	-
Accrued expenses	1,304,389	27,587	1,805,279	30,081
Dividends payables	1	-	1	-
	₩ 2,047,919	₩ 27,587	₩ 2,730,521	₩ 30,081

20. BORROWINGS AND DEBENTURES:

(1) Short-term borrowings as of June 30, 2025 and December 31, 2024 consist of the following:

(In millions of Korean won)	Lender	Interest rate	June 30, 2025	December 31, 2024
Short-term borrowings in Korean won	Korea Development Bank ("KDB")	3M Market Opportunity Rate ("MOR") + 1.11%	₩ 150,000	₩ 150,000
		4.26% ~ 4.54%	70,000	110,000
		-	-	989,736
	The Export-Import Bank of Korea	-	-	390,264
	Hana Bank and others	4.45% ~ 4.98%	1,000,000	-
			₩ 1,220,000	₩ 1,640,000
Short-term borrowings in foreign currencies	KDB	3M Secured Overnight Financing Rate ("SOFR") + 1.74% ~ 1.78%	147,848	189,630
		3M Euro InterBank Offered Rate ("EURIBOR") + 1.15%	127,344	122,298
		1.87% ~ 3.25%	346,172	284,943
	Hana Bank	3M Tokyo InterBank Offered Rate ("TIBOR") + 1.97%	45,071	44,951
	Kookmin Bank ("KB") and others	3M SOFR + 1.15%~1.50%	162,766	205,800
		3M Tokyo Term Risk Free Rate ("TORF" + 1.50%	14,085	-
		-	-	29,400
			843,286	877,022
			₩ 2,063,286	₩ 2,517,022

20. BORROWINGS AND DEBENTURES, CONTINUED:

(2) Long-term borrowings as of June 30, 2025 and December 31, 2024 consist of the following:

(In millions of Korean won)	Lender	Interest rate	Maturity	June 30, 2025	December 31, 2024
Long-term borrowings in Korean won	The Export-Import Bank of Korea	3.00% ~ 3.85%	2029-06-28	₩ 381,800	₩ 511,700
		3M MOR + 1.10% ~ 1.55%	2035-01-22	211,200	162,100
	KDB	3.19% ~ 4.12%	2032-08-13	202,280	257,227
		3M MOR + 1.74%	2033-12-04	189,550	200,700
	Hana Bank and others	3.78% ~ 4.93%	2028-01-22	780,000	430,000
		CD + 1.52%	2032-08-13	60,000	60,000
		3M MOR + 1.16% ~ 1.30%	2027-04-26	250,000	250,000
		0.00%	2044-08-30	1,233	1,233
				₩ 2,076,063	₩ 1,872,960
Long-term borrowings in foreign currencies	KDB	-	2025-04-13	-	56,189
		3M SOFR + 2.26%	2025-09-30	5,595	18,191
	Shinhan Bank	1M SOFR + 2.17%	2027-05-09	54,256	58,800
		5.24% ~ 6.09%	2028-05-19	492,373	313,110
	KB and others	3M SOFR + 1.20% ~ 1.76%	2028-06-13	857,245	396,900
				₩ 1,409,469	₩ 843,190
				3,485,532	2,716,150
	Less: current portion of long-term borrowings			(238,677)	(896,849)
				₩ 3,246,855	₩ 1,819,301

20. BORROWINGS AND DEBENTURES, CONTINUED:

(3) Debentures as of June 30, 2025 and December 31, 2024 consist of the following:

(In millions of Korean won)

Series	Issue date	Maturity	Interest rate	June 30, 2025	December 31, 2024
97th (Guaranteed)	2022-01-21	2025-01-21	-	₩ -	₩ 280,944
98-3rd (Non-guaranteed)	2022-01-26	2025-01-24	-	-	136,000
99-2nd (Non-guaranteed)	2022-05-02	2025-05-02	-	-	160,000
100-2nd (Non-guaranteed)	2022-09-06	2025-09-05	5.36%	124,021	124,017
101st (Guaranteed)[2]	2022-09-23	2025-09-23	4.75%	406,920	441,000
102-1st (Non-guaranteed)	2023-04-24	2025-04-24	-	-	170,000
102-2nd (Non-guaranteed)	2023-04-24	2026-04-24	5.08%	80,000	80,000
103rd (Guaranteed)[1]	2023-06-29	2026-06-29	0.76%	187,796	187,296
104th (Guaranteed)[3]	2023-07-27	2026-07-27	1.22%	93,898	93,648
105-1st (Non-guaranteed)	2023-11-10	2025-11-10	5.15%	130,000	130,000
105-2nd (Non-guaranteed)	2023-11-10	2026-11-10	5.40%	120,000	120,000
106-1st (Non-guaranteed)	2024-02-28	2026-02-27	4.41%	145,994	145,990
106-2nd (Non-guaranteed)	2024-02-28	2027-02-26	4.50%	210,000	210,000
106-3rd (Non-guaranteed)	2024-02-28	2029-02-28	4.79%	90,000	90,000
107-1st (Non-guaranteed)	2024-06-25	2026-06-25	3.89%	84,000	84,000
107-2nd (Non-guaranteed)	2024-06-25	2027-06-25	3.99%	227,000	227,000
107-3rd (Non-guaranteed)	2024-06-25	2029-06-25	4.16%	84,000	84,000
108-1st (Non-guaranteed)	2024-10-23	2027-10-22	3.99%	100,000	100,000
108-2nd (Non-guaranteed)	2024-10-23	2029-10-23	4.16%	50,000	50,000
109th (Guaranteed)[1]	2025-01-24	2028-01-24	1.16%	281,694	-
110-1st (Non-guaranteed)	2025-01-31	2028-01-31	3.49%	287,000	-
110-2nd (Non-guaranteed)	2025-01-31	2030-01-31	3.96%	63,000	-
111-1st (Non-guaranteed)	2025-05-28	2027-05-28	2.93%	20,000	-
111-2nd (Non-guaranteed)	2025-05-28	2028-05-26	3.12%	230,000	-
111-3rd (Non-guaranteed)	2025-05-28	2030-05-28	3.57%	100,000	-
106th Private bonds (Non-guaranteed)	2025-02-25	2026-12-24	4.87%	50,000	-
				3,165,323	2,913,895
	Discount on debentures			(9,419)	(8,311)
				3,155,904	2,905,584
	Less: current portion of debentures			(1,166,715)	(1,445,944)
	Current portion of discount on debentures			2,135	3,468
				₩ 1,991,324	₩ 1,463,108

[1] The Export-Import Bank of Korea provides guarantee up to a maximum of principal and interest for the 103rd and 109th guaranteed debentures.
[2] KDB, a related party of the Group, provides guarantee up to a maximum of principal and interest for the 101st guaranteed debentures.
[3] Hana Bank provides guarantee up to a maximum of principal and interest for the 104th guaranteed debentures.

20. BORROWINGS AND DEBENTURES, CONTINUED:

(4) ABS loans as of June 30, 2025 and December 31, 2024 consist of the following:

(In millions of Korean won)

Description	Maturity	Interest rate	June 30, 2025	December 31, 2024
KAL-25 ABS	2025-03-30	-	₩ -	₩ 40,000
KAL-26 ABS	2025-05-29	-	-	19,988
KAL-27 ABS	2025-06-05	-	-	26,105
KAL-28 ABS	2025-06-12	-	-	36,959
ABS	2028-03-28	3.78%	206,250	243,750
			206,250	366,802
	Discount on ABS loans		(5,143)	(6,269)
			201,107	360,533
	Less: current portion of ABS loans		(81,250)	(204,302)
	Present value of discounts, less current portion		1,973	2,208
			₩ 121,830	₩ 158,439

As of June 30, 2025, the Group holds short-term financial instruments in relation to ABS (see Note 6).

The ABS loans are the borrowings repaid by entrusting the rights of future sales receivable, etc. to be held at the time of selling the airline ticket in the future, to financial institutions. The subject receivables and the period are as follows:

Description	Receivables	Period
ABS	Domestic passenger credit card sales receivable (KB Kookmin/Hyundai/Lotte/ NH Bank cards) Mileage settlement receivables (Samsung/BC cards)	2024.03.20 - Of the following conditions, until the earlier date (i) 2028.03.28 (ii) The date on which all amounts payable for the first-class beneficiary rights under the trust agreement are paid in full

(5) As of June 30, 2025, the Group provided assets as collateral or pledges to outstanding balance amounting to ₩2,461,278 million of borrowings and debentures.

21. LEASE OBLIGATIONS:

(1) Lease obligations as of June 30, 2025 and December 31, 2024 consist of the following:

(In millions of Korean won)

Lender	Annual interest rate	June 30, 2025	December 31, 2024
Financing Lease	3M EURIBOR + 0.31% ~ 2.25%	₩ 1,046,631	₩ 993,226
	3M SOFR + 0.45% ~ 3.16%	730,715	1,020,319
	3M TIBOR + 0.65% ~ 2.40%	1,042,642	1,100,440
	3M TORF + 0.29% ~ 0.76%	158,238	183,262
	6M EURIBOR + 1.05%	47,424	56,783
	6M SOFR + 1.68%	144,324	173,352
	DALY SOFR 90 DAY + 3.01%	-	16,335
	3M SARON + 1.23%	118,994	119,981
	3M SORA + 1.10%	153,685	164,473
	3M CORRA + 1.46%	82,690	-
	CD + 0.42% ~ 1.10%	443,538	278,015
	4 YEAR SOFR + 4.30%	8,697	10,283
	2.45% ~ 9.03%	840,701	800,599
Operating Lease	0.51% ~ 11.43%	6,293,864	6,009,577
		11,112,143	10,926,645
Less: Current portion of obligation under leases, net of present value of discounts		(2,086,800)	(2,182,081)
		₩ 9,025,343	₩ 8,744,564

The Export-Import Bank of the United States and others have provided payment guarantees of $1,210 million for above lease obligations as of June 30, 2025. Also, the Group has provided payment guarantees of $8 million to Industrial & Commercial Bank of China, the beneficiary of the lease obligations due to Yian Limited, and $61 million to Industrial & Commercial Bank of China, the beneficiary of the lease obligations due to PC2018 Limited as of June 30, 2025.

Interest expense on lease obligations and total cash outflows related to the leases obligations for the six-month period ended June 30, 2025, are ₩240,644 million and ₩1,493,048 million, respectively. Lease payments not recognized as liabilities, such as short-term leases and leases of low-value assets, are ₩55,829 million.

21. LEASE OBLIGATIONS, CONTINUED:

(2) The present value of the above lease obligations discounted by the interest rate implicit in the lease or the incremental borrowing rate as of June 30, 2025, is as follows:

(In millions of Korean won)		June 30, 2025
Within 1 year	₩	2,199,659
1 year to 5 years		5,668,137
More than 5 years		5,044,174
		12,911,970
Present value of discounts		(1,799,827)
	₩	11,112,143

22. EMPLOYEE BENEFITS:

(1) Net defined benefit liabilities as of June 30, 2025 and December 31, 2024 consist of the following:

(In millions of Korean won)		June 30, 2025		December 31, 2024
Present value of defined benefit liabilities	₩	3,307,711	₩	3,254,665
Fair value of plan assets		(678,593)		(695,812)
	₩	2,629,118	₩	2,558,853

(2) Changes in the carrying amount of net defined benefit liabilities for the six-month periods ended June 30, 2025 and 2024 are as follows:

(In millions of Korean won)	2025			2024		
	Present value of defined benefit liabilities	Fair value of plan assets	Total	Present value of defined benefit liabilities	Fair value of plan assets	Total
Beginning balance	₩ 3,254,665	₩ (695,812)	₩ 2,558,853	₩ 2,185,139	₩ (360,737)	₩ 1,824,402
Current service cost	134,449	-	134,449	86,679	-	86,679
Interest expense (income)	59,135	(11,609)	47,526	42,595	(5,970)	36,625
Remeasurement of the net defined benefit liabilities	-	(14)	(14)	4,709	572	5,281
Succession of defined benefit liabilities	10,863	(4,639)	6,224	399	-	399
Retirement benefits paid	(157,095)	35,490	(121,605)	(111,442)	25,828	(85,614)
Contributions	-	(76)	(76)	-	(3)	(3)
Others	5,694	(1,933)	3,761	(681)	-	(681)
Ending balance	₩ 3,307,711	₩ (678,593)	₩ 2,629,118	₩ 2,207,398	₩ (340,310)	₩ 1,867,088

23. PROVISIONS:

Changes in the provision liabilities for the six-month periods ended June 30, 2025 and 2024 are as follows:

(In millions of Korean won)

	2025				
	Beginning balance	Charged to profit or loss	Payment	Others	Ending balance
Current:					
Provision for construction loss	₩ 25,400	₩ 475	₩ (6,966)	₩ (18,434)	₩ 475
Provision for leased aircraft maintenance[1]	615,796	-	(255,020)	271,840	632,616
Provision for emission[2]	711	-	(149)	-	562
Provision for construction warranties	22	-	-	-	22
Others	11,709	906	(8,318)	-	4,297
	₩ 653,638	₩ 1,381	₩ (270,453)	₩ 253,406	₩ 637,972
Non-current:					
Provision for leased aircraft maintenance[1]	₩ 778,367	₩ 223,212	₩ -	₩ (329,241)	₩ 672,338
Provision for emission[2]	27,709	23,071	-	-	50,780
Provision for construction warranties	188	(81)	-	-	107
Others	3,806	36	(1)	-	3,841
	810,070	246,238	(1)	(329,241)	727,066
	₩ 1,463,708	₩ 247,619	₩ (270,454)	₩ (75,835)	₩ 1,365,038

[1] The Group has maintenance obligations related to leased aircraft. In order to fulfill the obligations, the Group has recognized a provision for leased aircraft maintenance by estimating future maintenance costs, as it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations.

[2] The Group has recognized a provision for emission by estimating the costs expected to be incurred in fulfilling the obligations as it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations.

23. PROVISIONS, CONTINUED:

Changes in the provision liabilities for the six-month periods ended June 30, 2025 and 2024 are as follows, continued:

(In millions of Korean won)	2024				
	Beginning balance	Charged to profit or loss	Payment	Others	Ending balance
Current:					
Provision for construction loss	₩ 25,400	₩ 12,054	₩ (2,456)	₩ (9,598)	₩ 25,400
Provision for leased aircraft maintenance[1]	135,592	-	(60,892)	8,517	83,217
Provision for construction warranties	104	-	(82)	-	22
Others	-	3,239	(209)	(524)	2,506
	₩ 161,096	₩ 15,293	₩ (63,639)	₩ (1,605)	₩ 111,145
Non-current:					
Provision for leased aircraft maintenance[1]	₩ 142,637	₩ 21,722	₩ -	₩ (12,142)	₩ 152,217
Provision for emission[2]	-	7,663	-	-	7,663
Others	73	(60)	(2)	-	11
	142,710	29,325	(2)	(12,142)	159,891
	₩ 303,806	₩ 44,618	₩ (63,641)	₩ (13,747)	₩ 271,036

[1] The Group has maintenance obligations related to leased aircraft. In order to fulfill the obligations, the Group has recognized a provision for leased aircraft maintenance by estimating future maintenance costs, as it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations.

[2] The Group has recognized a provision for emission by estimating the costs expected to be incurred in fulfilling the obligations as it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations.

24. DEFERRED REVENUE (CUSTOMER LOYALTY PROGRAM):

The Parent Company and its subsidiaries, Jin Air Co., Ltd., Asiana Airlines, Inc., and Air Busan Co., Ltd. (the Group) manage its frequent-flyer program ("FFP"), a customer loyalty program that provides incentives through accrued mileage, such as free flight tickets and other benefits, to its customers and alliance companies. The Group allocates the fair value of the consideration received for the sales between the award credits and service revenue. The sales price allocated to award credits is not recognized as revenue until the obligation has been fulfilled. The Group recognized deferred revenue relating to the FFP in the consolidated statement of financial position as of June 30, 2025, amounting to ₩3,637,938 million, which includes the current portion of ₩800,921 million.

25. DERIVATIVE INSTRUMENTS:

(1) Details of derivative financial instruments held for trading as of June 30, 2025 are as follows:

Type of transaction	Contract amount		Maturity	Accounting policy
Oil price option	BBL	13,750 thousand	2027-09-30	Trading
Interest rate swaps	KRW	100,000 million	2027-03-02	Trading
	CHF	70,037 thousand	2034-11-20	Trading
	KRW	100,000 million	2027-02-25	Trading
Cross-currency interest rate swaps	JPY	85,191,477 thousand	2032-08-30	Trading
	KRW	1,389,816 million	2028-06-13	Trading
Currency forwards contracts	JPY	33,000,000 thousand	2025-09-18	Trading
	USD	44,458 thousand	2025-07-09	Trading
	EUR	80,000 thousand	2025-10-29	Trading

(2) Impact on the consolidated financial statements in relation to derivatives as of and for the six-month period ended June 30, 2025 is as follows:

(In millions of Korean won)	Consolidated statement of financial position		Consolidated statement of comprehensive income (loss)			
	Financial derivative assets	Financial derivative liabilities	Valuation gain	Valuation loss	Transaction gain	Transaction loss
Oil price option	₩ 5,773	₩ 29,950	₩ 6,142	₩ 16,059	₩ 7,942	₩ 135
Interest rate swaps	-	3,726	-	3,726	-	148
Cross-currency interest rate swaps	89,356	46,191	-	135,785	39,323	63,594
Currency forwards contracts	23,995	783	25,484	783	9,454	3,835
	₩ 119,124	₩ 80,650	₩ 31,626	₩ 156,353	₩ 56,719	₩ 67,712

26. OTHER FINANCIAL LIABILITIES:

Other financial liabilities as of June 30, 2025 and December 31, 2024 consist of the following:

(In millions of Korean won)	June 30, 2025		December 31, 2024	
	Current	Non-current	Current	Non-current
Guarantee deposits received	₩ 4,214	₩ 53,073	₩ 13,236	₩ 36,944

27. OTHER LIABILITIES:

Other liabilities as of June 30, 2025 and December 31, 2024 consist of the following:

(In millions of Korean won)	June 30, 2025		December 31, 2024	
	Current	Non-current	Current	Non-current
Advances	₩ 4,028,803	₩ 21	₩ 3,892,807	₩ -
Withholdings	671,729	66,630	694,417	317,206
Unearned revenues	327,045	138,447	189,900	190,076
Others	818	18,962	828	19,958
	₩ 5,028,395	₩ 224,060	₩ 4,777,952	₩ 527,240

28. OTHER CAPITAL COMPONENTS:

Other capital components as of June 30, 2025 and December 31, 2024 consist of the following:

(In millions of Korean won)	June 30, 2025	December 31, 2024
Gain on valuation of financial assets at FVTOCI	₩ 63,162	₩ 42,859
Shares of other comprehensive income (loss) of associates	(299)	-
Foreign currency translation adjustments	(23,409)	56,058
Revaluation surplus	896,240	896,347
	935,694	995,264
Assets held for sale:		
Revaluation surplus	68	68
	₩ 935,762	₩ 995,332

29. REVENUE FROM CONTRACTS WITH CUSTOMERS AND RELEVANT CONTRACT ASSETS AND LIABILITIES:

(1) The Group has recognized revenue from contracts with customers for the three-month and six-month periods ended June 30, 2025 and 2024 are as follows:

(In millions of Korean won)	June 30, 2025		June 30, 2024	
	Three months	Six months	Three months	Six months
Revenue from contracts with customers	₩ 6,166,005	₩ 12,621,896	₩ 4,380,497	₩ 8,648,377
Revenue from other sources:				
Rental and sublease rental income	44,701	80,672	21,734	45,299
Total revenue	₩ 6,210,706	₩ 12,702,568	₩ 4,402,231	₩ 8,693,676

(2) The Group's revenues from the transfer of goods and services over time and at a point in time for the three-month and six-month periods ended June 30, 2025 and 2024 by segments are as follows:

(In millions of Korean won)	June 30, 2025			
	At a point in time		Over time	
	Three months	Six months	Three months	Six months
Air transport	₩ 5,905,353	₩ 12,125,613	₩ -	₩ -
Aerospace	148,172	269,525	14,243	27,880
Others	62,944	124,401	35,293	74,477
	₩ 6,116,469	₩ 12,519,539	₩ 49,536	₩ 102,357

(In millions of Korean won)	June 30, 2024			
	At a point in time		Over time	
	Three months	Six months	Three months	Six months
Air transport	₩ 4,167,572	₩ 8,249,691	₩ -	₩ -
Aerospace	148,202	266,238	14,797	26,327
Others	29,575	63,353	20,351	42,768
	₩ 4,345,349	₩ 8,579,282	₩ 35,148	₩ 69,095

(3) The Group has recognized the following assets and liabilities related to contracts with customers:

(In millions of Korean won)	June 30, 2025	December 31, 2024
Contract assets[1]	₩ 26,595	₩ 18,602
Contract liabilities[2]	8,144,812	7,925,811

[1] Costs of fulfilling a contract which were capitalized in relation to the contracts with customers as of June 30, 2025 and December 31, 2024 are ₩4,857 million and ₩6,195 million, respectively.
[2] Contract liabilities are included in the amount due to customers for contract work and advance receipts from customers, unearned revenues and deferred revenues.

30. SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses for the three-month and six-month periods ended June 30, 2025 and 2024 are as follows:

(In millions of Korean won)	June 30, 2025		June 30, 2024	
	Three months	Six months	Three months	Six months
Salaries	₩ 133,810	₩ 259,986	₩ 90,074	₩ 171,702
Retirement and benefit costs	14,094	29,478	9,855	19,404
Depreciation	17,739	40,216	12,983	19,363
Amortization	24,668	49,413	11,705	23,046
Rental	1,352	3,920	891	3,070
Sales commission	58,640	129,704	49,236	104,019
Advertising	32,293	51,974	11,959	22,240
Welfare	64,437	122,333	33,925	63,514
Training	1,382	4,084	1,959	3,653
Communications	31,924	60,140	18,579	38,670
Taxes and dues	16,624	27,698	11,608	15,861
Facility maintenance	11,714	21,178	6,487	12,918
Commission	167,500	347,807	104,393	206,166
Others	45,152	111,252	29,758	83,324
	₩ 621,329	₩ 1,259,183	₩ 393,412	₩ 786,950

31. FINANCIAL INCOME AND EXPENSES:

(1) Financial income for the three-month and six-month periods ended June 30, 2025 and 2024 are as follows:

(In millions of Korean won)	June 30, 2025		June 30, 2024	
	Three months	Six months	Three months	Six months
Interest income	₩ 73,269	₩ 143,504	₩ 70,688	₩ 143,225
Dividend income	199	7,498	19	6,501
Gain on valuation of derivatives	770	31,626	63,537	183,373
Gain on derivative transactions	24,638	56,719	41,866	72,281
	₩ 98,876	₩ 239,347	₩ 176,110	₩ 405,380

(2) Financial expenses for the three-month and six-month periods ended June 30, 2025 and 2024 are as follows:

(In millions of Korean won)	June 30, 2025		June 30, 2024	
	Three months	Six months	Three months	Six months
Interest expense	₩ 206,038	₩ 417,185	₩ 133,378	₩ 268,386
Loss on valuation of derivatives	122,999	156,353	2,075	2,788
Loss on derivative transactions	17,301	67,712	14,163	18,644
	₩ 346,338	₩ 641,250	₩ 149,616	₩ 289,818

32. OTHER NON-OPERATING INCOME AND EXPENSES:

(1) Other non-operating income for the three-month and six-month periods ended June 30, 2025 and 2024 consists of the following:

(In millions of Korean won)	June 30, 2025		June 30, 2024	
	Three months	Six months	Three months	Six months
Gain on foreign currency transaction	₩ 200,413	₩ 310,870	₩ 101,193	₩ 152,005
Gain on foreign currency translation	822,398	885,858	92,193	259,606
Gain on disposal of property, aircraft and equipment	1,012	1,425	1,392	6,882
Gain on disposal of assets held for sale	34,033	93,983	69,994	69,994
Gain on disposal of investment assets	11,886	11,886	-	-
Gain on disposal of financial assets at FVTPL	-	-	729	10,743
Gain on valuation of financial assets at FVTPL	127	127	130	516
Miscellaneous income[1]	16,565	316,913	7,181	15,145
	₩ 1,086,434	₩ 1,621,062	₩ 272,812	₩ 514,891

[1] As the Group won the lawsuit against HDC Hyundai Development Company regarding the refund of a contract deposit, ₩234,632 million, consisting of the deposit and related interest income, was recognized as miscellaneous income for the six-month period ended June 30, 2025.

(2) Other non-operating expenses for the three-month and six-month periods ended June 30, 2025 and 2024 consist of the following:

(In millions of Korean won)	June 30, 2025		June 30, 2024	
	Three months	Six months	Three months	Six months
Loss on foreign currency transaction	₩ 165,138	₩ 290,796	₩ 89,949	₩ 162,881
Loss on foreign currency translation	226,274	414,316	144,916	364,887
Other bad debt expenses (reversal)	(66)	277	2,473	17,807
Loss on disposal of property, aircraft and equipment	21,855	33,168	10,537	10,636
Loss on disposal of assets held for sale	1,790	1,860	28	28
Loss on disposal of investment assets	2,247	2,247	-	-
Loss on disposal of subsidiaries	9,834	9,834	-	-
Donation	948	13,347	7,119	18,962
Miscellaneous loss	6,982	32,633	3,069	4,381
	₩ 435,002	₩ 798,478	₩ 258,091	₩ 579,582

33. INCOME TAX EXPENSES:

(1) Income tax expense is recognized as current tax expense adjusted to current adjustments for prior periods, deferred tax income/expenses by origination and reversal of deferred assets/liabilities and temporary differences and income tax recognized in other comprehensive income. The effective tax rate for the six-month periods ended June 30, 2025 and 2024 was 26.3% and 25.8%, respectively.

(2) The Group recognized deferred income tax assets as it is expected that sufficient future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets can be changed according to the amount of taxable profit expected to be available in the future.

34. CLASSIFICATION OF EXPENSES BY NATURE:

Expenses classified by nature for the three-month and six-month periods ended June 30, 2025 and 2024 consist of the following:

(In millions of Korean won)	June 30, 2025		June 30, 2024	
	Three months	Six months	Three months	Six months
Salaries and retirement benefit costs	₩ 1,056,788	₩ 2,062,079	₩ 699,001	₩ 1,326,998
Welfare	270,707	517,900	197,353	351,200
Depreciation and amortization	671,827	1,393,152	434,405	862,267
Rental	18,798	56,274	40,834	87,922
Fuel and oil charges	1,584,178	3,428,612	1,278,316	2,551,605
Airport-related costs	620,015	1,242,575	334,289	655,936
Passenger and freight service costs	363,407	608,136	230,260	447,082
Sales commission	58,640	129,704	49,236	104,019
Commission	198,218	411,014	133,449	260,878
Aerospace costs	73,404	119,752	86,652	157,706
Taxes and dues	60,126	79,715	50,080	58,729
Others	864,514	1,852,525	425,426	848,877
Total[1]	₩ 5,840,622	₩ 11,901,438	₩ 3,959,301	₩ 7,713,219

[1] The amount is the sum of cost of sales and selling and administrative expenses in the consolidated statements of comprehensive income.

35. EARNINGS PER SHARE:

(1) Basic earnings per share for the three-month and six-month periods ended June 30, 2025 and 2024 are as follows:

A. Common shares

(In millions of Korean won, except per share data)	June 30, 2025		June 30, 2024	
	Three months	Six months	Three months	Six months
Profit attributable to owners of the Parent Company	₩ 484,887	₩ 769,601	₩ 352,452	₩ 727,377
Dividends for hybrid securities	2,493	4,092	-	-
Profit attributable to common shares	485,859	771,311	351,337	725,134
Weighted-average number of common shares outstanding	368,220,610 shares	368,220,610 shares	368,220,613 shares	368,220,614 shares
Earnings per common shares (In won)	₩ 1,319	₩ 2,095	₩ 954	₩ 1,969

B. Preferred shares

(In millions of Korean won, except per share data)	June 30, 2025		June 30, 2024	
	Three months	Six months	Three months	Six months
Profit attributable to owners of the Parent Company	₩ 484,887	₩ 769,601	₩ 352,452	₩ 727,377
Dividends for hybrid securities	2,493	4,092	-	-
Profit attributable to preferred shares	1,521	2,382	1,115	2,243
Weighted-average number of preferred shares outstanding	1,110,791 shares	1,110,791 shares	1,110,791 shares	1,110,792 shares
Earnings per preferred shares (In won)	₩ 1,369	₩ 2,145	₩ 1,004	₩ 2,019

(2) Since there is no dilution effect of diluted securities, diluted earnings per share equals basic earnings per share for the six-month periods ended June 30, 2025 and 2024.

36. FINANCIAL INSTRUMENTS:

(1) Capital risk management

The purpose of capital risk management is to protect the ability to continuously provide profits to shareholders and maintain optimum capital structure to reduce capital expenses. The Group's capital risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as of and for the year ended December 31, 2024.

(2) Financial risk management

1) Financial risk

The financial sector manages the Group's business and organizes the approach to the domestic and international financial markets. Furthermore, it monitors and manages the financial risk related to the Group's business through internal risk reports, which analyze the scope and scale of each risk. These risks include the market risk (including currency risk, fair value interest rate risk, oil price fluctuation risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as of and for the year ended December 31, 2024.

2) Risk aversion

The Group has made contracts for derivative instruments to avoid the oil price fluctuation risk and the change of exchange rate risk and interest rate risk.

3) Credit risk management

There has been no significant change in the maximum exposure to credit risk compared to the year ended December 31, 2024.

4) Liquidity risk management

There is no significant change in undiscounted contractual net cash flows in comparison with the previous period.

37. RELATED-PARTY TRANSACTIONS:

(1) The list of related parties of the Group as of June 30, 2025 is as follows:

Relationships	Related parties
Significant influence over the Group	Hanjin KAL Co., Ltd. and Korea Development Bank
Associates	Korean Air C&D Co., Ltd.; Mychef Co., Ltd.; LSG Skychefskorea Co., Ltd.; Asiana Philippines GSA, Inc.; Gate Gourmet Korea Co., Ltd.; Kumho Samco Buslines Co., Ltd.; and Kumho Viet Thanh Buslines Co., Ltd.
Other related parties	KAL Hotel Network Co., Ltd.; Topas Co., Ltd.; Jungseok Enterprise Co., Ltd.; Hanjin Travel Service Co., Ltd.
Affiliated companies of a conglomerate and others[1]	Hanjin Transportation Co., Ltd.; Jungseok-Inha School's Foundation; TAE IL CO., LTD.; Jungseok Logistics Foundation; WAC INTERNATIONAL LOGISTICS CO., LTD.; WAC Air Service Co., Ltd.; Hanjin Pyeongtaek Container Terminal Co., Ltd.; Pohang Port 7th Terminal Operating Co., Ltd.; HANJIN INCHEON CONTAINER TERMINAL CO., LTD.; Taeil Catering Co., Ltd.; HANJIN ULSAN NEWPORT OPERATION CO., LTD.; Chungwon Freez Co., Ltd. and others

[1] Although the entity is not the related party of the Group in accordance with K-IFRS 1024, Related Party Disclosures, the entity belongs to a large enterprise group to which the Group also belongs in accordance with the Monopoly Regulation and Fair Trade Act.

37. RELATED-PARTY TRANSACTIONS, CONTINUED:

(2) Significant transactions with related parties (except for equity transactions) for the six-month periods ended June 30, 2025 and 2024 are as follows:

(In millions of Korean won)		2025	
		Sales and others	Purchases and others
Significant influence over the Group	Hanjin KAL Co., Ltd.	₩ 2,858	₩ 20,922
	KDB	25,659	37,621
Associate	Korean Air C&D Co., Ltd.	77,405	198,904
	Gate Gourmet Korea Co., Ltd.	496	92,729
	LSG Skychefskorea Co., Ltd.	6,042	-
	Asiana Philippines GSA, Inc.	-	580
Other related parties	KAL Hotel Network Co., Ltd.	4,562	20,768
	Topas Co., Ltd.	4,133	2
	Jungseok Enterprise Co., Ltd.	121	489
	Hanjin Travel Service Co., Ltd.	5,689	1,356
Affiliated companies of a conglomerate and others	Hanjin Transportation Co., Ltd.	27,774	19,923
	Jungseok-Inha School's Foundation	3,664	12,563
	Others[1]	68,532	5,480

[1] Transactions between the related parties, except for Hanjin Transportation Co., Ltd. and Jungseok-Inha School's Foundation, classified as 'Affiliated companies of a conglomerate and others' in (1) are included.

(In millions of Korean won)		2024	
		Sales and others	Purchases and others[1]
Significant influence over the Group	Hanjin KAL Co., Ltd.	₩ 1,926	₩ 19,559
	KDB	38,212	26,344
Associate	Korean Air C&D Co., Ltd.	30,524	184,836
Other related parties	KAL Hotel Network Co., Ltd.	4,451	17,768
	Topas Co., Ltd.	4,494	8
	Jungseok Enterprise Co., Ltd.	127	520
	Hanjin Travel Service Co., Ltd.	9,664	559
	Waikiki Resort Hotel Inc.[2]	5	578
Affiliated companies of a conglomerate and others	Hanjin Transportation Co., Ltd.	16,532	19,921
	Jungseok-Inha School's Foundation	3,673	13,763
	Others[3]	937	5,587

[1] It includes interest expense of ₩164 million for debentures paid to related parties.
[2] It includes transaction with Waikiki Resort Hotel, Inc., excluded from related parties due to disposal of its share.
[3] Transactions between the related parties, except for Hanjin Transportation Co., Ltd. and Jungseok-Inha School's Foundation, classified as 'Affiliated companies of a conglomerate and others' in (1) are included.

37. RELATED-PARTY TRANSACTIONS, CONTINUED:

(3) Significant receivables from and payables to the related parties (except for loan, borrowing transactions and related interest) as of June 30, 2025 and December 31, 2024 are as follows:

(In millions of Korean won)

		June 30, 2025	
		Trade and other receivables	Trade and other payables
Significant influence over the Group	Hanjin KAL Co., Ltd.	₩ 11,585	₩ 9,836
	KDB	1,527,087	-
Associate	Korean Air C&D Co., Ltd.	7,102	66,543
	Gate Gourmet Korea Co., Ltd.	116	89,077
	LSG Skychefskorea Co., Ltd.	11	-
Other related parties	KAL Hotel Network Co., Ltd.	929	4,291
	Topas Co., Ltd.	727	124
	Jungseok Enterprise Co., Ltd.	650	226
	Hanjin Travel Service Co., Ltd.	1,159	729
Affiliated companies of a conglomerate and others	Hanjin Transportation Co., Ltd.	14,195	5,350
	Jungseok-Inha School's Foundation	1,977	47
	Others[1]	14,111	881

[1] Receivables from and payables to the related parties, except for Hanjin Transportation Co., Ltd. and Jungseok-Inha School's Foundation classified as 'Affiliated companies of a conglomerate and others' in (1) are included.

(In millions of Korean won)

		December 31, 2024	
		Trade and other receivables	Trade and other payables[1]
Significant influence over the Group	Hanjin KAL Co., Ltd.	₩ 11,047	₩ 10,054
	KDB	2,409,191	-
Associate	Korean Air C&D Co., Ltd.	6,874	64,700
	Gate Gourmet Korea Co., Ltd.	94	90,406
	LSG Skychefskorea Co., Ltd.	12	-
Other related parties	KAL Hotel Network Co., Ltd.	936	9,775
	Topas Co., Ltd.	656	117
	Jungseok Enterprise Co., Ltd.	665	4,405
	Hanjin Travel Service Co., Ltd.	1,329	363
Affiliated companies of a conglomerate and others	Hanjin Transportation Co., Ltd.	14,634	6,103
	Jungseok-Inha School's Foundation	2,024	107
	Others[2]	14,173	72

[1] It includes the Group's debentures of ₩4,003 million held by the related parties.

[2] Receivables from and payables to the related parties, except for Hanjin Transportation Co., Ltd. and Jungseok-Inha School's Foundation classified as 'Affiliated companies of a conglomerate and others' in (1) are included.

37. RELATED-PARTY TRANSACTIONS, CONTINUED:

(4) Lease payments and interest expenses for lease agreements with related parties for the six-month periods ended June 30, 2025 and 2024 and related lease obligations recognized as of June 30, 2025 and December 31, 2024 are as follows:

(In millions of Korean won)

		2025		
		Lease payments	Interest expenses	Lease liabilities
Associate	Korean Air C&D Co., Ltd.	₩ 889	₩ -	₩ -
Other related parties	KAL Hotel Network Co., Ltd.	66	1	36
	Jungseok Enterprise Co., Ltd.	379	9	377
Affiliated companies of a conglomerate and others	Hanjin Transportation Co., Ltd.	15	-	5
	Others[1]	1,156	67	4,706

[1] Transactions between the related parties, except for Hanjin Transportation Co., Ltd., classified as 'Affiliated companies of a conglomerate and others' in (1) are included.

(In millions of Korean won)

		2024		
		Lease payments	Interest expenses	Lease liabilities
Associate	Korean Air C&D Co., Ltd.	₩ 800	₩ 2	₩ -
Other related parties	KAL Hotel Network Co., Ltd.	66	2	29
	Jungseok Enterprise Co., Ltd.	378	12	133
Affiliated companies of a conglomerate and others	Hanjin Transportation Co., Ltd.	20	-	20
	Others[1]	1,037	94	5,609

[1] Transactions between the related parties, except for Hanjin Transportation Co., Ltd., classified as 'Affiliated companies of a conglomerate and others' in (1) are included.

37. RELATED-PARTY TRANSACTIONS, CONTINUED:

(5) Loan and borrowing transactions with related parties for the six-month periods ended June 30, 2025 and 2024 are as follows.

(In millions of Korean won, thousands of USD, EUR and JPY)

			2025			
	Account	Currency	Beginning balance	Increase	Decrease	Ending balance
Significant influence over the Group: KDB[1]	Short-term borrowings	KRW	1,249,736	-	(1,029,736)	220,000
		USD	129,000	-	(20,000)	109,000
		EUR	150,000	70,000	(70,000)	150,000
		JPY	19,000,000	18,000,000	(12,000,000)	25,000,000
	Long-term borrowings	KRW	457,927	-	(66,097)	391,830
		USD	12,375	-	(8,250)	4,125
		EUR	-	-	-	-
		JPY	6,000,000	-	(6,000,000)	-

[1] Interest expenses of borrowings for the six-month period ended June 30, 2025 are ₩37,621 million and the Group recognized ₩5,820 million as accrued expenses as of June 30, 2025.

(In millions of Korean won, thousands of USD, EUR and JPY)

			2024			
	Account	Currency	Beginning balance	Increase	Decrease	Ending balance
Significant influence over the Group: KDB[1]	Short-term borrowings	KRW	260,000	40,000	(40,000)	260,000
		USD	179,000	-	-	179,000
		EUR	80,000	70,000	-	150,000
		JPY	12,000,000	12,000,000	(12,000,000)	12,000,000
	Long-term borrowings	KRW	430,895	-	(36,484)	394,411
		USD	33,000	-	(8,250)	24,750
		EUR	70,000	-	(70,000)	-
		JPY	6,000,000	-	-	6,000,000

[1] Interest expenses of borrowings for the six-month period ended June 30, 2024 are ₩26,344 million and the Group recognized ₩9,036 million as accrued expenses as of June 30, 2024.

37. RELATED-PARTY TRANSACTIONS, CONTINUED:

(6) There is no stock trading with related parties for the six-month periods ended June 30, 2025 and 2024.

(7) The compensation paid or payable to key management for the six-month periods ended June 30, 2025 and 2024 is as follows:

(In millions of Korean won)	2025	2024
Wages and salaries	₩ 5,309	₩ 5,060
Retirement benefit costs	1,504	1,515
	₩ 6,813	₩ 6,575

(8) The Parent Company entered into derivative agreements with KDB to hedge against exchange rate and interest rate risks, and the balance of the contract is ₩92,297 million, JPY 72,211 million, USD 5 million and CHF 36 million as of June 30, 2025.

(9) The Parent Company resolved ₩74,558 million of dividends to the related parties for the six-month period ended June 30, 2025.

38. CASH FLOWS:

The significant non-cash transactions from investing and financing activities that are not included in the consolidated statements of cash flows for the six-month periods ended June 30, 2025 and 2024 are as follows:

(In millions of Korean won)	2025	2024
Transfer of long-term borrowings to current portion of long-term borrowings	₩ 205,517	₩ 967,265
Transfer of debentures to current portion of debentures	466,505	724,709
Transfer of lease obligation to current portion of lease obligation	1,049,516	770,845
Transfer of construction in progress to property, aircraft and equipment	1,007,697	755,676
Acquisition of right-of-use assets	1,481,560	155,319
Transfer to assets held for sale	213,364	853,184
Transfer to liabilities held for sale	176,066	-

39. COMMITMENTS AND CONTINGENCIES:

(1) The Group has been provided the following guarantees by others as of June 30, 2025:

(In millions of Korean won and thousands of US dollars)		June 30, 2025
Seoul Guarantee Insurance Co., Ltd.	₩	119,436
Korea Defense Guarantee Cooperative	₩	1,350,677
Shinhan Bank America and others	₩	19,860
Engineering Financial Cooperative	₩	44,938
Korea Software Financial Cooperative	₩	11,924
Information & Communication Financial Cooperative	₩	115
Busan Bank and others	$	95,000
Hana Bank	$	50
Shinhan Bank and others	₩	2,810
	$	95,050
	₩	1,549,760

(2) Credit line and details of credit agreements as of June 30, 2025 are as follows:

(In millions of Korean won and thousands of US dollars and JPY)

Description	Financial institutions	Credit Line	
Credit line arrangement	Bank of China and others	$	385,000
	Hana Bank	¥	4,800,000
	KDB	₩	17,500
Letters of credit	Hana Bank	$	3,400
	KDB and others	₩	1,049,199
Ordinary loan	Suhyup Bank and others	₩	14,000
Line of credit	NongHyup Bank and others	₩	35,900
Total		$	388,400
		₩	1,116,599
		¥	4,800,000

(3) Promissory note pledged as collateral

The Parent Company has provided one outstanding blank promissory note pledged as collateral to the Korea Defense Guarantee Cooperative, as of June 30, 2025.

39. COMMITMENTS AND CONTINGENCIES, CONTINUED:

(4) Pending litigations and others

As of June 30, 2025, various claims, lawsuits and complaints arising from airline service operations are pending against the Parent Company, and the ultimate outcome of these cases is unpredictable. Management believes that the ultimate outcome of these cases will not have any material adverse effect on the financial performance and position of the Group. In addition, the Parent Company was notified of a penalty related to cargo flights from the Russian Customs in February 2022, and an additional penalty was imposed due to the delay in the payment of the initial penalty in August 2024. Regarding the additional penalty, the second instance judgement was issued in September 2024; however, the Parent Company has appealed, and under the four-tier court system of Russia, the outcome remains uncertain until the final judgment is rendered.

(5) New aircraft introduction plan

The Parent Company has entered into aircraft purchase agreements with manufacturers, including The Boeing Company. The total contract amount is USD 31,194 million, consisting of USD 23,811 million by the Parent Company and USD 7,383 million by Asiana Airlines, Inc. as of June 30, 2025.

(6) Passenger terminal joint use agreement

The Parent Company and three other airlines, including Air France, entered into a passenger terminal joint use agreement with the JFK Airport in New York and provide mutual payment guarantee in respect to the terminal usage fees that each airline needs to pay.

(7) Joint venture cooperation with Delta Airlines on the Pacific route

The Parent Company has entered into a joint venture cooperation with Delta Airlines, Inc. for the Pacific routes since May 1, 2018. Under this agreement, the two companies jointly conduct marketing and sales activities for the Pacific routes and share the related financial results.

(8) Major agreements entered into by the subsidiaries are as follows:

As of June 30, 2025, WLD signed a memorandum of understanding to support the construction cost for integrated transportation pipeline installation of the Yeongjong public sewage treatment facility and the treatment facility expansion plan scheduled to be implemented by the Incheon Metropolitan City in relation to hotels and various commercial facilities within the Wang San Marina Business. However, no specific agreement on the integrated transportation pipeline installation of the Yeongjong public sewage treatment facility and the expansion of the treatment facility has been signed as of June 30, 2025.

40. ASSETS HELD FOR SALE:

(1) As of June 30, 2025 and December 31, 2024, assets held for sale and equity directly associated with assets classified as held for sale are as follows:

(In millions of Korean won)		June 30, 2025		December 31, 2024
Assets held for sale:				
Current assets	₩	1,077,027	₩	1,499,195
Trade receivables		125,977		185,340
Inventories		36,772		34,167
Land		433		433
Aircraft and engines[1]		883,801		1,252,095
Other current assets		30,044		27,160
Total Assets	₩	1,077,027	₩	1,499,195
Liabilities held for sale:				
Current liabilities	₩	239,068	₩	415,134
Trade payables		29,941		34,038
Lease obligations		56,150		161,798
Net defined benefit liabilities		59,964		62,794
Provisions		4,121		54,211
Other liabilities		88,892		102,293
Total Liabilities	₩	239,068	₩	415,134
Equity directly associated with assets classified as held for sale:				
Gain on land revaluation	₩	68	₩	68
Total Equity	₩	68	₩	68

[1] The Group disposed of certain land, buildings, aircraft and engines classified as assets held for sale, and recognized a gain or loss on disposal of assets held for sale amounting to ₩92,123 million for the six-month period ended June 30, 2025 (see Note 32).

(2) The divestiture of the cargo business of Asiana Airlines, Inc. was carried out as a condition for merger control approvals from the European Commission and the Japan Fair Trade Commission, in connection with the Parent Company's subscription of new shares of Asiana Airlines, Inc. amounting to ₩1.5 trillion in December 2024. On January 16, 2025, the board of directors of Asiana Airlines, Inc. resolved to approve the divestiture, and Asiana Airlines, Inc. entered into a divestiture agreement with Air Incheon Co., Ltd. for ₩470 billion. The divestiture was implemented by way of a spin-off of Asiana Airlines, Inc.'s cargo division, which was subsequently merged into Air Incheon Co., Ltd. The registration of the spin-off and absorption-type merger was completed on August 1, 2025.

41. BUSINESS COMBINATION:

The Parent Company acquired 63.88% of the issued share capital of Asiana Airlines, Inc. for ₩1.5 trillion as of December 12, 2024, to overcome the crisis in the domestic aviation industry and enhance its fundamental competitiveness. The Parent Company obtained control over the subsidiaries previously held by Asiana Airlines, Inc., including Air Busan Co., Ltd. and seven other entities.

The consideration transferred in business combination, the value of assets acquired and liabilities assumed at the acquisition date, the non-controlling interest and the goodwill are as follows:

(In millions of Korean won)	**Asiana Airlines, Inc.**
Total consideration transferred	
Cash	₩ 1,500,000
Fair value of the hybrid securities in the acquiree held by the acquirer before the business combination[1]	458,572
	1,958,572
The identifiable assets acquired and liabilities assumed	
Current assets	2,851,270
Non-current assets	10,311,636
Intangible assets[2]	856,665
Current liabilities	(5,627,792)
Non-current liabilities	(6,831,215)
	703,899
Non-controlling interest in the acquiree	(620,039)
Hybrid securities issued by the acquiree	475,000
Goodwill	₩ 1,399,712

[1] The non-controlling interests that do not represent a proportionate share of the acquiree's net assets were measured at fair value, which was determined based on the following:

(In millions of Korean won)

	Fair value	**Valuation techniques**	**Inputs**	**Range(%)**
Perpetual convertible bonds	₩ 458,572	T-F Model	Risk-free interest rate	2.6~2.86
			Credit spread	9.82~16.38

[2] The Group identified customer relationships upon the business combination and recognized them as intangible assets at the fair value on the acquisition date of ₩856,665 million.

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Independent Auditors' Report

Based on a report originally issued in Korean

To the Shareholders and Board of Directors of
Korean Air Lines Co., Ltd.

Opinion

We have audited the consolidated financial statements of Korean Air Lines Co., Ltd., and its subsidiaries ("the Group"), which comprise the consolidated statements of financial position as of December 31, 2024 and 2023, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising of material accounting policy information and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

We also have audited, in accordance with Korean Standards on Auditing (KSAs), the Group's Internal Control over Financial Reporting for Consolidation Purposes ("ICFR") as of December 31, 2024 based on the criteria established in Conceptual Framework for Designing and Operating Internal Control over Financial Reporting issued by the Operating Committee of Internal Control over Financial Reporting in the Republic of Korea, and our report dated March 12, 2025 expressed unmodified opinion on the effectiveness of the Group's Internal Control over Financial Reporting for consolidation purposes.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as of and for the year ended December 31, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(1) Recognition of Deferred Revenue

Reason for determining as the key audit matter

As described in Notes 3 and 25 to the consolidated financial statements, the deferred revenue balance as of December 31, 2024, amounts to KRW 3,536,754 million, representing 9.81% of total liabilities. The Group operates a commercial customer loyalty program under which customers earn mileage based on their use of the services provided by the Group and its affiliated companies and receives benefits such as bonus airline tickets and free seat upgrades. The Group recognizes revenue from rendering services that involve the provision of mileage to customers as a bundled revenue transaction and allocates consideration between the services provided, and the mileage granted (deferred revenue). The Group measures the consideration allocated to mileage based on estimated values using the probability of customer redemption and the market valuation adjustment approach. Given the level of judgment involved in the valuation of mileage award, including the assessment of estimation uncertainty and bias, we identified the measurement of consideration allocated to mileage as a key audit matter.

How the key audit matter was addressed in the audit

The primary audit procedures we performed regarding the estimation of consideration allocated to mileage used by management included:

- Understanding the Group's accounting policies and assessing their compliance with the principles of K-IFRS.
- Evaluating the design and operating effectiveness of internal controls related to the measurement of mileage consideration, including the design and operation of controls related to mileage accrual, redemption and expiration, and the estimation of fair value of mileage.
- Assessing the design and operating effectiveness of IT general controls and automated controls for the mileage management system.
- Document inspection and verification of the reliability and accuracy of the underlying input variables used in the fair value estimation per mileage, and review for reasonableness and recalculation verification of assumptions used in the fair value estimation.
- Inspecting and assessing the reasonableness of the methods and assumptions used in estimating the probability of customer redemption.
- Document inspection to assess the reliability and accuracy of mileage accrual, redemption and expiration through sampling methods.
- Verification of the recalculated deferred revenue based on data derived from mileage quantities, fair value per mileage, and probability of customer redemption.
- Communication with component auditors to test the measurement of mileage accrual for the Group, inquiry about audit approach by component auditors and being involved as the group auditor

(2) Allocation of Purchase Consideration for Business Combination

Reason for determining as the key audit matter

As described in Note 46 to the consolidated financial statements, the Group acquired a 63.88% equity interest in Asiana Airlines Co., Ltd. on December 12, 2024, for KRW 1,500,000 million. Through this transaction, the Group obtained control over the company and accounted for it in accordance with K-IFRS 1103 'Business Combinations'. The Group allocated the consideration by measuring the fair value of the acquired assets and assumed liabilities, recognizing the difference between the net identifiable assets and the consideration transferred, amounting to KRW 1,399,719 million, as goodwill. Given the significant judgment involved in the fair value estimation of the consideration allocation, including the methods and assumptions used, we identified the allocation of consideration for the business combination as a key audit matter.

How the key audit matter was addressed in the audit

The primary audit procedures we performed regarding the measurement of the fair value of identifiable assets and assumed liabilities used by management included:

- Understanding the accounting process and evaluating the design and operating effectiveness of internal controls related to the business combination transaction.
- Testing the existence of acquired assets and the completeness of assumed liabilities.
- Involving internal valuation specialists to assist in our assessment of the appropriateness of the fair value of acquired assets and assumed liabilities.
    - Evaluating the qualifications, objectivity, and independence of external valuation experts.
    - Assessing the appropriateness of valuation techniques and evaluating the key assumptions applied by management.
    - Verifying the appropriateness of the valuation of intangible assets.
- Reviewing the accuracy and completeness of the disclosures related to the business combination in the consolidated financial statements.

Other Matters

The procedures and practices utilized in the Republic of Korea to audit such consolidated financial statements may differ from those generally accepted and applied in other countries.

The accompanying consolidated financial statements as of and for the years ended December 31, 2024 and 2023 have been translated into United States dollars solely for the convenience of the reader. We have audited the translation and, in our opinion, the consolidated financial statements expressed in Korean won have been translated into dollars on the basis set forth in note 2 to the consolidated financial statements.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with KSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with KSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

- Evaluate the appropriateness of accounting policies used in the preparation of the consolidated financial statements and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Shin, Dong-Jun.

KPMG Samjong Accounting Corp.

Seoul, Korea
March 12, 2025

This report is effective as of March 12, 2025, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

Korean Air Lines Co., Ltd. and Subsidiaries
Consolidated Statements of Financial Position
As of December 31, 2024 and 2023

Assets	Notes	Korean won		Translation into US dollars (Note 2)	
		December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
		(In millions)		(In thousands)	
Current assets:					
Cash and cash equivalents	5,6,40	₩ 2,215,625	₩ 622,787	$ 1,507,228	$ 423,665
Short-term financial instruments	6,21,40	4,475,286	5,552,028	3,044,412	3,776,890
Current portion of lease receivables	11,16,40	34,733	16,097	23,628	10,950
Trade and other receivables	7,40,41,43	1,584,575	1,135,016	1,077,942	772,120
Amount due from customers for contract work	33	5,083	2,780	3,458	1,891
Current portion of financial assets at amortized cost	8,40	2,506	22	1,705	15
Current portion of financial derivative assets	26,40,41	136,531	44,511	92,878	30,280
Inventories	10,16	1,170,693	853,580	796,390	580,667
Current tax assets		10,626	1,098	7,229	747
Other financial assets	9,40	40,015	2,602	27,221	1,770
Other current assets	19,33	442,005	364,149	300,683	247,719
Assets held for sale	42,45	1,499,195	500	1,019,861	340
Total current assets		11,616,873	8,595,170	7,902,635	5,847,054
Non-current assets:					
Long-term financial instruments	6,40	269,847	1,501	183,569	1,021
Long-term trade and other receivables	7,40,41	47	15	32	10
Financial assets at fair value	6,8,40	291,318	543,360	198,176	369,633
Financial assets at amortized cost	8,40	18,126	2,568	12,331	1,747
Lease receivables	11,16,40	362,349	251,959	246,496	171,401
Financial derivative assets	26,40,41	123,073	62,890	83,723	42,782
Investments in associates	13,16,41 ,44	154,582	-	105,158	-
Property, aircraft and equipment	15,16,42	28,374,491	18,174,887	19,302,375	12,363,869
Investments in properties	14,16,17	277,863	260,749	189,022	177,380
Intangible assets	16,18,46	3,077,407	824,186	2,093,474	560,671
Deferred tax assets	37	1,959,232	814,071	1,332,811	553,790
Other financial assets	9,40	309,041	147,265	210,232	100,180
Other non-current assets	19,33	177,817	713,155	120,964	485,139
Total non-current assets		35,395,193	21,796,606	24,078,363	14,827,623
Total assets		₩ 47,012,066	₩ 30,391,776	$ 31,980,998	$ 20,674,677

(Continued)

Korean Air Lines Co., Ltd. and Subsidiaries
Consolidated Statements of Financial Position (Continued)
As of December 31, 2024 and 2023

Liabilities and Equity	Notes	Korean won		Translation into US dollars (Note 2)	
		December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
		(In millions)		(In thousands)	
Current liabilities:					
Trade and other payables	20,40,41	₩ 2,730,521	₩ 1,527,983	$ 1,857,497	$ 1,039,444
Short-term borrowings	16,21,40,41 ,42	2,517,022	1,021,408	1,712,260	694,835
Current portion of long-term borrowings	6,16,21,40, 41,42,43	2,541,419	1,539,165	1,728,856	1,047,051
Current portion of lease obligations	16,22,40,41 ,42	2,182,081	1,178,798	1,484,409	801,903
Current portion of financial derivative liabilities	26,40,41	35,530	18,231	24,170	12,402
Current portion of provisions	24,44	653,638	161,096	444,652	109,589
Current portion of deferred revenue	25,33	805,008	704,347	547,624	479,148
Amount due to customers for contract work	33	26,498	39,870	18,026	27,122
Current tax liabilities		275,448	201,432	187,380	137,029
Other financial liabilities	27,40	13,235	653	9,003	445
Other current liabilities	28,33	4,777,952	3,016,880	3,250,308	2,052,300
Liabilities held for sale	45	415,134	-	282,404	-
Total current liabilities		16,973,486	9,409,863	11,546,589	6,401,268
Non-current liabilities:					
Long-term trade and other payables	20,40,41	30,081	15,990	20,463	10,878
Long-term borrowings	6,16,21,40, 41,42	1,819,301	1,993,861	1,237,620	1,356,368
Debentures	6,16,21,40, 41,42	1,463,108	1,842,837	995,312	1,253,631
Asset-backed securitization (“ABS”) loans	6,21,40,42, 43	158,439	115,118	107,782	78,312
Lease obligations	16,22,40,41 ,42	8,744,564	3,255,681	5,948,683	2,214,749
Net defined benefit liabilities	23	2,558,853	1,824,402	1,740,716	1,241,090
Provisions	24,44	810,069	142,710	551,067	97,082
Deferred revenue	25,33	2,731,746	1,767,520	1,858,331	1,202,395
Financial derivative liabilities	26,40,41	7,096	9,132	4,827	6,212
Deferred tax liabilities	37	187,948	87,538	127,856	59,549
Other financial liabilities	27,40	36,943	11,738	25,131	7,984
Other non-current liabilities	28,33	527,240	100,178	358,667	68,147
Total non-current liabilities		19,075,388	11,166,705	12,976,455	7,596,397
Total liabilities		36,048,874	20,576,568	24,523,044	13,997,665
Shareholders’ Equity:					
Share capital	1,29	1,846,657	1,846,657	1,256,229	1,256,229
Other capital surplus	30	4,145,341	4,145,341	2,819,960	2,819,960
Other capital components	15,32,45	995,332	942,060	677,097	640,857
(Directly associated with assets classified as held for sale 2024: ₩68 million, $46 thousand 2023: ₩79 million, $53 thousand)					
Retained earnings	31	3,485,552	2,591,941	2,371,124	1,763,225
Equity attributable to owners of the Parent Company		10,472,882	9,525,999	7,124,410	6,480,271
Non-controlling interest	12	490,310	289,209	333,544	196,741
Total equity		10,963,192	9,815,208	7,457,954	6,677,012
Total liabilities and equity		₩ 47,012,066	₩ 30,391,776	$ 31,980,998	$ 20,674,677

(Concluded)

The US dollar figures are provided for information purpose only and do not form part of the consolidated financial statements. Refer to Note 2.
The above consolidated statements of financial position should be read in conjunction with the accompanying notes.

Korean Air Lines Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2024 and 2023

	Notes	Korean won		Translation into US dollars (Note 2)	
		2024	2023	2024	2023
		(In millions of Korean won and thousands of US dollars, except for earnings per share)			
Sales	4,33,41	₩ 17,870,718	₩ 16,111,796	$ 12,156,951	$ 10,960,405
Cost of sales	4,38,41	14,112,550	12,850,302	9,600,374	8,741,702
Gross profit		3,758,168	3,261,494	2,556,577	2,218,703
Selling and administrative expenses	4,34,38,41	1,647,968	1,471,405	1,121,067	1,000,956
Operating income		2,110,200	1,790,089	1,435,510	1,217,747
Financial income	35	648,343	438,417	441,050	298,243
Financial expenses	35,41	596,801	590,657	405,987	401,807
Share in profit of associates	13	-	-	-	-
Other non-operating income	36	915,197	572,021	622,583	389,130
Other non-operating expenses	36	1,240,763	634,180	844,056	431,415
Profit before income tax expense		1,836,176	1,575,690	1,249,100	1,071,898
Income tax expense	37	454,318	446,584	309,060	303,799
Profit for the year		₩ 1,381,858	₩ 1,129,106	$ 940,040	$ 768,099
Other comprehensive income (loss)					
Items that will not be reclassified to profit or loss					
Remeasurements of net defined benefit liabilities	23,31	(174,876)	(258,999)	(118,963)	(176,190)
Gain on valuation of financial assets at FVTOCI	32	(29,898)	23,153	(20,339)	15,750
Revaluation surplus	15,32	(924)	322	(629)	219
Items that may be subsequently reclassified to profit or loss					
Foreign currency translation adjustments, net of tax	32	103,168	(28,017)	70,182	(19,059)
Other comprehensive income (loss) for the year, net of tax		(102,530)	(263,541)	(69,749)	(179,280)
Total comprehensive income for the year		₩ 1,279,328	₩ 865,565	$ 870,291	$ 588,819
Profit for the year attributable to:					
Owners of the Parent Company		₩ 1,317,262	₩ 1,061,165	$ 896,097	$ 721,881
Non-controlling interest		64,596	67,941	43,943	46,218
		₩ 1,381,858	₩ 1,129,106	$ 940,040	$ 768,099
Total comprehensive income for the year attributable to:					
Owners of the Parent Company		₩ 1,223,937	₩ 814,521	$ 832,611	$ 554,096
Non-controlling interest	12	55,391	51,044	37,680	34,723
		₩ 1,279,328	₩ 865,565	$ 870,291	$ 588,819

(Continued)

Korean Air Lines Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income (Continued)
For the Years Ended December 31, 2024 and 2023

	Notes	Korean won		Translation into US dollars (Note 2)	
		2024	2023	2024	2023
		(In millions of Korean won and thousands of US dollars, except for earnings (losses) per share)			
Earnings per share	39				
Earnings attributes to common shares					
Basic and diluted earnings attributes to common share (in won and dollars)		₩ 3,566	₩ 2,866	$ 2.43	$ 1.95
Earnings attributes to preferred shares					
Basic and diluted earnings attributes to preferred share (in won and dollars)		₩ 3,616	₩ 2,916	$ 2.46	$ 1.98

(Concluded)

The US dollar figures are provided for information purpose only and do not form part of the consolidated financial statements. Refer to Note 2.

The above consolidated statements of comprehensive income (loss) should be read in conjunction with the accompanying notes.

Korean Air Lines Co., Ltd. and Subsidiaries
Consolidated Statements of Changes in Equity
For the Years Ended December 31, 2024 and 2023

	Korean won									
	Attributable to owners of the Parent Company									
		Other capital surplus								
	Share capital	Additional paid-in capital	Others	Other capital components	Retained earnings	Total	Non-controlling interest	Total equity
	(In millions)							
Balance at January 1, 2023	₩ 1,846,657	₩ 4,071,270	₩ 74,313	₩ 948,267	₩ 2,053,684	₩ 8,994,191	₩ 298,269	₩ 9,292,460
Dividends	-	-	-	-	(277,054)	(277,054)	(22)	(277,076)
Profit for the year	-	-	-	-	1,061,165	1,061,165	67,941	1,129,106
Other comprehensive income (loss)	-	-	-	(6,175)	(240,469)	(246,644)	(16,897)	(263,541)
Repayment of hybrid securities	-	-	(242)	-	-	(242)	(57,716)	(57,958)
Dividends for hybrid securities	-	-	-	-	(2,622)	(2,622)	(2,366)	(4,988)
Elimination of unrealized gains or losses on valuation of equity method	-	-	-	-	(2,795)	(2,795)	-	(2,795)
Transfer of revaluation surplus	-	-	-	(32)	32	-	-	-
Balance at December 31, 2023	₩ 1,846,657	₩ 4,071,270	₩ 74,071	₩ 942,060	₩ 2,591,941	₩ 9,525,999	₩ 289,209	₩ 9,815,208
Balance at January 1, 2024	₩ 1,846,657	₩ 4,071,270	₩ 74,071	₩ 942,060	₩ 2,591,941	₩ 9,525,999	₩ 289,209	₩ 9,815,208
Dividends	-	-	-	-	(277,054)	(277,054)	(1,175)	(278,229)
Profit for the year	-	-	-	-	1,317,262	1,317,262	64,596	1,381,858
Other comprehensive income (loss)	-	-	-	72,030	(165,355)	(93,325)	(9,205)	(102,530)
Business combination	-	-	-	-	-	-	146,885	146,885
Transfer of revaluation surplus	-	-	-	(18,758)	18,758	-	-	-
Balance at December 31, 2024	₩ 1,846,657	₩ 4,071,270	₩ 74,071	₩ 995,332	₩ 3,485,552	₩ 10,472,882	₩ 490,310	₩ 10,963,192

(Continued)

Korean Air Lines Co., Ltd. and Subsidiaries
Consolidated Statements of Changes in Equity (Continued)
For the Years Ended December 31, 2024 and 2023

	Translation into US dollars (Note 2)						
	Attributable to owners of the Parent Company						
		Other capital surplus					
	Share capital	Additional paid-in capital	Others	Other capital components	Retained earnings	Total	Non-controlling interest	Total equity
	(In thousands)							
Balance at January 1, 2023	$ 1,256,229	$ 2,769,571	$ 50,554	$ 645,080	$ 1,397,063	$ 6,118,497	$ 202,906	$ 6,321,403
Dividends	-	-	-	-	(188,472)	(188,472)	(15)	(188,487)
Profit for the year	-	-	-	-	721,881	721,881	46,218	768,099
Other comprehensive income (loss)	-	-	-	(4,201)	(163,584)	(167,785)	(11,495)	(179,280)
Repayment of hybrid securities	-	-	(165)	-	-	(165)	(39,263)	(39,428)
Dividends for hybrid securities	-	-	-	-	(1,784)	(1,784)	(1,610)	(3,394)
Elimination of unrealized gains or losses on valuation of equity method	-	-	-	-	(1,901)	(1,901)	-	(1,901)
Transfer of revaluation surplus	-	-	-	(22)	22	-	-	-
Balance at December 31, 2023	$ 1,256,229	$ 2,769,571	$ 50,389	$ 640,857	$ 1,763,225	$ 6,480,271	$ 196,741	$ 6,677,012
Balance at January 1, 2024	$ 1,256,229	$ 2,769,571	$ 50,389	$ 640,857	$ 1,763,225	$ 6,480,271	$ 196,741	$ 6,677,012
Dividends	-	-	-	-	(188,472)	(188,472)	(799)	(189,271)
Profit for the year	-	-	-	-	896,097	896,097	43,943	940,040
Other comprehensive income (loss)	-	-	-	49,001	(112,487)	(63,486)	(6,263)	(69,749)
Business combination	-	-	-	-	-	-	99,922	99,922
Transfer of revaluation surplus	-	-	-	(12,761)	12,761	-	-	-
Balance at December 31, 2024	$ 1,256,229	$ 2,769,571	$ 50,389	$ 677,097	$ 2,371,124	$ 7,124,410	$ 333,544	$ 7,457,954

(Concluded)

The US dollar figures are provided for information purpose only and do not form part of the consolidated financial statements. Refer to Note 2.

The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes.

Korean Air Lines Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2024 and 2023

	Korean won		Translation into US dollars (Note 2)	
	2024	2023	2024	2023
	(In millions)		(In thousands)	
Cash flows from operating activities				
Cash generated from operations				
Profit for the year	₩ 1,381,858	₩ 1,129,106	$ 940,040	$ 768,099
Adjustments to reconcile profit to net cash provided by operating activities:				
Loss (reversal) on valuation of inventories	2,255	(11,892)	1,534	(8,090)
Provision for leased aircraft maintenance	13,965	26,033	9,500	17,710
Retirement benefit costs	258,299	220,165	175,714	149,772
Depreciation	1,737,223	1,665,900	1,181,784	1,133,265
Amortization	58,807	56,996	40,005	38,773
Bad debt expenses (reversal)	387	372	263	253
Interest expense	514,159	531,415	349,768	361,507
Loss on valuation of derivatives	37,829	25,336	25,734	17,235
Loss on derivative transactions	44,813	33,906	30,485	23,065
Loss on foreign currency translation	716,298	132,992	487,278	90,471
Loss on foreign currency transaction	106,697	65,464	72,583	44,533
Other bad debt expenses	20,517	943	13,957	641
Loss on disposal of property, aircraft and equipment	35,426	20,781	24,099	14,137
Loss on disposal of intangible assets	128	-	87	-
Impairment loss of intangible assets	-	10,441	-	7,103
Loss on disposal of assets held for sale	96	15	65	10
Loss on disposal of financial assets at fair value through profit or loss ("FVTPL")	-	18,177	-	12,365
Income tax expense	454,318	446,585	309,060	303,799
Other expenses	44,809	13,748	30,482	9,353
Interest income	(281,379)	(301,891)	(191,414)	(205,368)
Dividend income	(6,641)	(5,192)	(4,518)	(3,532)
Gain on valuation of derivatives	(202,046)	(31,962)	(137,446)	(21,743)
Gain on derivative transactions	(158,277)	(99,373)	(107,671)	(67,601)
Gain on foreign currency translation	(367,255)	(109,573)	(249,833)	(74,539)
Gain on disposal of property, aircraft and equipment	(8,499)	(7,207)	(5,782)	(4,903)
Gain on valuation of financial assets at FVTPL	(868)	(5,632)	(590)	(3,831)
Gain on disposal of financial assets at FVTPL	(10,743)	-	(7,308)	-
Reversal of impairment loss of intangible assets	-	(51)	-	(35)
Gain on disposal of intangible assets	-	(137)	-	(93)
Gain on disposal of assets held for sale	(137,355)	-	(93,439)	-
Other income	(83,361)	(44,314)	(56,708)	(30,145)
	₩ 2,789,602	₩ 2,652,045	$ 1,897,689	$ 1,804,112

(Continued)

Korean Air Lines Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows (Continued)
For the Years Ended December 31, 2024 and 2023

	Korean won		Translation into US dollars (Note 2)	
	2024	2023	2024	2023
	(In millions)		(In thousands)	
Changes in assets and liabilities resulting from operations:				
Decrease (increase) in trade receivables	₩ (26,101)	₩ 36,807	$ (17,756)	$ 25,039
Decrease (increase) in other receivables	(38,568)	74,112	(26,237)	50,416
Decrease (increase) in accrued revenues	(74,290)	(140,172)	(50,537)	(95,355)
Decrease (increase) in amount due from customers for contract work	(28,146)	(20,757)	(19,147)	(14,120)
Decrease (increase) in inventories	(99,316)	(117,623)	(67,562)	(80,016)
Decrease (increase) in advance payments	(80,045)	(124,078)	(54,452)	(84,407)
Decrease (increase) in prepaid expenses	(340)	(3,175)	(231)	(2,160)
Decrease (increase) in long-term advance payments	23,407	-	15,923	-
Increase (decrease) in trade payables	(64,697)	(17,468)	(44,012)	(11,883)
Increase (decrease) in non-trade payables	(15,070)	43,818	(10,252)	29,808
Increase (decrease) in long-term non-trade payables	121	110	82	75
Increase (decrease) in accrued expenses	524,718	419,006	356,951	285,039
Increase (decrease) in advances	252,591	879,797	171,831	598,501
Increase (decrease) in amount due to customers for contract work	69,407	62,014	47,216	42,186
Decrease (increase) in plan assets	(23,522)	(17,225)	(16,001)	(11,718)
Decrease (increase) in long-term prepaid expenses	-	6,689	-	4,550
Payment of severance benefit	(200,465)	(180,879)	(136,371)	(123,047)
Succession of defined benefit liabilities	399	3,262	271	2,219
Transfer of defined benefit liabilities	(175)	-	(119)	-
Increase (decrease) in provisions	970	(37,547)	660	(25,542)
Increase (decrease) in deferred revenue	103,560	(76,782)	70,449	(52,233)
Others	87,077	179,159	59,236	121,878
	411,515	969,068	279,942	659,230
Interest received	340,913	284,706	231,914	193,678
Dividends received	6,641	5,192	4,518	3,532
Income taxes paid	(371,614)	(947,653)	(252,799)	(644,662)
Net cash provided by operating activities	₩ 4,558,915	₩ 4,092,464	$ 3,101,304	$ 2,783,989

(Continued)

Korean Air Lines Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows (Continued)
For the Years Ended December 31, 2024 and 2023

	Korean won		Translation into US dollars (Note 2)	
	2024	2023	2024	2023
	(In millions)		(In thousands)	
Cash flows from investing activities				
Net decrease (increase) in short-term financial instruments	₩ 1,719,306	₩ (524,191)	$ 1,169,596	$ (356,593)
Net increase in long-term financial instruments	(10,031)	(80,703)	(6,824)	(54,900)
Increase in long-term loan	(126)	-	(86)	-
Decrease in long-term loan	95	79	65	54
Decrease in lease receivables	23,795	2,067	16,187	1,406
Increase in other current assets	(61)	-	(41)	-
Disposal of current portion of financial assets at amortized cost	15	20,021	10	13,620
Acquisition of financial assets at FVTPL	(7,350)	(955)	(5,000)	(650)
Disposal of financial assets at FVTPL	11,943	304,882	8,124	207,403
Acquisition of financial assets at FVTOCI	(208,560)	(330,015)	(141,878)	(224,500)
Disposal of financial assets at FVTOCI	-	385	-	262
Acquisition of financial assets at amortized cost	(18,070)	(2,519)	(12,293)	(1,714)
Disposal of financial assets at amortized cost	13	11	9	7
Acquisition of investments in associates	-	(2,795)	-	(1,901)
Disposal of investments in subsidiaries	-	-	-	-
Net cash flows from business combination	(21,632)	-	(14,716)	-
Increase in short-term loans	(5)	(4)	(3)	(3)
Decrease in short-term loans	4	-	3	-
Disposal of property, aircraft and equipment	16,407	7,436	11,161	5,059
Acquisition of property, aircraft and equipment	(2,894,100)	(1,908,520)	(1,968,776)	(1,298,313)
Disposal of assets held for sale	404,821	170	275,388	116
Decrease in other non-current assets	60	49	41	33
Increase in other non-current assets	(97)	-	(66)	-
Disposal of intangible assets	-	323	-	220
Acquisition of intangible assets	(12,243)	(8,718)	(8,329)	(5,931)
Increase in financial derivatives	(379,918)	(331,502)	(258,448)	(225,512)
Decrease in financial derivatives	520,658	443,567	354,189	301,746
Decrease in guarantee deposits	18,957	28,638	12,896	19,482
Increase in guarantee deposits	(33,334)	(27,640)	(22,676)	(18,803)
Other cash flows from investing activities	(1,200)	-	(816)	-
Net cash used in investing activities	(870,653)	(2,409,934)	(592,283)	(1,639,412)
Cash flows from financing activities				
Net increase in short-term borrowings	37,202	107,223	25,307	72,941
Repayment of current portion of long-term borrowings	(2,145,533)	(1,384,025)	(1,459,546)	(941,514)
Repayment of current portion of finance lease obligations	(1,447,875)	(1,375,407)	(984,949)	(935,651)
Proceeds from long-term borrowings	1,228,053	683,233	835,410	464,784
Proceeds from debentures	987,382	767,537	671,688	522,134
Dividends paid	(278,229)	(277,076)	(189,271)	(188,487)
Repayment of hybrid securities	-	(57,958)	-	(39,428)
Dividends for hybrid securities paid	-	(4,988)	-	(3,392)
Interest paid	(545,257)	(542,406)	(370,923)	(368,984)
Other cash flows from financing activities	1,728	(1,379)	1,176	(937)
Net cash used in financing activities	₩ (2,162,529)	₩ (2,085,246)	$ (1,471,108)	$ (1,418,534)

(Continued)

Korean Air Lines Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows (Continued)
For the Years Ended December 31, 2024 and 2023

	Korean won		Translation into US dollars (Note 2)	
	2024	2023	2024	2023
	(In millions)		(In thousands)	
Net increase (decrease) in cash and cash equivalents	₩ 1,525,733	₩ (402,716)	$ 1,037,913	$ (273,957)
Cash and cash equivalents at the beginning of year	622,787	1,056,901	423,665	718,980
Effects of exchange rate changes on cash and cash equivalents	67,105	(31,398)	45,650	(21,358)
Cash and cash equivalents at the end of year	₩ 2,215,625	₩ 622,787	$ 1,507,228	$ 423,665

(Concluded)

The US dollar figures are provided for information purpose only and do not form part of the consolidated financial statements. Refer to Note 2.

The above consolidated statements of cash flows should be read in conjunction with the accompanying notes.

1. GENERAL:

Korean Air Lines Co., Ltd. (the "Company" or "Parent Company") was established on June 19, 1962, and is engaged in the business of domestic and international airline services, manufacturing of aircraft parts and maintenance of aircraft. The Company has been a publicly traded company upon listing its common shares on the Korea Exchange since 1966, and its headquarters is located at Seoul, Korea.

Total share capital of the Group as of December 31, 2024, is ₩1,846,657 million (including ₩5,554 million of preferred shares), and major shareholders of the Group are Hanjin KAL Co., Ltd. (26.13%) and its related parties (0.89%).

2. MATERIAL ACCOUNTING POLICIES:

2.1 Basis of Consolidated Financial Statements Presentation

The Company and its subsidiaries (the "Group") have prepared the consolidated financial statements in the Korean language (Hangul) in accordance with Korean International Financial Reporting Standards ("K-IFRSs"). Certain accounting principles applied by the Group that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these consolidated financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying consolidated financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

The Group maintains its accounting records and prepares its consolidated financial statements in Korean won. The United States dollar ("US dollar") amounts disclosed in the accompanying consolidated financial statements are presented solely for the convenience of the reader at the Korean won rate of 1,470.0 to the US dollar. Such translations should not be construed as representations that the Korean won amounts represent, or have been or could be converted into, US dollars at that or any other rate.

2.2 Business Combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with K-IFRS 1012, *Income Taxes*, and K-IFRS 1019, *Employee Benefits*, respectively;
- assets (or disposal groups) that are classified as held for sale in accordance with K-IFRS 1105, *Non-current Assets Held for Sale and Discontinued Operations*, are measured in accordance with that Standard.

2. MATERIAL ACCOUNTING POLICIES, CONTINUED

2.2 Business Combination, continued

Goodwill is measured as the excess of the sum of: a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree, and c) the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of: a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree, and c) the fair value of the acquirer's previously held interest in the acquiree (if any); the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on acquisition-by-acquisition basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another K-IFRS.

When the consideration transferred by the Group in a business combination includes contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

2.3 Investments in Associates and Joint Ventures

The results of the profit or loss and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with K-IFRS 1105. Under the equity method, an investment in an associate or a joint venture is recognized initially in the consolidated statements of financial position at cost less any impairment losses on the associate or joint venture and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income ("OCI") of the associate or joint venture.

If there is objective evidence that the Group's net investment in an associate or joint venture is impaired, the requirements of K-IFRS 1036 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with K-IFRS 1036 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount.

When the Group transacts with its associate or joint venture, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

2. MATERIAL ACCOUNTING POLICIES, CONTINUED

2.4 Goodwill

Goodwill resulting from an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

2.5 Non-Current Assets Held for Sale

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of the carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continued use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment in an associate or joint venture or, a portion of an investment in an associate or joint venture, the investment, or the portion of the investment in the associate that or joint venture will be disposed of, is classified as held for sale when the criteria described above are met, and the Group ceases to apply the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method.

2. MATERIAL ACCOUNTING POLICIES, CONTINUED

2.6 Revenue Recognition

1) Sales of goods and rendering of services

The Group provides passenger and cargo transportation services and provides goods and services related to aircraft development and manufacturing. Revenue from the sale of goods is recognized when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods. The Group recognizes revenue when the Group satisfies a performance obligation by transferring a promised good or service to a customer. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for the transferring promised goods or services to a customer. Variable consideration is included in the transaction price only to the extent it is probable or highly probable that a significant reversal in the cumulative amount of revenue recognized will not occur in future periods.

2) Customer loyalty program

The Group manages its frequent-flyer program ("FFP"), "SKYPASS", a customer loyalty program that provides incentives through accrued mileage, such as free flight tickets and cabin upgrade, in addition to other benefits to its customers and alliance companies. The Group provides a material right to customers that they would not receive without purchasing goods or services.

Consequently, the Group concludes that the promise to provide discount to the customer is a performance obligation. The Group allocates the transaction price to performance obligations on a relative stand-alone selling price and expected usage rate basis. Since a stand-alone selling price is not directly observable, the Group estimates the stand-alone selling price and usage rate considering all information that is reasonably available and applies estimation methods consistently in similar circumstances according to paragraph 78 of K-IFRS 1115.

2.7 Leases

1) The Group as Lessor

When the Group is a lessor, leases are classified as either finance leases or operating leases and are accounted for differently. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. For an intermediate lessor, head leases and subleases are accounted for as two separate contracts and classify subleases as finance leases or operating leases in accordance with lease assets arising from head leases.

2. MATERIAL ACCOUNTING POLICIES, CONTINUED

2.7 Leases, continued

2) The Group as Lessee

The Group leases aircraft, offices, land, warehouses and cars, etc. Lease contracts are typically made for fixed periods of 1 year to 48 years, but may have extension options.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, when it is difficult to separate lease and non-lease components, the Group applies the practical expedient, which accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are depend on an index or a rate, initially measured using the index or rate as of the commencement date;
- The amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Lease liability measurement also includes payments to be made during option periods if the lessee is reasonably certain to exercise their option to extend the lease.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate of interest that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third-party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases, which do not have recent third-party financing; and
- makes adjustments specific to the lease, for example, country and security.

2. MATERIAL ACCOUNTING POLICIES, CONTINUED

2.7 Leases, continued

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date, less any lease incentives received;
- Any initial direct costs; and
- Estimated restoration costs.

The right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. Although the Group elected to apply the revaluation model to its land that is presented in property, aircraft and equipment, the Group elected not to apply that revaluation model to buildings held by the Group that are presented in the right-of-use assets.

Payments associated with short-term leases of equipment and vehicles and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value lease assets comprise IT equipment and low-value office supplies, etc.

2.8 Foreign Currencies

The consolidated financial statements of the Group are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results of operations and financial position of the Group entity are expressed in Korean won, which is the functional currency of the entity and the presentation currency for the consolidated financial statements.

In preparing the consolidated financial statements of the Group, transactions in currencies other than the Group's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2. MATERIAL ACCOUNTING POLICIES, CONTINUED

2.9 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. The qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.10 Employee Benefits

1) Short-term employee benefits

Short-term employee benefits payable within 12 months after the end of the reporting period in which the employees provided the related services are recognized in profit or loss when the service is rendered in exchange for the estimated future payments.

2) Other long-term employee benefits

Other long-term employee benefits that are not to be paid within 12 months after the end of the reporting period in which the employees provided the related services are discounted to their present value based on the future benefits received in exchange for services rendered during the current and prior periods. Changes in remeasurement are recognized in profit or loss in the period in which they arise.

3) Retirement benefit

For defined retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

Remeasurements comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), are recognized immediately in the consolidated statements of financial position with a charge or credit to the consolidated statements of comprehensive income (loss) in the period in which they occur. Remeasurements recognized in the consolidated statements of comprehensive income (loss) are recognized immediately in retained earnings and will not be reclassified to profit or loss.

2. MATERIAL ACCOUNTING POLICIES, CONTINUED

2.11 Taxation

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent it is probable that there will be sufficient taxable profits against which the benefits of the temporary differences can be utilized and they are expected to reverse in the foreseeable future.

2.12 Property, Aircraft and Equipment

Property, aircraft and equipment, except land, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses. Land shall be carried at a revalued amount, that is, its fair value at the date of the revaluation, less any subsequent accumulated impairment losses. Revaluation shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Subsequent costs are recognized in the carrying amount of an asset or as a separate asset if it is probable that future economic benefits associated with the assets will flow into the Group and the cost of an asset can be measured reliably. The carrying amount of the replaced part is derecognized. Routine maintenance and repairs are expensed as incurred.

The Group does not depreciate land and leased land. Depreciation expense is computed using the straight-line method based on the estimated useful lives of the assets as follows:

Category		Useful lives (years)
Buildings and structures		30 ~ 50
Machinery		7 ~ 20
Aircraft and leased aircraft	Aircraft	6 ~ 25
	Overhaul	3.6 ~ 12
Engines and leased engines	Engines	20 ~ 25
	Overhaul	3 ~ 10.7
Aircraft parts (Repairable and rotable parts)		10 ~ 25
Vehicles		5 ~ 13
Other assets and other leased assets		5 ~ 25
Leasehold improvements		5 ~ 11

2. MATERIAL ACCOUNTING POLICIES, CONTINUED

2.12 Property, Aircraft and Equipment, continued

The Group reviews the depreciation method, the estimated useful lives, and residual values of property, aircraft and equipment at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

An item of property, aircraft and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized. The revaluation surplus included in equity in respect of an item of property, aircraft and equipment may be transferred directly to retained earnings when the asset is derecognized.

2.13 Intangible Assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives.

The Group reviews the amortization method and the estimated useful lives of intangible assets at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

2) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost, less accumulated amortization and accumulated impairment losses.

Intangible assets with definite useful lives are amortized based on the estimated useful lives of the assets as follows:

Category	Useful lives (years)
Facility usage rights	19 ~ 50
Software	2 ~ 20
Customer relationship	7.5 ~ 17
Other intangible assets	3 ~ 50

Among the Group's intangible assets, useful life of a membership is estimated to be indefinite since the usable period is not limited in accordance with the terms of the contract and the economic benefits are expected to be continuously generated from the asset during the holding period.

2. MATERIAL ACCOUNTING POLICIES, CONTINUED

2.14 Inventories

Inventories are stated at the lower of cost or net realizable value. The cost of inventories is measured by the following evaluation methods:

Inventories	Evaluation method
Merchandise	First-in, first-out
Work in process	Specific identification
Raw materials	Moving average
Supplies	Moving average
Materials in transit	Specific identification

Cost of inventories consists of the purchase price, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

2.15 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

At the end of each reporting period, the remaining provision balance is reviewed and assessed to determine if the current best estimate is being recognized. If the existence of an obligation to transfer economic benefit is no longer probable, the related provision is reversed during that period.

2. MATERIAL ACCOUNTING POLICIES, CONTINUED

2.16 Financial Assets

All regular-way purchases or sales of financial assets are recognized and derecognized on a trade-date basis. Regular-way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

On initial recognition, financial assets are classified into financial assets at amortized cost, financial assets at fair value through other comprehensive income ("FVTOCI"), and financial assets at fair value through profit or loss ("FVTPL"). The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

- Debt instruments that meet the following conditions are measured subsequently at amortized cost:

  i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
  ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- Debt instruments that meet the following conditions are measured subsequently at FVTOCI:

  i) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling
  ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- Equity instruments which held for long-term investment or strategic purpose are measured subsequently at FVTOCI.

- By default, all other financial assets are measured subsequently at FVTPL.

2.17 Financial Liabilities

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for-trading or (iii) designated as at FVTPL, are measured subsequently at amortized cost using the effective interest method.

2.18 Derivative Financial Instruments

The Group enters into various derivative financial instruments to manage its exposure to interest rate, oil price and foreign exchange rate risks, including oil price option, interest rate swaps and cross-currency interest rate swaps.

Derivatives are recognized initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument. When the derivative is designated and effective as a hedging instrument, the timing of the recognition in profit or loss depends on the nature of the hedging relationship.

2. MATERIAL ACCOUNTING POLICIES, CONTINUED

2.18 Derivative Financial Instruments, continued

A derivative with a positive fair value is recognized as a financial asset, whereas a derivative with a negative fair value is recognized as a financial liability. Derivatives are not offset in the consolidated financial statements, unless the Group has both legally enforceable right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

2.19 Accounting Treatment related to the Emission Rights Cap and Trade Scheme

Emission obligations that may occur with enforcement of the Act on the Allocation and Trading of Greenhouse Gas Emission Permits, are recognized when there is a high possibility that resources will be leaked in order to fulfill the obligation and the amount required to fulfill the obligation can be reliably estimated. Emissions obligations are recognized by estimating future expenditures required to settle the obligation for any emissions exceeding the emission permit quantities owned by the Group for the applicable year. The Group derecognizes emission obligations when the allocated allowances are submitted to the government.

2.20 New and amended standards not yet adopted by the Group

The amended accounting standards that have been issued but not yet effective for the annual reporting period commencing on January 1, 2024 which have not been early adopted by the Group are as follows:

- Lack of Exchangeability (K-IFRS 1021 *The Effects of Changes in Foreign Exchange Rates*)
- Classification and Measurement of Financial Instruments (K-IFRS 1107 *Financial Instruments: Disclosures*, K-IFRS 1109 *Financial Instruments*)
- Annual Improvement to K-IFRSs (K-IFRS 1007 *Statement of Cash Flows*, K-IFRS 1101 *First-time adoption of K-IFRS*, K-IFRS 1107 *Financial Instruments: Disclosures*, K-IFRS 1109 *Financial Instruments*, K-IFRS 1110 *Consolidated Financial Statements*)

2.21 Approval of Consolidated Financial Statements

The accompanying consolidated financial statements were approved by the board of directors on February 24, 2025, and are subject to change with the approval of shareholders at their annual general meeting.

3. SIGNIFICANT ACCOUNTING ESTIMATES:

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily identifiable from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period of the revision if the revision affects that period only or in the period of the revision and future periods if the revision affects both the current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

1) Impact on mileage revenue accounting

The Group has treated mileage provided to its customers as a transaction that contains complex components, and has proportionately allocated the fair value of consideration received or receivable between values of services provided and values of the mileage. The consideration allocated to the values of mileage is calculated based on the likelihood of mileage options to be exercised by customers and estimated values recognized using 'Adjusted market assessment approach.'

2) Calculation of loss allowance

When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

3) Defined benefit plan

The Group's defined benefit obligation is determined based on the actuarial valuation carried out at the end of each annual reporting period. Actuarial assumptions are the Group's best estimates of the variables in determining the cost of providing postretirement benefits, such as discount rates, rates of expected future salary increases and mortality rates. Significant estimation uncertainty is likely to persist in making such assumptions due to the long-term nature of postretirement benefit plan. As of December 31, 2024, details of defined benefit liabilities are disclosed in Note 23 to the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING ESTIMATES, CONTINUED:

4) Valuation of financial instruments

As described in Note 40, the Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain type of financial instruments. Note 40 provides detailed information about key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions. The directors believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

5) Income taxes

In consideration of operating performance of the Group and estimate of the future operating performance, the Group recognizes deferred tax asset in relation to unused tax loss carryforwards and tax credits. The Group's taxable income generated from these operations is subject to income taxes based on tax laws and interpretations of tax authorities in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain (see Note 37).

The Group is liable to pay additional income tax calculated based on the tax laws if a certain event occurs. As the measurement of current and deferred income tax is affected by the tax effects, there is an uncertainty measuring the final tax effects.

6) Leases

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

4. SEGMENT INFORMATION:

(1) The Group's segment information is prepared for the purpose of resource allocation and assessment of segment performance. The Group's reportable segments are as follows:

Segment	Type of service
Air transport	Passenger and cargo transportation
Aerospace	Maintenance of aircraft and manufacture of aircraft parts
Hotel and others	Accommodation service and etc.

(2) Operating results by reportable segments for the years ended December 31, 2024 and 2023, are as follows:

(In millions of Korean won)	2024					
	Air transport	Aerospace	Hotel	Others	Consolidation adjustments	Total
Total sales	₩ 17,628,983	₩ 592,980	₩ 183,392	₩ 230,784	₩ (765,421)	₩ 17,870,718
Intersegment sales	(615,496)	(3)	(22,153)	(127,769)	765,421	-
Net sales	17,013,487	592,977	161,239	103,015	-	17,870,718
Operating income (loss)	2,129,675	(15,705)	(25,902)	2,037	20,095	2,110,200
Depreciation and amortization	(1,723,779)	(12,148)	(42,430)	(6,571)	(11,102)	(1,796,030)
Total assets	46,698,512	1,510,078	1,682,328	1,045,034	(3,923,886)	47,012,066

(In millions of Korean won)	2023					
	Air transport	Aerospace	Hotel	Others	Consolidation adjustments	Total
Total sales	₩ 15,864,004	₩ 540,711	₩ 170,925	₩ 205,892	₩ (669,736)	₩ 16,111,796
Intersegment sales	(516,218)	(9)	(17,774)	(135,735)	669,736	-
Net sales	15,347,786	540,702	153,151	70,157	-	16,111,796
Operating income (loss)	1,813,348	(11,370)	(34,786)	(403)	23,300	1,790,089
Depreciation and amortization	(1,630,465)	(12,871)	(60,714)	(6,899)	(11,947)	(1,722,896)
Total assets	29,420,979	1,257,562	1,499,805	427,880	(2,214,450)	30,391,776

4. SEGMENT INFORMATION, CONTINUED:

(3) Operating results by geographical area for the years ended December 31, 2024 and 2023, are as follows:

(In millions of Korean won)	2024					
	Local companies		Overseas companies			
	Domestic lines and sale	International lines and export	Americas	Asia and others	Consolidation adjustments	Total
Total sales	₩ 2,904,579	₩ 15,521,609	₩ 186,477	₩ 23,474	₩ (765,421)	₩ 17,870,718
Intersegment sales		(709,417)	(32,628)	(23,376)	765,421	-
Net sales		17,716,771	153,849	98	-	17,870,718
Operating income (loss)		2,114,648	(26,402)	1,859	20,095	2,110,200
Total assets		49,233,731	1,681,014	21,207	(3,923,886)	47,012,066

(In millions of Korean won)	2023					
	Local companies		Overseas companies			
	Domestic lines and sale	International lines and export	Americas	Asia and others	Consolidation adjustments	Total
Total sales	₩ 3,153,955	₩ 13,435,585	₩ 173,007	₩ 18,985	₩ (669,736)	₩ 16,111,796
Intersegment sales		(624,162)	(26,695)	(18,879)	669,736	-
Net sales		15,965,378	146,312	106	-	16,111,796
Operating income (loss)		1,799,670	(34,972)	2,091	23,300	1,790,089
Total assets		31,092,049	1,496,823	17,354	(2,214,450)	30,391,776

(4) There is no single customer who accounted for more than 10% of the Group's revenue for the years ended December 31, 2024 and 2023.

(5) Since the acquisition date of Asiana Airlines, Inc. and its subsidiaries is December 31, 2024, their financial performance is not included in the consolidated financial statements for the year ended December 31, 2024 (see Note 46).

5. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents as of December 31, 2024 and 2023, consist of the following:

(In millions of Korean won)	December 31, 2024	December 31, 2023
Cash on hand	₩ 654	₩ 3,106
Bank deposits[1]	2,214,971	619,681
	₩ 2,215,625	₩ 622,787

[1] As of December 31, 2024, it includes performance guarantee of ₩50,000 million (see Note 6).

6. RESTRICTED DEPOSITS AND FINANCIAL ASSETS PROVIDED AS COLLATERAL:

Restricted deposits and financial assets provided as collateral as of December 31, 2024, consist of the following:

(In millions of Korean won and thousands of USD)			Purpose of restrictions
Cash equivalents and short-term financial instruments[1]			Performance guarantee, deposit of trust account for payment purposes related to asset-backed securitization ("ABS") loans, payment guarantee
	₩	536,178	for liquidated damages for delay
			Pledged for borrowings, pledged for issuance of foreign currency-denominated bonds and guarantee
	$	42,541	deposit on North America L/C
Financial assets at fair value			Pledged for payment guarantees, pledged for issuance of foreign currency-denominated bonds, pledged for equity contributed to Korea Defense
	₩	75,399	Guarantee Cooperative and others
Long-term financial instruments[2]			Pledged for Incheon GSE lease, deposit on accident compensation to employees, pledged for cargo
	₩	236,827	contract, checking account deposits and others
	₩	848,404	
	$	42,541	

[1] As of December 31, 2024, the Group classifies financial assets amounting to KRW 7,703 million, USD 21,902 thousand, HKD 90,411 thousand and JPY 2,403,872 thousand as short-term financial instruments for the purpose of guaranteeing repayment in relation to ABS (see Note 21).

[2] The Group received a down payment of ₩217,717 million from HYUNDAI DEVELOPMENT COMPANY under the new stock acquisition contract agreed in 2019. However, the contract was withdrawn in 2020. The amount is pledged as collateral and recorded as long-term withholdings in the consolidated statement of financial position (see Note 44).

7. TRADE AND OTHER RECEIVABLES:

(1) Trade and other receivables as of December 31, 2024 and 2023, consist of the following:

(In millions of Korean won)	December 31, 2024		December 31, 2023	
	Current	Non-current	Current	Non-current
Trade receivables	₩ 1,260,172	₩ 51	₩ 927,750	₩ 16
Less: loss allowance	(3,631)	(4)	(780)	(1)
	1,256,541	47	926,970	15
Non-trade receivables	116,558	-	48,003	-
Less: loss allowance	(4,673)	-	(1,911)	-
	111,885	-	46,092	-
Accrued revenues	216,149	-	161,954	-
	₩ 1,584,575	47	₩ 1,135,016	15

7. TRADE AND OTHER RECEIVABLES, CONTINUED:

(2) Credit risk and allowance for trade and other receivables as of December 31, 2024 and 2023, are as follows:

The credit period for the Group's sales varies by types of sales and vendors. The Group sets the loss allowance by applying the ECL model.

1) Aging analysis of trade receivables as of December 31, 2024 and 2023, is as follows:

(In millions of Korean won)	December 31, 2024				
	Within 6 months	6 months to 1 year	1 year to 3 years	More than 3 years	Total
Trade receivables	₩ 1,256,508	₩ 1,621	₩ 410	₩ 1,684	₩ 1,260,223
Loss allowance	(1,752)	(211)	(174)	(1,498)	(3,635)
Net balance	₩ 1,254,756	₩ 1,410	₩ 236	₩ 186	₩ 1,256,588

(In millions of Korean won)	December 31, 2023				
	Within 6 months	6 months to 1 year	1 year to 3 years	More than 3 years	Total
Trade receivables	₩ 926,243	₩ 1,473	₩ 45	₩ 5	₩ 927,766
Loss allowance	(606)	(140)	(30)	(5)	(781)
Net balance	₩ 925,637	₩ 1,333	₩ 15	₩ -	₩ 926,985

2) There are no impaired trade receivables as of December 31, 2024 and 2023.

7. TRADE AND OTHER RECEIVABLES, CONTINUED:

3) Changes in loss allowance for trade receivables for the years ended December 31, 2024 and 2023, are as follows:

(In millions of Korean won)		**2024**
Beginning balance	₩	782
Bad debt expenses		387
Others		2,466
Ending balance	₩	3,635

(In millions of Korean won)		**2023**
Beginning balance	₩	1,230
Bad debt expenses		372
Others		(820)
Ending balance	₩	782

The Group considers changes in the credit rating of the trade receivables and others from the beginning of the credit offering to the end of the reporting period in determining the recoverability of the accounts receivable. The concentration of credit risk is limited, as there are a lot of vendors without interrelationships.

4) A significant change in the carrying amount of trade receivables has no effect on changes in loss allowance for the year ended December 31, 2024.

8. FINANCIAL ASSETS AT FAIR VALUE AND FINANCIAL ASSETS AT AMORTIZED COST:

Financial assets at fair value and financial assets at amortized cost as of December 31, 2024 and 2023, consist of the following:

(In millions of Korean won)	December 31, 2024	December 31, 2023
Financial assets at FVTOCI:		
Listed equity securities[1]	₩ 157,872	₩ 113,134
Unlisted equity securities	82,728	83,333
Perpetual convertible bonds[6]	-	324,729
Non-guaranteed private bonds	13,863	-
	254,463	521,196
Financial assets at FVTPL:		
Unlisted equity securities[4]	876	-
Unlisted equity fund[7]	10,119	6,886
Redeemable convertible preferred stock	5,625	-
Equity investment[2]	15,496	15,278
Hybrid securities[5]	4,739	-
	36,855	22,164
Financial assets at amortized cost:		
Held-to-maturity bonds[3]	20,632	2,590
	20,632	2,590
	₩ 311,950	₩ 545,950

[1] As of December 31, 2024, listed equity securities amounting to ₩53,632 million are pledged as collateral for foreign currency-denominated bonds (see Note 6).

[2] As of December 31, 2024, equity investment amounting to ₩15,439 million is pledged to the Korea Defense Guarantee Cooperative as collateral for performance guarantee (see Note 6).

[3] The Group acquired debentures amounting to ₩18,000 million issued by related parties for the year ended December 31, 2024.

[4] As of December 31, 2024, some of the unlisted equity securities are pledged as collateral for borrowings to financial institutions and others (see Note 6).

[5] As of December 31, 2024, the hybrid securities are employee association funds and are limited in use by the Group (see Note 6).

[6] Perpetual convertible bonds amounting to ₩458,572 million were reclassified to investment in subsidiaries due to the acquisition of equity in Asiana Airlines, Inc. for the year ended December 31, 2024 (see Note 46).

[7] As of December 31, 2024, some of the unlisted equity funds are pledged as collateral in relation to the Group's contract and warranty insurance (see Note 6).

9. OTHER FINANCIAL ASSETS:

(1) Other financial assets as of December 31, 2024 and 2023, consist of the following:

(In millions of Korean won)	December 31, 2024		December 31, 2023	
	Current	Non-current	Current	Non-current
Guarantee deposits	₩ 38,689	₩ 301,249	₩ 2,575	₩ 141,851
Loan	1,326	7,792	27	5,415
	₩ 40,015	₩ 309,041	₩ 2,602	₩ 147,266

(2) There are no other financial assets overdue or impaired for the years ended December 31, 2024 and 2023.

10. INVENTORIES:

Inventories as of December 31, 2024 and 2023, consist of the following:

(In millions of Korean won)	December 31, 2024			December 31, 2023		
	Acquisition cost	Valuation allowance	Book value	Acquisition cost	Valuation allowance	Book value
Merchandise	₩ 17,362	₩ -	₩ 17,362	₩ 7,034	₩ -	₩ 7,034
Work in progress	338,152	(8,509)	329,643	296,051	(6,499)	289,552
Finished goods	6,942	(386)	6,556	7,664	-	7,664
Raw materials	132,237	-	132,237	117,510	-	117,510
Supplies[1]	662,058	(11,366)	650,692	417,545	(6,228)	411,317
Materials in transit	34,203	-	34,203	20,503	-	20,503
	₩ 1,190,954	₩ (20,261)	₩ 1,170,693	₩ 866,307	₩ (12,727)	₩ 853,580

[1] Supplies are pledged as collateral for the Group's borrowings to financial institutions (see Note 6).

The Group recognized loss on valuation of inventories amounting to ₩2,255 million (2023: reversal of loss on valuation of inventories of ₩11,892 million) for the year ended December 31, 2024

11. LEASE RECEIVABLES:

(1) The Group has offered the leases of the aircraft and others, and the minimum lease payments and present value of the leases as of December 31, 2024 and 2023, are as follows:

(In millions of Korean won)	December 31, 2024	December 31, 2023
Within 1 year	₩ 34,536	₩ 16,472
1 year to 5 years	334,648	261,943
More than 5 years	86,729	-
	455,913	278,415
Discount on present value	(58,831)	(10,359)
	397,082	268,056
Less: current portion of lease receivables	(34,733)	(16,097)
	₩ 362,349	₩ 251,959

(2) Lease receivables are not impaired for the years ended December 31, 2024 and 2023.

12. SUBSIDIARIES:

(1) Subsidiaries as of December 31, 2024 and 2023, consist of the following:

	Principal business	Location	Ownership of the Group		Closing month
			December 31, 2024	December 31, 2023	
Asiana Airlines, Inc.[7]	Airline Services	Korea	63.88%	-	Dec
Jin Air Co., Ltd.	Airline Services	Korea	54.91%	54.91%	Dec
Air Busan Co., Ltd.[4,7]	Airline Services	Korea	41.91%	-	Dec
Korea Airport Service Co., Ltd.	Airport support service	Korea	59.54%	59.54%	Dec
Asiana IDT, Inc.[5,7]	IT services	Korea	76.22%	-	Dec
Hanjin Information Systems & Telecommunication Co., Ltd.	Software development and supply	Korea	99.35%	99.35%	Dec
Incheon Aviation Tech Co., Ltd. (“IAT”)	Aircraft engine repair service	Korea	100.00%	100.00%	Dec
Air Total Service Co., Ltd.	Hotel management service	Korea	100.00%	100.00%	Dec
Wangsan Leisure Development Co., Ltd. (“WLD”)[3]	Sports and leisure service	Korea	100.00%	100.00%	Dec
Korea Global Logistics System Co., Ltd.	Cargo information network service	Korea	95.00%	95.00%	Dec
Cyber Sky Co., Ltd.	Online sales	Korea	100.00%	100.00%	Dec
K-Aviation Co., Ltd.	Small aircraft transport service	Korea	100.00%	100.00%	Dec
Air Korea Co., Ltd.	Airport support service	Korea	100.00%	100.00%	Dec
Asiana Sabre, Inc.[5,7]	Reservation service	Korea	80.00%	-	Dec
Asiana Airport, Inc.[5,7]	Other airport support service	Korea	100.00%	-	Dec
Air Seoul, Inc.[5,7]	Airline Services	Korea	100.00%	-	Dec
Asiana T&I Incorporation[7]	Other financial business	Korea	80.00%	-	Dec
KVI Incorporation.[7]	Other financial business	Korea	100.00%	-	Dec
Hanjin Int'l Corp.[2,3]	Hotel and rental service	USA	100.00%	100.00%	Dec
TAS	Supply labors	USA	100.00%	100.00%	Dec
Hanjin Int'l Japan Co., Ltd	Airport support service	Japan	75.00%	75.00%	Dec
Korean Air Investment Japan Co., Ltd.[3]	Investment and rental service	Japan	100.00%	-	Dec
Korean Air Airport Service Co., Ltd.[3]	Airport support service	Japan	65.00%	-	Dec
Hanjin Central Asia LLC.[8]	Hotel business	Uzbekistan	100.00%	100.00%	Dec
Asiana Staff Service, Inc.[7]	Other airport support service	Japan	100.00%	-	Dec
KAL 24 Asset Securitization Specialty Company[6]	Issuance and repayment of ABS loans	Korea	-	0.50%	Dec

12. SUBSIDIARIES, CONTINUED:

(1) Subsidiaries as of December 31, 2024 and 2023, consist of the following, continued:

			Ownership of the Group		
	Principal business	Location	December 31, 2024	December 31, 2023	Closing month
KAL 25 Asset Securitization Specialty Company[1]	Issuance and repayment of ABS loans	Korea	0.50%	0.50%	Dec
KAL 26 Asset Securitization Specialty Company[1]	Issuance and repayment of ABS loans	Korea	0.50%	0.50%	Dec
KAL 27 Asset Securitization Specialty Company[1]	Issuance and repayment of ABS loans	Korea	0.50%	0.50%	Dec
KAL 28 Asset Securitization Specialty Company[1]	Issuance and repayment of ABS loans	Korea	0.50%	0.50%	Dec
Saekdongie 26th Asset Securitization Specialty Co., Ltd.[1,7]	Issuance and repayment of ABS loans	Korea	0.50%	-	Dec

[1] The Group classified KAL Asset Securitization Specialty Companies as investments in subsidiaries because the Group controls an investee when it has the power over the investee, and is exposed, or has rights to variable returns from its involvement with the investee and has the ability to use its power to affect its returns.

[2] Impairment loss was recognized in the Parent Company's separate financial statements for years ended December 31, 2023.

[3] New or additional investments were made for the years ended December 31, 2024 and 2023.

[4] Although the Group owns less than half of the voting power for Air Busan Co., Ltd., management has determined that Group controls Air Busan Co., Ltd. since the Parent Company can exercise de facto control in accordance with the shareholders' agreement.

[5] As of December 31, 2024, the above investment in subsidiary is pledged as collateral (see Note 16).

[6] The liquidation procedures for the subsidiary were completed for the year ended December 31, 2024, and it was excluded from investments in subsidiaries.

[7] As of the acquisition of Asiana Airlines, Inc., it was included in the consolidated financial statements for the year ended December 31, 2024 (see Note 46).

[8] The liquidation procedures for the subsidiary were ongoing as of December 31, 2024.

12. SUBSIDIARIES, CONTINUED:

(2) Financial information of the Group's major subsidiaries as of December 31, 2024, is as follows:

(In millions of Korean won)	Asiana Airlines, Inc.[1]	Jin Air Co., Ltd.	Korea Airport Service Co., Ltd.
Current assets	₩ 2,804,786	₩ 680,698	₩ 187,567
Non-current assets	10,645,117	546,440	295,433
Total assets	13,449,903	1,227,138	483,000
Current liabilities	4,983,193	582,606	70,258
Non-current liabilities	7,463,588	413,280	49,895
Total liabilities	12,446,781	995,886	120,153
Total shareholders' equity	₩ 1,003,122	₩ 231,252	₩ 362,847

[1] The financial information of Asiana Airlines, Inc. is included in its consolidated financial statements.

The above financial information is presented before the elimination of internal transactions.

(3) Financial performance information of the Group's major subsidiaries for the year ended December 31, 2024, is as follows:

(In millions of Korean won)	Jin Air Co., Ltd.	Korea Airport Service Co., Ltd.
Sales	₩ 1,461,263	₩ 562,590
Operating income	163,114	40,938
Profit for the year	95,713	34,323
Other comprehensive income (loss)	(7,448)	(14,697)
Total comprehensive income	88,265	19,626

The above financial performance information is presented before the elimination of internal transactions. Since the acquisition date of Asiana Airlines, Inc. and its subsidiaries is December 31, 2024, their financial performance is not included in the consolidated financial statements for the year ended December 31, 2024 (see Note 46).

12. SUBSIDIARIES, CONTINUED:

(4) Cash flow information of the Group's major subsidiaries for the year ended December 31, 2024, is as follows:

(In millions of Korean won)	Jin Air Co., Ltd.	Korea Airport Service Co., Ltd.
Cash flows from operating activities	₩ 329,014	₩ 32,408
Cash flows from investing activities	(113,483)	(2,485)
Cash flows from financing activities	(131,204)	(9,809)
Net changes in cash and cash equivalents	84,327	20,114
Effects of exchange rate changes	363	81
Beginning balance	49,864	38,081
Ending balance	₩ 134,554	₩ 58,276

The above cash flow information is presented before the elimination of internal transactions. Since the acquisition date of Asiana Airlines, Inc. and its subsidiaries is December 31, 2024, their financial performance is not included in the consolidated financial statements for the year ended December 31, 2024 (see Note 46).

(5) The ownership interest held by non-controlling interests and details of financial position, results of operation and dividends vested in non-controlling interests by each of the major subsidiaries as of and for the year ended December 31, 2024, are as follows:

(In millions of Korean won)	Asiana Airlines, Inc. [2]	Jin Air Co., Ltd.	Korea Airport Service Co., Ltd.
Ownership interest held by non-controlling interests[1]	36.12%	44.38%	38.36%
Cumulative non-controlling interests	₩ 145,040	₩ 195,172	₩ 136,942
Net income vested in non-controlling interests	-	48,418	13,171
Dividends paid to non-controlling interests	-	-	1,173

[1] The ownership interest held by non-controlling interests represents the effective ownership interest, which is calculated based on the number of outstanding shares excluding treasury stock, and it may differ from the aggregated total, less the effective ownership interest held by the Group.

[2] The non-controlling interest information is based on the consolidated financial statements of Asiana Airlines, Inc. and reflects the amounts after its inclusion as a subsidiary.

13. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES:

(1) Investments in associates and joint ventures as of December 31, 2024 and 2023, consist of the following:

(In millions of Korean won) **December 31, 2024**

Description	Principal business	Location	Ownership (%)	Acquisition cost	Book value	Closing month
Korean Air C&D Co., Ltd.[1,2]	In-flight catering and duty-free business	Korea	20.00	₩ 122,966	₩ -	Dec
LSG Skychefskorea Co., Ltd.[3]	Airline catering	Korea	20.00	8,638	-	Dec
Asiana Philippines GSA, Inc.[3]	Other airport support service	Philippines	50.00	133	426	Dec
Gate Gourmet Korea Co., Ltd.[3]	Airline catering	Korea	40.00	85,756	150,444	Dec
Kumho Samco Buslines Co., Ltd.[3]	Bus transportation	Vietnam	49.00	9,458	1,942	Dec
Kumho Viet Thanh Buslines Co., Ltd.[3]	Bus transportation	Vietnam	49.00	7,721	1,770	Dec
				₩ 234,672	₩ 154,582	

(In millions of Korean won) **December 31, 2023**

Description	Principal business	Location	Ownership (%)	Acquisition cost	Book value	Closing month
Korean Air C&D Co., Ltd.[1,2]	In-flight catering and duty-free business	Korea	20.00	₩ 122,966	₩ -	Dec

[1] The Group's interest was reduced to zero due to the elimination of unrealized gains or losses resulting from intragroup transactions. As of December 31, 2024, gain on valuation of equity method is not recognized until all the cumulative unrecognized losses of ₩55,200 million are eliminated.

[2] The Group provides the above investments in associate as collateral for borrowings of Korean Air C&D Co., Ltd. (see Note 16).

[3] It was included in the Group's investments in associates and joint ventures due to the acquisition of shares in Asiana Airlines, Inc. for the year ended December 31, 2024.

13. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES, CONTINUED:

(2) Changes in investments in associates and joint ventures for the years ended December 31, 2024 and 2023, are as follows:

(In millions of Korean won)	2024					
	Beginning balance	Acquisition in a business combination[1]	Loss on valuation of equity method	Net changes in interests of equity method	Others	Ending balance
Korean Air C&D Co., Ltd.	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -
LSG Skychefskorea Co., Ltd.	-	-	-	-	-	-
Asiana Philippines GSA, Inc.	-	426	-	-	-	426
Gate Gourmet Korea Co., Ltd.	-	150,444	-	-	-	150,444
Kumho Samco Buslines Co., Ltd.	-	1,942	-	-	-	1,942
Kumho Viet Thanh Buslines Co., Ltd.	-	1,770	-	-	-	1,770
	₩ -	₩ 154,582	₩ -	₩ -	₩ -	₩ 154,582

[1] It was included in the Group's investments in associates and joint ventures due to the acquisition of shares in Asiana Airlines, Inc. for the year ended December 31, 2024.

(In millions of Korean won)	2023					
	Beginning balance	Acquisition	Loss on valuation of equity method	Net changes in interests of equity method	Others	Ending balance
Korean Air C&D Co., Ltd.[1]	₩ -	₩ 2,795	₩ -	₩ -	₩ (2,795)	₩ -

[1] Additional investment was made for the year ended December 31, 2023.

13. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES, CONTINUED:

(3) Financial information of the Group's investments in associates and joint ventures as of December 31, 2024, is as follows:

(In millions of Korean won)	Korean Air C&D Co., Ltd.	LSG Skychefskorea Co., Ltd. [1]	Asiana Philippines GSA, Inc. [1]	Gate Gourmet Korea Co., Ltd. [1]	Kumho Samco Buslines Co., Ltd. [1]	Kumho Viet Thanh Buslines Co., Ltd. [1]
Current assets	₩ 219,826	₩ 47,032	₩ 1,883	₩ 191,834	₩ 3,970	₩ 1,597
Non-current assets	1,064,622	32,564	36	99,931	20,145	10,547
Total assets	1,284,448	79,596	1,919	291,765	24,115	12,144
Current liabilities	93,444	12,842	1,067	37,572	12,850	2,345
Non-current liabilities	615,054	21,376	-	24,594	291	7,299
Total liabilities	708,498	34,218	1,067	62,166	13,141	9,644
Total shareholders' equity	575,950	45,378	852	229,599	10,974	2,500
Sales	623,962	62,591	1,253	187,858	14,967	6,690
Operating income	92,334	2,334	407	77,944	455	793
Profit for the year	35,509	5,071	388	61,992	824	848
Other comprehensive income (loss)	(2,457)	-	75	-	838	176
Total comprehensive income	₩ 33,052	₩ 5,071	₩ 463	₩ 61,992	₩ 1,662	₩ 1,024

[1] The financial information prior to the inclusion of Asiana Airlines, Inc. as a subsidiary is included.

13. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES, CONTINUED:

(4) The cumulative changes in the Group's equity in net asset value of the associates not recognized due to the respective book value of the investment account balance being zero as of December 31, 2024 and 2023, are as follows:

(In millions of Korean won)	December 31, 2024		
	Losses on valuation of equity method	Gain from valuation in accumulated other comprehensive income	Cumulative losses not recognized
Korean Air C&D Co., Ltd.	₩ 10,080	₩ (728)	₩ (55,200)
LSG Skychefskorea Co., Ltd[1]	1,014	-	(4,949)

[1] The financial information prior to the inclusion of Asiana Airlines, Inc. as a subsidiary is included.

(In millions of Korean won)	December 31, 2023		
	Losses on valuation of equity method	Gain from valuation in accumulated other comprehensive income	Cumulative losses not recognized
Korean Air C&D Co., Ltd.	₩ 7,542	₩ 5,719	₩ (64,552)

14. INTERESTS IN JOINT OPERATIONS:

The Group owns a joint investment building, which has the material joint arrangement. Under the joint arrangement, the Group has 70% ownership of Inha International Medical Center building located in Incheon, Korea, and is entitled to a proportionate share of the rental income received and bears a proportionate share of the joint operation's expenses.

The Parent Company has agreed to cooperate with Delta Airlines, Inc. on joint business for the Pacific route since May 1, 2018. The two companies have joint marketing and sales activities on the Pacific route and share their financial results.

15. PROPERTY, AIRCRAFT AND EQUIPMENT:

(1) Changes in property, aircraft and equipment for the years ended December 31, 2024 and 2023, are as follows:

(In millions of Korean won)	2024						
	Beginning balance	Acquisition or transfer[1]	Acquisition in a business combination[3]	Disposal	Depreciation	Others[2]	Ending balance
Land	₩ 2,809,443	₩ 1,392	₩ 164,605	₩ -	₩ -	₩ (13,989)	₩ 2,961,451
Buildings	1,108,037	6,495	253,239	(148)	(45,893)	94,683	1,416,413
Structures	64,396	9,215	4,926	-	(4,534)	-	74,003
Machinery	104,415	10,194	39,580	(57)	(9,735)	-	144,397
Aircraft	3,026,286	166,554	793,445	-	(281,763)	453,965	4,158,487
Engines	1,341,835	482,322	126,900	-	(249,759)	170,349	1,871,647
Aircraft parts	1,414,220	664,700	240,114	(79,603)	(218,870)	28,230	2,048,791
Others	140,584	72,491	201,723	(6,568)	(36,135)	(219)	371,876
Construction in progress	983,307	1,090,304	444,188	-	-	(23,641)	2,494,158
Right-of-use asset-aircraft	6,926,922	2,785,288	5,253,723	(6,536)	(801,307)	(1,694,926)	12,463,164
Right-of-use asset-others	255,441	115,785	168,190	(87,753)	(82,637)	1,078	370,104
	₩ 18,174,886	₩ 5,404,740	₩ 7,690,633	₩ (180,665)	₩ (1,730,633)	₩ (984,470)	₩ 28,374,491

[1] The acquisition of construction in progress amounted to ₩3,419,479 million, and construction in progress amounting to ₩2,329,175 million was transferred to property, aircraft and equipment for the year ended December 31, 2024.

[2] Other increase or decrease was mainly due to ₩881,123 million for replacement of assets held for sale, capitalized borrowing costs, reclassification under transfer of ownership agreement and others (see Note 45).

[3] It is due to the acquisition of equity in Asiana Airlines, Inc. for the year ended December 31, 2024 (See Note 46).

15. PROPERTY, AIRCRAFT AND EQUIPMENT, CONTINUED:

(1) Changes in property, aircraft and equipment for the years ended December 31, 2024 and 2023, are as follows, continued:

(In millions of Korean won)	2023					
	Beginning balance	Acquisition or transfer[1]	Disposal	Depreciation	Others[2]	Ending balance
Land	₩ 2,571,046	₩ 236,102	₩ -	₩ -	₩ 2,295	₩ 2,809,443
Buildings	1,112,675	42,072	(2,482)	(38,784)	(5,444)	1,108,037
Structures	68,923	5,490	-	(10,065)	48	64,396
Machinery	112,722	1,350	(1)	(9,650)	(6)	104,415
Aircraft	2,362,345	240,571	-	(224,809)	648,179	3,026,286
Engines	991,750	386,340	-	(183,151)	146,897	1,341,836
Aircraft parts	1,171,919	453,871	(501)	(220,690)	9,620	1,414,219
Others	116,589	65,400	(89)	(41,027)	(289)	140,584
Construction in progress	743,444	230,650	-	-	9,213	983,307
Right-of-use asset-aircraft	7,656,779	934,114	(2,720)	(842,545)	(818,706)	6,926,922
Right-of-use asset-others	170,894	282,545	(107,205)	(86,266)	(4,527)	255,441
	₩ 17,079,086	₩ 2,878,505	₩ (112,998)	₩ (1,656,987)	₩ (12,720)	₩ 18,174,886

[1] The acquisition of construction in progress amounted to ₩1,538,897 million, and construction in progress amounting to ₩1,308,247 million was transferred to property, aircraft and equipment for the year ended December 31, 2023.

[2] Other increase or decrease was mainly due to effects of changes in foreign currency translation adjustments, capitalized borrowing costs, reclassification under transfer of ownership agreement and others.

(2) The Group capitalized borrowing costs of ₩49,567 million as part of the cost of construction in progress for the year ended December 31, 2024, and the specific borrowing capitalization rate and general borrowing capitalization rate used to calculate borrowing costs are between 4.10% and 6.09%.

15. PROPERTY, AIRCRAFT AND EQUIPMENT, CONTINUED:

(3) The Group has been applying revaluation model to land. Land was revalued on December 31, 2022, by an external independent valuation specialist. The revaluation was conducted based on 'Standard Public Land Price Evaluation Method'. The carrying amount of land using revaluation model and historical cost model as of December 31, 2024, is as follows:

(In millions of Korean won)	December 31, 2024	
	Revaluation model	Historical cost model
Land	₩ 2,961,451	₩ 1,672,520

The Group has recognized accumulated revaluation surplus of ₩1,308,259 million, before income tax, and has recognized accumulated revaluation loss of ₩19,328 million until December 31, 2024.

(4) Fair value measurements of land by fair value hierarchy as of December 31, 2024, are as follows:

(In millions of Korean won)	December 31, 2024			
	Level 1	Level 2	Level 3	Total
Land	₩ -	₩ -	₩ 2,961,451	₩ 2,961,451

(5) There have been no changes between Levels for the year ended December 31, 2024.

16. PLEDGED ASSETS AND GUARANTEES (NON-FINANCIAL ASSETS):

(1) As of December 31, 2024, non-financial assets provided as collateral are as follows:

(In millions of Korean won, except number of shares)		December 31, 2024			
		Book value	Collateralized amount[7] or number of shares	Guarantee	Description
Land and buildings, etc.[1]		₩ 2,268,261	₩ 2,584,021	Korea Development Bank ("KDB") and others	Collateral for short-term and long-term borrowings, including export growth loan
Aircraft and machinery[2]		2,721,069	3,680,234		
Facility usage rights		18,207	72,000		
Investments in associates[3]		-	1,252,586 shares	NH Investment & Securities Co., Ltd. and others	Collateral for borrowings of Korean Air C&D Co., Ltd.
Land and buildings	443-83 Ojeong-ro Gangseo gu Seoul and others	205,129	783,833	KDB, Woori Bank[5]	Secured borrowings[4]
Aircraft and engines	B747-400C and others	245,189		KDB	
	B777-200ER and others	881,339	3,300,000	KDB, The Export-Import Bank of Korea[6]	
Others	Maintenance supplies	286,112	343,210	The Export-Import Bank of Korea	
		₩ 6,625,306			

[1] The carrying value of land and buildings provided as collateral consists of property, aircraft and equipment and investment properties.

[2] The carrying value of aircraft and machinery provided as collateral consists of property, aircraft and equipment and lease receivables.

[3] The investments in associate – Korean Air C&D Co., Ltd. are pledged as collateral for its borrowings. The investments in subsidiaries provided as collateral are part of the Group. Additionally, the investments in associates provided as collateral have no separate carrying value in the consolidated financial statements due to the suspension of the application of the equity method (see Note 13).

[4] When collateral limit ratio is not met in relation to the above secured borrowings, additional collateral should be provided, or a partial early repayment of the borrowings should be made.

[5] The assets are pledged as second-ranking as collateral to Woori Bank.

[6] Korea Development Bank (KDB) and the Export-Import Bank of Korea have jointly established collateral. In relation to this, Kumho Engineering & Construction Co., Ltd. and others have pledged shares of Asiana Airlines, Inc. as collateral up to ₩3,300,000 million (see Note 44).

[7] Collateralized amounts in foreign currency were converted into Korean won using the exchange rate as of December 31, 2024.

(2) The Group has provided right-of-use asset (leased aircraft) as collateral to the lessors for the lease obligations.

(3) The Group provides 600,000 shares (amount of investee′s net assets: ₩43,757 million) of equity securities of Asiana Airport, Inc. as collateral to Woori Bank.

16. PLEDGED ASSETS AND GUARANTEES (NON-FINANCIAL ASSETS), CONTINUED:

(4) The Group provides 160,000 shares (amount of investee's net assets: ₩24,778 million) of Asiana Sabre, Inc. 400,000 shares (amount of investee's net assets: ₩29,171 million) of Asiana Airport, Inc., 3,500,000 shares (capital impairment) of Air Seoul, Inc., and 3,353,500 shares (market price: ₩40,309 million) of Asiana IDT Inc. as collateral to Korea Development Bank and the Export-Import Bank of Korea. In relation to this, Kumho Engineering & Construction Co., Ltd. and others have pledged shares of Asiana Airlines, Inc. as collateral up to ₩3,300,000 million.

17. INVESTMENTS IN PROPERTIES:

(1) Changes in the carrying amounts of investments in properties for the years ended December 31, 2024 and 2023, are as follows:

(In millions of Korean won)	2024			
	Beginning balance	Depreciation	Others[1]	Ending balance
Land	₩ 75,008	₩ -	₩ 2,391	₩ 77,399
Buildings	185,741	(6,592)	21,315	200,464
	₩ 260,749	₩ (6,592)	₩ 23,706	₩ 277,863

[1] Other increase or decrease was mainly due to the transfer between property, aircraft and equipment and investments in properties and foreign currency translation adjustments.

(In millions of Korean won)	2023			
	Beginning balance	Depreciation	Others[1]	Ending balance
Land	₩ 75,147	₩ -	₩ (139)	₩ 75,008
Buildings	193,584	(8,913)	1,070	185,741
	₩ 268,731	₩ (8,913)	₩ 931	₩ 260,749

[1] Other increase or decrease was mainly due to the transfer between investments in properties, assets held for sale and foreign currency translation adjustments.

(2) Revenue related to investments in properties was ₩24,627 million and ₩22,446 million for the years ended December 31, 2024 and 2023, respectively.

17. INVESTMENTS IN PROPERTIES, CONTINUED:

(3) Fair value of investments in properties as of December 31, 2024, is as follows:

(In millions of Korean won)	December 31, 2024	
	Book value	Fair value
Land and buildings	₩ 277,863	₩ 393,565

(4) Fair value measurements of investments in properties by fair value hierarchy levels as of December 31, 2024, are as follows:

(In millions of Korean won)	December 31, 2024			
	Level 1	Level 2	Level 3	Total
Land and buildings	₩ -	₩ -	₩ 393,565	₩ 393,565

(5) There are no changes between Levels for the year ended December 31, 2024.

18. INTANGIBLE ASSETS:

(1) Changes in the carrying amount of intangible assets for the years ended December 31, 2024 and 2023, are as follows:

(In millions of Korean won)

	2024						
	Beginning balance	Acquisition	Acquisition in a business combination[1]	Disposal	Amortiza -tion	Others[2]	Ending balance
Goodwill	₩ 439,977	₩ -	₩ 1,399,713	₩ -	₩ -	₩ -	₩ 1,839,690
Facility usage rights	25,077	-	-	-	(4,147)	-	20,930
Software	183,141	2,351	22,442	(127)	(27,450)	12,366	192,723
Other intangibles	175,991	10,052	866,601	(1)	(27,210)	(1,369)	1,024,064
	₩ 824,186	₩ 12,403	₩ 2,288,756	₩ (128)	₩ (58,807)	₩ 10,997	₩ 3,077,407

[1] It is due to the acquisition of equity in Asiana Airlines, Inc. for the year ended December 31, 2024 (see Note 46).

[2] Other increase or decrease was due to impairment loss for goodwill, the transfer of construction in progress to intangible assets, foreign currency translation adjustment and others.

(In millions of Korean won)

	2023					
	Beginning balance	Acquisition	Disposal	Amortiza -tion	Others[1]	Ending balance
Goodwill	₩ 450,418	₩ -	₩ -	₩ -	₩ (10,441)	₩ 439,977
Facility usage rights	29,226	-	-	(4,149)	-	25,077
Software	195,049	4,465	-	(25,807)	9,434	183,141
Other intangibles	199,062	4,253	(185)	(27,041)	(98)	175,991
	₩ 873,755	₩ 8,718	₩ (185)	₩ (56,997)	₩ (1,105)	₩ 824,186

[1] Other increase or decrease was due to impairment loss for goodwill, the transfer of construction in progress to intangible assets, foreign currency translation adjustment and others.

18. INTANGIBLE ASSETS, CONTINUED:

(2) Impairment test of Goodwill

As of December 31, 2024 and 2023, the details of goodwill allocated to the cash-generating units identified by the operating sector are as follows:

(In millions of Korean won)	December, 31 2024[1]	December, 31 2023
Air transport	₩ 1,839,690	₩ 439,977

[1] The goodwill resulting from the acquisition of Asiana Airlines, Inc. is included and is not subject to impairment testing for the year ended December 31, 2024 (see Note 46).

The recoverable amount of the cash-generating unit of the consolidated entity was measured as the value of use calculated by applying the cash flow estimated based on the business plan for the next five years approved by the manager, and the discount rate applied during the current period is 9.3%. Cash flows expected to occur over a period of more than five years were estimated assuming a perpetual growth rate of 1%.

19. OTHER ASSETS:

Other assets as of December 31, 2024 and 2023, consist of the following:

(In millions of Korean won)	December 31, 2024		December 31, 2023	
	Current	Non-current	Current	Non-current
Advance payments	₩ 302,856	₩ 126,296	₩ 277,926	₩ 58
Prepaid expenses	83,626	31,778	59,199	9,277
Others [1]	55,523	19,743	27,023	703,820
	₩ 442,005	₩ 177,817	₩ 364,148	₩ 713,155

[1] A down payment of ₩300 billion and an intermediate payment of ₩400 billion on Asiana Airlines, Inc.'s new share subscription agreement are included as of December 31, 2023.

20. TRADE AND OTHER PAYABLES:

Trade and other payables as of December 31, 2024 and 2023, consist of the following:

(In millions of Korean won)	December 31, 2024		December 31, 2023	
	Current	Non-current	Current	Non-current
Trade payables	₩ 351,893	₩ -	₩ 240,222	₩ -
Non-trade payables	573,348	-	125,069	-
Accrued expenses	1,805,279	30,081	1,162,689	15,990
Dividends payables	1	-	3	-
	₩ 2,730,521	₩ 30,081	₩ 1,527,983	₩ 15,990

21. BORROWINGS AND DEBENTURES:

(1) Short-term borrowings as of December 31, 2024 and 2023, consist of the following:

(In millions of Korean won)	Lender	Interest rate	December 31, 2024	December 31, 2023
Short-term borrowings in Korean won	Korea Development Bank ("KDB")	3M MOR + 1.11%	₩ 150,000	₩ 150,000
		4.26% ~ 4.54%	110,000	110,000
		6.22%	989,736	-
	The Export-Import Bank of Korea	6.22%	390,264	-
			1,640,000	260,000
Short-term borrowings in foreign currencies	KDB	3M SOFR + 1.74% ~ 1.78%	189,630	230,803
		3M EURIBOR + 1.15%	122,298	114,127
		2.02% ~ 4.61%	284,943	109,519
	Hana Bank	3M TIBOR + 1.97%	44,951	43,808
		-	-	19,341
	Shinhan Bank	-	-	63,294
	KB Kookmin and others	3M SOFR + 1.15% ~ 1.80%	205,800	90,258
		6M MOR + 0.73%	29,400	51,576
		-	-	38,682
			877,022	761,408
			₩ 2,517,022	₩ 1,021,408

21. BORROWINGS AND DEBENTURES, CONTINUED:

(2) Long-term borrowings as of December 31, 2024 and 2023, consist of the following:

(In millions of Korean won)	Lender	Interest rate	Maturity	December 31, 2024	December 31, 2023
Long-term borrowings in Korean won	The Export-Import Bank of Korea	3.00% ~ 3.84%	2029-06-28	₩ 511,700	₩ 575,250
		3M MOR + 1.10% ~ 1.75%	2034-06-19	162,100	109,500
	KDB	3.19% ~ 4.12%	2032-08-13	257,227	207,895
		3M MOR + 1.74%	2033-12-04	200,700	223,000
	Hana Bank and others	4.63% ~ 5.19%	2027-04-30	430,000	250,000
		CD + 1.52%	2032-08-13	60,000	-
		3M MOR + 1.16% ~ 1.45%	2027-04-26	250,000	100,000
		0.00%	2044-08-30	1,233	-
				1,872,960	1,465,645
Long-term borrowings in foreign currencies	KDB	-	2024-04-07	-	99,861
		3M SOFR + 2.26%	2025-09-30	18,191	42,550
		2.13%	2025-04-13	56,189	54,760
	Shinhan Bank	1M SOFR + 2.17%	2027-05-09	58,800	51,576
		5.54% ~ 6.09%	2027-10-31	313,110	77,364
	Standard Chartered Bank	-	2025-09-23	-	515,760
	KB Kookmin and others	-	2024-06-28	-	13,885
		3M SOFR + 1.45% ~ 1.74%	2027-10-31	396,900	-
				843,190	855,756
				2,716,150	2,321,401
	Less: current portion of long-term borrowings			(896,849)	(327,540)
				₩ 1,819,301	₩ 1,993,861

21. BORROWINGS AND DEBENTURES, CONTINUED:

(3) Debentures as of December 31, 2024 and 2023, consist of the following:

(In millions of Korean won) Series	Issue date	Maturity	Interest rate	December 31, 2024	December 31, 2023
93-3rd (Non-guaranteed)	2021-04-15	2024-04-15	-	₩ -	₩ 125,000
94-2nd (Non-guaranteed)	2021-04-23	2024-04-23	-	-	10,000
95-3rd (Non-guaranteed)	2021-07-07	2024-07-05	-	-	144,000
96-2nd (Non-guaranteed)	2021-10-07	2024-10-07	-	-	124,000
97th (Guaranteed)[1]	2022-01-21	2025-01-21	0.45%	280,944	273,798
98-2nd (Non-guaranteed)	2022-01-26	2024-01-26	-	-	128,000
98-3rd (Non-guaranteed)	2022-01-26	2025-01-24	4.03%	136,000	136,000
99-1st (Non-guaranteed)	2022-05-02	2024-05-02	-	-	140,000
99-2nd (Non-guaranteed)	2022-05-02	2025-05-02	4.82%	160,000	160,000
100-1st (Non-guaranteed)	2022-09-06	2024-09-06	-	-	72,000
100-2nd (Non-guaranteed)	2022-09-06	2025-09-05	5.36%	124,017	124,009
101st (Guaranteed)[2]	2022-09-23	2025-09-23	4.75%	441,000	386,820
102-1st (Non-guaranteed)	2023-04-24	2025-04-24	4.95%	170,000	170,000
102-2nd (Non-guaranteed)	2023-04-24	2026-04-24	5.08%	80,000	80,000
103rd (Guaranteed)[1]	2023-06-29	2026-06-29	0.76%	187,296	182,532
104th (Guaranteed)[3]	2023-07-27	2026-07-27	1.22%	93,648	91,266
105-1st (Non-guaranteed)	2023-11-10	2025-11-10	5.15%	130,000	130,000
105-2nd (Non-guaranteed)	2023-11-10	2026-11-10	5.40%	120,000	120,000
106-1st (Non-guaranteed)	2024-02-28	2026-02-27	4.41%	145,990	-
106-2nd (Non-guaranteed)	2024-02-28	2027-02-26	4.50%	210,000	-
106-3rd (Non-guaranteed)	2024-02-28	2029-02-28	4.79%	90,000	-
107-1st (Non-guaranteed)	2024-06-25	2026-06-25	3.89%	84,000	-
107-2nd (Non-guaranteed)	2024-06-25	2027-06-25	3.99%	227,000	-
107-3rd (Non-guaranteed)	2024-06-25	2029-06-25	4.16%	84,000	-
108-1st (Non-guaranteed)	2024-10-23	2027-10-22	3.99%	100,000	-
108-2nd (Non-guaranteed)	2024-10-23	2029-10-23	4.16%	50,000	-
1st Exchange (Non-guaranteed)	2021-04-01	2024-04-01	-	-	14,860
				2,913,895	2,612,285
	Discount on debentures			(8,311)	(12,064)
				2,905,584	2,600,221
	Less: current portion of debentures			(1,445,944)	(757,860)
	Present value of discounts, less current portion			3,468	476
				₩ 1,463,108	₩ 1,842,837

21. BORROWINGS AND DEBENTURES, CONTINUED:

(3) Debentures as of December 31, 2024 and 2023, consist of the following, continued:

[1] The Export-Import Bank of Korea provides guarantee up to a maximum of principal and interest for the 97th and 103th guaranteed debentures.
[2] KDB, a related party of the Group, provides guarantee up to a maximum of principal and interest for the 101th guaranteed debentures.
[3] Hana Bank provides guarantee up to a maximum of principal and interest for the 104th guaranteed debentures.

(4) ABS loans as of December 31, 2024 and 2023, consist of the following:

(In millions of Korean won)

Description	Maturity	Interest rate	December 31, 2024	December 31, 2023
KAL-24 ABS	2024-09-23	-	₩ -	₩ 105,000
KAL-25 ABS	2025-03-30	4.54%	40,000	240,000
KAL-26 ABS	2025-05-29	5.95%	19,988	52,285
KAL-27 ABS	2025-06-05	4.25%	26,105	76,323
KAL-28 ABS	2025-06-12	5.08%	36,959	97,256
Saekdongie -26 ABS	2028-03-28	3.78%	243,750	-
			366,802	570,864
	Discount on ABS loans		(6,269)	(1,505)
			360,533	569,359
	Less: current portion of ABS loans		(204,302)	(455,576)
	Present value of discounts, less current portion		2,208	1,335
			₩ 158,439	₩ 115,118

As of December 31, 2024, the Group holds short-term financial instruments in relation to ABS (see Note 6).

21. BORROWINGS AND DEBENTURES, CONTINUED:

(4) ABS loans as of December 31, 2024 and 2023, consist of the following, continued:

The ABS loans are the borrowings repaid by entrusting the rights of future sales receivable, etc. to be held at the time of selling the airline ticket in the future, to financial institutions. The subject receivables and the period are as follows:

Description	Receivables	Period
KAL-25 ABS	Domestic passenger credit card sales receivable (BC card)	2020.03.19 - Of the following conditions, until the earlier date (i) 2025.03.27 (ii) When the ABS loan's principal and interest have been redeemed in total
KAL-26 ABS	Hong Kong region cargo receivables (settlement of CASS)	2020.05.28 - Of the following conditions, until the earlier date (i) The previous day of the 150th anniversary for the signing date of KAL Cayman Trust Deed 3 (ii) The date on which all amounts payable under the ABS loan and the debt of the issuer of the ABS loan are paid in full
KAL-27 ABS	Japan region cargo receivables (settlement of CASS)	2020.06.04 - Of the following conditions, until the earlier date (i) The previous day of the 7th anniversary for the signing date of the trust agreement (ii) The date on which all amounts payable under the ABS loan and the debt of the issuer of the ABS loan are paid in full (iii) Another day the Japanese trustee agrees with the transferee beneficiary and the trustee agency
KAL-28 ABS	North America region cargo receivables (settlement of CASS)	2020.06.11 - Of the following conditions, until the earlier date (i) The 150th anniversary for the signing date of the trust agreement (ii) The date on which all amounts payable under trust bond senior debt and the debt of the issuer of the ABS loan are paid in full irrevocably
Saekdongie -26 ABS	Domestic passenger credit card sales receivable (KB Kookmin/Hyundai/Lotte/NH Bank cards) Mileage settlement receivables (Samsung/BC cards)	2024.03.20 - Of the following conditions, until the earlier date (i) 2028.03.28 (ii) The date on which all amounts payable for the first-class beneficiary rights under the trust agreement are paid in full

(5) As of December 31, 2024, the Group provided assets as collateral or pledges to outstanding balance amounting to ₩3,463,116 million of borrowings and debentures.

22. LEASE OBLIGATIONS:

(1) Lease obligations as of December 31, 2024 and 2023, consist of the following:

(In millions of Korean won) Lender	Interest rate	December 31, 2024	December 31, 2023
	3M EURIBOR + 0.31% ~ 2.25%	₩ 993,226	₩ 582,490
	3M SOFR + 0.45% ~ 3.16%	1,020,319	1,506,123
	3M TIBOR + 0.68% ~ 2.40%	603,179	184,924
	3M TORF + 0.29% ~ 1.99%	183,262	243,492
	6M EURIBOR + 1.05%	56,783	73,792
	6M SOFR + 1.68%	173,352	181,018
Financing Lease	DALY SOFR 90 DAY + 3.01%	16,335	-
	3M SARON + 1.23%	119,981	-
	3M SORA + 1.1%	164,473	-
	3M JPY Tibor + 0.65% ~ 1.43%	497,261	-
	CD + 0.42%	278,015	-
	4 YEAR SOFR + 4.30%	10,283	-
	2.45% ~ 9.03%	800,599	418,207
Operating Lease	0.51% ~ 11.43%	6,009,577	1,244,433
		10,926,645	4,434,479
Less: Current portion of obligation under leases, net of present value of discounts		(2,182,081)	(1,178,798)
		₩ 8,744,564	₩ 3,255,681

22. LEASE OBLIGATIONS, CONTINUED:

(1) Lease obligations as of December 31, 2024 and 2023, consist of the following, continued:

The Export-Import Bank of the United States and others have provided payment guarantees of USD 1,158 million for above lease obligations as of December 31, 2024. Also, the Group has provided payment guarantees of USD 16 million to Industrial & Commercial Bank of China, the beneficiary of the lease obligations due to Yian Limited, and USD 66 million to Industrial & Commercial Bank of China, the beneficiary of the lease obligations due to PC2018 Limited, as of December 31, 2024.

Interest expense on lease obligations and total cash outflows related to the leases obligations for the year ended December 31, 2024, are ₩210,065 million and ₩1,791,613 million, respectively. Lease payments not recognized as liabilities, such as short-term leases and leases of low-value assets, are ₩135,960 million.

(2) The present value of the above lease obligations discounted by the interest rate implicit in the lease or the incremental borrowing rate as of December 31, 2024, is as follows:

(In millions of Korean won)		**December 31, 2024**
Within 1 year	₩	2,400,731
1 year to 5 years		5,864,419
More than 5 years		4,963,549
		13,228,699
Present value of discounts		(2,302,054)
	₩	10,926,645

23. EMPLOYEE BENEFITS:

(1) Net defined benefit liabilities as of December 31, 2024 and 2023, consist of the following:

(In millions of Korean won)	December 31, 2024	December 31, 2023
Present value of defined benefit liabilities	₩ 3,254,665	₩ 2,185,139
Fair value of plan assets	(695,812)	(360,737)
	₩ 2,558,853	₩ 1,824,402

(2) Changes in the carrying amount of net defined benefit liabilities for the years ended December 31, 2024 and 2023, are as follows:

(In millions of Korean won)	2024			2023		
	Present value of defined benefit liabilities	Fair value of plan assets	Total	Present value of defined benefit liabilities	Fair value of plan assets	Total
Beginning balance	₩ 2,185,139	₩ (360,737)	₩ 1,824,402	₩ 1,792,742	₩ (330,723)	₩ 1,462,019
Current service cost	181,782	-	181,782	144,451	-	144,451
Interest expense (income)	85,227	(11,786)	73,441	89,445	(13,732)	75,713
Remeasurement of the net defined benefit liabilities	227,896	(213)	227,683	335,436	943	336,379
Succession of defined benefit liabilities	399	-	399	3,262	(428)	2,834
Transfer-out of defined benefit liabilities	(175)	-	(175)	-	-	-
Retirement benefits paid	(200,464)	40,791	(159,673)	(180,878)	33,641	(147,237)
Contributions	-	(64,313)	(64,313)	-	(50,438)	(50,438)
Increase from a business combination	771,786	(299,554)	472,232	-	-	-
Others	3,075	-	3,075	681	-	681
Ending balance	₩ 3,254,665	₩ (695,812)	₩ 2,558,853	₩ 2,185,139	₩ (360,737)	₩ 1,824,402

(3) The significant actuarial assumptions used as of December 31, 2024 and 2023, are as follows:

	December 31, 2024	December 31, 2023
Discount rate	3.36% ~ 4.89%	3.83% ~ 4.17%
Future salary growth rate	2.60% ~ 6.59%	2.60% ~ 6.59%

23. EMPLOYEE BENEFITS, CONTINUED:

(4) Details of plan assets as of December 31, 2024 and 2023, are as follows:

(In millions of Korean won)	December 31, 2024	December 31, 2023
Deposits, savings, etc.	₩ 606,402	₩ 269,594
Equity instrument	22,259	3,610
Debt instrument	63,021	65,177
Others	4,130	22,356
	₩ 695,812	₩ 360,737

Investment strategies and policies for plan assets are balanced with risk reduction and profit taking. The objective of minimizing the volatility of assets in relation to liabilities is made through distributed investments in assets, partial asset-liability strategies and hedging. The Group makes extensive distributed investments in various types of assets to achieve the targeted return, while reducing the volatility of the assets associated with the liabilities (risk adjustment) as a whole. The allocation of assets for a fixed return is partly matched by pension liabilities that are similar to bonds with long-term maturity.

Actual profit for the plan asset for the years ended December 31, 2024 and 2023, is ₩12,000 million and ₩12,789 million, respectively.

(5) The sensitivity analysis of the defined benefit liabilities to changes in the principal assumptions for the years ended December 31, 2024 and 2023, is as follows:

(In millions of Korean won)	2024		
	Effect on defined benefit liabilities		
	Changes in assumption	Increase in assumption	Decrease in assumption
Discount rate	1% increase / decrease	₩ (237,753)	₩ 272,672
Future salary growth rate	1% increase / decrease	248,805	(227,029)

(In millions of Korean won)	2023		
	Effect on defined benefit liabilities		
	Changes in assumption	Increase in assumption	Decrease in assumption
Discount rate	1% increase / decrease	₩ (155,302)	₩ 178,131
Future salary growth rate	1% increase / decrease	178,009	(158,035)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. Since there is a correlation between actuarial assumptions, the above sensitivity analyses will not indicate actual changes in the defined benefit liabilities. The sensitivity of the defined benefit liabilities to changes in principal actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit liabilities recognized in the consolidated statements of financial position.

23. EMPLOYEE BENEFITS, CONTINUED:

(6) The expected maturity analysis of undiscounted defined benefit liabilities as of December 31, 2024, is as follows and the weighted-average maturity of defined benefit liabilities is 8.35 years:

(In millions of Korean won)	December 31, 2024
Less than 5 years	₩ 1,783,199
Between 5 and 10 years	1,301,849
Between 10 and 20 years	2,813,477
More than 20 years	1,351,784
	₩ 7,250,309

24. PROVISIONS:

Changes in the provision liabilities for the years ended December 31, 2024 and 2023, are as follows:

(In millions of Korean won)	2024					
	Beginning balance	Acquisition in a business combination[1]	Charged to profit or loss	Payment	Others	Ending balance
Current:						
Provision for construction loss	₩ 25,400	₩ -	₩ 13,504	₩ (6,564)	₩ (6,940)	₩ 25,400
Provision for leased aircraft maintenance[2]	135,592	566,619	-	(77,382)	(9,033)	615,796
Provision for emission[3]	-	577	134	-	-	711
Provision for construction warranties	104	-	-	(82)	-	22
Others	-	7,788	6,914	(1,519)	(1,474)	11,709
	₩ 161,096	₩ 574,984	₩ 20,552	₩ (85,547)	₩ (17,447)	₩ 653,638
Non-current:						
Provision for leased aircraft maintenance[2]	₩ 142,637	₩ 572,016	₩ 37,140	₩ -	₩ 26,573	₩ 778,366
Provision for emission[3]	-	6,752	20,957	-	-	27,709
Provision for construction warranties	-	-	188	-	-	188
Others	73	3,795	(59)	(3)	-	3,806
	142,710	582,563	58,226	(3)	26,573	810,069
	₩ 303,806	₩ 1,157,547	₩ 78,778	₩ (85,550)	₩ 9,126	₩ 1,463,707

[1] It is due to the acquisition of equity in Asiana Airlines, Inc. for the year ended December 31, 2024 (see Note 46).

[2] The Group has maintenance obligations related to leased aircraft. In order to fulfill the obligations, the Group has recognized a provision for leased aircraft maintenance by estimating future maintenance costs as it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations.

[3] The Group has recognized a provision for emission by estimating the costs expected to be incurred in fulfilling the obligations as it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations.

24. PROVISIONS, CONTINUED:

Changes in the provision liabilities for the years ended December 31, 2024 and 2023, are as follows, cont inued:

(In millions of Korean won)	2023				
	Beginning balance	Charged to profit or loss	Payment	Others	Ending balance
Current:					
Provision for construction loss	₩ 28,353	₩ -	₩ (2,496)	₩ (457)	₩ 25,400
Provision for leased aircraft maintenance[1]	251,530	-	(105,898)	(10,040)	135,592
Provision for construction warranties	3,202	-	(3,098)	-	104
	₩ 283,085	₩ -	₩ (111,492)	₩ (10,497)	₩ 161,096
Non-current:					
Provision for leased aircraft maintenance[1]	₩ 71,947	₩ 49,067	₩ -	₩ 21,623	₩ 142,637
Others	175	(83)	(19)	-	73
	72,122	48,984	(19)	21,623	142,710
	₩ 355,207	₩ 48,984	₩ (111,511)	₩ 11,126	₩ 303,806

[1] The Group has maintenance obligations related to leased aircraft. In order to fulfill the obligations, the Group has recognized a provision for leased aircraft maintenance by estimating future maintenance costs as it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations.

25. DEFERRED REVENUE (CUSTOMER LOYALTY PROGRAM):

The Parent Company and its subsidiaries, Jin Air Co., Ltd., Asiana Airlines, Inc., and Air Busan Co., Ltd. (the Group) manage its frequent-flyer program ("FFP"), "SKYPASS" and "Asiana Club", a customer loyalty program that provides incentives through accrued mileage, such as free flight tickets and other benefits, to its customers and alliance companies. The Group allocates the fair value of the consideration received for the sales between the award credits and service revenue. The sales price allocated to award credits is not recognized as revenue until the obligation has been fulfilled. The Group recognized deferred revenue relating to the FFP in the consolidated statement of financial position as of December 31, 2024, amounting to ₩3,536,754 million, which includes the current portion of ₩805,008 million.

26. DERIVATIVE INSTRUMENTS:

(1) Details of derivative financial instruments held for trading as of December 31, 2024, are as follows:

Type of transaction	Contract amount		Maturity	Accounting policy
Oil price option	BBL	8,850 thousand	2026-11-30	Trading
Interest rate swaps	KRW	100,000 million	2025-02-27	Trading
	JPY	91,625,604 thousand	2032-08-30	Trading
Cross-currency interest rate swaps	KRW	1,008,566 million	2027-11-17	Trading
Currency forwards contracts	JPY	35,000,000 thousand	2025-09-18	Trading

26. DERIVATIVE INSTRUMENTS, CONTINUED:

(2) Impact on the consolidated financial statements in relation to derivatives as of and for the year ended December 31, 2024, is as follows:

(In millions of Korean won)	Consolidated statement of financial position		Consolidated statement of comprehensive income (loss)			
	Financial derivative assets	Financial derivative liabilities	Valuation gain	Valuation loss	Transaction gain	Transaction loss
Oil price option	₩ 135	₩ 22,202	₩ 2,527	₩ 17,453	₩ 16,960	₩ 573
Interest rate swaps	-	100	-	53	164	1
Cross-currency interest rate swaps	259,447	-	199,497	-	129,949	37,948
Currency forwards contracts	22	20,323	22	20,323	11,204	6,291
	₩ 259,604	₩ 42,625	₩ 202,046	₩ 37,829	₩ 158,277	₩ 44,813

27. OTHER FINANCIAL LIABILITIES:

Other financial liabilities as of December 31, 2024 and 2023, consist of the following:

(In millions of Korean won)	December 31, 2024		December 31, 2023	
	Current	Non-current	Current	Non-current
Guarantee deposits received	₩ 13,236	₩ 36,944	₩ 653	₩ 11,738

28. OTHER LIABILITIES:

Other liabilities as of December 31, 2024 and 2023, consist of the following:

(In millions of Korean won)	December 31, 2024		December 31, 2023	
	Current	Non-current	Current	Non-current
Advances	₩ 3,892,807	₩ -	₩ 2,521,593	₩ -
Withholdings	694,417	317,206	245,607	20
Unearned revenues	189,900	190,076	248,994	81,870
Others	828	19,958	686	18,288
	₩ 4,777,952	₩ 527,240	₩ 3,016,880	₩ 100,178

29. SHARE CAPITAL:

(1) Share capital as of December 31, 2024 and 2023, consists of the following:

(In millions of Korean won, except number of shares and par value)	Number of shares authorized	Number of shares issued	Par value	December 31, 2024	December 31, 2023
	(in shares)	(in shares)	(in won)		
Common share	700,000,000	368,220,661	₩ 5,000	₩ 1,841,103	₩ 1,841,103
Preferred share[1]		1,110,794	₩ 5,000	5,554	5,554
	700,000,000	369,331,455		₩ 1,846,657	₩ 1,846,657

[1] As the non-voting preferred share, in case of cash dividends, it gets 1% more dividends than common share. If the Parent Company cannot pay dividends, the preferred share gets voting right from the resolution of the next general meeting of shareholders that the Parent Company does not pay dividends until the resolution of the general meeting of shareholders that the Parent Company pays dividends.

(2) There is no change in the number of shares issued and outstanding for the years ended December 31, 2024 and 2023.

30. OTHER CAPITAL SURPLUS:

(1) Other capital surplus as of December 31, 2024 and 2023, consists of the following:

(In millions of Korean won)	December 31, 2024	December 31, 2023
Additional paid-in capital	₩ 4,071,270	₩ 4,071,270
Treasury shares	(2)	(2)
Other capital surplus	74,073	74,073
	₩ 4,145,341	₩ 4,145,341

(2) Changes in treasury shares for the years ended December 31, 2024 and 2023, are as follows:

(In millions of Korean won, except number of shares)	2024		2023	
	Number of shares	Book value	Number of shares	Book value
	(in shares)		(in shares)	
Beginning balance	49	₩ (2)	47	₩ (2)
Increase	3	-	2	-
Ending balance	52	₩ (2)	49	₩ (2)

30. OTHER CAPITAL SURPLUS, CONTINUED:

(3) Changes in other capital surplus for the years ended December 31, 2024 and 2023, are as follows:

(In millions of Korean won)	2024	2023
Beginning balance	₩ 74,071	₩ 74,313
Repayments of hybrid securities	-	(242)
Ending balance	₩ 74,071	₩ 74,071

31. RETAINED EARNINGS (ACCUMULATED DEFICITS) AND DIVIDENDS:

(1) Retained earnings as of December 31, 2024 and 2023, consist of the following:

(In millions of Korean won)	December 31, 2024	December 31, 2023
Legal reserve[1]	₩ 78,713	₩ 50,998
Voluntary reserve	303,060	313,060
Unappropriated retained earnings	3,103,779	2,227,883
	₩ 3,485,552	₩ 2,591,941

[1] The Korean Commercial Code requires the Group to appropriate as a legal reserve an amount equal to at least 10% of cash dividends paid for each accounting period until the reserve equals 50% of the stated capital. The legal reserve may be used to reduce a deficit or transferred to share capital.

(2) Changes in retained earnings for the years ended December 31, 2024 and 2023, are as follows:

(In millions of Korean won)	2024	2023
Beginning balance	₩ 2,591,941	₩ 2,053,684
Profit for the year	1,317,262	1,061,165
Remeasurement of the net defined benefit liabilities	(165,355)	(241,605)
Disposal of financial assets at FVTOCI	-	1,136
Transfer of revaluation surplus	18,759	32
Dividends for hybrid securities	-	(2,622)
Cash dividend	(277,054)	(277,054)
Elimination of unrealized gains or losses on valuation of equity method	-	(2,795)
Others	(1)	-
Ending balance	₩ 3,485,552	₩ 2,591,941

32. OTHER CAPITAL COMPONENTS:

(1) Other capital components as of December 31, 2024 and 2023, consist of the following:

(In millions of Korean won)	December 31, 2024	December 31, 2023
Gain on valuation of financial assets at FVTOCI, net of tax	₩ 42,859	₩ 73,209
Foreign currency translation adjustments	56,058	(46,892)
Revaluation surplus	896,347	915,664
	995,264	941,981
Assets held for sale:		
Revaluation surplus	68	79
	₩ 995,332	₩ 942,060

(2) Gain (Loss) on valuation of financial assets at FVTOCI, net of tax

Changes in equity instruments classified as gain on valuation of financial assets at FVTOCI, net of tax, for the years ended December 31, 2024 and 2023, are as follows:

(In millions of Korean won)	2024	2023
Beginning balance	₩ 73,209	₩ 51,861
Change in fair value, net of tax	(30,350)	22,484
Reclassification to retained earnings due to disposal of equity instruments	-	(1,136)
Ending balance	₩ 42,859	₩ 73,209

The revaluation reserve in equity instruments at FVTOCI is stated as the net amounts of accumulated revaluation deducting the amounts transferred to retained earnings due to disposal of equity instruments.

(3) Changes in revaluation surplus for the years ended December 31, 2024 and 2023, are as follows:

(In millions of Korean won)	2024	2023
Beginning balance	₩ 915,743	₩ 915,480
Reclassification to retained earnings due to disposal of assets held for sale	(18,759)	(32)
Fair value changes and tax effects	(569)	295
Ending balance	₩ 896,415	₩ 915,743

33. REVENUE FROM CONTRACTS WITH CUSTOMERS AND RELEVANT CONTRACT ASSETS AND LIABILITIES:

(1) The Group has recognized the following amounts relating to revenue from contracts with customers for the years ended December 31, 2024 and 2023:

(In millions of Korean won)	2024	2023
Revenue from contracts with customers	₩ 17,767,658	₩ 16,030,300
Revenue from other sources: Rental and sublease rental income	103,060	81,496
Total revenue	₩ 17,870,718	₩ 16,111,796

(2) Disaggregation of revenue from contracts with customers

The Group's revenue from the transfer of goods and services over time and at a point in time for the years ended December 31, 2024 and 2023, by segments is as follows:

(In millions of Korean won)	2024	
	At a point in time	Over time
Air transport	₩ 16,934,356	₩ -
Aerospace	544,367	48,614
Others	138,554	101,767
	₩ 17,617,277	₩ 150,381

(In millions of Korean won)	2023	
	At a point in time	Over time
Air transport	₩ 15,285,568	₩ -
Aerospace	506,229	34,482
Others	126,807	77,214
	₩ 15,918,604	₩ 111,696

(3) The Group has recognized the following assets and liabilities related to contracts with customers:

(In millions of Korean won)	December 31, 2024	December 31, 2023
Contract assets[1]	₩ 18,602	₩ 4,199
Contract liabilities[2]	7,925,811	5,235,454

[1] Costs of fulfilling a contract which were capitalized in relation to the contracts with customers as of December 31, 2024, and 2023 are ₩6,195 million and ₩8,613 million, respectively.
[2] Contract liabilities are included in the amount due to customers for contract work, advance receipts from customers, unearned revenues and deferred revenues.

34. SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses for the years ended December 31, 2024 and 2023, are as follows:

(In millions of Korean won)	2024	2023
Salaries	₩ 353,128	₩ 303,525
Retirement and severance benefits	44,012	37,692
Depreciation and rental	41,877	54,429
Amortization	46,227	45,095
Rent	5,949	7,294
Sales commission	201,168	200,710
Advertising	57,222	30,947
Welfare	147,259	125,752
Training	9,344	6,569
Communications	91,631	57,735
Taxes and dues	37,945	36,055
Facility maintenance	30,594	10,021
Commission	427,660	380,885
Others	153,952	174,696
	₩ 1,647,968	₩ 1,471,405

35. FINANCIAL INCOME AND EXPENSES:

(1) Financial income for the years ended December 31, 2024 and 2023, is as follows:

(In millions of Korean won)	2024	2023
Interest income	₩ 281,379	₩ 301,891
Dividend income	6,641	5,192
Gain on valuation of derivatives	202,046	31,961
Gain on derivative transactions	158,277	99,373
	₩ 648,343	₩ 438,417

(2) Financial expenses for the years ended December 31, 2024 and 2023, are as follows:

(In millions of Korean won)	2024	2023
Interest expense	₩ 514,159	₩ 531,415
Loss on valuation of derivatives	37,829	25,336
Loss on derivative transactions	44,813	33,906
	₩ 596,801	₩ 590,657

36. OTHER NON-OPERATING INCOME AND EXPENSES:

(1) Other non-operating income for the years ended December 31, 2024 and 2023, consists of the following:

(In millions of Korean won)	2024	2023
Gain on foreign currency transaction	₩ 355,354	₩ 393,835
Gain on foreign currency translation	367,255	109,573
Reversal of allowance for doubtful accounts	-	401
Gain on disposal of property, aircraft and equipment	8,499	7,207
Gain on disposal of assets held for sale	137,355	-
Gain on disposal of intangible assets	-	137
Gain on disposal of financial assets at FVTPL	10,743	-
Gain on valuation of financial assets at FVTPL	868	5,632
Reversal of impairment loss on intangible assets	-	51
Miscellaneous income	35,123	55,184
	₩ 915,197	₩ 572,020

(2) Other non-operating expenses for the years ended December 31, 2024 and 2023, consist of the following:

(In millions of Korean won)	2024	2023
Loss on foreign currency transaction	₩ 399,994	₩ 408,612
Loss on foreign currency translation	716,298	132,992
Other bad debt expenses	20,517	1,344
Loss on disposal of property, aircraft and equipment	35,426	20,781
Loss on disposal of assets held for sale	96	15
Loss on disposal of intangible assets	128	-
Impairment loss on intangible assets	-	10,441
Loss on disposal of other investments	-	2,491
Loss on disposal of financial assets at FVTPL	-	18,177
Donation	15,323	21,392
Miscellaneous loss	52,982	17,935
	₩ 1,240,764	₩ 634,180

37. INCOME TAX EXPENSES:

(1) Income tax expenses for the years ended December 31, 2024 and 2023, are as follows:

(In millions of Korean won)	2024	2023
Current income tax expense	₩ 523,800	₩ 403,796
Changes in deferred taxes due to temporary differences[1]	(183,762)	29,845
Tax loss carryforward[2]	51,223	(55,665)
Total amount of income tax effect	391,261	377,976
Items recorded directly in equity	63,057	68,609
Income tax expenses	₩ 454,318	₩ 446,585
[1] Temporary differences – deferred tax assets at the end of year	₩ 842,111	₩ 658,349
Temporary differences – deferred tax assets at the beginning of year	658,349	688,194
Changes in deferred taxes due to temporary differences	₩ (183,762)	₩ 29,845
[2] Tax loss carryforward – deferred tax assets at the end of year	₩ 16,961	₩ 68,184
Tax loss carryforward – deferred tax assets at the beginning of year	68,184	12,519
Changes in deferred taxes due to tax loss carryforward	₩ 51,223	₩ (55,665)

(2) Reconciliation between profit before income tax expense and income tax expense for the years ended December 31, 2024 and 2023, is as follows:

(In millions of Korean won)	2024	2023
Profit before income tax expense	₩ 1,836,176	₩ 1,575,690
Tax at applicable tax rates	₩ 474,388	₩ 405,620
Adjustments:		
Current adjustments to income tax for prior periods	(14,324)	2,353
Impact of progressive tax rate	1	4
Permanent differences	13,902	9,189
Impact of temporary differences unrecognized	16,663	37,204
Impact of expiration of tax credit carryforward	(1,466)	-
Others	(34,846)	(7,786)
Income tax expense	₩ 454,318	₩ 446,584
The effective tax rate	24.70%	28.30%

37. INCOME TAX EXPENSE, CONTINUED:

(3) Changes in temporary differences, tax losses carryforward, tax credits carryforward and deferred income tax assets (liabilities) as of and for the years ended December 31, 2024 and 2023, are as follows:

(In millions of Korean won)	2024			2023		
	Beginning balance[1]	Increase (decrease) [1]	Ending balance	Beginning balance[1]	Increase(decrease) [1]	Ending balance
Temporary differences:						
Defined benefit obligation	₩ 1,822,364	₩ 804,295	₩ 2,626,659	₩ 1,446,259	₩ 376,105	₩ 1,822,364
Provision for leased aircraft maintenance	286,377	1,107,786	1,394,163	262,395	23,982	286,377
Depreciation and amortization expense	(366,063)	(406,176)	(772,239)	(164,429)	(201,634)	(366,063)
Deferred revenue	2,991,183	1,145,295	4,136,478	2,863,373	127,810	2,991,183
Gain from assets contributed	2,831	-	2,831	2,999	(168)	2,831
Accrued expense	144,111	173,722	317,833	81,817	62,294	144,111
Gain on valuation of financial assets at FVTOCI	(238,134)	250,569	12,435	(220,523)	(17,611)	(238,134)
Gain on valuation of property, aircraft and equipment	(735,221)	33,245	(701,976)	(735,221)	-	(735,221)
Gain on valuation of derivatives	(80,038)	(136,941)	(216,979)	(120,010)	39,972	(80,038)
Asset revaluation surplus	(213,842)	(12,106)	(225,948)	(229,522)	15,680	(213,842)
Others	1,004,633	(234,548)	770,085	760,976	243,657	1,004,633
	4,618,201	2,725,141	7,343,342	3,948,114	670,087	4,618,201
Tax losses carryforward	288,097	1,523,765	1,811,862	55,891	232,206	288,097
Tax credits carryforward	4,522	(4,522)	-	-	4,522	4,522
Deferred tax asset	₩ 726,533	₩ 1,044,751	₩ 1,771,284	₩ 700,713	₩ 25,820	₩ 726,533

[1] Beginning temporary differences include temporary differences recognized as deferred income tax assets (liabilities) as of December 31, 2023 and 2022, which have been partially adjusted during actual tax adjustments for the years ended December 31, 2024 and 2023. Therefore, the Group reflected the aforementioned adjustment in the change in temporary differences for the years ended December 31, 2024 and 2023.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. The details of deferred tax assets (liabilities) shown in the consolidated statements of financial position of the December 31, 2024 and 2023, are as follows.

(In millions of Korean won)	December 31, 2024	December 31, 2023
Deferred tax asset	₩ 1,959,232	₩ 814,071
Deferred tax liabilities	(187,948)	(87,538)
	₩ 1,771,284	₩ 726,533

37. INCOME TAX EXPENSE, CONTINUED:

(4) Deferred income tax expense directly adjusted to shareholders' equity as of December 31, 2024 and 2023, consists of the following:

(In millions of Korean won)	December 31, 2024	December 31, 2023
Deferred income tax expense directly adjusted to Parent Company's equity		
Gain on valuation of financial assets at FVTOCI	₩ 9,336	₩ 6,180
Remeasurement of net defined benefit liabilities	44,835	(64,654)
Asset revaluation surplus (retained earnings)	(5,635)	10
Asset revaluation surplus (OCI)	5,635	63
	54,171	(58,401)
Deferred income tax expense directly adjusted to subsidiaries' equity	8,886	127,010
	₩ 63,057	₩ 68,609

(5) Deductible temporary differences, tax loss and unused tax credits not recognized as deferred assets as of December 31, 2024 and 2023, consist of the following:

(In millions of Korean won)	December 31, 2024	December 31, 2023
Investments in subsidiaries and associates and others	₩ 1,808,731	₩ 1,437,846
Guarantee fees	27,426	27,964
Tax losses carryforward	1,065,408	870,699
Deductible temporary differences	33,742,822	-
	₩ 36,644,387	₩ 2,336,509

The expiration of tax loss not recognized as deferred tax assets as of December 31, 2024, is as follows.

(In millions of Korean won)	December 31, 2024
Less than 1 year	₩ 3,779
1 year to 2 years	2,279
2 years to 3 years	7,386
More than 3 years	1,051,964
	₩ 1,065,408

38. CLASSIFICATION OF EXPENSES BY NATURE:

Expenses classified by nature for the years ended December 31, 2024 and 2023, consist of the following:

(In millions of Korean won)	2024	2023
Salaries and retirement benefit costs	₩ 2,738,510	₩ 2,429,722
Welfare	869,414	727,313
Depreciation and amortization	1,796,030	1,722,896
Rent[1]	140,473	174,858
Fuel and oil charges	4,980,848	4,802,339
Airport-related costs	1,361,193	1,144,911
Passenger and freight service costs	891,870	724,398
Sales commission	201,168	200,710
Commission	541,702	493,200
Aerospace costs	286,727	257,597
Taxes and dues	100,411	87,101
Others	1,852,172	1,556,662
Total[2]	₩ 15,760,518	₩ 14,321,707

[1] Due to COVID-19, rental discount effects amounting to ₩ 87 million were deducted for the years ended December 31, 2023.

[2] The amount is the sum of cost of sales and selling and administrative expenses from the continuing operation in the separate statements of comprehensive income (loss).

39. EARNINGS PER SHARE:

(1) Basic earnings per share for the years ended December 31, 2024 and 2023, are as follows:

A. Common shares

(In millions of Korean won, except per share data)		2024		2023
Profit attributable to owners of the Parent Company	₩	1,317,262	₩	1,061,165
Dividends for hybrid securities		-		(2,622)
Profit attributable to common shares of the Parent Company		1,313,245		1,055,304
Weighted-average number of common shares outstanding		368,220,613 shares		368,220,614 shares
Earnings per common shares (in won)	₩	3,566	₩	2,866

B. Preferred shares

(In millions of Korean won, except per share data)		2024		2023
Profit attributable to owners of the Parent Company	₩	1,317,262	₩	1,061,165
Dividends for hybrid securities		-		(2,622)
Profit attributable to preferred shares of the Parent Company		4,017		3,239
Weighted-average number of preferred shares outstanding		1,110,791 shares		1,110,792 shares
Earnings per preferred shares (in won)	₩	3,616	₩	2,916

C. Weighted-average shares

(Number of shares)	2024	2023
Cumulative number of weighted-average common shares	134,768,744,357	134,400,524,290
Cumulative number of weighted-average preferred shares	406,549,597	405,439,080
Number of days	366	365
Weighted-average number of common shares outstanding[1]	368,220,613	368,220,614
Weighted-average number of preferred shares outstanding	1,110,791	1,110,792

[1] The weighted-average number of common shares outstanding was calculated by reflecting the conversion right factor arising from the claim for conversion of the convertible bond to stock in calculation of the cumulative number of shares issued for the year ended December 31, 2023.

(2) Since there is no dilution effect of diluted securities, diluted earnings per share equals basic earnings per share for the year ended December 31, 2024 and 2023.

40. FINANCIAL INSTRUMENTS:

(1) Classification and fair value of financial assets by category

The carrying amount and fair value of consolidated financial statements by category that are based on the nature and characteristics, as well as fair value measurements of financial instruments by fair value hierarchy level as of December 31, 2024 and 2023, are as follows. Fair value hierarchy is based on the degree to which the fair value is observable as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

A. Financial assets

Financial assets by category and fair value hierarchy level as of December 31, 2024 and 2023, are as follows:

(In millions of Korean won)	December 31, 2024			
	Category			
	Financial assets at FVTPL	Financial assets at FVTOCI	Financial assets at amortized cost	Total
Cash and cash equivalents	₩ -	₩ -	₩ 2,215,625	₩ 2,215,625
Short-term and long-term financial instruments	-	-	4,745,133	4,745,133
Financial assets at amortized cost	-	-	20,632	20,632
Financial assets at FVTPL:				
Unlisted equity securities	876	-	-	876
Unlisted equity fund	10,119	-	-	10,119
Redeemable convertible preferred stock	5,625	-	-	5,625
Equity investments	15,496	-	-	15,496
Hybrid securities	4,739	-	-	4,739
Financial assets at FVTOCI:				
Listed equity securities	-	157,872	-	157,872
Unlisted equity securities	-	82,728	-	82,728
Unsecured private bonds	-	13,863	-	13,863
Trade and other receivables	-	-	1,584,622	1,584,622
Other financial assets	-	-	349,057	349,057
Lease receivables	-	-	397,082	397,082
Financial derivative assets	259,604	-	-	259,604
	₩ 296,459	₩ 254,463	₩ 9,312,151	₩ 9,863,073

40. FINANCIAL INSTRUMENTS, CONTINUED:

(1) Classification and fair value of financial assets by category, continued

A. Financial assets, continued

Financial assets by category and fair value hierarchy level as of December 31, 2024 and 2023, are as follows, continued:

(In millions of Korean won)	December 31, 2024			
	Fair value hierarchy			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	₩ 2,215,625	₩ -	₩ -	₩ 2,215,625
Short-term and long-term financial instruments	4,745,133	-	-	4,745,133
Financial assets at amortized cost	-	20,632	-	20,632
Financial assets at FVTPL:				
Unlisted equity securities	-	-	876	876
Unlisted equity fund	-	-	10,119	10,119
Redeemable convertible preferred stock	-	-	5,625	5,625
Equity investments	-	-	15,496	15,496
Hybrid securities	-	3,093	1,646	4,739
Financial assets at FVTOCI:				
Listed equity securities	157,872	-	-	157,872
Unlisted equity securities	-	-	82,728	82,728
Unsecured private bonds	-	-	13,863	13,863
Trade and other receivables	-	-	1,584,622	1,584,622
Other financial assets	-	-	349,057	349,057
Lease receivables	-	-	397,082	397,082
Financial derivative assets	-	259,604	-	259,604
	₩ 7,118,630	₩ 283,329	₩ 2,461,114	₩ 9,863,073

40. FINANCIAL INSTRUMENTS, CONTINUED:

(1) Classification and fair value of financial assets by category, continued

A. Financial assets, continued

Financial assets by category and fair value hierarchy level as of December 31, 2024 and 2023, are as follows, continued:

(In millions of Korean won)	December 31, 2023			
	Category			
	Financial assets at FVTPL	Financial assets at FVTOCI	Financial assets at amortized cost	Total
Cash and cash equivalents	₩ -	₩ -	₩ 622,787	₩ 622,787
Short-term and long-term financial instruments	-	-	5,553,529	5,553,529
Financial assets at amortized cost	-	-	2,590	2,590
Financial assets at FVTPL:				
Unlisted equity fund	6,886	-	-	6,886
Equity investments	15,278	-	-	15,278
Financial assets at FVTOCI:				
Listed equity securities	-	113,133	-	113,133
Unlisted equity securities	-	83,333	-	83,333
Perpetual convertible bonds	-	324,729	-	324,729
Trade and other receivables	-	-	1,135,031	1,135,031
Other financial assets	-	-	149,868	149,868
Lease receivables	-	-	268,056	268,056
Financial derivative assets	107,401	-	-	107,401
	₩ 129,565	₩ 521,195	₩ 7,731,861	₩ 8,382,621

40. FINANCIAL INSTRUMENTS, CONTINUED:

(1) Classification and fair value of financial assets by category, continued

A. Financial assets, continued

Financial assets by category and fair value hierarchy level as of December 31, 2024 and 2023, are as follows, continued:

(In millions of Korean won)	December 31, 2023			
	Fair value hierarchy			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	₩ 622,787	₩ -	₩ -	₩ 622,787
Short-term and long-term financial instruments	5,553,529	-	-	5,553,529
Financial assets at amortized cost	-	2,590	-	2,590
Financial assets at FVTPL:				
Unlisted equity fund	-	-	6,886	6,886
Equity investments	-	-	15,278	15,278
Financial assets at FVTOCI:				
Listed equity securities	113,133	-	-	113,133
Unlisted equity securities	-	-	83,333	83,333
Perpetual convertible bonds	-	-	324,729	324,729
Trade and other receivables	-	-	1,135,031	1,135,031
Other financial assets	-	-	149,868	149,868
Lease receivables	-	-	268,056	268,056
Financial derivative assets	-	107,401	-	107,401
	₩ 6,289,449	₩ 109,991	₩ 1,983,181	₩ 8,382,621

B. Financial liabilities

Financial liabilities by category and fair value hierarchy level as of December 31, 2024 and 2023, are as follows:

(In millions of Korean won)	December 31, 2024		
	Category		
	Financial liabilities at FVTPL	Financial liabilities at amortized cost	Total
Trade and other payables	₩ -	₩ 2,177,162	₩ 2,177,162
Borrowings	-	5,593,705	5,593,705
Debentures	-	2,905,583	2,905,583
Financial derivative liabilities	42,625	-	42,625
Other financial liabilities	-	50,179	50,179
Lease obligations	-	10,926,644	10,926,644
	₩ 42,625	₩ 21,653,273	₩ 21,695,898

40. FINANCIAL INSTRUMENTS, CONTINUED:

(1) Classification and fair value of financial assets by category, continued

B. Financial liabilities, continued

Financial liabilities by category and fair value hierarchy level as of December 31, 2024 and 2023, are as follows, continued:

(In millions of Korean won)	December 31, 2024			
	Fair value hierarchy			
	Level 1	Level 2	Level 3	Total
Trade and other payables	₩ -	₩ -	₩ 2,177,162	₩ 2,177,162
Borrowings	-	-	4,406,159	4,406,159
Debentures	-	-	1,933,644	1,933,644
Financial derivative liabilities	-	42,625	-	42,625
Other financial liabilities	-	-	50,179	50,179
Lease obligations	-	-	10,926,644	10,926,644
	₩ -	₩ 42,625	₩ 19,493,788	₩ 19,536,413

(In millions of Korean won)	December 31, 2023		
	Category		
	Financial liabilities at FVTPL	Financial liabilities at amortized cost	Total
Trade and other payables	₩ -	₩ 1,527,971	₩ 1,527,971
Borrowings	-	3,912,168	3,912,168
Debentures	-	2,600,220	2,600,220
Financial derivative liabilities	27,363	-	27,363
Other financial liabilities	-	12,392	12,392
Lease obligations	-	4,434,479	4,434,479
	₩ 27,363	₩ 12,487,230	₩ 12,514,593

(In millions of Korean won)	December 31, 2023			
	Fair value hierarchy			
	Level 1	Level 2	Level 3	Total
Trade and other payables	₩ -	₩ -	₩ 1,527,971	₩ 1,527,971
Borrowings	-	-	3,256,067	3,256,067
Debentures	-	-	2,583,523	2,583,523
Financial derivative liabilities	-	27,363	-	27,363
Other financial liabilities	-	-	12,392	12,392
Lease obligations	-	-	4,434,479	4,434,479
	₩ -	₩ 27,363	₩ 11,814,432	₩ 11,841,795

40. FINANCIAL INSTRUMENTS, CONTINUED:

(1) Classification and fair value of financial assets by category, continued

1) Financial assets and liabilities that are measured at fair value on a recurring basis

Some financial instruments are measured at fair value at the end of the reporting period. The valuation techniques used to measure fair value of those financial instruments are as follows:

(In millions of Korean won)	December 31, 2024				
	Hierarchy level	**Fair value**	**Valuation techniques**	**Inputs**	**Description of relationships**
Financial instruments at fair value					
Financial derivative assets (Note 26)	2	₩ 259,604	Discounted cash flow method and others	Interest rate, foreign exchange rate, oil price, discount rate	Fair value of financial derivatives will increase (decrease) if the discount rate is reduced (increased) along with the increase (decrease) in interest rate, foreign exchange rate and oil price.
Financial derivative liabilities (Note 26)	2	42,625			
Financial assets at fair value (Note 8)	2	3,093		Sales growth rate, ratio of operating gain to revenue, weighted-average cost of capital	Fair value of unlisted shares will increase (decrease) if the weighted-average cost of capital is reduced (increased) along with the increase (decrease) in pretax operating margin and sales growth rate.
	3	130,353			

There are no significant changes between Level 1 and Level 2 for the years ended December 31, 2024 and 2023.

40. FINANCIAL INSTRUMENTS, CONTINUED:

(1) Classification and fair value of financial assets by category, continued

2) Changes in financial instruments that are measured at fair value on a recurring basis and classified as Level 3 for the years ended December 31, 2024 and 2023, are as follows:

(In millions of Korean won)	2024						
	Beginning balance	**Acquisition**	**Disposal**	**Business combination[1]**	**Valuation-OCI**	**Valuation-PL**	**Ending balance**
Financial assets at fair value	₩ 430,226	₩ 182,350	₩ (1,200)	₩ (439,444)	₩ (41,762)	₩ 183	₩ 130,353

[1] It is due to the acquisition of equity in Asiana Airlines, Inc. for the year ended December 31, 2024 (see Note 46).

(In millions of Korean won)	2023					
	Beginning balance	**Acquisition**	**Disposal**	**Valuation - OCI**	**Valuation - PL**	**Ending balance**
Financial assets at fair value	₩ 423,059	₩ 300,955	₩ (306,660)	₩ 25,548	₩ (12,676)	₩ 430,226

Total gains and losses recognized in other comprehensive income were related to unlisted shares and perpetual convertible bonds as of December 31, 2024, and were recognized as gain (loss) on valuation of financial assets at FVTOCI (see Note 32).

The amount related to assets as of December 31, 2024, is ₩183 million among the total gains and losses recognized in profit or loss. The profits and losses from fair value changes of those assets are included in other non-operating income and expense (see Note 36).

3) Fair value disclosure of financial assets and liabilities unmeasured subsequently at fair value

Fair values of financial instruments measured at Level 1 are based on quoted prices. Fair values of financial instruments measured at Level 2 are based on discounted cash flows and discounted future cash flows using market rates adjusted for credit risk.

40. FINANCIAL INSTRUMENTS, CONTINUED:

(1) Classification and fair value of financial assets by category, continued

4) Accumulated fair value changes related to financial liabilities at FVTPL for the year ended December 31, 2024, are as follows:

(In millions of Korean won)		2024
Accumulated fair value changes recognized in gain or loss	₩	42,625

5) Gains or losses on each category of financial instruments for the years ended December 31, 2024 and 2023, are as follows:

(*) The transaction gain (loss) and gain (loss) from valuation of derivative instruments have been classified into assets and liabilities based on the year-end valuation results of gain and loss generated from each contract.

A. Financial assets

(In millions of Korean won)	2024			
	Financial assets at FVTPL	Financial assets at FVTOCI	Financial assets at amortized cost	Total
Interest income	₩ 111	₩ 18,563	₩ 262,706	₩ 281,380
Dividend income	19	6,623	-	6,642
Bad debt expense	-	-	(20,904)	(20,904)
Gain on foreign currency translation	-	-	353,520	353,520
Loss on foreign currency translation	-	-	(42,869)	(42,869)
Gain on valuation of financial assets at FVTPL	868	-	-	868
Loss on valuation of financial assets at FVTOCI (before tax)	-	(38,830)	-	(38,830)
Gain on valuation of derivatives	199,569	-	-	199,569
Loss on valuation of derivatives	(63)	-	-	(63)
Gain on derivative transactions	146,060	-	-	146,060
Loss on derivative transactions	(44,811)	-	-	(44,811)
	₩ 301,753	₩ (13,644)	₩ 552,453	₩ 840,562

40. FINANCIAL INSTRUMENTS, CONTINUED:

(1) Classification and fair value of financial assets by category, continued

5) Gains or losses on each category of financial instruments for the years ended December 31, 2024 and 2023, are as follows, continued:

A. Financial assets, continued

(In millions of Korean won)

	2023			
	Financial assets at FVTPL	Financial assets at FVTOCI	Financial assets at amortized cost	Total
Interest income	₩ 32,901	₩ 1,175	₩ 267,815	₩ 301,891
Dividend income	-	5,192	-	5,192
Bad debt expense	-	-	(1,315)	(1,315)
Gain on foreign currency translation	-	-	42,576	42,576
Loss on foreign currency translation	-	-	(16,998)	(16,998)
Gain on valuation of financial assets at FVTPL	5,632	-	-	5,632
Gain on valuation of financial assets at FVTOCI (before tax)	-	29,805	-	29,805
Gain on valuation of derivatives	31,962	-	-	31,962
Gain on derivative transactions	89,755	-	-	89,755
Loss on derivative transactions	(29,064)	-	-	(29,064)
	₩ 131,186	₩ 36,172	₩ 292,078	₩ 459,436

B. Financial liabilities

(In millions of Korean won)

	2024		
	Financial liabilities at FVTPL	Financial liabilities at amortized cost	Total
Interest expense	₩ -	₩ (514,159)	₩ (514,159)
Gain on foreign currency translation	-	11,464	11,464
Loss on foreign currency translation	-	(682,964)	(682,964)
Gain on valuation of derivative	2,477	-	2,477
Loss on valuation of derivative	(37,766)	-	(37,766)
Gain on derivative transactions	12,217	-	12,217
Loss on derivative transactions	(1)	-	(1)
	₩ (23,073)	₩ (1,185,659)	₩ (1,208,732)

40. FINANCIAL INSTRUMENTS, CONTINUED:

(1) Classification and fair value of financial assets by category, continued

5) Gains or losses on each category of financial instruments for the years ended December 31, 2024 and 2023, are as follows, continued:

B. Financial liabilities, continued

(In millions of Korean won)

	2023		
	Financial liabilities at FVTPL	**Financial liabilities at amortized cost**	**Total**
Interest expense	₩ -	₩ (531,415)	₩ (531,415)
Gain on foreign currency translation	-	64,769	64,769
Loss on foreign currency translation	-	(114,889)	(114,889)
Loss on valuation of derivative	(25,336)	-	(25,336)
Gain on derivative transactions	9,617	-	9,617
Loss on derivative transactions	(4,842)	-	(4,842)
	₩ (20,561)	₩ (581,535)	₩ (602,096)

(2) Financial risk management

The financial sector manages the Group's business and organizes the approach to the domestic and international financial markets. Furthermore, it monitors and manages the financial risk related to the Group's business through internal risk reports, which analyze the scope and scale of each risk. These risks include the market risk (currency, interest rate, oil price and price fluctuation risk), credit risk and liquidity risk.

The Group tries to minimize the impact of these risks by using derivative instruments for risk aversion. Use of derivatives is determined on the basis of the policy of the Group approved by the board of directors. The documented principles about foreign exchange risk, interest rate risk, credit risk, use of non-derivative financial instruments and derivative financial instruments, and the investment of excess liquidity are provided. Internal auditor reviews the compliance with the policy and limitations of risk consistently. The Group does not make and trade the financial instrument contracts, including derivatives, for speculative purposes.

The finance division operates a separate financial risk management organization to monitor policies and risks to mitigate risk exposure. It focuses on minimizing risk by carrying out systematic risk management such as monitoring market risk factors closely, etc.

40. FINANCIAL INSTRUMENTS, CONTINUED:

(3) Market risk

The Group is mainly exposed to financial risks, such as foreign exchange rate, interest rate and oil price. In order to manage the market risk, the Group made a contract for derivative instruments.

1) Foreign exchange risk management

The Group is exposed to various foreign currency risks since it makes transactions in foreign currencies. By using the currency swap contracts, the Group manages the degree of risk exposure due to the changes in exchange rates within the limit decided in the policy that has been approved.

Carrying amount of monetary assets and liabilities denominated in foreign currencies as of December 31, 2024 and 2023, translated to Korean won, are as follows:

(In millions of Korean won)	Assets		Liabilities	
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
Foreign currencies				
USD	₩ 3,441,085	₩ 2,646,099	₩ 10,162,506	₩ 4,895,753
EUR	136,278	88,993	1,494,883	1,057,438
JPY	193,866	103,049	2,180,502	1,274,561
Others	488,508	376,297	808,424	152,570
	₩ 4,259,737	₩ 3,214,438	₩ 14,646,315	₩ 7,380,322

A. Foreign currency sensitivity analysis

The Group is mainly exposed to the risk on USD, EUR, JPY and other currencies (HKD, CNY and others). The Group's sensitivity to a 10% increase or 10% decrease and in Korean won (functional currency of the Group) against the foreign currencies as of December 31, 2024 and 2023, is presented in the table below. The sensitivity rate used in reporting foreign currency risk internally to key management personnel is 10% and it represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency-denominated monetary items and adjusts their translation at the period-end for a 10% change in foreign currency rates. A positive number below indicates an increase in income (loss) before income tax expense and other equity where the Korean won is strengthening 10% against the relevant currency. For a 10% weakness of Korean won against the relevant currency, there would be an equal and opposite impact on the income (loss) before income tax expense and other equity.

(In millions of Korean won)	2024			
	USD	EUR	JPY	Others
Profit (loss) before income tax expense[1]	₩ 250,978	₩ 82,782	₩ 155,068	₩ 39,625

(In millions of Korean won)	2023			
	USD	EUR	JPY	Others
Profit (loss) before income tax expense[1]	₩ 179,352	₩ 96,845	₩ 118,368	₩ (22,309)

[1] Mainly attributable to exchange rate fluctuations of receivables and payables denominated in USD, EUR and JPY as of December 31, 2024 and 2023.

40. FINANCIAL INSTRUMENTS, CONTINUED:

(3) Market risk, continued

2) Interest risk management

The Group has borrowed funds on fixed and floating interest rates; therefore, the Group is exposed to interest rate risk. In order to manage interest rate risk, the Group maintains a proper balance between floating-rate borrowings and fixed-rate borrowings, or the Group enters into interest rate swap contracts. In order to appropriately adjust to situation of interest and the defined tendency of risk, the risk aversion activity is evaluated periodically and optimal hedging strategy is applied.

The exposure degree of interest rate risk for financial assets and liabilities is described in more detail in the footnotes of liquidity risk management.

The Group is exposed to risk-free interest rate like SOFR (Secured Overnight Financing Rate) or EURIBOR (Euro InterBank Offered Rate). The exposure comes from derivative financial instruments, non-derivative financial assets and non-derivative financial liabilities.

Total amount of the contracts which are not transited as of December 31, 2024, is as follows:

(In millions of Korean won)

Interest Rate Benchmark	Book value of finance lease obligations	Book value of borrowings	Nominal amount of derivative financial instruments[1]
USD LIBOR	₩ -	₩ -	₩ 253,738

[1] It includes derivative instruments at FVTPL.

A. Interest sensitivity analysis

The sensitivity analyses above have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating-rate financial assets and liabilities, the analysis is prepared assuming the amount of the financial assets and liabilities outstanding at the end of the reporting period was outstanding for whole year. The sensitivity rate used in reporting interest risk internally to key management personnel is 50 basis points and it represents management's assessment of the reasonable possible change in interest rates.

The Group's sensitivity to a 50-basis-points change in interest rates on profit (loss) when all other variables are fixed as of December 31, 2024 and 2023, is as follows:

- The Group's profit will decrease (increase) by ₩ 24,817 million (2023: ₩ 23,649 million), and it is mainly due to the interest rate risk of floating-rate borrowings.

The Group's interest sensitivity has decreased due to the reduction in floating-rate debt instruments for the year ended December 31, 2024.

40. FINANCIAL INSTRUMENTS, CONTINUED:

(3) Market risk, continued

2) Interest risk management, continued

B. Interest rate swap contracts

On the basis of the interest rate swap agreement, the Group will exchange the balance that is calculated by applying the difference between fixed-rate and floating-rate interest of the nominal principal that is determined in advance. These contracts will reduce the risk of changes in fair value of the fixed-rate liabilities and cash flows of floating-rate liabilities. Due to the changes in interest rates, the fair value of the interest rate swap is determined by discounting the future cash flows estimated using the credit risk that is inherent in the contract with the yield curve as of December 31, 2024, and it is disclosed in the following table. The average interest rate is determined based on the outstanding balance as of December 31, 2024.

The interest rate swap outstanding that pays fixed interest and receives variable interest as of December 31, 2024 and 2023, is as follows:

(In millions of Korean won, and thousands of JPY)	December 31, **2024**			
	Average contracted fixed rate (%)	**Contract amount**		**Fair value**
For trading purpose				
Less than 1 year	0.87	JPY	43,521,053	₩ 57,642
	4.12	KRW	171,853	11,434
More than 1 year	0.95	JPY	48,104,551	68,238
	3.44	KRW	936,713	122,033

(In millions of Korean won, and thousands of USD and JPY)	December 31, **2023**			
	Average contracted fixed rate (%)	**Contract amount**		**Fair value**
For trading purpose				
Less than 1 year	2.02	JPY	911,411	₩ 2,461
	2.25	KRW	130,691	9,079
More than 1 year	0.86	JPY	94,985,114	28,427
	2.98	KRW	545,481	62,506

40. FINANCIAL INSTRUMENTS, CONTINUED:

(3) Market risk, continued

3) Risk of changes in oil prices

Market prices of oil products, such as jet fuel, have fluctuated significantly due to various factors that affect the supply and demand of crude oil in the world market. These factors will affect the cash flow and performance of air transportation business, which is the largest business segment of the Group.

The effect of 10% change in oil price on operating income (loss) for the years ended December 31, 2024 and 2023, is as follows:

(In millions of Korean won)	2024		2023	
	Increase by 10%	Decrease by 10%	Increase by 10%	Decrease by 10%
Operating income (loss)	₩ (498,085)	₩ 498,085	₩ (480,234)	₩ 480,234

4) Other price risk

The Group is exposed to price risk arising from equity instruments. The Group holds equity instruments for a strategic purpose and not for trading, and has not actively traded the investment assets.

A. Stock price sensitivity analysis

The following sensitivity analysis is based on the current stock price fluctuation risk as of December 31, 2024 and 2023.

The effect of 5% change in stock price is as follows:

- The Group's other comprehensive income (loss) will increase (decrease) by ₩ 7,481 million (2023: ₩ 5,657 million), and it is due to the change of the listed securities.

The methods and assumptions used in preparing the sensitivity analysis above have not changed significantly from the prior year.

(4) Credit risk management

The measurement standards used to estimate the maximum exposures and ECLs for the Group's credit risk are described in 2) below.

In order to minimize credit risk, the Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group has adopted a policy to receive adequate collateral. The Group has traded only with companies that received a credit rating that is applicable to investment grade and above. This credit information is provided by independent credit-rating agencies. If the Group is not able to use information that credit-rating agency provided, the Group uses another financial information and trading performance, which officially announces for the purpose of the Group to determine the credit rating of major customers. The Group has reviewed the exposure of credit risk and credit rating of customers consistently, and transaction amounts are distributed to the approved customers.

There are no other Group's maximum exposure to credit risk except the carrying amount of the respective recognized financial assets as stated in the consolidated statement of financial position as of December 31, 2024 and 2023.

40. FINANCIAL INSTRUMENTS, CONTINUED:

(4) Credit risk management, continued

Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. Furthermore, the Group reviews the recoverable amount of each trade receivables and debt investment on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts. In this regard, the directors of the Group consider that the Group's credit risk is significantly reduced. The trade receivables consist of many suppliers and distributors in various regions. The credit evaluation about the trade receivables has been carried out consistently, and where appropriate, credit guarantee insurance was entered into.

The credit risk on liquidity funds and derivatives is limited because the counterparty is a bank with a high-credit rating by an international rating agency.

1) Collateral held as security and other credit enhancements

The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except the credit risk associated with lease receivables. The carrying amount of lease receivables amounts to ₩397,082 million (2023: ₩268,056 million) and the fair value of the leased assets is estimated to be approximately ₩387,179 million (2023: ₩268,056 million). The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee. There have not been any significant changes in the quality of the collateral held for finance lease receivables. The Group has not recognized a loss allowance for the lease receivables as a result of these collaterals.

2) The Group's exposure to credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As of December 31, 2024, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group, arises from:

- the carrying amount of the respective recognized financial assets as stated in the consolidated statement of financial position and

- the maximum amount the entity would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised.

The credit rating information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread among approved counterparties.

As of December 31, 2024 and 2023, the Group has no maximum exposure to financial loss other than the carrying amounts of the respective financial assets recognized in the consolidated financial statements.

As of December 31, 2024 and 2023, the Group's credit risk is excluded from the above disclosure because the book value of financial assets represents the maximum amount of exposure to credit risk.

40. FINANCIAL INSTRUMENTS, CONTINUED:

(5) Liquidity risk management

The board of directors has ultimate responsibility for liquidity risk management to formulate the basic policy for financing the Group's short-term and long-term financing and managing liquidity management regulations. The Group manages liquidity risk by maintaining the sufficient reserves and line of credit, observing the predicted and actual cash flows and matching the maturity structure of financial assets and financial liabilities.

1) Details related to liquidity and interest rate risk

The following table shows the expected maturity of the Group's non-derivative financial assets, and the table is formed based on the contractual maturity amount of the financial assets that are not discounted. In order to understand the liquidity risk management of the Group, the information about the non-derivative financial assets has to be included because the Group manages the liquidity based on the net assets and net liabilities.

(In millions of Korean won)	December 31, 2024			
	Within 1 year	1 year to 5 years	More than 5 years	Total
Cash and cash equivalents	₩ 2,215,625	₩ -	₩ -	₩ 2,215,625
Short-term and long-term financial assets	4,475,286	269,847	-	4,745,133
Lease receivables	34,536	334,648	86,729	455,913
Trade and other receivables	1,584,575	47	-	1,584,622
Financial assets at amortized costs	2,506	18,126	-	20,632
Other financial assets	40,015	67,288	241,753	349,056
	₩ 8,352,543	₩ 689,956	₩ 328,482	₩ 9,370,981

(In millions of Korean won)	December 31, 2023			
	Within 1 year	1 year to 5 years	More than 5 years	Total
Cash and cash equivalents	₩ 622,787	₩ -	₩ -	₩ 622,787
Short-term and long-term financial assets	5,552,028	1,501	-	5,553,529
Lease receivables	16,472	261,943	-	278,415
Trade and other receivables	1,135,016	15	-	1,135,031
Financial assets at amortized costs	22	2,568	-	2,590
Other financial assets	2,603	18,888	128,377	149,868
	₩ 7,328,928	₩ 284,915	₩ 128,377	₩ 7,742,220

40. FINANCIAL INSTRUMENTS, CONTINUED:

(5) Liquidity risk management, continued

1) Details related to liquidity and interest rate risk, continued

The following table shows the contractual maturity of the Group's non-derivative financial liabilities. The table is formed based on the earliest maturity date on which the Group has to pay on the basis of the cash flows of the financial liabilities that are not discounted, and the cash flows include both the principal and interest. If the interest on cash flows is based on a floating interest rate, cash flows that are not discounted have been derived based on the yield curve at the end of the reporting period. The maturity analysis is based on the earliest maturity date on which the Group can be required to pay.

(In millions of Korean won)	December 31, 2024			
	Within 1 year	1 year to 5 years	More than 5 years	Total
Trade and other payables	₩ 2,177,162	₩ -	₩ -	₩ 2,177,162
Lease obligations	2,400,731	5,864,419	4,963,549	13,228,699
Borrowings	3,932,719	1,889,924	254,111	6,076,754
Debentures	1,628,056	1,746,535	-	3,374,591
	₩ 10,138,668	₩ 9,500,878	₩ 5,217,660	₩ 24,857,206

(In millions of Korean won)	December 31, 2023			
	Within 1 year	1 year to 5 years	More than 5 years	Total
Trade and other payables	₩ 1,527,971	₩ -	₩ -	₩ 1,527,971
Lease obligations	1,370,897	3,078,408	767,869	5,217,174
Borrowings	2,006,770	2,091,991	175,290	4,274,051
Debentures	855,247	1,843,323	-	2,698,570
	₩ 5,760,885	₩ 7,013,722	₩ 943,159	₩ 13,717,766

The amount of the floating-rate instruments (non-derivative financial assets and liabilities) contained in the table above may be changed if the changes in floating interest rates are different from the estimated interest rates at the end of the reporting period.

The table below shows, in detail, the liquidity analysis of derivative financial instruments based on contractual maturities. The amount of the derivative instruments that are settled in net amounts is based on undiscounted net cash inflows and outflows in accordance with the terms of the contract, and that of the derivative instruments that are settled in gross amounts is based on undiscounted total cash inflows and outflows. In case the amounts to be received or paid are not settled, an estimated settlement amount reflecting the exchange rate and interest rate at the end of the reporting period is used.

40. FINANCIAL INSTRUMENTS, CONTINUED:

(5) Liquidity risk management, continued

1) Details related to liquidity and interest rate risk, continued

(In millions of Korean won)	December 31, 2024		
	Within 1 year	1 year to 2 years	More than 2 years
Net settlement:			
Oil price option	₩ (14,971)	₩ (7,096)	₩ -
Gross settlement:			
Cross-currency interest swaps and interest rate swaps			
Inflows	899,264	319,887	1,154,776
Outflows	(722,439)	(241,135)	(1,005,377)
Currency forwards contracts			
Inflows	327,600	-	-
Outflows	(350,864)	-	-
	₩ 138,590	₩ 71,656	₩ 149,399

(In millions of Korean won)	December 31, 2023		
	Within 1 year	1 year to 2 years	More than 2 years
Net settlement:			
Oil price option	₩ (15,990)	₩ (7,142)	₩ -
Gross settlement:			
Cross-currency interest swaps and interest rate swaps			
Inflows	260,070	162,646	210,509
Outflows	(209,645)	(132,127)	(184,538)
Currency forwards contracts			
Inflows	18,260	-	-
Outflows	(17,788)	-	-
	₩ 34,907	₩ 23,377	₩ 25,971

40. FINANCIAL INSTRUMENTS, CONTINUED:

(6) Capital risk management

The Group manages its capital in order to maintain the ability to continuously provide profits to its shareholders and interest parties and optimum capital structure to reduce capital expenses. In order to maintain such optimum, the Group adjusts dividend payments, redeems paid-in capital to shareholders and issues stocks to reduce liabilities or sell assets.

Like other entities in the industry in which the Group operates, the Group manages its capital based on the ratio of net debt-to-total equity. Net debt refers to total borrowings (including obligation under finance leases as presented in the consolidated statements of financial position), less cash and cash equivalents and short-term financial assets, and total equity refers to capital presented in the consolidated statements of financial position, plus net debt. The Group's net debt-to-total equity ratio as of December 31, 2024 and 2023, is as follows:

(In millions of Korean won)	December 31, 2024	December 31, 2023
Total borrowings	₩ 19,425,932	₩ 10,946,867
Less: cash and cash equivalents and short-term financial assets	6,690,910	6,174,815
Net debt (A)	12,735,022	4,772,052
Capital (B)	10,963,192	9,815,208
Total equity (A+B)	₩ 23,698,214	₩ 14,587,260
Net debt-to-total equity ratio (A/(A+B))	53.74%	32.71%

41. RELATED-PARTY TRANSACTIONS:

(1) The list of related parties of the Group as of December 31, 2024, is as follows:

Relationship	Related parties
Significant influence over the Group	Hanjin KAL Co., Ltd. and Korea Development Bank
Associates	Korean Air C&D Co., Ltd.; Mychef Co., Ltd.; LSG Skychefskorea Co., Ltd.; Asiana Philippines GSA, Inc.; Gate Gourmet Korea Co., Ltd.; Kumho Samco Buslines Co., Ltd.; and Kumho Viet Thanh Buslines Co., Ltd.
Other related parties[1]	KAL Hotel Network Co., Ltd.; Topas Co., Ltd.; Jungseok Enterprise Co., Ltd.; Hanjin Travel Service Co., Ltd.
Affiliated companies of a conglomerate and others[2]	Hanjin Transportation Co., Ltd.; Jungseok-Inha School's Foundation; TAE IL CO., LTD.; Jungseok Logistics Foundation; WAC INTERNATIONAL LOGISTICS CO., LTD.; WAC Air Service Co., Ltd.; Hanjin Pyeongtaek Container Terminal Co., Ltd.; Pohang Port 7th Terminal Operating Co., LTD.; HANJIN INCHEON CONTAINER TERMINAL CO., LTD.; Taeil Catering Co., Ltd.; HANJIN ULSAN NEWPORT OPERATION CO., LTD.; Chungwon Freez Co., Ltd., and others

[1] Waikiki Resort Hotel, Inc. was excluded from related parties due to disposal of its share for the year ended December 31, 2024.

[2] Although the entity is not the related party of the Group in accordance with K-IFRS 1024, the entity belongs to a Large Enterprise Group to which the Group also belongs in accordance with the Monopoly Regulation and Fair Trade Act.

41. RELATED-PARTY TRANSACTIONS, CONTINUED:

(2) Significant transactions with related parties (except for treasury and equity transactions) for the years ended December 31, 2024 and 2023, are as follows:

(In millions of Korean won)		2024	
		Sales and others	Purchases and others[1]
Significant influence over the Group	Hanjin KAL Co., Ltd.	₩ 4,265	₩ 42,105
	Korea Development Bank	78,606	66,558
Associates	Korean Air C&D Co., Ltd.	60,239	374,214
Other related parties	KAL Hotel Network Co., Ltd.	9,120	37,387
	Topas Co., Ltd.	9,576	50
	Jungseok Enterprise Co., Ltd.	254	1,070
	Hanjin Travel Service Co., Ltd.	24,557	1,841
	Waikiki Resort Hotel, Inc.[2]	5	578
Affiliated companies of a conglomerate and others	Hanjin Transportation Co., Ltd.	42,411	41,471
	Jungseok-Inha School's Foundation	7,502	16,744
	Others[3]	110,593	10,769

[1] It includes interest expense of ₩507 million for debentures paid to related parties.
[2] It includes transaction with Waikiki Resort Hotel, Inc., excluded from related parties due to disposal of its share.
[3] Transactions between the related parties, except for Hanjin Transportation Co., Ltd. and Jungseok-Inha School's Foundation, classified as 'Affiliated companies of a conglomerate and others' in (1), are included.

(In millions of Korean won)		2023	
		Sales and others	Purchases and others[1]
Significant influence over the Group	Hanjin KAL Co., Ltd.	₩ 2,442	₩ 309,106
	Korea Development Bank	69,479	62,967
Associates	Korean Air C&D Co., Ltd.	45,134	288,080
Other related parties	KAL Hotel Network Co., Ltd.	6,597	28,452
	Topas Co., Ltd.	6,034	18
	Jungseok Enterprise Co., Ltd.	204	1,286
	Hanjin Travel Service Co., Ltd.	17,262	1,593
	Waikiki Resort Hotel, Inc.	12	1,963
Affiliated companies of a conglomerate and others	Hanjin Transportation Co., Ltd.	32,704	32,400
	Jungseok-Inha School's Foundation	7,925	5,294
	Others[2]	1,576	12,189

[1] It includes interest expense of ₩421 million for debentures paid to related parties.
[2] Transactions between the related parties, except for Hanjin Transportation Co., Ltd. and Jungseok-Inha School's Foundation, classified as 'Affiliated companies of a conglomerate and others' in (1), are included.

41. RELATED-PARTY TRANSACTIONS, CONTINUED:

(3) Significant receivables from and payables to the related parties (except for loan, borrowing and related interest income/expense transactions) as of December 31, 2024 and 2023, are as follows:

(In millions of Korean won)

		December 31, 2024	
		Trade and other receivables	Trade and other payables[1]
Significant influence over the Group	Hanjin KAL Co., Ltd.	₩ 11,047	₩ 10,054
	Korea Development Bank	2,409,191	-
Associates	Korean Air C&D Co., Ltd.	6,874	64,700
	Gate Gourmet Korea Co., Ltd.	94	90,406
	LSG Skychefskorea Co., Ltd.	12	-
Other related parties	KAL Hotel Network Co., Ltd.	936	9,775
	Topas Co., Ltd.	656	117
	Jungseok Enterprise Co., Ltd.	665	4,405
	Hanjin Travel Service Co., Ltd.	1,329	363
Affiliated companies of a conglomerate and others	Hanjin Transportation Co., Ltd.	14,634	6,103
	Jungseok-Inha School's Foundation	2,024	107
	Others[2]	14,173	72

[1] It includes the Parent Company's debentures of ₩4,003 million held by the related parties.

[2] Receivables from and payables to the related parties, except for Hanjin Transportation Co., Ltd. and Jungseok-Inha School's Foundation, classified as 'Affiliated companies of a conglomerate and others' in (1), are included.

(In millions of Korean won)

		December 31, 2023	
		Trade and other receivables	Trade and other payables[1]
Significant influence over the Group	Hanjin KAL Co., Ltd.	₩ 2,836	₩ 9,738
	Korea Development Bank	1,734,059	-
Associates	Korean Air C&D Co., Ltd.	6,519	26,939
Other related parties	KAL Hotel Network Co., Ltd.	918	5,183
	Topas Co., Ltd.	6,531	117
	Jungseok Enterprise Co., Ltd.	668	8,239
	Hanjin Travel Service Co., Ltd.	1,651	315
	Waikiki Resort Hotel, Inc.	12	168
Affiliated companies of a conglomerate and others	Hanjin Transportation Co., Ltd.	3,400	5,764
	Jungseok-Inha School's Foundation	2,051	366
	Others[2]	13,966	1,214

[1] It includes the Parent Company's debentures of ₩8,015 million held by the related parties.

[2] Receivables from and payables to the related parties, except for Hanjin Transportation Co., Ltd. and Jungseok-Inha School's Foundation, classified as 'Affiliated companies of a conglomerate and others' in (1), are included.

41. RELATED-PARTY TRANSACTIONS, CONTINUED:

(4) Lease payments and interest expenses for lease agreements with related parties for the years ended December 31, 2024 and 2023, and related lease obligations recognized as of December 31, 2024 and 2023, are as follows:

(In millions of Korean won)

		2024		
		Lease payments	Interest expenses	Lease liabilities
Associate	Korean Air C&D Co., Ltd.	₩ 800	₩ 2	₩ -
Other related parties	KAL Hotel Network Co., Ltd.	131	3	29
	Jungseok Enterprise Co., Ltd.	754	17	133
Affiliated companies of a conglomerate and others	Hanjin Transportation Co., Ltd.	35	1	20
	Others[1]	2,137	151	5,609

[1] Transactions between related parties, excluding Hanjin Transportation Co., Ltd., classified as 'Affiliated companies of a conglomerate and others' in (1), are included.

(In millions of Korean won)

		2023		
		Lease payments	Interest expenses	Lease liabilities
Significant influence over the Group	Hanjin KAL Co., Ltd.	₩ 5,706	₩ 157	₩ -
Associate	Korean Air C&D Co., Ltd.	800	21	798
Other related parties	KAL Hotel Network Co., Ltd.	131	3	29
	Jungseok Enterprise Co., Ltd.	721	19	129
Affiliated companies of a conglomerate and others	Hanjin Transportation Co., Ltd.	87	2	24
	Others[1]	1,720	140	5,675

[1] Transactions between related parties, excluding Hanjin Transportation Co., Ltd., classified as 'Affiliated companies of a conglomerate and others' in (1), are included.

41. RELATED-PARTY TRANSACTIONS, CONTINUED:

(5) Loan and borrowing transactions with related parties for the years ended December 31, 2024 and 2023, are as follows:

(In millions of Korean won and thousands of USD, EUR and JPY)

			2024				
Related party	**Account**	**Currency**	**Beginning balance**	**Increase**	**Decrease**	**Others[1]**	**Ending balance**
Significant influence over the Group:							
Korea Development Bank [2]	Short-term borrowings	KRW	260,000	260,000	(260,000)	989,736	1,249,736
		USD	179,000	129,000	(179,000)	-	129,000
		EUR	80,000	150,000	(80,000)	-	150,000
		JPY	12,000,000	19,000,000	(12,000,000)	-	19,000,000
	Long-term borrowings	KRW	430,895	100,000	(72,968)	-	457,927
		USD	33,000	-	(20,625)	-	12,375
		EUR	70,000	-	(70,000)	-	-
		JPY	6,000,000	-	-	-	6,000,000

[1] It is due to the acquisition of equity in Asiana Airlines, Inc. for the year ended December 31, 2024.
[2] Interest expenses of loans for the year ended December 31, 2024, are ₩66,558 million and the Group recognized ₩7,217 million as accrued expenses as of December 31, 2024.

(In millions of Korean won and thousands of USD, EUR and JPY)

			2023			
Related party	**Account**	**Currency**	**Beginning balance**	**Increase**	**Decrease**	**Ending balance**
Significant influence over the Group:						
Korea Development Bank [1]	Short-term borrowings	KRW	250,000	260,000	(250,000)	260,000
		USD	299,000	179,000	(299,000)	179,000
		EUR	80,000	80,000	(80,000)	80,000
		JPY	-	12,000,000	-	12,000,000
	Long-term borrowings	KRW	299,993	223,000	(92,098)	430,895
		USD	45,375	-	(12,375)	33,000
		EUR	70,000	-	-	70,000
		JPY	-	6,000,000	-	6,000,000

[1] Interest expenses of loans for the year ended December 31, 2023, are ₩62,967 million and the Group recognized ₩9,440 million as accrued expenses as of December 31, 2023.

41. RELATED-PARTY TRANSACTIONS, CONTINUED:

(6) There is no stock trading with related parties for the year ended December 31, 2024. Stock trading with related parties for the year ended December 31, 2023, is as follows:

(In millions of Korean won)	Company	Transaction		2023
Investment	Korean Air C&D Co., Ltd.	Participation in paid-in capital increase	₩	2,795

(7) The compensation paid or payable to key management for the years ended December 31, 2024 and 2023, is as follows:

(In millions of Korean won)	2024		2023	
Wages and salaries	₩	6,990	₩	5,654
Retirement benefit costs		3,030		2,784
	₩	10,020	₩	8,438

(8) The Parent Company entered into derivative agreements with KDB to hedge against exchange rate and interest rate risks, and the balance of the contract is ₩125,981 million and JPY 71,811 million as of December 31, 2024.

(9) The Parent Company resolved ₩74,558 million of dividends to the related parties for the year ended December 31, 2024.

42. CASH FLOWS:

(1) The significant non-cash transactions from investing and financing activities that are not included in the consolidated statements of cash flows for the years ended December 31, 2024 and 2023, are as follows:

(In millions of Korean won)	2024		2023	
Transfer of long-term borrowings to current portion of long-term borrowings	₩	1,103,267	₩	739,908
Transfer of debentures to current portion of debentures		1,442,951		743,049
Transfer of lease obligation to current portion of lease obligation		1,612,639		1,220,638
Transfer of construction in progress to property, aircraft and equipment		2,329,175		1,308,247
Acquisition of right-of-use assets		1,030,049		378,631
Transfer to assets held for sale		881,123		-

42. CASH FLOWS, CONTINUED:

(2) Changes in liabilities arising from financial activities for the years ended December 31, 2024 and 2023, are as follows:

(In millions of Korean won)

	2024						
	Beginning balance	Cash flows from financing activities	Changes in exchange rate	New lease contract	Business Combination[2]	Others[1]	Ending balance
Short-term borrowings	₩ 1,021,408	₩ 37,202	₩ 78,412	₩ -	₩ 1,380,000	₩ -	₩ 2,517,022
Current portion of long-term borrowings	1,539,165	(2,145,533)	12,247	-	79,288	3,056,252	2,541,419
Current portion of lease obligations	1,178,798	(1,447,875)	61,741	-	836,410	1,553,007	2,182,081
Long-term borrowings	1,993,861	1,228,053	62,163	-	1,171	(1,465,947)	1,819,301
Debentures	1,842,837	987,382	67,891	-	-	(1,435,002)	1,463,108
ABS loans	115,118	-	9,767	-	158,439	(124,885)	158,439
Lease obligations	3,255,681	-	421,057	2,682,542	4,236,788	(1,851,504)	8,744,564

[1] Others include reclassification of current portion, occurrence and payments of interest expenses and others.
[2] It is due to the acquisition of equity in Asiana Airlines, Inc. for the year ended December 31, 2024 (see Note 46).

(In millions of Korean won)

	2023					
	Beginning balance	Cash flows from financing activities	Changes in exchange rate	New lease contract	Others[1]	Ending balance
Short-term borrowings	₩ 906,051	₩ 107,223	₩ 8,134	₩ -	₩ -	₩ 1,021,408
Current portion of long-term borrowings	1,417,075	(1,384,025)	7,271	-	1,498,844	1,539,165
Current portion of lease obligations	1,333,154	(1,375,407)	38,543	-	1,182,508	1,178,798
Long-term borrowings	1,623,850	683,233	1,000	-	(314,222)	1,993,861
Debentures	1,830,528	767,537	(4,272)	-	(750,956)	1,842,837
ABS loans	510,285	-	(695)	-	(394,472)	115,118
Lease obligations	3,516,367	-	60,605	966,513	(1,287,804)	3,255,681

[1] Others include reclassification of current portion, occurrence and payments of interest expenses and others.

43. TRANSFER OF FINANCIAL ASSETS:

(1) The financial assets securitized, but not derecognized in their entirety as of December 31, 2024 and 2023, are as follows:

(In millions of Korean won)	December 31, 2024	December 31, 2023
Carrying amount of assets	₩ 92,540	₩ 57,486
Carrying amount of liabilities related	360,533	569,359

(2) Above is related to asset-backed transaction collateralized by the Group's future trade receivables in accordance with the Asset-Backed Securitization Act. The details of asset-backed transaction are described in Note 21.

44. COMMITMENTS AND CONTINGENCIES:

(1) The Group has been provided the following guarantees by others as of December 31, 2024:

(In millions of Korean won and thousands of USD)	December 31, 2024	
Seoul Guarantee Insurance Co., Ltd.	KRW	128,019
Korea Defense Guarantee Cooperative	KRW	1,327,678
SHINHAN BANK AMERICA and others	KRW	21,128
Engineering Financial Cooperative	KRW	50,576
Korea Software Financial Cooperative	KRW	10,351
Information & Communication Financial Cooperative	KRW	114
Busan Bank and others	USD	113,640
Hana Bank	USD	50
Shinhan Bank and others	KRW	2,810
	USD	113,690
	KRW	1,540,676

(2) Credit line and details of credit agreements as of December 31, 2024, are as follows:

(In millions of Korean won and thousands of USD and JPY)

Description	Financial institutions	December 31, 2024	
Credit line agreement	Bank of China and others	USD	385,000
	Hana Bank	JPY	4,800,000
	KDB and others	KRW	2,015,960
Letters of credit	Hana Bank	USD	3,400
	KDB and others	KRW	1,035,621
General loan	Suhyup Bank and others	KRW	14,000
Line of credit	NongHyup Bank and others	KRW	35,900
		USD	388,400
		KRW	3,101,481
		JPY	4,800,000

44. COMMITMENTS AND CONTINGENCIES, CONTINUED:

(3) Promissory note pledged as collateral

As of December 31, 2024, the Parent Company has provided one outstanding blank promissory note pledged as collateral to the Korea Defense Industry Association.

(4) Pending litigations and others

A. The Group was notified a penalty related to cargo flights from the Russian Customs in February 2022, and an additional penalty was imposed due to the delay in the payment of the initial penalty in August 2024. Regarding the additional penalty, the second instance judgement was issued in September 2024; however, the Group plans to appeal, and the specific outcomes and details related to the appeal process remain uncertain.

B. Gate Gourmet Korea Co., Ltd, the joint venture, has applied for arbitration with the International Arbitration Commission regarding the method of calculating the unit price of in-flight meals supplied to Asiana Airlines, Inc., and the ruling was decided on February 26, 2021 that Asiana Airlines, Inc. bears the in-flight meal cost, the arbitration fee and interest expenses. Gate Gourmet Korea Co., Ltd. applied for approval of arbitration and enforcement of execution decision to the Seoul South District Court in May 2021, and a decision was made to allow approval and enforcement of the arbitration in February 2024. In relation to the lawsuit, Gate Gourmet Korea Co., Ltd. applied for an execution judgement to the U.S. court on February 15, 2024, and Asiana Airlines, Inc. lost the first trial. Asiana Airlines, Inc. paid ₩58,108 million to Gate Gourmet Korea Co., Ltd. in connection with the above litigation in 2024, and the case was closed.

Meanwhile, Gate Gourmet Korea Co., Ltd. filed a petition with the Supreme Court to suspend the approval of arbitration and enforcement of execution decision against Asiana Airlines, Inc., which is currently pending. In addition, Asiana Airlines, Inc. filed a lawsuit against Gate Gourmet Korea Co., Ltd. in relation to the in-flight meal contract, which is also pending in a domestic court. As of December 31, 2024, the final outcome of the above lawsuits is not reasonably predictable.

C. In accordance with the new stock acquisition contract signed in 2019, Asiana Airlines, Inc. received a total of ₩217,717 million, 10% of the new stock acquisition price, from HDC HYUNDAI DEVELOPMENT COMPANY and MIRAE ASSET SECURITIES CO., LTD. (Defendants), and set a pledge on the account. After cancelling the new stock acquisition contract in 2020, Asiana Airlines, Inc. sought confirmation from the court that Asiana Airlines, Inc.'s down payment return obligation does not exist, and filed a lawsuit to have the Defendants notify the bank that the pledge has expired and compensate us for damages suffered. Asiana Airlines, Inc. won the lawsuit at the first trial on November 17, 2022, and the defendants appealed and filed a counterclaim against the ruling of the first trial in December 2022. However, Asiana Airlines, Inc. won the appeal on March 21, 2024. On April 9, 2024, the defendants appealed against the ruling of the second trial, and an appeal is pending at the Supreme Court. The impact of the outcome of the lawsuit on the consolidated financial statements is reasonably unpredictable.

D. Air Busan Co., Ltd. lost some of the second trial in January 2023 in a pending lawsuit for unfair gains and unpaid wages and an appeal is pending as of December 31, 2024. In relation to the lawsuit, provision for losses on legal proceedings of ₩6,623 million has been recognized (see Note 24).

(5) New aircraft introduction plan

The Group has entered into various contracts with aircraft manufacturers, such as the Boeing Company, to purchase aircraft. As of December 31, 2024, the total contract amount is USD 23,070 million, comprising USD 15,535 million by the Parent Company and USD 7,535 million by Asiana Airlines, Inc.

44. COMMITMENTS AND CONTINGENCIES, CONTINUED:

(6) Passenger terminal joint use agreement

The Parent Company and three other airlines, including Air France, entered into a passenger terminal joint use agreement with the JFK Airport in New York and provides mutual payment guarantee in respect to the terminal usage fees that each airline needs to pay.

(7) Major agreements entered into by the subsidiaries are as follows:

As of December 31, 2024, WLD signed a memorandum of understanding to support the construction cost for integrated transportation pipeline installation of the Yeongjong public sewage treatment facility and the treatment facility expansion plan scheduled to be implemented by the Incheon Metropolitan City in relation to hotels and various commercial facilities within the Wang San Marina Business. However, no specific agreement on the integrated transportation pipeline installation of the Yeongjong public sewage treatment facility and the expansion of the treatment facility has been signed as of December 31, 2024.

45. ASSETS HELD FOR SALE:

As of December 31, 2024 and 2023, assets held for sale and equity directly associated with assets classified as held for sale are as follows:

(In millions of Korean won)	December 31, 2024	December 31, 2023
Assets held for sale:		
Current assets	₩ 1,499,195	₩ 500
Trade receivables	185,340	-
Inventories	34,167	-
Land	433	500
Aircraft and engines[1]	1,252,095	-
Other current assets	27,160	-
Total Assets	₩ 1,499,195	₩ 500
Liabilities held for sale:		
Current liabilities	₩ 415,134	₩ -
Trade payables	34,038	-
Lease obligations	161,798	-
Net defined benefit liabilities	62,794	-
Provisions	54,211	-
Other liabilities	102,293	-
Total Liabilities	₩ 415,134	₩ -
Equity directly associated with assets classified as held for sale:		
Gain on land revaluation	₩ 68	₩ 79
Total Equity	₩ 68	₩ 79

[1] The Group disposed some of the lands, buildings, aircraft and engines classified as assets held for sale and recognized gain or loss on disposal of assets held for sale of ₩137,259 million (see Note 36).

46. BUSINESS COMBINATION:

The Parent Company acquired 63.88% of the issued share capital of Asiana Airlines, Inc. for ₩1.5 trillion as of December 12, 2024, to overcome the crisis in the domestic aviation industry and enhance its fundamental competitiveness. The Parent Company obtained control over the subsidiaries previously held by Asiana Airlines, Inc., including Air Busan Co., Ltd. and seven other entities.

(1) The consideration transferred in business combination, the value of assets acquired and liabilities assumed at the acquisition date, the non-controlling interest and the goodwill are as follows:

(In millions of Korean won)	**Asiana Airlines, Inc.**
Total Consideration transferred	
Cash	₩ 1,500,000
Fair value of the hybrid securities in the acquiree held by the acquirer before the business combination[1]	458,572
	1,958,572
The identifiable assets acquired and liabilities assumed	
Current assets	2,851,270
Non-current assets	10,311,636
Intangible assets[2]	856,665
Current liabilities	(5,627,792)
Non-current liabilities	(6,831,215)
	703,899
Non-controlling interest in the acquiree	(620,039)
Hybrid securities issued by the acquiree	475,000
Goodwill	₩ 1,399,712

[1] The non-controlling interests that do not represent a proportionate share of the acquiree's net assets were measured at fair value, which was determined based on the following:

(In millions of Korean won)

	Fair value	**Valuation techniques**	**Inputs**	**Range(%)**
Perpetual convertible bonds	₩ 458,572	T-F Model	Risk-free interest rate	2.6~2.86
			Credit spread	9.82~16.38

[2] The Group identified customer relationships upon the business combination and recognized them as intangible assets at the fair value on the acquisition date of ₩856,665 million.

The fair value of customer relationships was measured using the Multi-Period Excess Earnings Method (MPEEM). The MPEEM is a form of the income approach, under which the value is estimated by discounting excess earnings attributable to the intangible asset at an appropriate discount rate reflecting the related risks.

46. BUSINESS COMBINATION, CONTINUED:

(1) The consideration transferred in business combination, the value of assets acquired and liabilities assumed at the acquisition date, the non-controlling interest and the goodwill are as follows, continued:

The valuation technique used to measure fair value of the customer relationships on the acquisition date is as follows:

	Valuation techniques	Significant unobservable inputs	Description of relationships
Customer relationships	Multi-Period Excess Earnings Method (MPEEM)	Estimated passenger revenue, future customer attrition rate, weighted average cost of capital (WACC) (8.4% for Asiana Airlines, Inc.)	The fair value of customer relationship assets would increase (decrease) if the estimated passenger revenue increases (decreases), or if the customer attrition rate and WACC decrease (increase).

(2) The acquisition date of the business combination was December 31, 2024, and there was no net cash flow from the business combination for the year ended December 31, 2024. Meanwhile, if the subsidiaries acquired through the business combination had been included in the consolidated financial statements from the beginning of the year, the consolidated revenue that would have been recognized in the consolidated statement of comprehensive income would have amounted to ₩26,189,286 million.

47. EVENTS AFTER THE REPORTING PERIOD:

(1) The Parent Company has issued the debentures in JPY amounting to JPY 30,000 million guaranteed by The Export-Import Bank of Korea after the reporting period.

(2) The Parent Company has issued series 110-1st and 110-2nd non-guaranteed debentures amounting to ₩350,000 million after the reporting period.

(3) Asiana Airlines, Inc. newly borrowed ₩1.35 trillion from financial institutions in February 2025, including ₩50 billion through the issuance of privately placed bonds, and fully repaid borrowings of ₩1.38 trillion from Korea Development Bank and the Export-Import Bank of Korea.

(4) A leased aircraft operated by Air Busan Co., Ltd., was damaged due to a fire on January 28, 2025. The Group is currently negotiating with the lessor and the insurance company regarding compensation.

Independent Auditors' Report

Based on a report originally issued in Korean

The Board of Directors and Shareholders
Korea Development Bank

Opinion
We have audited the accompanying separate financial statements of Korea Development Bank (the "Bank"), which comprise the separate statements of financial position as of December 31, 2024 and 2023 and the separate statements of comprehensive income, the separate statements of changes in equity and the separate statements of cash flows for the years then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Bank as of December 31, 2024 and 2023, and its separate financial performance and its separate cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS").

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

Other Matter
Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with Korean IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Korean Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Seoul, Korea
March 28, 2025

This report is effective as of March 28, 2025, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

Korea Development Bank
Separate Statements of Financial Position
December 31, 2024 and 2023

(In millions of won)	Notes		December 31, 2024	December 31, 2023
Assets				
Cash and due from banks	4,42,44,45,48	₩	12,995,521	8,659,808
Securities measured at FVTPL	5,44,45,48		18,418,800	16,058,556
Securities measured at FVOCI	6,38,44,45,48		32,760,193	33,888,064
Securities measured at amortized cost	7,38,44,45,48		8,936,305	8,583,188
Loans measured at FVTPL	8,44,45,48		419,773	488,432
Loans measured at amortized cost	9,44,45,48		209,481,353	199,981,780
Derivative financial assets	10,44,45,46,48		13,915,251	7,383,325
Investments in subsidiaries and associates	2,11,47		33,263,341	30,803,008
Property and equipment, net	12,47		794,138	802,084
Investment property, net	13,47		62,573	73,822
Intangible assets, net	14,47		62,171	85,461
Defined benefit assets	20		30,968	68,920
Current tax assets			24,196	13,547
Other assets	15,44,45,48		8,056,518	10,175,783
Total assets		₩	339,221,101	317,065,778
Liabilities				
Financial liabilities measured at FVTPL	16,44,45,48	₩	2,389,246	1,920,061
Deposits	17,44,45,48		66,100,573	65,897,732
Borrowings	18,44,45,48		32,730,518	27,745,629
Debentures	19,44,45,48		165,102,269	156,933,867
Derivative financial liabilities	10,44,45,46,48		14,873,939	7,654,901
Provisions	21		814,870	1,058,783
Deferred tax liabilities	2,36		4,032,721	3,978,164
Current tax liabilities			268,596	345,683
Other liabilities	22,44,45,48		9,983,473	12,100,425
Total liabilities			296,296,205	277,635,245
Equity				
Issued capital	1,23		26,316,559	23,926,559
Capital surplus	23		2,457,006	2,468,715
Accumulated other comprehensive income	23		1,236,725	2,158,351
Retained earnings	2,23		12,914,606	10,876,908
(Regulatory reserve for credit losses of ₩77,581 million and ₩211,996 million as of December 31, 2024 and 2023, respectively)				
(Required reversal of regulatory reserve for credit losses of ₩5,029 million and ₩134,415 million as of December 31, 2024 and 2023, respectively)				
(Planned reversal of regulatory reserve for credit losses of ₩5,029 million and ₩134,415 million as of December 31, 2024 and 2023, respectively)				
Total equity			42,924,896	39,430,533
Total liabilities and equity		₩	339,221,101	317,065,778

See accompanying notes to the separate financial statements.

Korea Development Bank
Separate Statements of Comprehensive Income
Years ended December 31, 2024 and 2023

(In millions of won, except earnings per share information)	Notes		2024	2023
Interest income	24	₩	12,105,864	11,489,024
Interest expense	24		(10,987,799)	(9,927,505)
Net interest income	47		1,118,065	1,561,519
Net fees and commission income	25		487,716	409,836
Dividend income	26		1,037,482	768,370
Net gain on securities measured at FVTPL	27		720,623	518,808
Net loss on financial liabilities measured at FVTPL	28		(51,047)	(148,104)
Net gain (loss) on securities measured at FVOCI	29		30,359	(9,420)
Net gain (loss) on derivatives	30		(829,751)	1,290
Net foreign currency transaction gain	31		864,870	302,365
Other operating expense, net	32		(471,244)	(386,462)
Non-interest income, net			1,789,008	1,456,683
Reversal of credit losses	33		(244,126)	(802,644)
General and administrative expenses	34,47		857,083	823,991
Operating income	47		2,294,116	2,996,855
Reversal of impairment loss on investments in subsidiaries and associates	2		160,887	972,393
Other non-operating income	35		11,587	16,524
Other non-operating expense	35		(25,780)	(20,103)
Non-operating expense, net			146,694	968,814
Profit before income taxes			2,440,810	3,965,669
Income tax expense	2,36		433,652	938,601
Profit for the year	2,23		2,007,158	3,027,068
(Profit for the year adjusted for regulatory reserve for credit losses: ₩2,012,187 million and ₩3,161,483 million for the years ended December 31, 2024 and 2023, respectively)				
Other comprehensive income for the year, net of tax	23			
Items that are or may be reclassified subsequently to profit or loss:				
Net gain on securities measured at FVOCI			119,989	336,088
Exchange differences on translation of foreign operations			256,500	20,099
Valuation loss on cash flow hedge			(2,200)	(2,352)
Net loss on hedges of net investments in foreign operations			(122,706)	(15,112)
			251,583	338,723
Items that will not be reclassified to profit or loss:				
Net loss on securities measured at FVOCI			(232,332)	(173,433)
Fair value changes on financial liabilities designated at fair value due to credit risk			(15,116)	(17,722)
Remeasurements of defined benefit liabilities			(17,096)	(16,138)
			(264,544)	(207,293)
			(12,961)	131,430
Total comprehensive income for the year	2	₩	1,994,197	3,158,498
Earnings per share				
Basic and diluted earnings per share (in won)	37	₩	391	641

See accompanying notes to the separate financial statements.

Korea Development Bank
Separate Statements of Changes in Equity
Years ended December 31, 2024 and 2023

(In millions of won)		Issued capital	Capital surplus	Accumulated other comprehensive income	Retained earnings	Total equity
Balance at January 1, 2023	₩	23,151,559	2,475,310	2,819,333	7,222,171	35,668,373
Profit for the year		-	-	-	3,027,068	3,027,068
Net gain (loss) on securities measured at FVOCI		-	-	(629,757)	792,412	162,655
Exchange differences on translation of foreign operations		-	-	20,099	-	20,099
Valuation loss on cash flow hedge		-	-	(2,352)	-	(2,352)
Net loss on hedges of net investments in foreign operations		-	-	(15,112)	-	(15,112)
Fair value changes on financial liabilities designated at fair value due to credit risk		-	-	(17,722)	-	(17,722)
Remeasurements of defined benefit liabilities		-	-	(16,138)	-	(16,138)
Total comprehensive income for the year		-	-	(660,982)	3,819,480	3,158,498
Dividends		-	-	-	(164,743)	(164,743)
Paid in capital increase		775,000	(6,595)	-	-	768,405
Transaction with owners		775,000	(6,595)	-	(164,743)	603,662
Balance at December 31, 2023	₩	23,926,559	2,468,715	2,158,351	10,876,908	39,430,533
Balance at January 1, 2024	₩	23,926,559	2,468,715	2,158,351	10,876,908	39,430,533
Profit for the year		-	-	-	2,007,158	2,007,158
Net gain (loss) on securities measured at FVOCI		-	-	(1,021,008)	908,665	(112,343)
Exchange differences on translation of foreign operations		-	-	256,500	-	256,500
Valuation loss on cash flow hedge		-	-	(2,200)	-	(2,200)
Net loss on hedges of net investments in foreign operations		-	-	(122,706)	-	(122,706)
Fair value changes on financial liabilities designated at fair value due to credit risk		-	-	(15,116)	-	(15,116)
Remeasurements of defined benefit liabilities		-	-	(17,096)	-	(17,096)
Total comprehensive income for the year		-	-	(921,626)	2,915,823	1,994,197
Dividends		-	-	-	(878,125)	(878,125)
Paid in capital increase		2,390,000	(11,709)	-	-	2,378,291
Transaction with owners		2,390,000	(11,709)	-	(878,125)	1,500,166
Balance at December 31, 2024	₩	26,316,559	2,457,006	1,236,725	12,914,606	42,924,896

See accompanying notes to the separate financial statements.

Korea Development Bank
Separate Statements of Cash Flows
Years ended December 31, 2024 and 2023

(In millions of won)	Notes		2024	2023
Cash flows from operating activities				
Profit for the year		₩	2,007,158	3,027,068
Adjustments for:				
Income tax expense	36		433,652	938,601
Interest income	24		(12,105,864)	(11,489,024)
Interest expense	24		10,987,799	9,927,505
Dividend income	26		(1,037,482)	(768,370)
Gain on valuation of securities measured at FVTPL	27		(541,330)	(466,098)
Loss (gain) on disposal of securities measured at FVTPL			(44,189)	4,944
Net loss on financial liabilities measured at FVTPL	28		51,047	148,104
Loss (gain) on disposal of securities measured at FVOCI	29		(30,359)	9,420
Impairment loss on securities measured at amortized cost			496	9,011
Net loss on loans measured at FVTPL	32		24,105	8,913
Loss (gain) on valuation of derivatives			399,252	(1,088,077)
Net loss on fair value hedged items	30		811,454	1,428,426
Gain on foreign exchange translations	31		(869,967)	(318,814)
Loss on disposal of investments in subsidiaries and associates	32		6,769	366
Reversal of impairment loss on investments in subsidiaries and associates			(160,887)	(972,393)
Increase (reversal) of provision for loan loss allowance	33		90,837	(399,011)
Increase (reversal) of provision for other assets	33		(3,683)	3,104
Reversal of provision for payment guarantees	21		(210,329)	(379,837)
Reversal of provision for unused commitments	21		(77,748)	(34,922)
Increase (reversal) of financial guarantee provision	21		(43,203)	8,022
Increase (reversal) of provision for possible losses from lawsuits	21		21,405	(4)
Reversal of provision for restoration	21		(109)	(493)
Defined benefit costs	20		24,880	22,044
Depreciation of property and equipment	34		73,856	71,507
Loss on disposal of property and equipment	35		792	1,082
Gain on disposal of intangible assets	35		(29)	(2)
Depreciation of investment property	35		2,293	2,273
Amortization of intangible assets	34		42,721	55,043
Gain on redemption of debentures			-	(2)
			(2,153,821)	(3,278,682)
Changes in operating assets and liabilities:				
Due from banks			(897,272)	1,985,955
Securities measured at FVTPL			(2,480,154)	(1,850,440)
Loans measured at FVTPL			44,554	44,466
Loans measured at amortized cost			(11,429,775)	(755,056)
Derivative financial instruments			118,150	(186,503)
Other assets			2,324,550	(2,348,067)
Financial liabilities measured at FVTPL			140,952	29,718
Deposits			98,689	(2,417,870)
Defined benefit assets			(10,156)	(25,314)
Other liabilities			(2,418,461)	4,791,847
			(14,508,923)	(731,264)
Income taxes paid			(370,177)	(15,739)
Interest received			12,077,199	11,262,819
Interest paid			(10,530,167)	(9,259,247)
Dividends received			1,037,888	767,958
Net cash provided by (used in) operating activities		₩	(12,440,843)	1,772,913

(Continued)

(In millions of won)	Notes		2024	2023
Cash flows from investing activities				
Net decrease (increase) of securities measured at FVTPL		₩	538,112	(1,667,342)
Disposal of securities measured at FVOCI			10,710,160	13,877,283
Acquisition of securities measured at FVOCI	6		(7,844,743)	(10,636,345)
Redemption of securities measured at amortized cost	7		4,708,420	3,020,000
Acquisition of securities measured at amortized cost	7		(5,020,325)	(5,217,386)
Disposal of property and equipment			4,108	12,023
Acquisition of property and equipment	12		(26,459)	(27,092)
Disposal of intangible assets			129	269
Acquisition of intangible assets	14		(18,566)	(22,373)
Disposal of investments in subsidiaries and associates			390,644	320,761
Acquisition of investments in subsidiaries and associates			(936,925)	(667,428)
Net cash provided by (used in) investing activities			2,504,555	(1,007,630)
Cash flows from financing activities				
Increase of financial liabilities measured at FVTPL			380,000	266,200
Decrease of financial liabilities measured at FVTPL			(123,352)	(17,930)
Proceeds from borrowings			61,331,012	53,493,413
Repayment of borrowings			(56,510,708)	(51,152,176)
Proceeds from issuance of debentures			114,684,239	124,728,281
Repayment of debentures			(107,791,891)	(128,327,695)
Decrease in lease liabilities			(33,273)	(24,477)
Dividends			(878,125)	(164,743)
Paid in capital increase			378,511	336,268
Net cash provided by (used in) financing activities			11,436,413	(862,859)
Effects from changes in foreign currency exchange rate for cash and cash equivalents held			514,311	85,684
Net increase (decrease) in cash and cash equivalents			2,014,436	(11,892)
Cash and cash equivalents at beginning of the year			11,860,577	11,872,469
Cash and cash equivalents at end of the year	42	₩	13,875,013	11,860,577

See accompanying notes to the separate financial statements.

1. Reporting Entity

Korea Development Bank (the "Bank") was established on April 1, 1954, in accordance with *The Korea Development Bank Act* to finance and manage major industrial projects.

The Bank is engaged in the banking industry under *The Korea Development Bank Act* and other applicable statutes, and in the fiduciary in accordance with *the Financial Investment Services and Capital Markets Act*.

Korea Finance Corporation (KoFC), the former ultimate parent company, and KDB Financial Group Inc. (KDBFG), the former immediate parent company, were established by spin-offs of divisions of the Bank as of October 28, 2009. KoFC and KDBFG were merged into the Bank, effective as of December 31, 2014. Issued capital is ₩26,316,559 million with 5,263,311,768 shares of issued and outstanding as of December 31, 2024 and 100% of the Bank's shares are owned by the government of the Republic of Korea.

The Bank's head office is located in 14, Eunhaeng-ro (Yeouido-dong), Yeongdeungpo-gu, Seoul and its service network as of December 31, 2024 is as follows:

	Domestic		Overseas			
	Head Office	Branches	Branches	Subsidiaries	Representative offices	Total
KDB	1	60	11	7	7	86

2. Basis of Preparation

(1) Application of accounting standards
These separate financial statements have been prepared in accordance with the Korean International Financial Reporting Standards ("Korean IFRS") enacted by the *Act on External Audit of Stock Companies*.

(2) Changes and disclosures of accounting policies

(i) New and amended standards adopted
The Bank newly applied the following amended and enacted standards for the annual period beginning on January 1, 2024. The nature and the impact of each new standard or amendment are described below:

Amendment of Korean IFRS No.1001 "Presentation of Financial Statements" - Classification of Liabilities into Current and Non-Current and Non-current Liabilities with Covenants
Liabilities are classified as current or non-current based on their substantive rights existing at the end of the reporting period, without considering the possibility of exercising the right to delay the payment or management's expectations. Also, if the transfer of equity instruments is included in the payment of liabilities, it is excluded if the option to pay with equity instruments is recognized separately from the liability in a compound financial instrument and meets the definition of equity instruments. These amendments do not have a significant impact on the financial statements.

Amendment of Korean IFRS No.1007 "Statement of Cash Flows" and No.1107 "Financial Instruments: Disclosures" – Disclosure of Supplier Finance Arrangements
The amendments require disclosure of the effects of supplier finance arrangements on the Bank's liabilities, cash flows and exposure to liquidity risk. These amendments do not have a significant impact on the financial statements.

Amendment of Korean IFRS No.1116 "Leases" - Lease Liability in a Sale and Leaseback
The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. These amendments do not have a significant impact on the financial statements.

2. Basis of Preparation, Continued

Amendment of Korean IFRS No.1001 "Presentation of Financial Statements" – Disclosure of Virtual Asset
The amendments require additional disclosure for virtual assets held by the Bank, virtual assets entrusted by customers to the Bank, and the issuance and transfer of virtual assets. These amendments do not have a significant impact on the financial statements.

(ii) New standards and interpretations issued but not effective
The following new standards, interpretations and amendments to existing standards have been issued but not effective for annual periods beginning after January 1, 2024, and the Bank has not early adopted them. The nature and the impact of each new standard, amendment and enactments are described below:

Amendment of Korean IFRS No.1021 "The Effects of Changes in Foreign Exchange Rates" and Korean IFRS No.1101 "First-time Adoption of International Financial Reporting Standards" - Lack of exchangeability
The amendments require the Bank to determine a spot exchange rate when exchangeability is lacking, and to disclose information on the nature and financial effects of the currency not being exchangeable into the other currency, the spot exchange rate(s) used, the estimation process, and the risks to which the Bank is exposed. This amendment will be applied to the financial statements for the accounting year beginning on or after January 1, 2025. These amendments do not have a significant impact on the financial statements.

Amendment of Korean IFRS No.1109 "Financial Instruments" and No.1107 "Financial Instruments: Disclosures"
The amendments address practical concerns and introduce new requirements, such as permitting the deeming of financial liabilities as settled (derecognized) through an electronic payment system if certain criteria are met before the payment date. It also includes additional disclosures for equity instruments designated as financial assets measured at fair value through other comprehensive income. This amendment will be effective for annual reporting periods beginning on or after January 1, 2026. The Bank is currently reviewing the impact of these amendments on its financial statements

Korean IFRS Accounting Standards Annual Improvements Volume 11
Korean IFRS Accounting Standards Annual Improvements Volume 11 will be effective for annual reporting periods beginning on or after January 1, 2026. These amendments do not have a significant impact on the financial statements.
· Korean IFRS No.1101 "First-time adoption of International Financial Reporting Standards": Hedge accounting by a first-time adopter
· Korean IFRS No.1107 "Financial Instruments: Disclosures": Gain or loss on derecognition, Application guidance
· Korean IFRS No.1109 "Financial Instruments": Derecognition of lease liabilities, Definition of transaction price
· Korean IFRS No.1110 "Consolidated Financial Statements": Determination of a 'de facto agent'
· Korean IFRS No.1007 "Statement of Cash Flows": Cost method

(3) Basis of measurement
The financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Derivative financial instruments measured at fair value
- Financial instruments measured at fair value through profit or loss
- Financial instruments measured at fair value through other comprehensive income
- Fair value hedged financial instruments with changes in fair value, due to hedged risks, recognized in profit or loss
- Liabilities for defined benefit plans, which are recognized as net of the total present value of defined benefit obligations less the fair value of plan assets.

(4) Functional and presentation currency
These financial statements are presented in Korean won ("₩"), which is the Bank's functional currency and the currency of the primary economic environment in which the Bank operates.

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

2. Basis of Preparation, Continued

(5) Use of estimates and judgments

The preparation of the financial statements in conformity with K-IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Management's estimates of outcomes may differ from actual outcomes if management's estimates and assumptions based on management's best judgment at the reporting date are different from the actual environment.

Estimates and assumptions are continually evaluated and any change in an accounting estimate is recognized prospectively by including it in profit or loss in the period of the change, if the change affects that period only.

(i) Fair value of financial instruments

Financial instruments measured at fair value through profit or loss and other comprehensive income, and derivative instruments are recognized and measured at fair value. If the market for a financial instrument is not active, fair value is determined either by using a valuation technique or independent third-party valuation service. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, referencing to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

Financial instruments, which are not actively traded in the market and those with less transparent market prices, will have less objective fair values and require broad judgment on liquidity, concentration, uncertainty in market factors and assumptions in price determination and other risks.

Diverse valuation techniques are used to determine the fair value of financial instruments, from generally accepted market valuation models to internally developed valuation models that incorporate various types of assumptions and variables.

(ii) Credit losses allowance

The Bank tests impairment and recognizes loss allowances on financial assets classified at amortized cost, debt instruments measured at fair value through other comprehensive income and recognizes provisions for payment guarantee, financial guarantee and unused commitments. Accuracy of allowances and provisions for credit losses is dependent upon estimation of expected cash flows of the borrower for individually assessed allowances of loans, and upon assumptions and methodology used for collectively assessed allowances for groups of loans, guarantees and unused loan commitments.

(iii) Deferred taxes

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred income tax assets are recognised to the extent that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Actual income taxes in the future may not be identical to the recognised deferred tax assets and liabilities.

(iv) Defined benefit liabilities

The Bank operates a defined benefit plan. Defined benefit liability is calculated by annual actuarial valuations as of the reporting date. To perform the actuarial valuations, assumptions for discount rates, future salary increases and others are required to be estimated. Defined benefit plans contain significant uncertainties in estimations due to its long-term nature.

2. Basis of Preparation, Continued

(6) Restatement of prior year financial statements for comparative presentation

In order to proceed with the sale of its shares in HMM Co., Ltd., the Bank selected the Pan Ocean-JKL consortium as the preferred bidder on December 18, 2023, and classified the shares as assets held for sale. However, as negotiations with the preferred bidder broke down on February 7, 2024, the shares were retrospectively reclassified as investments in associates from the date they were initially classified as assets held for sale. Accordingly, the comparative statement of financial position as of December 31, 2023 and the statement of comprehensive income for the year ended December 31, 2023 have been restated.

The major adjustments to each item resulting from the reclassification are as follows.

<Statement of financial position >

		December 31, 2023		
		As previously reported	Restated	Changes
Investments in subsidiaries and associates	₩	26,870,568	30,803,008	3,932,440
Assets held for sale		3,228,444	-	(3,228,444)
Deferred tax liabilities		3,792,309	3,978,164	185,855
Retained earnings		10,358,767	10,876,908	518,141

<Statement of comprehensive income>

		2023		
		As previously reported	Restated	Changes
Reversal of impairment loss on investments in subsidiaries and associates	₩	562,550	972,393	409,843
Other non-operating expense		314,256	20,103	(294,153)
Income tax expense		752,746	938,601	185,855
Profit for the year		2,508,927	3,027,068	518,141

(7) Approval date for the separate financial statements

The separate financial statements were authorized for issue by the Board of Directors on March 27, 2025, which will be submitted for approval to the shareholders' meeting to be held on March 28, 2025.

3. Significant Accounting Policies

The significant accounting policies applied by the Bank in preparation of its separate financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these separate financial statements.

(1) Investments in subsidiaries and associates

The accompanying financial statements are separate financial statements in accordance with K-IFRS 1027 *'Separate Financial Statements'* and investments in subsidiaries and associates are accounted for at cost, not by performance and net asset reported by the investee. Dividends received from subsidiaries and associates are recognised as income as of the time the right to receive the dividends is established.

(2) Business combination of entities under common control

The assets and liabilities acquired under business combinations under common control are recognised at the carrying amounts recognised previously in the consolidated financial statements of the ultimate parent. The difference between consideration transferred and carrying amounts of net assets acquired is recognised as part of share premium.

(3) Operating segments

The Bank makes decisions regarding allocation of resources to segments and categorizes segments, based on internal reports reviewed periodically by the chief operating decision maker, to assess performance. Information on segments reported to the chief operating decision maker includes items directly attributable to segments as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets (such as the Bank Headquarters), head office expenses, and income tax assets and liabilities. The Bank recognises the CEO as the chief operating decision maker.

(4) Foreign exchange

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Bank, at exchange rates of the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on transactions and translations of monetary items are recognised in profit or loss, except for differences arising on the translation of a financial instruments designated as hedges of the net investment in foreign operations, or cash flow hedge, which are recognised in other comprehensive income.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss shall be recognised in profit or loss.

(ii) Foreign operations

If the presentation currency of the Bank is different from a foreign operation's functional currency, the financial statements of the foreign operation are translated into the presentation currency using the following methods:

Unless the functional currency of foreign operations is in a state of hyperinflation, assets and liabilities of foreign operations are translated at the closing exchange rate at the end of the reporting period. Revenues and expenses on the statement of comprehensive income are translated at the exchange rates of the date of transaction. Foreign currency differences that arise from translation are recognized as other comprehensive income, and the disposal of a foreign operation is re-categorized as profit or loss as of the moment of the disposal profit or loss is recognized.

3. Significant Accounting Policies, Continued

Any goodwill arising on the acquisition of a foreign operation, and any adjustments in fair value to the carrying amounts of assets and liabilities due to such acquisition, are treated as assets and liabilities of the foreign operation. Therefore, such are expressed in the functional currency of the foreign operations and, alongside other assets and liabilities of the foreign operation, translated at the closing exchange rate.

In the case of the disposal of a foreign operation, cumulative amounts of exchange difference regarding the foreign operation, recognized separately from other comprehensive income, are re-categorized from assets to profit or loss as of the disposal profit or loss is recognized.

(iii) Foreign exchange of net investment in foreign operations
Monetary items receivable from or payable to a foreign operation, with none or little possibility of being settled in the foreseeable future, are considered a part of the net investment in the foreign operation. Therefore, the exchange difference is recognised as comprehensive income or loss in the financial statement and re-categorized to profit or loss as of the disposal of the related net investment.

(5) Recognition and measurement of financial instruments
(i) Initial recognition
The Bank recognizes a financial asset or a financial liability in its separate statement of financial position when the Bank becomes a party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets is recognized and derecognized using trade date accounting.

The Bank classifies financial assets as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, or financial assets at amortized cost on the basis of the Bank's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The Bank classifies financial liabilities as financial liabilities at fair value through profit or loss, or financial liabilities at amortized cost.

At initial recognition, a financial asset or financial liability is measured at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

(ii) Subsequent measurement
After initial recognition, financial instruments are measured at amortized cost or fair value based on classification at initial recognition.

Amortized cost
The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

Fair value
Fair values, which the Bank primarily uses for the measurement of financial instruments, are the published price quotations based on market prices or dealer price quotations of financial instruments traded in an active market where available. These are the best evidence of fair value. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, an entity in the same industry, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

If the market for a financial instrument is not active, fair value is determined either by using a valuation technique or independent third-party valuation service. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, referencing to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

3. Significant Accounting Policies, Continued

The Bank uses valuation models that are commonly used by market participants and customized for the Bank to determine fair values of common over-the-counter ("OTC") derivatives such as options, interest rate swaps and currency swaps which are based on the inputs observable in markets. For more complex instruments, the Bank uses internally developed models, which are usually based on valuation methods and techniques generally used within the industry, or a value measured by an independent external valuation institution as the fair values if all or some of the inputs to the valuation models are not market observable and therefore it is necessary to estimate fair value based on certain assumptions.

If the valuation technique does not reflect all factors which market participants would consider in setting a price, the fair value is adjusted to reflect those factors. Those factors include counterparty credit risk, bid-ask spread, liquidity risk and others.

The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with economic methodologies applied for pricing financial instruments. Periodically, the Bank calibrates the valuation technique and tests its validity using prices of observable current market transactions of the same instrument or based on other relevant observable market data.

(iii) Derecognition

Derecognition is the removal of a previously recognized financial asset or financial liability from the statement of financial position. The Bank derecognizes a financial asset or a financial liability when, and only when:

Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire or the financial assets have been transferred and substantially all the risks and rewards of ownership of the financial assets are also transferred, or all the risks and rewards of ownership of the financial assets are neither substantially transferred nor retained and the Bank has not retained control. If the Bank neither transfers nor disposes of substantially all the risks and rewards of ownership of the financial assets, the Bank continues to recognize the financial asset to the extent of its continuing involvement in the financial asset.

If the Bank transfers the contractual rights to receive the cash flows of the financial asset, but retains substantially all the risks and rewards of ownership of the financial asset, the Bank continues to recognize the transferred asset in its entirety and recognize a financial liability for the consideration received.

Derecognition of financial liabilities

Financial liabilities are derecognized from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expires.

(iv) Offsetting

Financial assets and liabilities are offset and the net amount reported in the separate statements of financial position where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously.

(6) Cash and cash equivalents

Cash and cash equivalents comprise balances with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, including cash on hand, deposits held at call with banks and other highly liquid short-term investments with original maturities of three months or less.

3. Significant Accounting Policies, Continued

(7) Non-derivative financial assets

(i) Financial assets at fair value through profit or loss

Any non-derivative financial asset classified as held for trading or not classified as financial assets at fair value through other comprehensive income or financial assets measured at amortized cost is categorized under financial assets at fair value through profit or loss.

The Bank may designate certain financial assets upon initial recognition as at fair value through profit or loss when the designation eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

After initial recognition, a financial asset at fair value through profit or loss is measured at fair value and gains or losses arising from a change in the fair value are recognized in profit or loss. Interest income and dividend income from financial assets at fair value through profit or loss are also recognized in profit or loss.

(ii) Financial assets at fair value through other comprehensive income

The Bank classifies financial assets as financial assets at fair value through other comprehensive income if they meet the following conditions: 1) debt instruments that are a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and consistent with representing solely payments of principal and interest on the principal amount outstanding or 2) equity instruments, not held for trading with the objective of generating a profit from short-term fluctuations in price or dealer’s margin, designated as financial assets at fair value through other comprehensive income.

After initial recognition, a financial asset at fair value through other comprehensive income is measured at fair value. Gain and loss from changes in fair value, other than dividend income and interest income amortized using effective interest method and exchange differences arising on monetary items which are recognized directly in profit or loss, are recognized as other comprehensive income in equity.

At disposal of financial assets at fair value through other comprehensive income, cumulative gain or loss is recognized as profit or loss for the reporting period. However, cumulative gain or loss of equity instrument designated as fair value through other comprehensive income are not recycled to profit or loss at disposal.

Financial assets at fair value through other comprehensive income denominated in foreign currencies are translated at the closing rate. Exchange differences resulting from changes in amortized cost are recognized in profit or loss, and other changes are recognized as equity.

(iii) Financial assets measured at amortized cost

A financial asset, which are held within the business model whose objective is to hold assets in order to collect contractual cash flows and consistent with representing solely payments of principal and interest on the principal amount outstanding, are classified as a financial asset at amortized cost. Financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method after initial recognition and interest income is recognized using the effective interest method.

3. Significant Accounting Policies, Continued

(8) Expected credit loss of financial assets

The Bank measures expected credit loss and recognizes loss allowance at the end of the reporting period for financial assets measured at amortized cost and fair value through other comprehensive income with the exception of financial asset measured at fair value through profit or loss.

The expected credit loss ("ECL") is the weighted average amount of possible outcomes within a certain range, reflecting the time value of money, estimates on the past, current and future situations, and information accessible without excessive cost of effort.

The Bank uses the following three measurement techniques in accordance with K-IFRS:
- General approach: for financial assets and off-balance-sheet unused credit line that are not applied below two approaches
- Simplified approach: for receivables, contract assets and lease receivables
- Credit-impaired approach: for purchased or originated credit-impaired financial assets

The general approach is applied differently depending on the significance of the increase of the credit risk. If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, an entity shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. If the credit risk on that financial instrument has increased significantly since initial recognition, an entity shall measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses at each reporting date.

The Bank applies the simplified approach to 1) trade receivables and contract assets that do not have a significant financing component or 2) trade receivables, contract assets and lease receivables upon determining the Bank's accounting policies as the application of the simplified approach. The approach requires expected lifetime losses to be recognized from initial recognition of the financial assets. Under credit-impaired approach, the Bank shall only recognize the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance for purchased or originated credit-impaired financial assets.

The following non-exhaustive list of information may be relevant in assessing changes in credit risk:
- Significant changes in internal price indicators of credit risk as a result of a change in credit risk since inception
- Other changes in the rates or terms of an existing financial instrument that would be significantly different if the instrument was newly originated or issued at the reporting date
- An actual or expected significant change in the financial instrument's external credit rating
- An actual or expected internal credit rating downgrade for the borrower or decrease in behavioural scoring used to assess credit risk internally
- An actual or expected significant change in the operating results of the borrower
- Past due information

(i) Forward-looking information

The Bank uses forward-looking information, when it determines whether the credit risk has increased significantly since initial recognition and measures expected credit losses.

The Bank assumes the risk component has a certain correlation with the business cycle, and calculates the expected credit loss by reflecting the forward-looking information with macroeconomic variables on the measurement inputs.

Forward looking information used in calculation of expected credit loss is derived after comprehensive consideration of a variety of factors including scenario in management planning, worst-case scenario used for stress testing, third party forecast, and others.

3. Significant Accounting Policies, Continued

(ii) Measuring expected credit losses on financial assets at amortized cost

The amount of the loss on financial assets at amortized cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The Bank estimates expected future cash flows for financial assets that are individually significant (individual assessment of impairment).

For financial assets that are not individually significant, the Bank collectively estimates expected credit loss by grouping loans with homogeneous credit risk profile (collective assessment of impairment).

Individual assessment of impairment

Individual assessment of impairment losses is calculated using management's best estimate on present value of expected future cashflows. The Bank uses all the available information including operating cash flow of the borrower and net realizable value of any collateral held.

Collective assessment of impairment

Collective assessment of loss allowance involves historical loss experience along with incorporation of forward-looking information. Such process incorporates factors such as type of collateral, product and borrowers, credit rating, size of portfolio and recovery period and applies probability of default on a group of assets and loss given default by type of recovery method. Also, the expected credit loss model involves certain assumption to determine input based on loss experience and forward-looking information. These models and assumptions are periodically reviewed to reduce gap between loss estimate and actual loss experience.

The expected credit loss for financial assets measured at amortized cost is recognized as the loss allowance, and when the financial asset is determined to be irrecoverable, the carrying amount and loss allowance are decreased. If financial assets previously written off are recovered, the loss allowance is increased and the difference is recognized in the current profit or loss.

(iii) Measuring expected credit losses on financial assets at fair value through other comprehensive income

Measuring method of expected credit losses on financial assets at fair value through other comprehensive income is equal to the method of financial assets at amortized cost, except for changes in loss allowances that are recognized as other comprehensive income. Amounts recognized in other comprehensive income for sale or repayment of financial assets at fair value through other comprehensive income are reclassified to profit or loss.

3. Significant Accounting Policies, Continued

(9) Derivative financial instruments including hedge accounting
Derivative financial instruments are initially recognised at fair value at the inception of the contract and re-estimated at fair value subsequently. The recognition of profit or loss due to changes in fair value of derivative instruments is as described below:

(i) Hedge accounting
Derivative financial instruments are accounted differently depending on whether hedge accounting is applied, and therefore, are classified into trading purpose derivatives and hedging purpose derivatives.
Upon the transaction of hedging purpose derivatives, two different types of hedge accounting are applied; a fair value hedge, and a cash flow hedge. A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss. A cash flow hedge is a hedge of the exposure to variability in cash flows that (i) is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction and (ii) could affect profit or loss.

At the inception of the hedge relationship, the Bank formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge, and the method that will be used to assess the effectiveness of the hedging relationship.

Fair value hedge
For designated and qualifying fair value hedges, the change in the fair value of a hedging derivative is recognised in profit or loss in the statement of comprehensive income. Meanwhile, the change in the fair value of the hedged item, attributable to the risk hedged, is recorded as part of the carrying value of the hedged item and is also recognised in profit or loss in the statement of comprehensive income. When the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged item recorded at amortized cost, the difference between the carrying value of the hedged item on termination and the face value is amortized over the remaining term of the original hedge using the EIR.

Cash flow hedge
For designated and qualifying cash flow hedges, the effective portion of gain or loss on the hedging instruments is initially recognised directly in equity. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in the statement of comprehensive income. When the hedged cash flow affects the profit or loss in statement of comprehensive income, the gain or loss on the hedging instrument is recorded in the corresponding income or expense line in profit or loss in the statement of comprehensive income. When a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged forecasted transaction is ultimately recognised in the statement of comprehensive income. When a forecasted transaction is no longer expected to occur, the cumulative gain and loss that was reported in equity is immediately transferred to profit or loss in the statement of comprehensive income.

Hedges of net investments in foreign operations
The Bank designates non-derivative financial instruments as hedging instruments for foreign currency risk arising from net investments in foreign operations and recognises the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge in other comprehensive income. The cumulative amounts recognised in other comprehensive income relating to both the foreign exchange differences arising on translation of the results and financial position of the foreign operation and the gain or loss on the hedging instrument that is determined to be an effective hedge of the net investment are reclassed from equity to profit or loss as a reclassification adjustment when the Bank disposes of the foreign operation.

(ii) Trading purpose derivatives
For trading purpose derivatives transaction, changes in the fair value of derivatives are recognised in net income.

(10) Day one profit or loss recognition
For financial instruments classified as level 3 on the fair value level hierarchy measured using assess variables not observable in the market, the difference between the fair value at initial recognition and the transaction price, which is equivalent to Day one profit or loss, is amortized by using the straight-line method over time.

3. Significant Accounting Policies, Continued

(11) Property and equipment

The Bank's property and equipment are recognised at the carrying amount at historical costs less accumulated depreciation and accumulated impairment in value. Historical costs include the expenditures directly related to the acquisition of assets.

Subsequent costs are recognised in the carrying amount of assets or, if appropriate, as separate assets if the probabilities future economic benefits associated with the assets will flow into the Bank and the costs can be measured reliably; the carrying amount of the replaced part is derecognised. Furthermore, any other repairs or maintenances are charged to profit or loss as incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to the amount of residual value less acquisition cost over the following estimated useful lives:

Type	Useful lives (years)
Buildings	20 ~ 50
Structure	10 ~ 40
Movable property	4

Property and equipment are impaired when the carrying amount exceeds the recoverable amount. The Bank assesses residual value and economic life of its assets at each reporting date and adjusts useful lives when necessary. Any gain or loss arising from the disposal of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in non-operating income (expense) in the statement of comprehensive income.

(12) Investment property

The Bank classifies property held for rental income or benefits from capital appreciation as investment property. Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, the cost model is applied. Subsequent to initial recognition, an item of investment property is carried at its cost less any accumulated depreciation and any accumulated impairment loss.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the statement of comprehensive income in the period of de-recognition. Reclassification to other account is made if there is a change in use of corresponding investment property.

Depreciation of investment property is calculated using the straight-line method over its estimated useful lives as follows:

Type	Useful lives (years)
Buildings	20 ~ 50
Structure	10 ~ 40

3. Significant Accounting Policies, Continued

(13) Intangible assets

An intangible asset is recognised only when its cost can be measured reliably, and the probabilities future economic benefits from the asset will flow into the Bank are high. Separately acquired intangible assets are recognised at the acquisition cost, and subsequently, the cost less accumulated depreciation and accumulated impairment is recognised as the carrying amount.

Intangible assets with finite lives are amortized over the four-year to 30-year period of useful economic lives using the straight-line method. At the end of each reporting period, the Bank reviews intangible assets for any evidence that indicate impairment, and upon the presence of such evidence, the Bank estimates the amount recoverable and recognises the loss accordingly.

Intangible assets with indefinite useful lives are not amortized but are tested for impairment annually. Furthermore, the Bank reviews such intangible assets to determine whether it is appropriate to consider these assets to have indefinite useful lives. If in the case the Bank concludes an asset is not qualified to be classified as non-finite, prospective measures are taken to consider such an asset as finite.

(14) Leases

The Bank recognizes a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments at the commencement date of the lease. The Bank elected not to apply the requirements to the short-term leases and leases of low value assets.

Right-of-use asset

The right-of-use asset is measured at its cost less subsequent accumulated depreciation and accumulated impairment loss with adjustments reflected arising from remeasurements of the lease liability. The cost of the right-of-use asset comprise the amount of the initial measurement of the lease liability, any initial direct costs incurred by the lessee and any lease payments made at or before the commencement date, less any lease incentive received. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis from the commencement date of the lease.

Lease liabilities

At the commencement date, the lease liability is measured at present value of the lease payments that are not paid at that date. Lease payments include fixed payments (including in-substance fixed payments), less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers those payments occurs.

When measuring the present value, the lease payments are discounted using the interest rate implicit in the lease. If such implicit rate cannot be readily determined, the Bank uses the Bank's incremental borrowing rate. The lease liability is subsequently increased by the amount of interest expenses recognized on the lease liability and reduced by the lease payments made.

Short-term lease and lease of low-value assets

The Bank does not apply the requirements of lessee accounting to short-term leases and leases of low-value assets. The Bank recognizes the lease payments associated with these leases as expenses on a straight-line basis over the lease term.

3. Significant Accounting Policies, Continued

(15) Impairment of non-financial assets

The Bank tests for any evidence of impairment in assets and reviews whether the impairment has taken place by estimating the recoverable amount, at the end of each reporting period. The recoverable amount is the higher of the fair value less cost and value in use of an asset.

Except for impairment losses in respect of goodwill which are never reversed, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

(16) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. To be classified as held for sale, the asset (or disposal group) must be available for immediate sale in its present condition and its sale must be highly probable. The assets or disposal group that are classified as assets held for sale are measured at the lower of their carrying amount and fair value less cost to sell.

The Bank recognizes an impairment loss for any initial or subsequent write-down of an asset (or disposal group) to fair value less costs to sell, and a gain for any subsequent increase in fair value less costs to sell, up to the cumulative impairment loss previously recognized.

Non-current assets that are classified as held for sale or part of a disposal group classified as held for sale are not depreciated (or amortized).

(17) Non-derivative financial liabilities

The Bank classifies non-derivative financial liabilities into financial liabilities at fair value through profit or loss or other financial liabilities, in accordance with the substance of the contractual arrangement and the definitions of financial liability. The Bank recognizes these financial liabilities in the statement of financial position when the Bank becomes a party to the contractual provisions of the financial liability.

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated at FVTPL upon initial recognition. Financial liabilities and derivatives are classified as financial instruments held for trading if they are acquired for repurchasing soon. Financial liabilities are classified as financial liabilities at FVTPL upon initial recognition, if the profit or loss from the liabilities indicates to be more purpose-appropriate to be recognised as profit or loss. Financial liabilities at FVTPL are designated at fair value in subsequent measurements, and any related un-realized profit or loss is recognised as profit or loss. In addition, for the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, the Bank present this change in other comprehensive income, and does not recycle this other comprehensive income to profit or loss, subsequently.

(ii) Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost are recognised at fair value less cost less transaction cost upon initial recognition, and subsequently at amortized costs. The difference between the proceeds (net of transaction cost) and the redemption value is recognised in the statement of comprehensive income over the periods of the liabilities using the effective interest method.

Fees paid on the establishment of a loan facility are recognised as transaction costs of the loan, if the probability that some or all the facility will be drawn down is high. If, however, there is not enough evidence to conclude a draw-down of some or all the facility will occur, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

3. Significant Accounting Policies, Continued

(18) Employee benefits

(i) Short-term employee benefits
Short-term employee benefits are employee benefits that are due to be settled wholly before 12 months after the end of the period in which the employees render the related service. When an employee has rendered service to the Bank during an accounting period, the Bank recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service.

(ii) Retirement benefits: defined contribution plans
A defined contribution plan is a pension plan under which the Bank pays fixed contributions into a separate fund. The Bank is no longer responsible for any foreseeable future liability after a certain amount or percentage of money is set aside for defined contribution plans. If the pension plan allows for early retirement, payments are recognised as employee benefits. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, the Bank recognises that excess as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

(iii) Retirement benefits: defined benefit plans
The Bank classifies all the pensions as defined benefit plans except defined contribution plans. The Bank's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and have terms to maturity like the terms of the related pension liability.

Remeasurements of the net defined benefit liabilities (assets), which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income.

(19) Provisions
Provisions are recognized when the Bank has a present legal or constructive obligation because of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(20) Financial guarantees
Financial guarantee contracts are contracts that require the issuer (the Bank) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the original or changed terms of a debt instrument. Financial guarantees are initially recognized in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of:

- The amount determined in accordance with K-IFRS 1109 *'Financial Instruments'* and
- The initial amount recognized, less, when appropriate, cumulative amortization recognized in accordance with K-IFRS 1115 'Revenue from Contracts with Customers'.

3. Significant Accounting Policies, Continued

(21) Securities under resale or repurchase agreements
Securities purchased under agreements to resell are recorded as other loans and receivables and the related interest from these securities is recorded as interest income; securities sold under agreements to repurchase are recorded as other borrowings, and the related interest from these securities is recorded as interest expense.

(22) Interest income and expense
Interest income and expense are recognized in profit or loss using the effective interest method. The effective interest method measures the amortized costs of financial instruments and allocates the interest income or expense during the related period.

Upon the calculation of the effective interest rate, the Bank estimates future cash flows by taking into consideration all contractual terms of the financial instrument, but not future credit loss. The calculation also reflects any fees or points paid or received, transaction costs and any related premiums or discounts. In the case that the cash flow and expected duration of a financial instrument cannot be estimated reliably, the effective interest rate is calculated by the contractual cash flow during the contract period.

Once an impairment loss has been recognized on a financial asset or a group of similar assets, subsequent interest income is recognized on the interest rate that was used to discount future cash flow for measuring the impairment loss.

(23) Fees and commission income
Fees and commission income and expense are classified as follows according to related regulations:

(i) Fees and commission from financial instruments
Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. It includes those related to evaluation of the borrowers' financial status, guarantee, collateral, other agreements and related evaluation as well as business transaction, rewards for activities, such as document preparation and recording and setup fees incurred during issuance of financial liabilities. However, when financial instruments are classified as financial instruments at fair value through profit or loss, fees and commission are recognized as revenue upon initial recognition.

(ii) Fees and commission from services
Fees and commission income charged in exchange for services to be performed during a certain period of time such as asset management fees, consignment fees and assurance service fees are recognized as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan and K-IFRS 1039 *'Financial Instrument: Recognition and Measurement'* is not applied for the commitment, the related loan commitment fees are recognized as revenue proportionally to time over the commitment period.

(iii) Fees and commission from significant transaction
Fees and commission from significant transactions, such as trading stocks and other securities, negotiation and mediation activities for third parties, for instance business transfer and takeover, are recognized when transactions are completed.

(24) Dividend income
Dividend income is recognized upon the establishment of the Bank's right to receive the payment.

3. Significant Accounting Policies, Continued

(25) Income tax expense

Income tax expense comprises current and deferred income tax. Current income tax and deferred income tax are recognized in profit or loss except to the extent that the tax arises from a transaction or event, which is recognized in other comprehensive income or directly in equity, or a business combination.

The Bank recognizes deferred income tax liabilities for all taxable temporary differences associated with investments in subsidiaries, associates, except to the extent that the Bank can control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Bank recognizes deferred income tax assets for all deductible temporary differences arising from investments in associates, to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the reporting period when the assets are realized, or the liabilities settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred income tax assets and liabilities reflects the income tax effects that would follow from the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The carrying amount of a deferred income tax asset is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are off-set only if the Bank has a legally enforceable right to off-set the related current income tax assets and liabilities, and the assets and liabilities relate to income tax levied by the same tax authority and are intended to be settled on a net basis.

(26) Accounting for trust accounts

The Bank, for financial reporting, differentiates trust assets from identifiable assets according to the *Financial Investment Services and Capital Markets Act*. Furthermore, the Bank receives trust fees from the application, management and disposal of trust assets, and appropriates such amounts for fees from trust accounts.

Meanwhile, in the case the fee from an unspecified principal or interests guaranteed money in trust does not meet the principal or interest amount, even after appropriating deficit with trust fees and special reserve, the Bank fills in the remaining deficit in the trust account and appropriates such amounts for losses on trust accounts.

(27) Regulatory reserve for credit losses

When the total sum of allowance for possible credit losses is lower than the amount prescribed in Article 29(1) of the *Regulations on Supervision of Banking Business*, the Bank records the difference as regulatory reserve for credit losses at the end of each reporting period.

In the case that the existing regulatory reserve for credit losses exceeds the amount needed to be set aside at the reporting date, the surplus may be reversed. Furthermore, in the case that undisposed deficit exists, regulatory reserve for credit losses is saved from the time the undisposed deficit is disposed.

3. Significant Accounting Policies, Continued

(28) Earnings per share

The Bank represents its diluted and basic earnings per common share in the separate statement of comprehensive income. Basic earnings per share (EPS) is calculated by dividing net profit attributable to shareholders of the Bank by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per share is calculated by adjusting net profit attributable to common shareholders of the Bank, considering dilution effects from all potential common shares, and the weighted average number of common shares outstanding.

(29) Corrections of errors

Prior period errors shall be corrected by retrospective restatement in the first set of financial statements authorised for issue after their discovery except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the error.

4. Cash and Due from Banks

(1) Cash and due from banks as of December 31, 2024 and 2023 are as follows:

		December 31, 2024	December 31, 2023
Cash	₩	67,357	65,738
Due from banks in Korean won:			
Due from Bank of Korea		1,236,493	1,972,258
Other due from banks in Korean won		316,521	45,715
		1,553,014	2,017,973
Due from banks in foreign currencies / off-shores		11,375,150	6,576,097
	₩	12,995,521	8,659,808

(2) Restricted due from banks as of December 31, 2024 and 2023 are as follows:

		December 31, 2024	December 31, 2023
Reserve deposit	₩	2,664,190	2,302,201
Deposit of monetary stabilization account		-	150,000
Others		380,971	308,676
	₩	3,045,161	2,760,877

5. Securities Measured at FVTPL

(1) Details of securities in financial assets at fair value through profit or loss as of December 31, 2024 and 2023 are as follows:

	December 31, 2024		
	Face value	Acquisition cost	Fair value (Carrying amounts)
Securities denominated in Korean won:			
Stocks	₩ -	2,445,393	2,383,651
Equity investments	-	1,193,938	1,345,253
Beneficiary certificates	-	9,982,204	10,697,146
Government and public bonds	2,588,113	2,562,353	2,804,662
Financial bonds	230,000	230,311	230,200
Others	90,470	90,465	90,721
	2,908,583	16,504,664	17,551,633
Securities denominated in foreign currencies/off-shores:			
Stocks	-	27,420	30,688
Equity investments	-	154,888	217,416
Beneficiary certificates	-	479,469	551,952
Debt securities	67,847	64,977	67,111
	67,847	726,754	867,167
	₩ 2,976,430	17,231,418	18,418,800

	December 31, 2023		
	Face value	Acquisition cost	Fair value (Carrying amounts)
Securities denominated in Korean won:			
Stocks	₩ -	2,151,564	2,044,046
Equity investments	-	905,853	1,002,008
Beneficiary certificates	-	9,411,162	9,887,428
Government and public bonds	1,686,000	1,637,507	1,784,605
Financial bonds	600,000	597,206	601,369
Others	50,470	50,234	50,372
	2,336,470	14,753,526	15,369,828
Securities denominated in foreign currencies/off-shores:			
Stocks	-	27,398	26,918
Equity investments	-	104,369	157,892
Beneficiary certificates	-	477,542	489,767
Debt securities	14,183	13,876	14,151
	14,183	623,185	688,728
	₩ 2,350,653	15,376,711	16,058,556

5. Securities Measured at FVTPL, Continued

(2) Equity securities with disposal restrictions in financial assets at fair value through profit or loss as of December 31, 2024 and 2023 are as follows:

	December 31, 2024		
Company	Number of shares	Carrying amount	Restricted period
TnJ Co.,Ltd.	167,989	₩ 1,862	Undecided
National Happiness Fund	34,066	-	Undecided
SEMITECH Co., Ltd.	33,187	368	Undecided
Hongin Chemical Co., Ltd.	5,060	-	Undecided
ROKIT HEALTHCARE Inc.	288,459	3,657	For one month from the listing date
	528,761	₩ 5,887	

	December 31, 2023		
Company	Number of shares	Carrying amount	Restricted period
National Happiness Fund	34,066	₩ 14,884	Undecided
SEMITECH Co., Ltd.	33,187	368	Undecided
Hongin Chemical Co., Ltd.	5,060	-	Undecided
	72,313	₩ 15,252	

6. Securities Measured at FVOCI

(1) Details of securities measured at FVOCI as of December 31, 2024 and 2023 are as follows:

	December 31, 2024		
	Face value	Acquisition cost	Fair value (Carrying amounts)
Securities denominated in Korean won:			
Stocks and equity investments	₩ -	13,456,956	13,841,932
Government and public bonds	615,000	607,017	611,775
Financial bonds	1,810,000	1,815,420	1,820,344
Corporate bonds	2,326,029	2,325,538	2,265,042
Others	576,000	576,000	1,504,996
	5,327,029	18,780,931	20,044,089
Securities denominated in foreign currencies/off-shores:			
Equity securities	-	145	1,214
Debt securities	13,064,373	13,167,685	12,674,481
	13,064,373	13,167,830	12,675,695
Loaned securities:			
Debt securities	40,000	39,965	40,409
	₩ 18,431,402	31,988,726	32,760,193

6. Securities Measured at FVOCI, Continued

	December 31, 2023		
	Face value	Acquisition cost	Fair value (Carrying amounts)
Securities denominated in Korean won:			
Stocks and equity investments	₩ -	11,277,639	11,709,407
Government and public bonds	1,575,000	1,561,815	1,558,377
Financial bonds	1,380,000	1,372,473	1,381,371
Corporate bonds	4,670,160	4,667,812	4,558,013
Others	1,500,680	1,500,680	3,933,681
	9,125,840	20,380,419	23,140,849
Securities denominated in foreign currencies/off-shores:			
Equity securities	-	498	1,128
Debt securities	11,186,342	11,297,509	10,706,746
	11,186,342	11,298,007	10,707,874
Loaned securities:			
Debt securities	40,000	39,483	39,341
	₩ 20,352,182	31,717,909	33,888,064

Equity instruments that are acquired due to debt-to-equity swap, investment in kind and investment in ventures and small and medium-sized enterprises are designated as measured at FVOCI. The realized pre-tax income and loss on disposal of equity securities for the years ended December 31, 2024 and 2023 are the amount of ₩1,234,598 million of gain and ₩1,076,647 million of gain, respectively, which is directly recognized in retained earnings.

(2) Changes in securities measured at FVOCI for the years ended December 31, 2024 and 2023 are as follows:

	2024	2023
Beginning balance	₩ 33,888,064	37,684,919
Acquisition	9,844,523	11,068,483
Disposal	(9,430,950)	(14,296,449)
Change due to amortization	23,424	22,292
Change in fair value	(1,399,248)	(774,816)
Reclassification	(1,696,500)	-
Foreign exchange differences	1,489,314	149,606
Others (*)	41,566	34,029
Ending balance	₩ 32,760,193	33,888,064

(*) For the year ended December 31, 2024, others represent the increase in securities measured at FVOCI including the shares of BLUEMTEC Co., Ltd., Inhwa Precision Co., Ltd., KODACO Co., Ltd. and others acquired through exercise of conversion rights of the convertible bonds, the shares of DPECO Co., Ltd. and others acquired in accordance with the rehabilitation plan under the Debtor Rehabilitation and Bankruptcy Act, the shares of Aero Space Technology Of Korea Inc. and others acquired in accordance with the changes in creditor rights as resolved by the Financial Creditors' Council and others. For the year ended December 31, 2023, others represent the increase in securities measured at FVOCI including the shares of ALT Co., Ltd., T'way Air Co., Ltd. and others acquired through exercise of conversion rights of the convertible bonds and the shares of Dae Young Metal Co., Ltd., CHEW YOUNG ROO CO., LTD. and others acquired in accordance with the rehabilitation plan under the Debtor Rehabilitation and Bankruptcy Act.

6. Securities Measured at FVOCI, Continued

(3) Equity securities with disposal restrictions in securities measured at FVOCI as of December 31, 2024 and 2023 are as follows:

	December 31, 2024		
Company	Number of shares	Carrying amount	Restricted period
UAMCO., Ltd.	113,050 ₩	208,996	Undecided
High Gain Antenna Co., Ltd.	18,138	448	Undecided
Aero Space Technology Of Korea Inc.	27,912,000	14,068	Until April 8, 2025
KODACO Co., Ltd.	2,183,376	2	Until March 26, 2025
ISTE Co.,Ltd.	761,904	6,248	For one month from the listing date
FineOne Co., Ltd.	548,245	3,255	For one to three month from the listing date
3billion Inc.	234,330	8,768	For two month from the listing date
3ALogics. Inc.	889,184	8,718	For one to two month from the listing date
Onconic Therapeutics Inc.	702,850	9,999	For one month from the listing date
Knowmerce Corp.	335,940	7,830	For two to three month from the listing date
	33,699,017 ₩	268,332	

	December 31, 2023		
Company	Number of shares	Carrying amount	Restricted period
UAMCO., Ltd.	113,050 ₩	196,670	Undecided
High Gain Antenna Co., Ltd.	18,138	372	Undecided
Kumho Tire Co., Inc.	21,339,320	115,019	Until July 6, 2024 (*)
	21,470,508 ₩	312,061	

(*) From July 6, 2021, 50% of the shares may be sold every year

6. Securities Measured at FVOCI, Continued

(4) Changes in the loss allowance in relation to securities measured at FVOCI for the years ended December 31, 2024 and 2023 are as follows:

	2024			
		Lifetime expected credit loss		
	12-month expected credit loss	Non credit-Impaired	Credit-impaired	Total
Beginning balance	₩ 16,186	1,173	73,063	90,422
Transfer to 12-month expected credit loss	-	-	-	-
Transfer to lifetime expected credit losses:				
Transfer to non credit-impaired debt securities	(302)	302	-	-
Transfer to credit-impaired debt securities	(75)	75	-	-
Provision for (reversal of) loss allowance	2,275	219	143	2,637
Disposal	(800)	-	-	(800)
Foreign currency translation, etc.	1,058	30	2,266	3,354
Ending balance	₩ 18,342	1,799	75,472	95,613

	2023			
		Lifetime expected credit loss		
	12-month expected credit loss	Non credit-Impaired	Credit-impaired	Total
Beginning balance	₩ 11,041	2,398	72,740	86,179
Transfer to 12-month expected credit loss	187	(187)	-	-
Transfer to lifetime expected credit losses:				
Transfer to non credit-impaired debt securities	-	-	-	-
Transfer to credit-impaired debt securities	-	-	-	-
Provision for (reversal of) loss allowance	4,534	(219)	(48)	4,267
Disposal	(283)	-	-	(283)
Foreign currency translation, etc.	707	(819)	371	259
Ending balance	₩ 16,186	1,173	73,063	90,422

7. Securities Measured at Amortized Cost

(1) Securities measured at amortized cost as of December 31, 2024 and 2023 are as follows:

		December 31, 2024	
		Amortized cost	Fair value
Securities denominated in Korean won:			
Government and public bonds	₩	3,492,235	3,492,235
Financial bonds		2,015,083	2,014,617
Corporate bonds		2,849,742	2,840,493
		8,357,060	8,347,345
Securities denominated in foreign currencies:			
Corporate bonds		588,960	588,960
Less: loss allowance		(9,715)	
	₩	8,936,305	8,936,305

		December 31, 2023	
		Amortized cost	Fair value
Securities denominated in Korean won:			
Government and public bonds	₩	3,841,102	3,841,102
Financial bonds		2,456,764	2,456,431
Corporate bonds		2,141,858	2,132,972
		8,439,724	8,430,505
Securities denominated in foreign currencies:			
Corporate bonds		152,683	152,683
Less: loss allowance		(9,219)	
	₩	8,583,188	8,583,188

(2) Changes in securities measured at amortized cost for the years ended December 31, 2024 and 2023 are as follows:

		2024	2023
Beginning balance	₩	8,583,188	6,355,884
Acquisition		5,020,325	5,217,386
Redemption		(4,708,420)	(3,020,000)
Change due to amortization		23,210	38,929
Impairment loss		(496)	(9,011)
Foreign exchange differences, etc.		18,498	-
Ending balance	₩	8,936,305	8,583,188

8. Loans Measured at FVTPL

(1) Loans measured at FVTPL as of December 31, 2024 and 2023 are as follows:

	December 31, 2024		December 31, 2023	
	Amortized cost	Fair value (Carrying amounts)	Amortized cost	Fair value (Carrying amounts)
Loans in Korean won:				
Privately placed corporate bonds	₩ 378,250	419,773	422,724	488,432
Loans in foreign currencies:				
Privately placed corporate bonds	3,400	-	2,804	-
	₩ 381,650	419,773	425,528	488,432

(2) Losses related to loans measured at FVTPL for the years ended December 31, 2024 and 2023 are as follows:

	2024	2023
Transaction gains (losses) on loans measured at FVTPL		
Transaction gains	₩ 4,126	8,254
Transaction losses	(6,796)	(5,332)
	(2,670)	2,922
Valuation losses on loans measured at FVTPL		
Valuation gains	2,534	7,381
Valuation losses	(26,639)	(16,294)
	(24,105)	(8,913)
	₩ (26,775)	(5,991)

9. Loans Measured at Amortized Cost

(1) Loans measured at amortized cost and loss allowance for loan as of December 31, 2024 and 2023 are as follows:

	December 31, 2024		December 31, 2023	
	Amortized cost	Fair value	Amortized cost	Fair value
Loans in Korean won:				
Loans for working capital	₩ 68,851,877	68,093,728	69,353,773	68,310,908
Loans for facility development	62,063,432	61,108,673	61,149,089	59,856,968
Loans for households	117,607	116,709	143,534	142,911
Inter-bank loans	2,877,321	2,703,919	2,971,744	2,807,208
	133,910,237	132,023,029	133,618,140	131,117,995
Loans in foreign currencies:				
Loans	35,155,384	35,092,441	29,820,779	29,740,998
Inter-bank loans	7,052,491	7,029,441	3,879,644	3,865,256
Off-shore loans	23,728,052	23,543,740	20,816,849	20,691,653
	65,935,927	65,665,622	54,517,272	54,297,907
Other loans:				
Bills bought in foreign currency	2,755,722	2,723,534	2,033,111	1,995,544
Advances for customers on acceptances and guarantees	16,592	2,278	24,593	11,463
Privately placed corporate bonds	1,758,612	1,745,315	2,307,802	2,231,504
Others	8,005,365	7,827,441	10,566,404	10,403,677
	12,536,291	12,298,568	14,931,910	14,642,188
	212,382,455	209,987,219	203,067,322	200,058,090
Less:				
Loss allowance for loan	(2,926,042)		(3,099,978)	
Present value discount	(9,728)		(11,054)	
Deferred loan origination costs and fees	34,668		25,490	
	₩ 209,481,353		199,981,780	

9. Loans Measured at Amortized Cost, Continued

(2) Changes in loss allowance for loan for the years ended December 31, 2024 and 2023 are as follows:

	2024			
		Lifetime expected credit losses		
	12-month expected credit loss	Non credit-impaired	Credit-impaired	Total
Beginning balance	₩ 587,840	1,423,097	1,089,041	3,099,978
Transfer to 12-month expected credit loss	35,129	(35,005)	(124)	-
Transfer to lifetime expected credit losses:				
Transfer to non credit-impaired loans	(176,556)	190,847	(14,291)	-
Transfer to credit-impaired loans	(54,321)	(85,329)	139,650	-
Provision for (reversal of) loss allowance	326,386	(209,005)	(26,544)	90,837
Write-offs	-	-	(24,526)	(24,526)
Recovery	-	-	52,255	52,255
Sale	-	-	(232,565)	(232,565)
Debt-to-equity swap	-	-	(48,175)	(48,175)
Foreign currency translation	22,358	6,134	18,557	47,049
Other	(6,917)	(25,713)	(26,181)	(58,811)
Ending balance	₩ 733,919	1,265,026	927,097	2,926,042

	2023			
		Lifetime expected credit losses		
	12-month expected credit loss	Non credit-impaired	Credit-impaired	Total
Beginning balance	₩ 289,254	2,340,836	1,367,141	3,997,231
Transfer to 12-month expected credit loss	62,758	(49,164)	(13,594)	-
Transfer to lifetime expected credit losses:				
Transfer to non credit-impaired loans	(90,108)	106,404	(16,296)	-
Transfer to credit-impaired loans	(70,171)	(287,708)	357,879	-
Provision for (reversal of) loss allowance	388,223	(704,243)	(82,991)	(399,011)
Write-offs	-	-	(203,807)	(203,807)
Recovery	-	-	40,194	40,194
Sale	-	-	(188,127)	(188,127)
Debt-to-equity swap	-	-	(134,919)	(134,919)
Foreign currency translation	7,497	12,366	117	19,980
Other	387	4,606	(36,556)	(31,563)
Ending balance	₩ 587,840	1,423,097	1,089,041	3,099,978

9. Loans Measured at Amortized Cost, Continued

(3) Gains (losses) related to loans measured at amortized cost for the years ended December 31, 2024 and 2023 are as follows:

		2024	2023
Reversal of (provision for) allowance for loan losses	₩	(90,837)	399,011
Gains (losses) on disposal of loan		(26,257)	11,341
	₩	(117,094)	410,352

(4) Changes in net deferred loan origination costs and fees for the years ended December 31, 2024 and 2023 are as follows:

		2024	2023
Beginning balance	₩	25,490	21,224
New deferrals		24,019	19,969
Amortization		(14,841)	(15,703)
Ending balance	₩	34,668	25,490

10. Derivative Financial Instruments

The Bank's derivative financial instruments consist of trading derivatives and hedging derivatives, depending on the nature of each transaction. The Bank enters into hedging derivative transactions mainly for the purpose of hedging risk related to changes in fair values of the underlying assets and liabilities and future cash flows.

The Bank enters into trading derivative transactions such as futures, forwards, swaps and options for arbitrage transactions by speculating on the future value of the underlying asset. Derivatives held-for trading transactions include contracts with the Bank's clients and its liquidation position.

For the purpose of hedging the exposure to the variability of fair values and cash flows of funds in Korean won by changes in interest rate, the Bank mainly uses interest swaps or currency swaps. The main counterparties are foreign financial institutions and local banks. In addition, to hedge the exposure to the variability of fair values of bonds in foreign currencies by changes in interest rate or foreign exchange rate, the Bank mainly uses interest swaps or currency swaps.

The Bank applies net investment hedge accounting by designating non-derivative financial instruments as hedging instruments and any gain or loss on the hedging instruments relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

Gains and losses on the hedging instrument accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

10. Derivative Financial Instruments, Continued

(1) The notional amounts outstanding for derivative contracts and the carrying amounts of the derivative financial instruments as of December 31, 2024 and 2023 are as follows:

	December 31, 2024			
	Notional amounts		Carrying amounts	
	Buy	Sell	Asset	Liability
Trading purpose derivative financial instruments:				
Interest rate				
Futures ₩	140,000	249,316	-	-
Forwards	70,000	1,050,000	694	101,248
Swaps	388,226,698	388,229,673	1,167,657	1,815,342
Options	6,107,544	17,571,540	279,721	543,144
	394,544,242	407,100,529	1,448,072	2,459,734
Currency				
Forwards	64,871,269	46,445,711	4,032,920	1,953,791
Swaps	82,977,711	99,618,376	8,147,283	9,318,293
Options	262,474	250,213	8,736	3,184
	148,111,454	146,314,300	12,188,939	11,275,268
Stock				
Options	3,084	48	259	-
Allowance and other adjustments	-	-	(12,825)	(1,804)
	542,658,780	553,414,877	13,624,445	13,733,198
Hedging purpose derivative financial instruments:				
Interest rate (*)				
Swaps	48,180,348	48,180,348	130,264	235,972
Currency				
Swaps	11,609,881	12,259,237	160,577	907,743
Allowance and other adjustments	-	-	(35)	(2,974)
	59,790,229	60,439,585	290,806	1,140,741
₩	602,449,009	613,854,462	13,915,251	14,873,939

(*) The expected maximum period for which derivative contracts, applied the cash flow hedge accounting, are exposed to risk of cash flow fluctuation is until April 29, 2025.

10. Derivative Financial Instruments, Continued

	December 31, 2023			
	Notional amounts		Carrying amounts	
	Buy	Sell	Asset	Liability
Trading purpose derivative financial instruments:				
Interest rate				
Futures ₩	10,000	178,898	-	-
Forwards	150,000	960,000	19,805	61,903
Swaps	328,237,476	328,249,544	1,175,713	1,590,340
Options	7,060,912	14,242,205	363,225	477,698
	335,458,388	343,630,647	1,558,743	2,129,941
Currency				
Forwards	49,981,210	34,750,324	1,138,767	681,269
Swaps	56,661,776	71,544,517	4,134,336	4,148,686
Options	283,101	284,177	755	2,437
	106,926,087	106,579,018	5,273,858	4,832,392
Stock				
Options	3,041	334,536	278	128
Allowance and other adjustments	-	-	(11,855)	(1,075)
	442,387,516	450,544,201	6,821,024	6,961,386
Hedging purpose derivative financial instruments:				
Interest rate (*)				
Swaps	37,996,299	37,996,299	88,620	337,955
Currency				
Swaps	10,411,160	10,225,034	473,876	358,865
Allowance and other adjustments	-	-	(195)	(3,305)
	48,407,459	48,221,333	562,301	693,515
₩	490,794,975	498,765,534	7,383,325	7,654,901

(*) The expected maximum period for which derivative contracts, applied the cash flow hedge accounting, are exposed to risk of cash flow fluctuation is until April 29, 2025.

(2) The notional amounts outstanding for the hedging instruments by period as of December 31, 2024 and 2023 are as follows:

	December 31, 2024					
	Within 1 month	1~3 months	3~12 months	1~5 years	Over 5 years	Total
Interest rate:						
Notional amounts outstanding ₩	194,040	4,804,351	9,943,343	24,808,058	8,430,556	48,180,348
Currency:						
Notional amounts outstanding ₩	532,518	600,953	1,277,080	7,771,329	1,428,001	11,609,881

	December 31, 2023					
	Within 1 month	1~3 months	3~12 months	1~5 years	Over 5 years	Total
Interest rate:						
Notional amounts outstanding ₩	894,844	1,337,050	4,089,937	24,151,788	7,522,680	37,996,299
Currency:						
Notional amounts outstanding ₩	701,180	622,774	1,970,389	5,721,728	1,395,089	10,411,160

10. Derivative Financial Instruments, Continued

(3) Details of the balances of the hedging instruments by risk type as of December 31, 2024 and 2023 are as follows:

	December 31, 2024				
	Notional amounts		Balances		Changes in fair value for 2024
	Buy	Sell	Assets	Liabilities	
Cash flow hedge accounting:					
Interest rate risk:					
Swaps	₩ 58,800	58,800	-	-	(2,044)
Fair value hedge accounting:					
Interest rate risk:					
Swaps	48,121,548	48,121,548	130,264	235,972	256,255
Currency risk					
Swaps	11,609,881	12,259,237	160,577	907,743	(825,515)
	59,731,429	60,380,785	290,841	1,143,715	(569,260)
	₩ 59,790,229	60,439,585	290,841	1,143,715	(571,304)

	December 31, 2023				
	Notional amounts		Balances		Changes in fair value for 2023
	Buy	Sell	Assets	Liabilities	
Cash flow hedge accounting:					
Interest rate risk:					
Swaps	₩ 90,258	90,258	-	-	(3,222)
Fair value hedge accounting:					
Interest rate risk:					
Swaps	37,906,041	37,906,041	88,620	337,955	684,976
Currency risk					
Swaps	10,411,160	10,225,034	473,876	358,865	428,419
	48,317,201	48,131,075	562,496	696,820	1,113,395
	₩ 48,407,459	48,221,333	562,496	696,820	1,110,173

10. Derivative Financial Instruments, Continued

(4) Details of the balances of the hedged items by risk type as of December 31, 2024 and 2023 are as follows:

	December 31, 2024					
	Carrying amounts		Change in value of the hedged item		Changes in fair value for 2024	Cash flow hedge reserve
	Assets	Liabilities	Assets	Liabilities		
Cash flow hedge accounting:						
Interest rate risk:						
Debt debentures ₩	-	58,800	-	-	-	1,045
Fair value hedge accounting:						
Interest rate risk:						
Securities measured at FVOCI	6,638,016	-	8,661	-	(6,819)	-
Debt debentures	-	40,711,955	-	(868,944)	(265,708)	-
Other liabilities (Deposits, etc.)	-	122,084	-	(24,359)	3,247	-
	6,638,016	40,834,039	8,661	(893,303)	(269,280)	-
Currency risk:						
Debt debentures	-	11,376,831	-	527,750	828,917	-
	6,638,016	52,210,870	8,661	(365,553)	559,637	-
₩	6,638,016	52,269,670	8,661	(365,553)	559,637	1,045

	December 31, 2023					
	Carrying amounts		Change in value of the hedged item		Changes in fair value for 2023	Cash flow hedge reserve
	Assets	Liabilities	Assets	Liabilities		
Cash flow hedge accounting:						
Interest rate risk:						
Debt debentures ₩	-	90,258	-	-	-	4,034
Fair value hedge accounting:						
Interest rate risk:						
Securities measured at FVOCI	5,423,921	-	129,096	-	89,803	-
Debt debentures	-	33,375,068	-	(1,094,649)	(769,319)	-
Other liabilities (Deposits, etc.)	-	110,422	-	(18,518)	(885)	-
	5,423,921	33,485,490	129,096	(1,113,167)	(680,401)	-
Currency risk:						
Debt debentures	-	10,206,197	-	300,053	(425,112)	-
	5,423,921	43,691,687	129,096	(813,114)	(1,105,513)	-
₩	5,423,921	43,781,945	129,096	(813,114)	(1,105,513)	4,034

(5) Details of hedge ineffectiveness recognized in profit or loss from derivatives for the years ended December 31, 2024 and 2023 is as follows:

		2024	2023
Interest rate risk	₩	(13,025)	4,575
Currency risk		3,402	3,307
	₩	(9,623)	7,882

10. Derivative Financial Instruments, Continued

(6) The summary of the amounts that have affected the statement of comprehensive income as a result of applying cash flow hedge accounting for the years ended December 31, 2024 and 2023 is as follows:

	2024		
	Change in the value of the hedging instrument recognized in other comprehensive income	Hedge ineffectiveness recognized in profit or loss (*)	Amount reclassified from other comprehensive income to profit or loss (*)
Interest rate risk	₩ (2,152)	108	(837)

(*) Recognized in gains or losses related to hedging purpose derivatives.

	2023		
	Change in the value of the hedging instrument recognized in other comprehensive income	Hedge ineffectiveness recognized in profit or loss (*)	Amount reclassified from other comprehensive income to profit or loss (*)
Interest rate risk	₩ (3,207)	(16)	-

(*) Recognized in gains or losses related to hedging purpose derivatives.

(7) Details of net investments in foreign operations for the years ended December 31, 2024 and 2023 are as follows:

	2024	
	Changes in fair value	Other comprehensive income for hedges of net investments in foreign operations
Currency (foreign exchange risk)	₩ 166,721	(283,996)

	2023	
	Changes in fair value	Other comprehensive income for hedges of net investments in foreign operations
Currency (foreign exchange risk)	₩ 20,402	(117,276)

(8) Details of hedging instruments in hedge of net investments in foreign operations as of December 31, 2024 and 2023 are as follows:

	December 31, 2024			
	Carrying amount	Changes in fair value for 2024	Change in the value of the hedging instrument recognized in other comprehensive income for 2024	Hedge ineffectiveness recognized in profit or loss for 2024
Debentures in foreign currencies	₩ 1,324,680	(166,721)	(166,721)	-

	December 31, 2023			
	Carrying amount	Changes in fair value for 2023	Change in the value of the hedging instrument recognized in other comprehensive income for 2023	Hedge ineffectiveness recognized in profit or loss for 2023
Debentures in foreign currencies	₩ 1,137,428	(20,402)	(20,402)	-

11. Investments in Subsidiaries and Associates

(1) Investments in subsidiaries and associates as of December 31, 2024 and 2023 are as follows:

		December 31, 2024	December 31, 2023
Subsidiaries:			
KDB Asia Ltd.	₩	332,907	332,907
KDB Bank Europe Ltd. (*1)		145,747	126,602
KDB Ireland Ltd.		62,389	62,389
KDB Bank Uzbekistan Ltd.		47,937	47,937
Banco KDB Do Brazil S.A. (*2)		52,622	51,275
PT KDB Tifa Finance Tbk		85,288	85,288
KDB Silicon Valley LLC		118,615	118,615
KDB OCCASIO II, L.P.		147,565	138,850
KDB Synergy, L.P.		126,592	19,872
KDB Investment Co., Ltd.		70,000	70,000
KDB Biz Co., Ltd.		1,500	1,500
KDB Capital Corporation		597,290	597,290
Korea BTL Financing 1		100,623	115,086
Korea Railroad Financing 1		67,098	72,907
Korea Education Financing		30,685	35,744
KDB Infrastructure Investment Asset Management Co., Ltd.		16,843	16,843
KDB Consus Value PEF (*3)		317,360	177,353
KDB-IAP OBOR PEF (*4)		-	-
Green Initiative 2nd Private Equity Fund		217,577	135,687
KDBC Co-investment Private Equity Fund		33,914	26,751
KDB Asia PEF		88,066	88,066
KDB Small Medium Mezzanine PEF		33,350	33,350
Corporate Liquidity Assistance Agency Co., Ltd.		1,000,000	1,000,000
		3,693,968	3,354,312
Associates:			
Korea Electric Power Co., Ltd.		16,921,067	16,921,067
Korea Tourism Organization		337,286	337,286
Korea Infrastructure Fund II		212,074	212,515
Korea Ocean Business Corporation		631,777	631,777
Korea Real Estate Board		58,492	58,492
Hanwha Ocean Co., Ltd. (priorly known as Daewoo Shipbuilding & Marine Engineering Co., Ltd.) (*5)		2,227,877	1,496,741
HMM Co., Ltd. (*6)		5,240,667	3,932,440
GM Korea Company (*7)		474,733	455,904
HANJIN KAL (*8)		500,000	500,000
Korean Air Lines Co., Ltd.		330,477	330,477
TAEYOUNG ENGINEERING & CONSTRUCTION		54,719	-
Others (*9)		2,580,204	2,571,997
		29,569,373	27,448,696
	₩	33,263,341	30,803,008

11. Investments in Subsidiaries and Associates, Continued

(*1) The Bank recognized reversal of impairment losses amounting to ₩19,145 million and ₩1,150 million for the years ended December 31, 2024 and 2023, respectively, due to an increase in value in use resulting from the enhancement of expected cash flows from the shares held by the Bank.
(*2) The Bank recognized reversal of impairment losses amounting to ₩1,347 million and ₩11,513 million for the years ended December 31, 2024 and 2023, respectively, due to an increase in value in use resulting from the enhancement of expected cash flows from the shares held by the Bank.
(*3) The Bank recognized a impairment loss amounting to ₩161,231 million and ₩93,109 million for the year ended December 31, 2024 and 2023, respectively, due to a decrease in value in use resulting from the deterioration of expected cash flows from the shares held by the Bank.
(*4) The decrease in the net asset value due to the decrease in the fair value of assets held prior to the previous year was considered as objective evidence of impairment and an impairment loss was recognized, resulting in a carrying value of "0".
(*5) The Bank recognized reversal of impairment losses amounting to ₩731,136 million and ₩366,972 million for the years ended December 31, 2024 and 2023, respectively, due to an increase in value in use resulting from the enhancement of expected cash flows from the shares held by the Bank.
(*6) The Bank selected the Pan Ocean-JKL consortium as the preferred bidder on December 18, 2023 for the shares of HMM Co., Ltd. for the year ended December 31, 2023. The shares of HMM Co., Ltd. was classified to the assets held for sale from the investments in associates. However, as negotiations regarding the sale of shares with the Pan Ocean-JKL consortium fell through on February 7, 2024, the shares was retrospectively reclassified the investments in associates for the year ended December 31, 2024. Due to a decrease in the recoverable amount resulting from changes in the fair value of the shares, an impairment loss of ₩388,273 million was recognized for the year ended December 31, 2024, while an impairment reversal of ₩460,941 million was recognized in the year ended December 31, 2023 due to an increase in the recoverable amount.
(*7) The Bank recognized a reversal of impairment loss amounting to ₩18,830 million and ₩79,450 million for the years ended December 31, 2024 and 2023, respectively, due to the increase in value in use based on the operating cash flow.
(*8) The Bank recognized a reversal of impairment loss amounting to ₩147,239 million for the year ended December 31, 2023. due to the increase in value in use based on the operating cash flow.
(*9) The Bank recognized impairment losses amounting to ₩60,067 million for AJU PRIVATE EQUITY FUND NO.2 and 17 other companies for the year ended December 31, 2024. The Bank recognized a reversal of impairment losses amounting to ₩1,763 million for AJU PRIVATE EQUITY FUND NO.2 and 13 other companies for the year ended December 31, 2023.

11. Investments in Subsidiaries and Associates, Continued

(2) The market value of marketable investments in subsidiaries and associates as of December 31, 2024 and 2023 are as follows:

		Market value		Carrying amounts	
		December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
Korea Electric Power Co., Ltd.	₩	4,235,267	3,992,346	16,921,067	16,921,067
HMM Co., Ltd.		5,248,540	3,939,482	5,240,667	3,932,440
HANJIN KAL		532,486	514,124	500,000	500,000
Korean Air Lines Co., Ltd.		276,622	292,534	330,477	330,477
Hanwha Ocean Co., Ltd.		2,231,222	1,499,429	2,227,877	1,496,741
TAEYOUNG ENGINEERING & CONSTRUCTION		82,420	-	54,719	-

11. Investments in Subsidiaries and Associates, Continued

(3) The key financial information of subsidiaries and associates invested and ownership ratios as of December 31, 2024 and 2023 are as follows:

	December 31, 2024									
	Country	Fiscal year end	Industry	Assets	Liabilities	Equity	Operating revenue	Net income (loss)	Total comprehensive income (loss)	Ownership (%)
Subsidiaries:										
KDB Asia (HK) Ltd.	Hong Kong	December	Finance	₩ 4,772,302	3,861,411	910,891	398,397	86,776	198,956	100.00
KDB Bank Europe Ltd.	Hungary	December	Finance	1,576,690	1,428,151	148,539	124,478	10,345	7,833	100.00
KDB Ireland Ltd.	Ireland	December	Finance	1,451,315	1,274,047	177,268	104,690	13,336	37,879	100.00
KDB Bank Uzbekistan Ltd.	Uzbekistan	December	Finance	1,119,216	909,683	209,533	107,884	58,442	72,178	86.32
Banco KDB Do Brazil S.A.	Brazil	December	Finance	768,583	651,551	117,032	112,929	10,355	(3,077)	100.00
PT KDB Tifa Finance Tbk	Indonesia	December	Finance	187,549	76,978	110,571	15,676	5,542	14,484	84.65
KDB Silicon Valley LLC	USA	December	Finance	154,757	2,318	152,439	5,950	1,022	21,644	100.00
KDB OCCASIO II, L.P.	Cayman Islands	December	Finance	216,086	19,201	196,885	19,917	18,443	41,624	90.00
KDB Synergy, L.P.	Cayman Islands	December	Finance	158,602	14,632	143,970	6,229	2,079	16,085	100.00
KDB Capital Corporation	Korea	December	Specialized Credit Finance	10,817,227	9,131,904	1,685,323	887,013	228,977	227,595	99.92
Korea BTL Financing 1 (*1)	Korea	Semi-annually	Financial investment	244,602	168	244,434	14,769	10,165	10,165	41.67
Korea Railroad Financing 1 (*1)	Korea	Semi-annually	Financial investment	138,295	6	138,289	7,677	5,400	5,400	50.00
Korea Education Financing (*1)	Korea	Semi-annually	Financial investment	62,670	9	62,661	3,389	2,676	2,676	50.00
KDB Infrastructure Investment Asset Management Co., Ltd.	Korea	December	Asset management	81,990	15,033	66,957	43,136	20,295	20,152	84.16
KDB Investment Co., Ltd.	Korea	December	Finance	95,332	4,281	91,051	9,975	3,797	3,759	100.00
KDB Biz Co., Ltd.	Korea	December	Services	7,823	4,344	3,479	29,648	415	(128)	100.00
KDB Consus Value PEF	Korea	December	Financial investment	17,763,900	17,705,401	58,499	1,772,177	4,576	(621,923)	75.92
KDB-IAP OBOR PEF (*2)	Korea	December	Financial investment	68,249	77,936	(9,687)	-	(1,123)	(2,251)	33.52
KDB Asia PEF (*2)	Korea	December	Financial investment	239,159	198	238,961	1	3,572	30,175	50.00
KDB Small Medium Mezzanine PEF	Korea	December	Financial investment	63,454	75	63,379	2,320	(23,138)	(23,138)	66.67
Green Initiative 2nd Private Equity Fund (*2)	Korea	December	Financial investment	1,331,309	641,097	690,212	620,498	(14,598)	(14,642)	38.00
KDBC Co-investment Private Equity Fund	Korea	December	Financial investment	52,964	111	52,853	49,841	38,074	38,074	70.00
Corporate Liquidity Assistance Agency Co., Ltd.	Korea	December	Financial investment	1,082,696	-	1,082,696	32,897	14,841	14,841	100.00

11. Investments in Subsidiaries and Associates, Continued

	December 31, 2024									
	Country	Fiscal year end	Industry	Assets	Liabilities	Equity	Operating revenue	Net income (loss)	Total comprehensive income (loss)	Ownership (%)
Associates:										
Korea Electric Power Co., Ltd.	Korea	December	Electricity generation	246,807,795	205,444,962	41,362,833	93,398,896	3,491,698	4,070,175	32.90
Korea Tourism Organization	Korea	December	Culture and tourism administration	1,186,637	374,191	812,446	883,749	947	(3,064)	43.58
Korea Infrastructure Fund II	Korea	December	Financial investment	958,001	118,877	839,124	104,545	97,646	97,646	26.67
Korea Ocean Business Corporation	Korea	December	Finance	13,718,841	5,657,223	8,061,618	500,210	(437,522)	173,900	20.80
Korea Real Estate Board	Korea	December	Appraisal	314,616	59,868	254,748	240,013	17,147	17,129	30.60
GM Korea Company (*3)	Korea	December	Manufacturing	9,904,378	4,593,449	5,310,929	14,337,105	2,198,818	2,084,697	17.02
HMM Co., Ltd.	Korea	December	Foreign cargo transportation	33,848,562	5,993,018	27,855,544	11,700,224	3,782,169	6,946,998	33.73
HANJIN KAL (*3)	Korea	December	Holding company	4,207,158	893,997	3,313,161	292,157	496,999	467,614	10.58
Korean Air Lines Co., Ltd. (*3)	Korea	December	Air passenger transportation	47,012,066	36,048,874	10,963,192	17,870,718	1,381,858	1,279,328	3.32
Hanwha Ocean Co., Ltd. (*3)	Korea	December	Manufacturing	17,843,809	12,980,459	4,863,350	10,776,005	528,119	568,324	19.50
TAEYOUNG ENGINEERING & CONSTRUCTION (*4)	Korea	December	Construction	4,323,924	3,796,725	527,199	2,686,174	34,976	31,449	11.64

11. Investments in Subsidiaries and Associates, Continued

	December 31, 2023									
	Country	Fiscal year end	Industry	Assets	Liabilities	Equity	Operating revenue	Net income (loss)	Total comprehensive income (loss)	Ownership (%)
Subsidiaries:										
KDB Asia (HK) Ltd.	Hong Kong	December	Finance	₩ 4,011,578	3,299,643	711,935	322,406	62,770	80,327	100.00
KDB Bank Europe Ltd.	Hungary	December	Finance	1,379,518	1,238,011	141,507	137,648	8,454	30,487	100.00
KDB Ireland Ltd.	Ireland	December	Finance	1,182,367	1,042,978	139,389	85,944	10,194	15,241	100.00
KDB Bank Uzbekistan Ltd.	Uzbekistan	December	Finance	888,598	751,243	137,355	83,945	47,004	33,272	86.32
Banco KDB Do Brazil S.A.	Brazil	December	Finance	637,659	517,549	120,110	131,662	14,396	25,061	100.00
PT KDB Tifa Finance Tbk	Indonesia	December	Finance	150,511	54,424	96,087	14,843	4,480	7,332	84.65
KDB Silicon Valley LLC	USA	December	Finance	132,634	1,839	130,795	8,254	3,574	5,711	100.00
KDB OCCASIO II, L.P.	Cayman Islands	December	Finance	155,351	90	155,261	18,225	15,257	14,228	90.00
KDB Synergy, L.P.	Cayman Islands	December	Finance	21,185	20	21,165	2,809	1,194	1,521	100.00
KDB Capital Corporation	Korea	December	Specialized Credit Finance	9,776,950	8,227,089	1,549,861	744,953	207,287	205,033	99.92
Korea BTL Financing 1 (*1)	Korea	Semi-annually	Financial investment	279,733	192	279,541	15,888	(4,753)	(4,753)	41.67
Korea Railroad Financing 1 (*1)	Korea	Semi-annually	Financial investment	150,436	11	150,425	9,840	9,446	9,446	50.00
Korea Education Financing (*1)	Korea	Semi-annually	Financial investment	72,755	8	72,747	3,390	(10,097)	(10,097)	50.00
KDB Infrastructure Investment Asset Management Co., Ltd.	Korea	December	Asset management	73,868	10,563	63,305	40,431	19,402	19,202	84.16
KDB Investment Co., Ltd.	Korea	December	Finance	131,258	1,366	129,892	10,104	3,118	3,153	100.00
KDB Biz Co., Ltd.	Korea	December	Services	7,200	3,594	3,606	27,528	678	(55)	100.00
KDB Consus Value PEF	Korea	December	Financial investment	17,496,596	17,116,238	380,358	1,491,269	11,790	1,614,265	70.56
KDB-IAP OBOR PEF (*2)	Korea	December	Financial investment	59,864	67,299	(7,435)	-	(6,285)	(6,229)	33.52
KDB Asia PEF (*2)	Korea	December	Financial investment	217,186	182	217,004	1	(241)	14,879	50.00
KDB Small Medium Mezzanine PEF	Korea	December	Financial investment	86,610	94	86,516	4,203	972	972	66.67
Green Initiative 2nd Private Equity Fund (*2)	Korea	December	Financial investment	822,461	378,517	443,944	18,478	(7,613)	(8,251)	38.00
KDBC Co-investment Private Equity Fund	Korea	December	Financial investment	40,232	80	40,152	2,737	2,479	2,479	70.00
Corporate Liquidity Assistance Agency Co., Ltd.	Korea	December	Financial investment	1,672,215	604,360	1,067,855	61,571	2,893	2,893	100.00

11. Investments in Subsidiaries and Associates, Continued

	December 31, 2023									
	Country	Fiscal year end	Industry	Assets	Liabilities	Equity	Operating revenue	Net income (loss)	Total comprehensive income (loss)	Ownership (%)
Associates:										
Korea Electric Power Co., Ltd.	Korea	December	Electricity generation	239,714,965	202,450,215	37,264,750	88,219,461	(4,822,549)	(5,032,584)	32.90
Korea Tourism Organization	Korea	December	Culture and tourism administration	1,213,223	398,563	814,660	868,365	6,129	(8,016)	43.58
Korea Infrastructure Fund II	Korea	December	Financial investment	892,813	88,389	804,424	105,605	98,850	98,850	26.67
Korea Ocean Business Corporation	Korea	December	Finance	12,445,716	4,765,386	7,680,330	382,768	(579,708)	(371,921)	20.80
Korea Real Estate Board	Korea	December	Appraisal	297,439	52,429	245,010	226,450	17,028	11,072	30.60
GM Korea Company (*3)	Korea	December	Manufacturing	8,040,972	4,673,023	3,367,949	13,829,398	1,642,204	1,642,204	17.02
HMM Co., Ltd.	Korea	December	Foreign cargo transportation	25,713,363	4,272,550	21,440,813	8,400,969	968,560	1,323,878	29.20
HANJIN KAL (*3)	Korea	December	Holding company	3,784,922	931,046	2,853,876	275,727	385,139	301,583	10.58
Korean Air Lines Co., Ltd. (*3)	Korea	December	Air passenger transportation	30,391,776	20,576,568	9,815,208	16,111,796	1,061,165	814,521	3.32
Hanwha Ocean Co., Ltd. (*3)	Korea	December	Manufacturing	13,944,773	9,632,616	4,312,157	7,408,312	159,886	(10,004)	19.50

(*1) The investees are financed by the Bank and managed by KDB Infrastructure Investments Asset Management Co., Ltd. They were included in the scope of consolidation even though the Bank holds less than half of the voting rights because the Bank is exposed to variable returns and has the ability to affect those returns through its power over the investee.

(*2) Although the Bank's shareholding in the investee is less than 50%, it controls the investee since it is exposed, or has right to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

(*3) Although the Bank's shareholding is less than 20%, the Bank has significant influence considering the right to elect the investees' directors and the Bank classifies the companies as associates.

(*4) Although the Bank's shareholding is less than 20%, as the main creditor bank, the Bank have initiated management procedures that designate the Bank as the managing institution. Consequently, the Bank have acquired significant influence, such as the ability to participate in the financial and operating policies of the company and have classified it as an associate.

12. Property and Equipment

Changes in property and equipment for the years ended December 31, 2024 and 2023 are as follows:

	2024					
	January 1, 2024	Acquisition/ depreciation	Disposal	Reclassifi-cation	Foreign exchange differences	December 31, 2024
Acquisition cost:						
Land	₩ 307,481	-	-	10,307	-	317,788
Buildings and structures	635,054	1,351	-	7,315	-	643,720
Leasehold improvements	46,003	261	-	1,309	70	47,643
Vehicles	585	-	-	-	45	630
Equipment	62,730	1,973	(997)	-	481	64,187
Construction in progress	1,817	7,722	-	(9,539)	-	-
Right-of-use assets (Real estate)	122,090	25,216	(24,202)	-	10,252	133,356
Right-of-use assets (Vehicles)	11,245	3,640	(2,004)	-	213	13,094
Right-of-use assets (Others)	93	61	(19)	-	17	152
Others	170,173	15,152	(304)	-	622	185,643
	1,357,271	55,376	(27,526)	9,392	11,700	1,406,213
Accumulated depreciation:						
Buildings and structures (*)	254,358	19,840	-	436	-	274,634
Leasehold improvements	37,520	2,916	-	-	(474)	39,962
Vehicles	544	9	-	-	40	593
Equipment	51,321	4,052	(994)	-	346	54,725
Right-of-use assets (Real estate)	51,066	33,742	(19,465)	-	4,734	70,077
Right-of-use assets (Vehicles)	5,277	3,280	(1,853)	-	118	6,822
Right-of-use assets (Others)	37	53	(19)	-	9	80
Others	149,680	9,964	(294)	-	448	159,798
	549,803	73,856	(22,625)	436	5,221	606,691
Accumulated impairment losses:						
Land	3,023	-	-	-	-	3,023
Buildings and structures	2,361	-	-	-	-	2,361
	5,384	-	-	-	-	5,384
	₩ 802,084	(18,480)	(4,901)	8,956	6,479	794,138

(*) The amounts include government grants.

12. Property and Equipment, Continued

	2023					
	January 1, 2023	Acquisition/ depreciation	Disposal	Reclassifi-cation	Foreign exchange differences	December 31, 2023
Acquisition cost:						
Land	₩ 301,959	-	(35)	5,557	-	307,481
Buildings and structures	627,664	1,811	(1,977)	7,556	-	635,054
Leasehold improvements	44,856	1,390	(1,821)	1,439	139	46,003
Vehicles	719	-	(141)	-	7	585
Equipment	60,156	3,525	(1,033)	-	82	62,730
Construction in progress	-	7,389	-	(5,572)	-	1,817
Right-of-use assets (Real estate)	126,035	35,211	(40,134)	-	978	122,090
Right-of-use assets (Vehicles)	7,977	4,908	(1,652)	-	12	11,245
Right-of-use assets (Others)	93	11	(14)	-	3	93
Others	157,730	12,977	(625)	-	91	170,173
	1,327,189	67,222	(47,432)	8,980	1,312	1,357,271
Accumulated depreciation:						
Buildings and structures (*)	233,783	18,032	(780)	3,362	(39)	254,358
Leasehold improvements	36,391	2,945	(1,821)	-	5	37,520
Vehicles	628	57	(141)	-	-	544
Equipment	47,728	4,518	(976)	-	51	51,321
Right-of-use assets (Real estate)	45,968	33,895	(28,366)	-	(431)	51,066
Right-of-use assets (Vehicles)	4,154	2,800	(1,645)	-	(32)	5,277
Right-of-use assets (Others)	9	41	(14)	-	1	37
Others	140,971	9,219	(584)	-	74	149,680
	509,632	71,507	(34,327)	3,362	(371)	549,803
Accumulated impairment losses:						
Land	3,023	-	-	-	-	3,023
Buildings and structures	2,361	-	-	-	-	2,361
	5,384	-	-	-	-	5,384
	₩ 812,173	(4,285)	(13,105)	5,618	1,683	802,084

(*) The amounts include government grants.

13. Investment Property

Changes in investment property for the years ended December 31, 2024 and 2023 are as follows:

	2024			
	January 1, 2024	Acquisition/ depreciation	Reclassification	December 31, 2024
Acquisition cost:				
Land	₩ 55,450	-	(10,307)	45,143
Buildings and structures	55,992	-	915	56,907
	111,442	-	(9,392)	102,050
Accumulated depreciation:				
Buildings and structures	34,645	2,293	(436)	36,502
Accumulated impairment losses:				
Land	1,197	-	-	1,197
Buildings and structures	1,778	-	-	1,778
	2,975	-	-	2,975
	₩ 73,822	(2,293)	(8,956)	62,573

	2023			
	January 1, 2023	Acquisition/ depreciation	Reclassification	December 31, 2023
Acquisition cost:				
Land	₩ 61,008	-	(5,558)	55,450
Buildings and structures	59,414	-	(3,422)	55,992
	120,422	-	(8,980)	111,442
Accumulated depreciation:				
Buildings and structures	35,734	2,273	(3,362)	34,645
Accumulated impairment losses:				
Land	1,197	-	-	1,197
Buildings and structures	1,778	-	-	1,778
	2,975	-	-	2,975
	₩ 81,713	(2,273)	(5,618)	73,822

The fair value of the Bank's investment property, as determined based on valuation by an independent appraiser, amounts to ₩83,879 million and ₩92,553 million as of December 31, 2024 and 2023, respectively. Additionally, fair value of investment in property is classified as level 3 according to the fair value hierarchy in Note 44.

14. Intangible Assets

Changes in intangible assets for the years ended December 31, 2024 and 2023 are as follows:

	2024					
	January 1, 2024	Acquisition	Disposal	Amortization	Foreign exchange differences and others	December 31, 2024
Development expense	₩ 55,907	13,882	-	(34,802)	309	35,296
Equipment usage right	409	-	-	(52)	47	404
Other deposits provided	11,542	-	(100)	-	43	11,485
Others	17,603	4,684	-	(7,867)	566	14,986
	₩ 85,461	18,566	(100)	(42,721)	965	62,171

	2023					
	January 1, 2023	Acquisition	Disposal	Amortization	Foreign exchange differences and others	December 31, 2023
Development expense	₩ 87,593	14,575	-	(46,135)	(126)	55,907
Equipment usage right	452	363	-	(50)	(356)	409
Other deposits provided	11,789	-	(267)	-	20	11,542
Others	18,655	7,435	-	(8,858)	371	17,603
	₩ 118,489	22,373	(267)	(55,043)	(91)	85,461

15. Other Assets

Other assets as of December 31, 2024 and 2023 are as follows:

	December 31, 2024	December 31, 2023
Accounts receivable	₩ 4,380,521	6,676,728
Unsettled domestic exchange receivables	1,933,905	1,938,307
Accrued income	1,108,382	1,200,380
Guarantee deposits	446,219	343,333
Prepaid expenses	20,903	19,000
Advance payments	8,648	8,555
Financial guarantee asset	50,298	48,182
Others	183,774	21,330
	8,132,650	10,255,815
Allowance for credit losses	(72,514)	(76,445)
Present value discount	(3,618)	(3,587)
	₩ 8,056,518	10,175,783

The carrying amounts of financial assets included in other assets above amounted to ₩7,798,105 million and ₩10,136,642 million as of December 31, 2024 and 2023, respectively, and their fair value amounted to ₩7,797,591 million and ₩10,133,962 million as of December 31, 2024 and 2023, respectively.

16. Financial Liabilities Measured at FVTPL

(1) Financial liabilities measured at fair value through profit or loss as of December 31, 2024 and 2023 are as follows:

		December 31, 2024	December 31, 2023
Debentures	₩	1,806,079	1,515,655
Deposits		583,167	404,406
	₩	2,389,246	1,920,061

Changes in fair value of structured debentures and deposits to which hedge accounting is applied are recognized in profit or loss, but structured debentures not subject to hedge accounting applied to, are measured at amortized costs. Therefore, such structured debentures and deposits, not subject to hedge accounting, have been designated at FVTPL to eliminate mismatch in measurements of accounting profit and loss.

(2) The difference between the carrying amount and contractual cash flow amount of financial liabilities measured at fair value through profit or loss as of December 31, 2024 and 2023 are as follows:

		December 31, 2024	December 31, 2023
Carrying amount	₩	2,389,246	1,920,061
Contractual cash flow amounts		2,787,200	2,380,244
Difference	₩	(397,954)	(460,183)

17. Deposits

Deposits as of December 31, 2024 and 2023 are as follows:

		December 31, 2024		December 31, 2023	
		Amortized cost	Fair value	Amortized cost	Fair value
Deposits in Korean won:					
Demand deposits	₩	104,173	104,173	155,186	155,186
Time and savings deposits		47,088,629	47,156,011	51,011,074	51,054,680
Certificates of deposit		505,159	505,223	74,363	74,080
		47,697,961	47,765,407	51,240,623	51,283,946
Deposits in foreign currencies:					
Demand deposits		963,783	962,800	836,797	836,658
Time and savings deposits		7,776,645	7,739,508	6,049,678	6,045,288
Certificates of deposit		8,651,522	8,677,085	6,866,270	6,880,941
		17,391,950	17,379,393	13,752,745	13,762,887
Off-shore deposits in foreign currencies:					
Demand deposits		1,010,662	1,010,662	904,364	904,364
	₩	66,100,573	66,155,462	65,897,732	65,951,197

18. Borrowings

(1) Borrowings as of December 31, 2024 and 2023 are as follows:

	December 31, 2024			
	Minimum interest rate (%)	Maximum interest rate (%)	Amortized cost	Fair value
Borrowings in Korean won	-	2.91	₩ 4,689,044	4,641,896
Borrowings in foreign currencies	0.40	6.91	20,545,564	20,489,948
Off-shore borrowings in foreign currencies	2.25	5.32	3,478,482	3,463,100
Others	0.43	5.68	4,023,136	4,002,350
			32,736,226	32,597,294
Deferred borrowing costs			(5,708)	
			₩ 32,730,518	

	December 31, 2023			
	Minimum interest rate (%)	Maximum interest rate (%)	Amortized cost	Fair value
Borrowings in Korean won	0.10	3.41	₩ 4,787,182	4,726,465
Borrowings in foreign currencies	0.14	7.38	16,655,307	16,584,979
Off-shore borrowings in foreign currencies	2.42	6.18	4,011,646	3,985,025
Others	-	6.02	2,298,142	2,293,650
			27,752,277	27,590,119
Deferred borrowing costs			(6,648)	
			₩ 27,745,629	

(2) Borrowings in Korean won before adjusting for gains and losses on deferred borrowing costs as of December 31, 2024 and 2023 are as follows:

Lender	Classification	Annual interest rate (%)	December 31, 2024	December 31, 2023
Ministry of Economy and Finance	Borrowings from government fund (*)	2.40 ~ 2.53	₩ 62,184	77,629
Korea SMEs and Startups Agency	Borrowings from small and medium enterprise promotion fund	1.20 ~ 2.40	64,390	59,171
Ministry of Culture, Sports and Tourism	Borrowings from tourism promotion fund	0.78 ~ 2.03	2,946,821	3,080,914
Korea Energy Agency	Borrowings from fund for rational use of energy	0.25 ~ 1.75	280,245	256,472
Local governments	Borrowings from local small and medium enterprise promotion fund	0.50 ~ 2.80	19,160	22,620
The Bank of Korea	Borrowings from Bank of Korea	-	330,451	418,866
Others	Borrowings from petroleum enterprise fund and others	0.00 ~ 2.91	985,793	871,510
			₩ 4,689,044	4,787,182

(*) Borrowings from government fund are subordinated borrowings.

18. Borrowings, Continued

(3) Borrowings and off-shore borrowings in foreign currencies before adjusting for gains and losses on deferred borrowing costs as of December 31, 2024 and 2023 are as follows:

Lender	Classification	Annual interest rate (%)		December 31, 2024	December 31, 2023
Mizuho and others	Bank loans from foreign funds	2.96 ~ 5.59	₩	2,798,873	2,076,759
The Export-Import Bank of Korea	Exchange equalization fund borrowings in foreign currencies	-		-	23,931
Bank of New York Mellon, London and others	Off-shore short term borrowings	2.61 ~ 5.31		1,757,295	2,185,972
China Development Bank and others	Off-shore long term borrowings	2.25 ~ 5.32		1,721,187	1,825,674
Others	Short-term borrowings in foreign currencies	0.40 ~ 6.91		16,412,709	13,730,337
	Long term borrowings in foreign currencies	0.94 ~ 6.63		1,333,982	824,280
			₩	24,024,046	20,666,953

19. Debentures

Debentures as of December 31, 2024 and 2023 are as follows:

	December 31, 2024			
	Minimum interest rate (%)	Maximum interest rate (%)	Amortized cost	Fair value
Debentures in Korean won:				
Debentures	0.98	7.05	₩ 113,968,049	114,467,840
Discount on debentures			(178,440)	
Valuation adjustment for fair value hedges			(120,391)	
			113,669,218	
Debentures in foreign currencies:				
Debentures	0.75	11.24	29,840,263	30,907,953
Discount on debentures			(41,691)	
Valuation adjustment for fair value hedges			(444,851)	
			29,353,721	
Off-shore debentures:				
Debentures	0.17	11.21	21,912,152	22,276,988
Discount on debentures			(56,870)	
Valuation adjustment for fair value hedges			224,048	
			22,079,330	
			₩ 165,102,269	167,652,781

	December 31, 2023			
	Minimum interest rate (%)	Maximum interest rate (%)	Amortized cost	Fair value
Debentures in Korean won:				
Debentures	0.96	6.60	₩ 115,066,663	114,805,330
Discount on debentures			(147,257)	
Valuation adjustment for fair value hedges			(226,273)	
			114,693,133	
Debentures in foreign currencies:				
Debentures	0.40	10.87	23,278,766	23,733,405
Discount on debentures			(36,276)	
Premium on debentures			47	
Valuation adjustment for fair value hedges			(561,938)	
			22,680,599	
Off-shore debentures:				
Debentures	-	11.15	19,628,771	19,359,808
Discount on debentures			(62,251)	
Valuation adjustment for fair value hedges			(6,385)	
			19,560,135	
			₩ 156,933,867	157,898,543

20. Defined Benefit Assets

The Bank implements a defined benefit retirement pension plan based on employee compensation benefits and service periods. The plan assets are in trusts with Kookmin Bank, Samsung Life Insurance Co., Ltd., etc.

(1) Details of defined benefit assets as of December 31, 2024 and 2023 are as follows:

		December 31, 2024	December 31, 2023
Present value of defined benefit liabilities	₩	429,017	389,839
Fair value of plan assets		(459,985)	(458,759)
	₩	(30,968)	(68,920)

(2) Changes in defined benefit assets for the years ended December 31, 2024 and 2023 are as follows:

		2024		
		Present value of defined benefit obligation	Fair value of plan assets	Defined benefit assets
Beginning balance	₩	389,839	(458,759)	(68,920)
Current service costs		28,508	-	28,508
Interest expense (income)		16,958	(20,586)	(3,628)
Remeasurements of defined benefit liabilities:				
Demographic assumption		(5,276)	-	(5,276)
Financial assumption		20,488	2,881	23,369
Experience adjustment		5,135	-	5,135
		20,347	2,881	23,228
Payments from the plan		(26,636)	16,479	(10,157)
Others		1	-	1
Ending balance	₩	429,017	(459,985)	(30,968)

		2023		
		Present value of defined benefit obligation	Fair value of plan assets	Defined benefit assets
Beginning balance	₩	354,703	(442,473)	(87,770)
Current service costs		26,974	-	26,974
Interest expense (income)		18,219	(23,149)	(4,930)
Remeasurements of defined benefit liabilities:				
Demographic assumption		62	-	62
Financial assumption		25,482	2,713	28,195
Experience adjustment		(6,136)	-	(6,136)
		19,408	2,713	22,121
Payments from the plan		(29,465)	4,150	(25,315)
Ending balance	₩	389,839	(458,759)	(68,920)

20. Defined Benefit Assets, Continued

(3) Fair value of plan assets for each type as of December 31, 2024 and 2023 are as follows:

	December 31, 2024		December 31, 2023	
	Quoted market prices	Unquoted market prices	Quoted market prices	Unquoted market Prices
Due from banks	₩ -	459,985	-	458,759

(4) Defined benefit costs recognized in profit or loss for the years ended December 31, 2024 and 2023 are as follows:

	2024	2023
Current service costs	₩ 28,508	26,974
Interest expense, net	(3,628)	(4,930)
	₩ 24,880	22,044

(5) The principal actuarial assumptions used as of December 31, 2024 and 2023 are as follows:

	December 31, 2024	December 31, 2023
Discount rate (%)	4.04 ~ 4.05	4.58 ~ 4.60
Future salary increasing rate (%)	5.50	5.50

(6) The present value sensitivity of defined benefit obligation as changes in principal actuarial assumptions as of December 31, 2024 is as follows:

	Sensitivity	
	1% increase in assumption	1% decrease in assumption
Discount rate	8.15% decrease	9.42% increase
Future salary increasing rate	9.19% increase	8.12% decrease

(7) The weighted average duration of defined benefit obligation is 9.63 years and 9.64 years as of December 31, 2024 and 2023, respectively. In addition, there are no expected contributions to the plans for the next reporting period.

21. Provisions

(1) Details of provisions as of December 31, 2024 and 2023 are as follows:

		December 31, 2024	December 31, 2023
Provision for payment guarantees	₩	434,990	592,098
Provision for unused commitments		333,175	398,641
Provision for financial guarantee		7,560	50,763
Provision for possible losses from lawsuits		21,573	168
Provision for restoration		14,181	13,722
Other provision		3,391	3,391
	₩	814,870	1,058,783

(2) Changes in provision for payment guarantees for the years ended December 31, 2024 and 2023 are as follows:

		2024			
			Lifetime expected credit losses		
		12-month expected credit loss	Non credit-impaired	Credit-impaired	Total
Beginning balance	₩	230,436	317,138	44,524	592,098
Transfer to 12-month expected credit loss		25,360	(25,353)	(7)	-
Transfer to lifetime expected credit losses:					
Transfer to non credit-impaired exposures		(31,313)	31,331	(18)	-
Transfer to credit-impaired exposures		(979)	(314)	1,293	-
Reversal of payment guarantees		(9,485)	(162,576)	(38,268)	(210,329)
Foreign currency translation		1,570	29,957	21,694	53,221
Ending balance	₩	215,589	190,183	29,218	434,990

		2023			
			Lifetime expected credit losses		
		12-month expected credit loss	Non credit-impaired	Credit-impaired	Total
Beginning balance	₩	64,150	537,255	352,020	953,425
Transfer to 12-month expected credit loss		10,730	(9)	(10,721)	-
Transfer to lifetime expected credit losses:					
Transfer to non credit-impaired exposures		(12,582)	65,431	(52,849)	-
Transfer to credit-impaired exposures		(23,162)	-	23,162	-
Provision for (reversal of) payment guarantees		170,444	(306,822)	(243,459)	(379,837)
Foreign currency translation		20,856	21,283	(23,629)	18,510
Ending balance	₩	230,436	317,138	44,524	592,098

21. Provisions, Continued

(3) Changes in provision for unused commitments for the years ended December 31, 2024 and 2023 are as follows:

	2024			
		Lifetime expected credit losses		
	12-month expected credit loss	Non credit-impaired	Credit-impaired	Total
Beginning balance	₩ 114,277	272,952	11,412	398,641
Transfer to 12-month expected credit loss	14,759	(14,752)	(7)	-
Transfer to lifetime expected credit losses:				
Transfer to non credit-impaired exposures	(23,897)	24,423	(526)	-
Transfer to credit-impaired exposures	-	(2,130)	2,130	-
Provision for (reversal of) unused commitments	18,978	(159,360)	62,634	(77,748)
Foreign currency translation	8,629	3,542	111	12,282
Ending balance	₩ 132,746	124,675	75,754	333,175

	2023			
		Lifetime expected credit losses		
	12-month expected credit loss	Non credit-impaired	Credit-impaired	Total
Beginning balance	₩ 121,771	300,309	9,310	431,390
Transfer to 12-month expected credit loss	1,277	(985)	(292)	-
Transfer to lifetime expected credit losses:				
Transfer to non credit-impaired exposures	(242,717)	249,928	(7,211)	-
Transfer to credit-impaired exposures	(8,993)	(1,957)	10,950	-
Provision for (reversal of) unused commitments	241,633	(275,209)	(1,346)	(34,922)
Foreign currency translation	1,306	866	1	2,173
Ending balance	₩ 114,277	272,952	11,412	398,641

21. Provisions, Continued

(4) Changes of financial guarantee provision for the years ended December 31, 2024 and 2023 are as follows:

	2024			
		Lifetime expected credit losses		
	12-month expected credit loss	Non credit-impaired	Credit-impaired	Total
Beginning balance	₩ 3,122	42,240	5,401	50,763
Transfer to 12-month expected credit loss	-	-	-	-
Transfer to lifetime expected credit losses:				
Transfer to non credit-impaired exposures	(260)	260	-	-
Transfer to credit-impaired exposures	-	(14)	14	-
Provision for (reversal of) financial guarantee	58	(39,277)	(3,984)	(43,203)
Ending balance	₩ 2,920	3,209	1,431	7,560

	2023			
		Lifetime expected credit losses		
	12-month expected credit loss	Non credit-impaired	Credit-impaired	Total
Beginning balance	₩ 661	36,682	5,398	42,741
Transfer to 12-month expected credit loss	412	(343)	(69)	-
Transfer to lifetime expected credit losses:				
Transfer to non credit-impaired exposures	(42)	71	(29)	-
Transfer to credit-impaired exposures	-	(3,190)	3,190	-
Provision for (reversal of) financial guarantee	2,091	9,020	(3,089)	8,022
Ending balance	₩ 3,122	42,240	5,401	50,763

21. Provisions, Continued

(5) Changes of lawsuit provision and other provision for the years ended December 31, 2024 and 2023 are as follows:

		2024		
		Lawsuit provision	Provision for restoration	Other provision
Beginning balance	₩	168	13,722	3,391
Increase (reversal) of provision		21,405	(109)	-
Provision used and others		-	568	-
Ending balance	₩	21,573	14,181	3,391

		2023		
		Lawsuit provision	Provision for restoration	Other provision
Beginning balance	₩	239	14,206	6,029
Increase (reversal) of provision		(4)	(493)	-
Provision used and others		(67)	9	(2,638)
Ending balance	₩	168	13,722	3,391

(6) Provision for payment guarantees and financial guarantee provision

Confirmed acceptances and guarantees, unconfirmed acceptances and guarantees and bills endorsed are not recognized on the statement of financial position, but are disclosed as off-statement of financial position items in the notes to the financial statements. The Bank provides a provision for such off-statement of financial position items, applying a Credit Conversion Factor ("CCF") and provision rates under the Bank's expected credit loss model, and records the provision as a reserve for expected credit losses on acceptances and guarantees.

In the case of financial guarantee contracts, when the amount calculated using the same method as above is greater than the initial amount less amortization of fees recognized, the difference is recorded as a financial guarantee provision.

(7) Provision for unused commitments

The Bank records a provision for a certain portion of unused credit lines which is calculated using a CCF as provision for unused commitments applying provision rates under the Bank's expected credit loss model.

21. Provisions, Continued

(8) Provision for possible losses from lawsuits

As of December 31, 2024, the Bank is involved in 3 lawsuits as a plaintiff and 18 lawsuits as a defendant. The aggregate amounts of claims as a plaintiff and a defendant amounted to ₩17,596 million and ₩116,422 million, respectively. The Bank provided a provision against contingent loss from pending lawsuits as of December 31, 2024 and additional losses may be incurred depending on the result of pending lawsuits.

Major lawsuits in progress as of December 31, 2024 and 2023 are as follows:

	December 31, 2024		
	Contents	Amounts	Status of lawsuit
Plaintiff:			
Hanil Engineering & Construction Co., Ltd	Appeal against the confirmed decision on Investigation	₩ 16,900	1st trial in progress
Defendant:			
257 individuals including Mr. Kang	Claim for wage	41,853	1st trial in progress
Shinhan Bank and Woori Bank	Claim for damages	31,711	1st trial ruled in favor of the Bank; 2nd trial partially ruled against the Bank
Dongbu Corporation	Claim for objection of request (participation to support)	19,658	1st trial in progress
One individual	Claim for cancellation of pledge	8,610	1st trial ruled in favor of the Bank; 2nd trial in progress

	December 31, 2023		
	Contents	Amounts	Status of lawsuit
Plaintiff:			
Korea Trade Insurance Corporation and one other	Claim for guarantee insurance	₩ 136,538	1st, 2nd trial ruled against the Bank; 3rd trial in progress
Defendant:			
Shinhan Bank and Woori Bank	Claim for damages	76,838	1st trial ruled in favor of the Bank
131 individuals including Mr. Kang	Claim for wage	35,459	1st, 2nd trial ruled in favor of the Bank
Dongbu Corporation	Claim for nullity of table of rehabilitation creditor	33,997	1st trial ruled in favor of the Bank; 2nd trial ruled against the Bank; 3rd trial in progress
Dongbu Corporation	Claim for objection of request (participation to support)	19,658	1st trial in progress
Woori Bank	Claim for profit and loss settlement	14,500	1st, 2nd trial ruled against the Bank; 3rd trial in progress
Korea Trade Insurance Corporation	Claim for recovery	11,870	1st trial in progress
One individual	Claim for cancellation of pledge	8,610	1st trial in progress

(9) Other provision

The Bank recognised other provision as a reserve for other miscellaneous purpose.

22. Other Liabilities

(1) Other liabilities as of December 31, 2024 and 2023 are as follows:

		December 31, 2024	December 31, 2023
Accounts payable	₩	4,345,402	6,627,972
Lease liabilities		83,444	97,231
Accrued expense		2,862,819	2,515,484
Advance receipts		-	32
Unearned income		82,097	91,617
Deposits withholding tax		59,273	52,038
Guarantee money received		911,670	718,975
Foreign exchanges payable		23,229	19,088
Domestic exchanges payable		255,049	533,833
Borrowing from trust accounts		1,007,782	1,037,094
Financial guarantee liability		52,963	50,388
Others		315,872	381,831
		9,999,600	12,125,583
Present value discount		(16,127)	(25,158)
	₩	9,983,473	12,100,425

The carrying amount of financial liabilities included in other liabilities above amounted to ₩9,778,765 million and ₩11,823,274 million as of December 31, 2024 and 2023, respectively, and their fair value amounted to ₩9,740,722 million and ₩11,800,828 million as of December 31, 2024 and 2023, respectively.

(2) Details of lease liabilities as of December 31, 2024 and 2023 are as follows:

		December 31, 2024		
		Face value	Discount	Carrying amounts
Real estate	₩	76,406	(14,363)	62,043
Vehicles		6,952	(215)	6,737
Others		86	(9)	77
	₩	83,444	(14,587)	68,857

		December 31, 2023		
		Face value	Discount	Carrying amounts
Real estate	₩	90,518	(22,984)	67,534
Vehicles		6,657	462	7,119
Others		56	(2)	54
	₩	97,231	(22,524)	74,707

(3) The amount related to lease recognized in profit or loss for the years ended December 31, 2024 and 2023 are as follows:

		2024	2023
Depreciation of right-of-use assets			
Real estate	₩	33,742	33,895
Vehicles		3,280	2,800
Others		53	41
		37,075	36,736
Interest expenses on the lease liabilities		2,474	2,772
Expense relating to leases of low-value assets		8,760	8,801
	₩	48,309	48,309

22. Other Liabilities, Continued

(4) Cash flows used in lease liabilities for the years ended December 31, 2024 and 2023 are as follows:

		2024	2023
Decrease in lease liabilities	₩	33,273	24,477
Lease payments relating to leases of low-value assets		8,760	8,801
	₩	42,033	33,278

(5) Maturity analysis of undiscounted lease payments relating to lease liabilities as of December 31, 2024 and 2023 are as follows:

		December 31, 2024				
		Within 3 months	3 months ~ 1 year	1 year ~ 5 years	Over 5 years	Total
Lease payments	₩	10,711	25,614	36,338	10,781	83,444

		December 31, 2023				
		Within 3 months	3 months ~ 1 year	1 year ~ 5 years	Over 5 years	Total
Lease payments	₩	10,111	24,687	49,975	12,458	97,231

23. Equity

(1) Issued capital
The Bank is authorized to issue up to 6,000 million shares of common stock and has 5,263,311,768 shares issued and 4,785,311,768 shares issued as of December 31, 2024 and 2023, respectively, and outstanding with a total par value (₩5,000 of par value per share) of ₩26,316,559 million and ₩23,926,559 million as of December 31, 2024 and 2023, respectively.

(2) Capital surplus
Capital surplus as of December 31, 2024 and 2023 are as follows:

		December 31, 2024	December 31, 2023
Paid-in capital in excess of par value	₩	22,138	33,847
Surplus from capital reduction (*1)		44,373	44,373
Other capital surplus (*2)		2,390,495	2,390,495
	₩	2,457,006	2,468,715

(*1) The Bank reduced ₩5,178,600 million of its issued capital in 1998 and 2000 to offset its accumulated deficit amounting to ₩5,134,227 million. As the result of the capital reduction, ₩44,373 million of surplus exceeding accumulated deficit was recorded in capital surplus in equity.
(*2) The difference in the amount of shares issued and the carrying value of net asset acquired occurring from the merger of the Bank with KDB Financial Group Inc. and Korea Finance Corporation are recognized as other capital surplus.

23. Equity, Continued

(3) Accumulated other comprehensive income

(i) Accumulated other comprehensive income as of December 31, 2024 and 2023 are as follows:

	December 31, 2024	December 31, 2023
Net gain on securities measured at FVOCI		
Valuation gain on securities measured at FVOCI (before tax)	₩ 1,136,394	2,528,823
Loss allowance for securities measured at FVOCI (before tax)	95,613	90,422
Income tax effect	(325,250)	(691,480)
	906,757	1,927,765
Exchange differences on translation of foreign operations:		
Exchange differences on translation of foreign operations (before tax)	408,725	152,225
Income tax effect	-	-
	408,725	152,225
Valuation gain on cash flow hedge:		
Valuation gain on cash flow hedge (before tax)	1,045	4,034
Income tax effect	(276)	(1,065)
	769	2,969
Net gain (loss) on hedges of net investments in foreign operations:		
Net gain (loss) on hedges of net investments in foreign operations (before tax)	(283,997)	(117,276)
Income tax effect	74,976	30,961
	(209,021)	(86,315)
Remeasurements of defined benefit liabilities:		
Remeasurements of defined benefit liabilities (before tax)	97,330	120,558
Income tax effect	(25,694)	(31,826)
	71,636	88,732
Fair value changes on financial liabilities designated at fair value due to credit risk:		
Valuation gain on financial liabilities designated at fair value due to credit risk (before tax)	78,615	99,153
Income tax effect	(20,756)	(26,178)
	57,859	72,975
	₩ 1,236,725	2,158,351

23. Equity, Continued

(ii) Changes in accumulated other comprehensive income for the years ended December 31, 2024 and 2023 are as follows:

	2024			
	January 1, 2024	Increase (Decrease)	Tax Effect	December 31, 2024
Gain (loss) on securities measured at FVOCI	₩ 1,927,765	(1,387,238)	366,230	906,757
Exchange differences on translation of foreign operations	152,225	256,500	-	408,725
Valuation gain on cash flow hedge	2,969	(2,989)	789	769
Net loss on hedges of net investments in foreign operations	(86,315)	(166,721)	44,015	(209,021)
Remeasurements of defined benefit liabilities	88,732	(23,228)	6,132	71,636
Valuation gain (loss) on financial liabilities designated at fair value due to credit risk	72,975	(20,538)	5,422	57,859
	₩ 2,158,351	(1,344,214)	422,588	1,236,725

	2023			
	January 1, 2023	Increase (Decrease)	Tax Effect	December 31, 2023
Gain (loss) on securities measured at FVOCI	₩ 2,557,521	(860,375)	230,619	1,927,765
Exchange differences on translation of foreign operations	132,126	20,099	-	152,225
Valuation gain on cash flow hedge	5,322	(3,207)	854	2,969
Net loss on hedges of net investments in foreign operations	(71,202)	(20,402)	5,289	(86,315)
Remeasurements of defined benefit liabilities	104,870	(22,120)	5,982	88,732
Valuation gain (loss) on financial liabilities designated at fair value due to credit risk	90,696	(24,245)	6,524	72,975
	₩ 2,819,333	(910,250)	249,268	2,158,351

23. Equity, Continued

(4) Retained earnings

In accordance with the *Korea Development Bank Act,* the Bank is required to appropriate at least 40% of net income as a legal reserve. This reserve can be transferred to paid-in capital or offset an accumulated deficit.

In accordance with the *Korea Development Bank Act*, the Bank offsets an accumulated deficit with reserves. If the reserve is insufficient to offset the accumulated deficit, the Korean government is responsible for the deficit.

(i) Retained earnings as of December 31, 2024 and 2023 are as follows:

		December 31, 2024	December 31, 2023
Legal reserve	₩	3,725,456	2,721,885
Voluntary reserve			
Regulatory reserve for loan losses		77,581	211,996
Unappropriated retained earnings		9,111,569	7,943,027
	₩	12,914,606	10,876,908

(ii) Changes in legal reserve for the years ended December 31, 2024 and 2023 are as follows:

		2024	2023
Beginning balance	₩	2,721,885	2,535,892
Transfer from retained earnings		1,003,571	185,993
Ending balance	₩	3,725,456	2,721,885

(iii) Changes in unappropriated retained earnings for the years ended December 31, 2024 and 2023 are as follows:

		2024	2023
Beginning balance	₩	7,943,027	4,439,027
Contribution to legal reserve		(1,003,571)	(185,993)
Transfer from regulatory reserve for credit losses		134,415	35,256
Dividends		(878,125)	(164,743)
Reclassification of gain or loss on equity securities measured at FVOCI		908,665	792,412
Profit for the year		2,007,158	3,027,068
Ending balance	₩	9,111,569	7,943,027

23. Equity, Continued

(iv) Statements of appropriation of retained earnings for the years ended December 31, 2024 and 2023 are as follows:

		2024	2023 (*)
I. Unappropriated retained earnings:			
Unappropriated retained earning carried forward from the prior year	₩	5,677,605	4,123,547
Effect of restatement due to reclassification of accounts		518,141	-
Gain on disposal of securities measured at FVOCI		908,665	792,412
Profit for the year		2,007,158	2,508,927
		9,111,569	7,424,886
II. Transfers such as discretionary reserves			
Transfer from to regulatory reserve for credit losses		5,029	134,415
		5,029	134,415
III. Appropriation of retained earnings:			
Contribution to legal reserve		802,863	1,003,571
Dividends (₩144 for 2024 and ₩184 for 2023 per share)		758,706	878,124
		1,561,569	1,881,695
IV. Unappropriated retained earnings to be carried over to subsequent year	₩	7,555,029	5,677,606

(*) The comparative statement of appropriation of retained earnings for the year ended December 31, 2023 is the amount approved by the shareholders' meeting on March 28, 2024 and the amount of appropriation has been confirmed.

23. Equity, Continued

(5) Regulatory reserve for credit losses

The Bank is required to provide a regulatory reserve for credit losses in accordance with *Regulations on Supervision of Banking Business 29(1) and (2)*. The details of regulatory reserve for credit losses are as follows:

(i) Regulatory reserve for credit losses as of December 31, 2024 and 2023 are as follows:

		December 31, 2024	December 31, 2023
Beginning balance	₩	77,581	211,996
Planned reversal of reserve for credit losses		(5,029)	(134,415)
Ending balance	₩	72,552	77,581

(ii) Required reversal of regulatory reserve for credit losses and profit after adjusting regulatory reserve for loan losses for the years ended December 31, 2024 and 2023 are as follows:

		2024	2023
Profit for the year	₩	2,007,158	3,027,068
Obligated amount of reversal of regulatory reserve for credit losses		5,029	134,415
Profit after adjusting regulatory reserve for credit losses	₩	2,012,187	3,161,483
Earnings per share after adjusting regulatory reserve for credit losses (in won)	₩	392	670

24. Net Interest Income

Net interest income for the years ended December 31, 2024 and 2023 are as follows:

		2024	2023
Interest income:			
Due from banks	₩	388,599	399,442
Securities measured at FVTPL		88,317	57,273
Securities measured at FVOCI		879,350	821,316
Securities measured at amortized cost		339,803	245,955
Loans measured at FVTPL		15,134	12,326
Loans measured at amortized cost		10,394,661	9,952,712
		12,105,864	11,489,024
Interest expense:			
Financial liabilities measured at FVTPL		(111,053)	(86,275)
Deposits		(2,407,111)	(2,371,427)
Borrowings		(1,650,814)	(1,443,925)
Debentures		(6,818,821)	(6,025,878)
		(10,987,799)	(9,927,505)
	₩	1,118,065	1,561,519

25. Net Fees and Commission Income

Net fees and commission income for the years ended December 31, 2024 and 2023 are as follows:

		2024	2023
Fees and commission income:			
Loan commissions	₩	169,779	157,190
Underwriting and investment consulting commissions		136,894	96,350
Brokerage and agency commissions		7,959	8,297
Trust and retirement pension plan commissions		39,973	39,059
Fees on asset management		2,519	1,857
Other fees		179,233	145,774
		536,357	448,527
Fees and commission expenses:			
Brokerage and agency fees		(11,738)	(11,338)
Other fees		(36,903)	(27,353)
		(48,641)	(38,691)
	₩	487,716	409,836

26. Dividend Income

Dividend income for the years ended December 31, 2024 and 2023 are as follows:

		2024	2023
Securities measured at FVTPL	₩	347,637	204,838
Securities measured at FVOCI		124,583	121,754
Investments in subsidiaries and associates		565,262	441,778
	₩	1,037,482	768,370

27. Net Gain on Securities Measured at FVTPL

Net gain related to securities measured at FVTPL for the years ended December 31, 2024 and 2023 are as follows:

		2024	2023
Gains on securities measured at FVTPL:			
Gains on sale	₩	229,821	144,875
Gains on valuation		832,528	632,028
		1,062,349	776,903
Losses on securities measured at FVTPL:			
Losses on sale		(50,521)	(92,147)
Losses on valuation		(291,198)	(165,930)
Purchase related expense		(7)	(18)
		(341,726)	(258,095)
	₩	720,623	518,808

28. Net Loss on Financial Liabilities Measured at FVTPL

Net loss related to financial liabilities measured at fair value through profit or loss for the years ended December 31, 2024 and 2023 are as follows:

		2024	2023
Gains on financial liabilities measured at FVTPL:			
Gains on valuation	₩	61,852	7,049
Losses on financial liabilities measured at FVTPL:			
Losses on redemption		(704)	(697)
Losses on valuation		(112,195)	(154,456)
		(112,899)	(155,153)
	₩	(51,047)	(148,104)

29. Net Gain (Loss) on Securities Measured at FVOCI

Net gain (loss) related to securities measured at FVOCI for the years ended December 31, 2024 and 2023 are as follows:

		2024	2023
Gains on securities measured at FVOCI:			
Gains on sale	₩	33,968	4,717
Reversal of impairment losses		1,341	631
		35,309	5,348
Losses on securities measured at FVOCI:			
Losses on sale		(972)	(9,870)
Impairment losses		(3,978)	(4,898)
		(4,950)	(14,768)
	₩	30,359	(9,420)

30. Net Gain (Loss) on Derivatives

Net gain (loss) on derivatives for the years ended December 31, 2024 and 2023 are as follows:

	2024	2023
Net gain on trading purpose derivatives:		
Gains on trading purpose derivatives:		
Interest	₩ 4,553,550	4,693,102
Currency	19,806,705	12,626,046
Stock	958	30,210
Gains on adjustment of derivatives	4,517	50,960
	24,365,730	17,400,318
Losses on trading purpose derivatives:		
Interest	(4,535,164)	(4,626,262)
Currency	(19,264,769)	(12,594,489)
Stock	(814)	(1,262)
Losses on adjustment of derivatives	(10,612)	(1,977)
	(23,811,359)	(17,223,990)
	554,371	176,328
Net gain (loss) on hedging purpose derivatives:		
Gains on hedging purpose derivatives:		
Interest	446,804	891,895
Currency	202,263	754,498
Gains on adjustment of derivatives	218	28
	649,285	1,646,421
Losses on hedging purpose derivatives:		
Interest	(129,563)	(137,354)
Currency	(1,091,968)	(255,026)
Losses on adjustment of derivatives	(422)	(653)
	(1,221,953)	(393,033)
	(572,668)	1,253,388
Net loss on fair value hedged items:		
Gains on fair value hedged items:		
Gains on valuation	567,529	140,424
Gains on redemption	227,081	199,661
	794,610	340,085
Losses on fair value hedged items:		
Losses on valuation	(1,229,042)	(1,365,202)
Losses on redemption	(377,022)	(403,309)
	(1,606,064)	(1,768,511)
	(811,454)	(1,428,426)
	₩ (829,751)	1,290

Related with cash flow hedge, the Bank recognized ₩108 million of gain and ₩16 million of loss in the statements of comprehensive income as the ineffective portion for the years ended December 31, 2024 and 2023, respectively.

31. Net Foreign Currency Transaction Gain

Net foreign currency transaction gain for the years ended December 31, 2024 and 2023 are as follows:

		2024	2023
Net loss on foreign exchange transactions:			
Gains on foreign exchange transactions	₩	737,968	923,756
Losses on foreign exchange transactions		(743,065)	(940,205)
		(5,097)	(16,449)
Net gain on foreign currency translations:			
Gains on foreign currency translations		28,135,177	8,793,292
Losses on foreign currency translations		(27,265,210)	(8,474,478)
		869,967	318,814
	₩	864,870	302,365

32. Other Operating Income (Expense), net

Other operating income (expense) for the years ended December 31, 2024 and 2023 are as follows:

		2024	2023
Other operating income:			
Gains on sale of loans	₩	38,680	28,597
Gains on disposal of loans measured at FVTPL		4,126	8,254
Gains on valuation of loans measured at FVTPL		2,534	7,381
Gains on disposal of investments in subsidiaries and associates		1,422	-
Reversal of provisions		246	634
Others		42,238	38,856
		89,246	83,722
Other operating expenses:			
Losses on sale of loans		(64,937)	(17,256)
Losses on disposal of loans measured at FVTPL		(6,796)	(5,332)
Losses on valuation of loans measured at FVTPL		(26,639)	(16,294)
Losses on disposal of investments in subsidiaries and associates		(8,191)	(366)
Increase in provisions		(21,543)	(137)
Insurance expenses		(98,346)	(100,830)
Credit guarantee fund salary		(229,909)	(216,076)
Educational taxes		(58,426)	(54,588)
Foreign security contributions		(11,547)	(17,587)
Others		(34,156)	(41,718)
		(560,490)	(470,184)
	₩	(471,244)	(386,462)

33. Reversal of Credit Losses

Reversal of credit losses for the years ended December 31, 2024 and 2023 are as follows:

		2024	2023
Provision for (reversal of) loan loss allowance	₩	90,837	(399,011)
Provision for (reversal of) other assets		(3,683)	3,104
Reversal of payment guarantees		(210,329)	(379,837)
Reversal of unused commitments		(77,748)	(34,922)
Provision for (reversal of) financial guarantee provision		(43,203)	8,022
	₩	(244,126)	(802,644)

34. General and Administrative Expenses

General and administrative expenses for the years ended December 31, 2024 and 2023 are as follows:

		2024	2023
Payroll costs:			
Short-term employee benefits	₩	406,425	393,016
Defined benefit costs		24,880	22,044
Defined contribution costs		7,425	7,509
		438,730	422,569
Depreciation and amortization:			
Depreciation of property and equipment		73,856	71,507
Amortization of intangible assets		42,721	55,043
		116,577	126,550
Other:			
Employee welfare benefits		38,677	35,343
Rent expenses		5,479	6,586
Taxes and dues		40,630	38,170
Advertising expenses		19,977	18,377
Electronic data processing expenses		89,489	90,068
Fees and charges		42,521	41,000
Others		65,003	45,328
		301,776	274,872
	₩	857,083	823,991

35. Other Non-Operating Income and Expense

Other non-operating income and expense for the years ended December 31, 2024 and 2023 are as follows:

		2024	2023
Other non-operating income:			
Gain on disposal of property and equipment	₩	634	5,291
Gain on disposal of intangible assets		29	2
Rental income on investment property		3,105	3,122
Others		7,819	8,109
		11,587	16,524
Other non-operating expense:			
Losses on disposal of property and equipment		(1,426)	(6,373)
Depreciation of investment property		(2,293)	(2,273)
Donations		(19,531)	(8,574)
Others		(2,530)	(2,883)
		(25,780)	(20,103)
	₩	(14,193)	(3,579)

36. Income Tax Expense

(1) Income tax expense for the years ended December 31, 2024 and 2023 are as follows:

		2024	2023
Current income tax (*)	₩	492,373	494,903
Changes in income tax before the prior years		(209,932)	(34,323)
Changes in deferred income taxes on temporary differences		54,557	356,370
Effect of unused tax loss		-	156,618
Deferred income tax recognized directly to equity			
Other comprehensive income		422,588	249,268
Retained earnings		(325,934)	(284,235)
Income tax expense	₩	433,652	938,601

(*) Includes changes such as those that arise from final tax returns.

(2) Profit before income taxes and income tax expense for the years ended December 31, 2024 and 2023 are as follows:

		2024	2023
Profit before income taxes	₩	2,440,810	3,965,669
Income taxes calculated using enacted tax rates		644,374	1,046,937
Adjustments:			
Non-deductible losses and tax-free gains		(23,000)	(22,887)
Non-recognition effect of deferred income taxes and others		(191,773)	(148,375)
Net adjustments for prior years		(64,048)	10,698
Others		68,099	52,228
		(210,722)	(108,336)
Income tax expense	₩	433,652	938,601
Effective tax rate (%)		17.77	23.67

36. Income Tax Expense, Continued

(3) Changes in temporary differences and deferred tax assets (liabilities) for the years ended December 31, 2024 and 2023 are as follows:

	2024				
	January 1, 2024 (*)	Decrease	Increase	December 31, 2024	Deferred tax assets (liabilities)
Derivatives	₩ (293,338)	(293,338)	(578,805)	(578,805)	(152,805)
Investments in subsidiaries and associates	(8,303,869)	732,702	(1,377,387)	(10,413,958)	(3,138,284)
Gains on fair value hedged items valuation	(721,347)	(721,347)	(834,323)	(834,323)	(220,261)
Gains on foreign exchange translation for hedged liabilities	(365,725)	(365,725)	(54,511)	(54,511)	(14,391)
Impairment losses on debt securities	65,933	-	-	65,933	17,406
Impairment losses on equity securities	11,965	(2,814)	88	14,867	3,925
Defined benefit obligation	369,485	26,479	67,256	410,262	108,309
Plan assets	(411,139)	(26,479)	(25,602)	(410,262)	(108,309)
Financial assets held for trading	(202,890)	(151,849)	(243,453)	(294,494)	(77,746)
Available-for-sale financial assets	(146,414)	521	-	(146,935)	27
Write-off	1,665,174	41,184	40,021	1,664,011	439,299
Provisions	498,485	1,005,186	804,040	297,339	78,497
Property impairment losses	5,939	173	-	5,766	1,522
Dividends Receivable	17,397	-	-	17,397	4,593
Loan origination fees	(32,138)	(32,138)	(40,376)	(40,376)	(10,659)
Gains on sales of loans	(2,527,985)	-	-	(2,527,985)	(667,388)
Others	(2,282,634)	(1,410,877)	(307,961)	(1,179,718)	(296,456)
	(12,653,101)	(1,198,322)	(2,551,013)	(14,005,792)	(4,032,721)
Temporary differences from unrecognized deferred tax assets and liabilities:					
Investments in subsidiaries and associates, etc.	2,253,148	(983,481)		1,269,667	-
	₩ (14,906,249)			(15,275,459)	(4,032,721)

(*) Temporary differences as of January 1, 2024 reflected previous year's additional tax adjustment after the financial statements were issued.

36. Income Tax Expense, Continued

	2023				
	January 1, 2023 (*)	Decrease	Increase	December 31, 2023	Deferred tax assets (liabilities)
Derivatives	₩ 1,015,549	1,015,549	(293,338)	(293,338)	(77,441)
Investments in subsidiaries and associates	(8,028,677)	4,173	(989,365)	(9,022,215)	(2,964,927)
Gains on fair value hedged items valuation	(1,797,984)	(1,797,984)	(721,347)	(721,347)	(190,436)
Gains on foreign exchange translation for hedged liabilities	(132,878)	(132,878)	(365,725)	(365,725)	(96,551)
Impairment losses on debt securities	65,933	-	-	65,933	17,406
Impairment losses on equity securities	11,935	50	80	11,965	3,159
Defined benefit obligation	332,684	29,150	65,951	369,485	97,544
Plan assets	(405,768)	(29,150)	(13,222)	(389,840)	(102,918)
Financial assets held for trading	(61,685)	(10,644)	(151,849)	(202,890)	(53,563)
Available-for-sale financial assets	(146,364)	51	-	(146,415)	164
Write-off	1,616,032	29,179	110,585	1,697,438	448,124
Provisions	995,687	1,502,388	1,005,186	498,485	131,600
Property impairment losses	6,111	173	-	5,938	1,568
Dividends Receivable	17,397	-	77	17,474	4,613
Loan origination fees	(21,697)	(21,697)	(32,138)	(32,138)	(8,484)
Gains on sales of loans	(2,541,608)	(13,623)	-	(2,527,985)	(667,388)
Others	(1,235,725)	876,497	331,742	(1,780,480)	(520,634)
	(10,311,058)	1,451,234	(1,053,363)	(12,815,655)	(3,978,164)
Temporary differences from unrecognized deferred tax assets and liabilities:					
Investments in subsidiaries and associates, etc.	2,512,727	(259,579)		2,253,148	-
	₩ (12,823,785)			(15,068,803)	(3,978,164)
Unused tax loss	₩ 591,011	591,011	-	-	-

(*) Temporary differences as of January 1, 2023 reflected previous year's additional tax adjustment after the financial statements were issued.

36. Income Tax Expense, Continued

(4) Changes in income tax expense recognized directly to equity for the years ended December 31, 2024 and 2023 are as follows:

	2024				
	December 31, 2024		January 1, 2024		
	Amounts before tax	Tax effect	Amounts before tax	Tax effect	Changes in tax effect
Net gain on securities measured at FVOCI	₩ 906,757	(325,250)	1,927,765	(691,480)	366,230
Exchange differences on translation of foreign operations	408,725	-	152,225	-	-
Net gain on valuation of cash flow hedge	769	(276)	2,969	(1,065)	789
Net loss on hedges of net investments in foreign operations	(209,021)	74,976	(86,315)	30,961	44,015
Remeasurements of defined benefit liabilities	71,636	(25,694)	88,732	(31,826)	6,132
Fair value changes on financial liabilities designated at fair value due to credit risk	57,859	(20,756)	72,975	(26,178)	5,422
	₩ 1,236,725	(297,000)	2,158,351	(719,588)	422,588

Income tax benefit recognized direct to retained earnings amounting to ₩325,934 million is the tax effect of realized income amounting to ₩1,234,598 million from disposal of equity securities measured at FVOCI.

	2023				
	December 31, 2023		January 1, 2023		
	Amounts before tax	Tax effect	Amounts before tax	Tax effect	Changes in tax effect
Net gain on securities measured at FVOCI	₩ 1,927,765	(691,480)	2,557,521	(922,099)	230,619
Exchange differences on translation of foreign operations	152,225	-	132,126	-	-
Net gain on valuation of cash flow hedge	2,969	(1,065)	5,322	(1,919)	854
Net loss on hedges of net investments in foreign operations	(86,315)	30,961	(71,202)	25,672	5,289
Remeasurements of defined benefit liabilities	88,732	(31,826)	104,870	(37,808)	5,982
Fair value changes on financial liabilities designated at fair value due to credit risk	72,975	(26,178)	90,696	(32,702)	6,524
	₩ 2,158,351	(719,588)	2,819,333	(968,856)	249,268

Income tax benefit recognized direct to retained earnings amounting to ₩284,235 million is the tax effect of realized income amounting to ₩1,076,647 million from disposal of equity securities measured at FVOCI.

36. Income Tax Expense, Continued

(5) Global Minimum Corporate Tax Act

The Bank applies the temporary exception under Korean IFRS No. 1012 Income Taxes and does not recognize deferred tax assets or liabilities related to the Pillar 2 legislation, nor does it disclose information related to deferred taxes.

Under the legislation, the parent company is required to pay, in Republic of Korea, top-up tax on profits of its subsidiaries that are taxed at an effective tax rate of less than 15 percent. However, since most jurisdictions either qualify for the transitional relief provisions or already have an effective tax rate of 15% or higher, it is anticipated that no significant additional taxes will arise. As a result, the Bank has not recognized any amount related to the Global Minimum Corporate Tax Act in its current period income tax expense. The estimated annual effective tax rate is subject to change due to various factors, including tax incentives received by subsidiaries and adjustments to accounting profit or loss for the calculation of GloBE income as required under applicable laws in subsequent periods. Accordingly, the current tax expense related to Pillar 2 is exposed to estimation uncertainty.

37. Earnings per Share

(1) Basic earnings per share

The Bank's basic earnings per share for the years ended December 31, 2024 and 2023 are computed as follows:

(i) Basic earnings per share

		2024	2023
Profit attributable to ordinary shareholders of the Bank (A) (in won)	₩	2,007,158,097,051	3,027,068,710,870
Weighted-average number of ordinary shares outstanding (B)		5,129,882,260	4,720,569,302
Basic earnings per share (A/B) (in won)	₩	391	641

(ii) Weighted-average number of ordinary shares outstanding

	2024		
	Number of ordinary shares	Days	Cumulative shares
Number of ordinary shares outstanding at the beginning of the year (A)	4,785,311,768	366	1,751,424,107,088
Increased paid-in capital (B)	400,000,000	278	111,200,000,000
Increased paid-in capital (C)	16,800,000	246	4,132,800,000
Increased paid-in capital (D)	24,200,000	210	5,082,000,000
Increased paid-in capital (E)	37,000,000	154	5,698,000,000
Cumulative shares (F = A+B+C+D+E)			1,877,536,907,088
Weighted-average number of ordinary shares outstanding (F/366)			5,129,882,260

	2023		
	Number of ordinary shares	Days	Cumulative shares
Number of ordinary shares outstanding at the beginning of the year (A)	4,630,311,768	365	1,690,063,795,320
Increased paid-in capital (B)	87,000,000	276	24,012,000,000
Increased paid-in capital (C)	24,000,000	220	5,280,000,000
Increased paid-in capital (D)	44,000,000	83	3,652,000,000
Cumulative shares (E = A+B+C+D)			1,723,007,795,320
Weighted-average number of ordinary shares outstanding (E/365)			4,720,569,302

(2) Diluted earnings per share

Diluted and basic earnings per share for the years ended December 31, 2024 and 2023 are equal because there is no potential dilutive instrument.

38. Pledged Assets

Assets pledged by the Bank as collateral as of December 31, 2024 and 2023 are as follows:

		December 31, 2024		December 31, 2023	
		Pledged assets	Related liabilities	Pledged assets	Related liabilities
Securities measured at FVOCI (*)	₩	1,726,575	377,632	3,264,199	448,961
Securities measured at amortized cost (*)		3,382,755		15,413,180	
	₩	5,109,330	377,632	18,677,379	448,961

(*) Pledged as collateral related to bonds sold under repurchase agreements and borrowings.

39. Guarantees and Commitments

Guarantees and commitments as of December 31, 2024 and 2023 are as follows:

		December 31, 2024	December 31, 2023
Confirmed acceptances and guarantees:			
Acceptances in foreign currency	₩	208,758	179,849
Guarantees for bond issuance		2,751,485	2,347,527
Guarantees for loans		468,067	537,699
Letter of guarantee		42,741	35,858
Guarantees for on-lending debt		1,440	2,821
Others		8,882,851	7,700,977
		12,355,342	10,804,731
Unconfirmed acceptances and guarantees:			
Letter of credit		2,010,549	2,219,357
Others		4,976,884	5,340,302
		6,987,433	7,559,659
Commitments:			
Commitments on loans		56,312,320	54,816,638
Others		11,377,587	2,046,383
		67,689,907	56,863,021
	₩	87,032,682	75,227,411

40. Trust Accounts

(1) Trust accounts as of December 31, 2024 and 2023 are as follows:

		December 31, 2024	December 31, 2023
Accrued trust fee	₩	10,540	16,123
Borrowings from trust accounts		913,507	881,342
Accrued interest on deposits		3,269	2,257

(2) Transactions with trust accounts for the years ended December 31, 2024 and 2023 are as follows:

		2024	2023
Fees on trust accounts	₩	36,655	35,770
Interest expenses of borrowings from trust accounts		54,845	54,577

(3) The carrying amounts of principals guaranteed money trust and principals and interest guaranteed money trust as of December 31, 2024 and 2023 are as follows:

		December 31, 2024	December 31, 2023
Principals guaranteed money trust	₩	209,962	219,950
Principals and interest guaranteed money trust		208,636	219,081
	₩	418,598	439,031
Principal of money and property trust	₩	377,327	400,818
Accrued trust profit		41,271	38,213

41. Related Party Transactions

(1) The Bank's related parties as of December 31, 2024 are as follows:

Classification	Corporate name
Subsidiaries	KDB Capital Corporation, KDB Infrastructure Investment Asset Management Co., Ltd., KDB Asia Ltd., KDB Ireland Ltd., KDB Bank Europe Ltd., Banco KDB Do Brazil S.A., KDB Bank Uzbekistan, PT KDB Tifa Finance Tbk and 6 others, KDB Investment PEF No. 2, KDB Consus Value PEF, KDB Small Medium Mezzanine PEF and 7 others, Principals guaranteed trust accounts of KDB, Principals and interests guaranteed interest trust accounts of KDB, KDB ESG 7th INC. and 12 others, KIAMCO Road Investment Private Fund Special Asset Trust 2 and 21 others
Associates	Korea Electric Power Co., Ltd., Korea Tourism Organization, Korea Real Estate Board, GM Korea Company, HMM Co., Ltd., HANJIN KAL, Korean Air Lines Co., Ltd., Hanwha Ocean Co., Ltd., Korea Ocean Business Corporation, TAEYOUNG ENGINEERING & CONSTRUCTION and 16 others, Keistone Value Investment 2nd Private Equity Fund and 99 others, Hana K-New Deal Unicorn Fund and 117 others
Others	Key management personnel

(2) Significant balances with related parties as of December 31, 2024 and 2023 are as follows:

	Account		December 31, 2024	December 31, 2023
Subsidiaries:				
KDB Capital Corporation	Loans	₩	188	876
	Allowance for loan losses		-	(1)
	Derivative financial assets		1,904	1,331
	Other assets		-	1
	Deposits		28	39
	Derivative financial liabilities		-	791
	Other liabilities		37,040	37,212
KDB Infrastructure Investment Asset Management Co., Ltd.	Deposits		45,749	14,847
	Other liabilities		329	118
KDB Ireland Ltd.	Loans		1,052,396	853,433
	Allowance for loan losses		(548)	(416)
	Derivative financial assets		858	2,461
	Other assets		7,881	7,873
	Derivative financial liabilities		14,535	15,377
KDB Bank Europe Ltd.	Cash and due from banks		715,339	578,908
	Loans		76,437	84,224
	Allowance for loan losses		(40)	(41)
	Other assets		5,313	4,726
	Derivative financial liabilities		174	313
Banco KDB Do Brazil S.A.	Cash and due from banks		191,100	104,441
	Loans		374,850	321,061
	Allowance for loan losses		(227)	(156)
	Other assets		10,260	8,415
	Allowance of other assets		(4)	(4)
PT KDB Tifa Finance Tbk	Loans		29,400	25,788
	Allowance for loan losses		(15)	(13)
	Other assets		122	134

41. Related Party Transactions, Continued

	Account		December 31, 2024	December 31, 2023
KDB Silicon Valley LLC	Deposits	₩	85,260	91,547
	Other liabilities		668	185
KDB Asia Ltd.	Cash and due from banks		1,279,558	1,291,474
	Loans		73,500	128,940
	Allowance for loan losses		(39)	(63)
	Derivative financial assets		-	98
	Other assets		9,055	10,313
	Allowance of other assets		(1)	(1)
	Deposits		2	2
	Derivative financial liabilities		4,089	5,002
KDB Bank Uzbekistan	Cash and due from banks		176,400	128,940
	Loans		147,000	-
	Allowance for loan losses		(77)	-
	Other assets		2,690	429
	Allowance of other assets		(1)	-
KDB Consus Value PEF	Securities		265,501	274,423
	Allowance of securities		(25)	(23)
	Derivative financial assets		95,933	2,899
	Other assets		22,728	25,516
	Deposits		26	69
	Derivative financial liabilities		-	6,234
	Other liabilities		42,303	47,386
Corporate Liquidity Assistance Agency Co., Ltd.	Loans		-	440,000
	Allowance for loan losses		-	(238)
	Other assets		-	64,756
	Allowance of other assets		-	(35)
	Deposits		1,077,427	107,763
	Other liabilities		359	137
	Other provisions		242	224
Others	Loans		428,846	431,960
	Allowance for loan losses		(69,899)	(62,201)
	Derivative financial assets		2,257	7,722
	Other assets		2,396	3,019
	Allowance of other assets		(4)	(9)
	Deposits		105,742	128,073
	Borrowings		59,997	80,076
	Derivative financial liabilities		-	314
	Other liabilities		1,349	2,359
	Other provisions		4,467	17,929

41. Related Party Transactions, Continued

	Account		December 31, 2024	December 31, 2023
Associates:				
Korea Electric Power Co., Ltd.	Securities	₩	192,138	168,701
	Loans		335,939	328,097
	Allowances for loan losses		(903)	(1,082)
	Derivative financial assets		2,350	84,826
	Other assets		5,152	5,783
	Deposits		116,622	371,020
	Borrowings		1,454	1,801
	Derivative financial liabilities		650,949	160,304
	Other liabilities		51,157	46,449
	Other provisions		157	85
HMM Co., Ltd.	Securities		1,269,495	3,286,533
	Loans		84,977	123,682
	Allowances for loan losses		(572)	(775)
	Other assets		2,272	4,280
	Deposits		883,000	258,880
	Other liabilities		30,038	17,292
HANJIN KAL	Loans		428,891	447,774
	Allowances for loan losses		(2,636)	(3,142)
	Other assets		529	526
	Deposits		2,000	2,000
	Other liabilities		344	333
Korean Air Lines Co., Ltd.	Securities		-	64,154
	Loans		2,425,714	1,482,916
	Allowances for loan losses		(27,726)	(4,831)
	Derivative financial assets		10,235	8,790
	Other assets		8,880	13,743
	Deposits		2,106,944	1,605,661
	Derivative financial liabilities		154,167	81,256
	Other liabilities		67,252	47,542
	Other provisions		5,493	561
Korea Ocean Business Corporation	Securities		62,304	55,020
	Other assets		481	401
	Deposits		-	25,000
	Other liabilities		203	713
Hanwha Ocean Co., Ltd.	Securities		64	64
	Loans		2,838,142	1,468,780
	Allowances for loan losses		(90,160)	(146,570)
	Derivative financial assets		339,872	328,988
	Other assets		9,141	8,443
	Deposits		9,807	156,336
	Borrowings		5,136	-
	Other liabilities		13,865	11,968
	Other provisions		138,484	417,443
TAEYOUNG ENGINEERING & CONSTRUCTION	Loans		179,000	-
	Allowances for loan losses		(17,856)	-
	Deposits		57,505	-
	Other liabilities		728	-
	Other provisions		40,336	-

41. Related Party Transactions, Continued

	Account	December 31, 2024	December 31, 2023
Associates:			
Others	Securities	17,353	26,345
	Loans	418,933	218,912
	Allowances for loan losses	(18,853)	(546)
	Derivative financial assets	8,677	19
	Other assets	8,138	8,068
	Deposits	478,254	397,953
	Derivative financial liabilities	-	1,174
	Other liabilities	3,196	2,671
	Other provisions	40,441	46

41. Related Party Transactions, Continued

(3) Significant profit or loss with related parties for the years ended December 31, 2024 and 2023 are as follows:

	Account		2024	2023
Subsidiaries:				
KDB Capital Corporation	Interest income	₩	49	277
	Dividend income		31,435	21,060
	Reversal of allowance for loan losses		1	1
	Fees and commission income, other income		10,829	2,255
	Interest expenses		(2,511)	(1,795)
	Other operating expenses		(1,358)	(886)
KDB Infrastructure Investments Asset Management Co., Ltd.	Dividend income		13,886	13,634
	Interest expenses		(1,044)	(463)
KDB Ireland Ltd.	Interest income		50,169	42,763
	Fees and commission income, other income		9,801	10,909
	Interest expenses		(14)	(43)
	Provision for loan losses		(78)	(167)
	Other operating expenses		(21,716)	(12,778)
KDB Bank Europe Ltd.	Interest income		35,959	24,340
	Reversal of allowance for loan losses		4	-
	Fees and commission income, other income		164	1,118
	Provision for loan losses		-	(27)
	Other operating expenses		(203)	(1,609)

41. Related Party Transactions, Continued

	Account		2024	2023
Banco KDB Do Brazil S.A.	Interest income	₩	25,057	20,548
	Provision for loan losses		(44)	(79)
	Other operating expenses		(4)	(4)
PT KDB Tifa Finance Tbk	Interest income		1,621	1,497
	Provision for loan losses		(1)	(5)
KDB Silicon Valley LLC	Fees and commission income, other income		-	4
	Interest expenses		(4,411)	(5,271)
KDB Asia Ltd.	Interest income		83,117	84,207
	Reversal of allowance for loan losses		33	11
	Fees and commission income, other income		1,941	3,174
	Interest expenses		(196)	(483)
	Other operating expenses		(3,374)	(4,964)
KDB Bank Uzbekistan	Interest income		11,140	4,028
	Fees and commission income, other income		-	153
	Provision for loan losses		(77)	-
	Other operating expenses		(1)	-
KDB Consus Value PEF	Interest income		20,054	11,852
	Fees and commission income, other income		126,080	15,749
	Interest expenses		(25)	(21)
	Other operating expenses		(837)	(6,165)
Corporate Liquidity Assistance Agency Co., Ltd.	Interest income		11,420	20,212
	Fees and commission income, other income		273	-
	Interest expenses		(15,373)	(3,567)
	Provision for loan losses		-	(86)
	Other operating expenses		(18)	(100)
Others	Interest income		19,626	22,478
	Dividend income		122,373	56,040
	Reversal of allowance for loan losses		834	44,599
	Fees and commission income, other income		40,590	21,219
	Interest expenses		(3,720)	(4,703)
	Provision for loan losses		(22)	(55,623)
	Other operating expenses		(7,444)	(19,352)

41. Related Party Transactions, Continued

	Account		2024	2023
Associates:				
Korea Electric Power Co., Ltd.	Interest income	₩	25,125	24,512
	Reversal of allowance for loan losses		179	-
	Fees and commission income, other income		77,973	121,605
	Interest expenses		(9,786)	(11,360)
	Provision for loan losses		-	(1,082)
	Other operating expenses		(682,464)	(221,506)
HMM Co., Ltd.	Interest income		22,084	38,998
	Dividend income		140,840	121,439
	Reversal of allowance for loan losses		203	-
	Fees and commission income, other income		3,274	1,916
	Interest expenses		(16,846)	(44,123)
	Provision for loan losses		-	(775)
	Other operating expenses		(89,348)	(69,013)
HANJIN KAL	Interest income		11,626	11,735
	Dividend income		2,119	1,201
	Reversal of allowance for loan losses		507	-
	Fees and commission income, other income		30	30
	Interest expenses		(109)	(841)
	Provision for loan losses		-	(3,142)
	Other operating expenses		(18,883)	(5,671)
Korean Air Lines Co., Ltd.	Interest income		198,210	72,984
	Dividend income		9,180	9,180
	Reversal of allowance for loan losses		6,508	-
	Fees and commission income, other income		104,844	89,082
	Interest expenses		(105,080)	(66,766)
	Provision for loan losses		-	(4,831)
	Other operating expenses		(308,689)	(119,041)
Korea Ocean Business Corporation	Interest income		3,166	1,695
	Fees and commission income, other income		464	2
	Interest expenses		(222)	(524)
	Other operating expenses		(1,016)	(1,086)
Hanwha Ocean Co., Ltd.	Interest income		100,644	117,836
	Reversal of allowance for loan losses		56,410	-
	Fees and commission income, other income		868,116	462,472
	Interest expenses		(9,322)	(6,391)
	Provision for loan losses		-	(146,570)
	Other operating expenses		(77,827)	(481,806)
TAEYOUNG ENGINEERING & CONSTRUCTION	Interest income		10,320	-
	Reversal of allowance for loan losses		98,818	-
	Interest expenses		(374)	-
	Other operating expenses		(40,337)	-

41. Related Party Transactions, Continued

	Account		2024	2023
Others	Interest income	₩	18,285	8,983
	Dividend income		290,838	260,290
	Reversal of allowance for loan losses		116,677	-
	Fees and commission income, other income		21,422	7,315
	Interest expenses		(8,787)	(8,135)
	Provision for loan losses		(18,351)	(546)
	Other operating expenses		(48,701)	(2,465)

41. Related Party Transactions, Continued

(4) Details of guarantees and commitments to the related parties as of December 31, 2024 and 2023 are as follows:

	Account		December 31, 2024	December 31, 2023
Subsidiaries:				
KDB Capital Corporation	Commitments	₩	500,000	500,000
KDB Consus Value PEF	Confirmed acceptances and guarantees		132,840	132,840
	Commitments		11,519	-
Corporate Liquidity Assistance Agency Co., Ltd.	Commitments		560,000	560,000
Others	Unconfirmed acceptances and guarantees		-	885
	Commitments		1,054,869	1,059,271
Associates:				
Korean Air Lines Co., Ltd.	Confirmed acceptances and guarantees		227,666	172,957
	Commitments		454,224	30,000
Hanwha Ocean Co., Ltd.	Confirmed acceptances and guarantees		3,729,088	3,529,955
	Unconfirmed acceptances and guarantees		2,583,277	2,150,165
	Commitments		1,779,609	1,836,929
Others	Commitments		403,113	377,891
		₩	11,436,205	10,350,893

(5) Details of compensation to key management personnel for the years ended December 31, 2024 and 2023 are as follows:

		2024	2023
Short-term employee benefits	₩	1,084	957
Post-employment benefits		52	41
	₩	1,136	998

(6) The Bank are not pledged any assets as collaterals to the related parties and from the related parties as of December 31, 2024 and 2023.

42. Statements of Cash Flows

(1) Cash and cash equivalents in the statements of cash flows as of December 31, 2024 and 2023 are as follows:

		December 31, 2024	December 31, 2023
Cash and due from banks:			
Cash and foreign currencies	₩	67,357	65,738
Due from banks in Korean won		1,553,014	2,017,973
Due from banks in foreign currencies / off-shores		11,375,150	6,576,097
		12,995,521	8,659,808
Less: Restricted due from banks, others		(3,361,559)	(2,464,287)
Add: Financial instruments reaching maturity within three months from date of acquisition			
Securities measured at FVTPL			
Government and public bonds		-	162,256
Loans measured at amortized cost:			
Call-loans		2,802,236	4,456,954
Inter-bank loans		1,438,815	1,045,846
		4,241,051	5,502,800
		4,241,051	5,665,056
	₩	13,875,013	11,860,577

(2) Significant transactions not involving cash flows for the years ended December 31, 2024 and 2023 are as follows:

		2024	2023
Decrease in loans due to write-offs	₩	24,526	203,807
Increase in securities measured at FVOCI due to debt-to-equity swap, etc		41,566	34,030
Increase in investments in subsidiaries and associates due to debt-to-equity swap		54,719	-
Increase (decrease) in accumulated other comprehensive income due to securities valuation		(1,387,238)	(860,375)
Deferred income tax effect due to securities valuation		366,230	230,619
Reclassification of investments in subsidiaries and associates to securities measured at FVTPL		-	4,800
Reclassification from securities measured at FVOCI to investments in subsidiaries and associates		1,696,500	1,497,000
Transfer from investment property to property and equipment		8,956	5,618
Recognition of right-of-use assets and lease liabilities		28,917	40,130
In-kind equity		1,999,780	432,137

43. Transfers of Financial Instruments

Details of financial assets and liabilities related to repurchase agreements and loaned securities sold and loaned debt securities that do not qualify for derecognition as of December 31, 2024 and 2023 are as follows:

	December 31, 2024		December 31, 2023	
Characteristics of transactions	Carrying amounts for transferred assets	Carrying amounts for related liabilities	Carrying amounts for transferred assets	Carrying amounts for related liabilities
Repurchase agreements	₩ 520,000	47,181	1,447,767	30,095
Loaned securities	40,409	-	39,341	-
	₩ 560,409	47,181	1,487,108	30,095

44. Fair Value of Financial Assets and Liabilities

The Bank classifies and discloses fair value of the financial instruments into the following three-level hierarchy:

- Level 1: Financial instruments measured at quoted prices from active markets are classified as level 1.
- Level 2: Financial instruments measured using valuation techniques where all significant inputs are observable market data are classified as level 2.
- Level 3: Financial instruments measured using valuation techniques where one or more significant inputs are not based on observable market data are classified as level 3.

(1) Fair value hierarchy of financial instruments measured at fair value

(i) The fair value hierarchy of financial instruments measured at fair value as of December 31, 2024 and 2023 are as follows:

	December 31, 2024			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Securities measured at FVTPL	₩ 2,804,662	1,391,702	14,222,436	18,418,800
Securities measured at FVOCI	1,594,047	16,759,867	14,406,279	32,760,193
Loans measured at FVTPL	-	-	419,773	419,773
Derivative financial assets	-	13,914,992	259	13,915,251
	₩ 4,398,709	32,066,561	29,048,747	65,514,017
Financial liabilities:				
Financial liabilities measured at FVTPL	₩ -	2,389,246	-	2,389,246
Derivative financial liabilities	-	14,853,546	20,393	14,873,939
	₩ -	17,242,792	20,393	17,263,185

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Securities measured at FVTPL	₩ 1,784,605	1,567,893	12,706,058	16,058,556
Securities measured at FVOCI	2,397,136	16,646,131	14,844,797	33,888,064
Loans measured at FVTPL	-	-	488,432	488,432
Derivative financial assets	-	7,383,047	278	7,383,325
	₩ 4,181,741	25,597,071	28,039,565	57,818,377
Financial liabilities:				
Financial liabilities measured at FVTPL	₩ -	1,920,061	-	1,920,061
Derivative financial liabilities	32	7,631,930	22,939	7,654,901
	₩ 32	9,551,991	22,939	9,574,962

44. Fair Value of Financial Assets and Liabilities, Continued

(ii) Changes in the fair value of level 3 financial instruments for the years ended December 31, 2024 and 2023 are as follows:

	2024					
	Financial assets					Financial liabilities
	Securities measured at FVTPL	Securities measured at FVOCI	Loans measured at FVTPL	Derivative financial assets	Total	Derivative financial liabilities
January 1, 2024 ₩	12,706,058	14,844,797	488,432	278	28,039,565	22,939
Profit or loss	1,016,696	-	(24,106)	(19)	992,571	(2,546)
Other comprehensive income	-	(37,552)	-	-	(37,552)	-
Acquisition / Issue	892,251	2,307,497	7,000	-	3,206,748	-
Sale / Settlement	(388,799)	(100,283)	(52,149)	-	(541,231)	-
Transfer out (*)	(3,770)	(2,608,180)	-	-	(2,611,950)	-
Others	-	-	596	-	596	-
December 31, 2024 ₩	14,222,436	14,406,279	419,773	259	29,048,747	20,393

	2023					
	Financial assets					Financial liabilities
	Securities measured at FVTPL	Securities measured at FVOCI	Loans measured at FVTPL	Derivative financial assets	Total	Derivative financial liabilities
January 1, 2023 ₩	10,610,539	16,224,072	541,811	12,762	27,389,184	40,359
Profit or loss	317,948	-	(8,913)	241	309,276	(11,455)
Other comprehensive income	-	(1,305,498)	-	-	(1,305,498)	-
Acquisition / Issue	2,404,013	831,851	6,804	-	3,242,668	-
Sale / Settlement	(626,442)	(684,083)	(51,270)	(12,725)	(1,374,520)	(5,965)
Transfer out (*)	-	(221,545)	-	-	(221,545)	-
December 31, 2023 ₩	12,706,058	14,844,797	488,432	278	28,039,565	22,939

(*) When significant inputs become observable market data, the financial instruments are transferred to (from) other levels.

(iii) Changes in deferred day one profit or loss for the years ended December 31, 2024 and 2023 are as follows:

	2024	2023
Beginning balance ₩	3,219	3,604
Amortization	(390)	(385)
Ending balance ₩	2,829	3,219

44. Fair Value of Financial Assets and Liabilities, Continued

(iv) Details of valuation technique and inputs used in the fair value measurement categorized within level 2 of the fair value hierarchy of financial instruments measured at fair value as of December 31, 2024 and 2023 are as follows:

	Valuation technique	Input
Securities measured at FVTPL		
Equity securities	Net asset value approach	Underlying asset price
Debt securities	Discounted cash flow method	Discount rate
Securities measured at FVOCI		
Equity securities	Net asset value approach	Underlying asset price
Debt securities	Discounted cash flow method	Discount rate
Derivatives financial assets		
Interest rate swaps Currency forwards and swaps Currency options Commodities options	Discounted cash flow method, Black-Scholes model, Modified Black model, Formula model	Discount rate, exchange rate, volatility, commodity index, etc.
Financial liabilities measured at FVTPL		
Debentures	Discounted cash flow method	Discount rate

44. Fair Value of Financial Assets and Liabilities, Continued

(v) Details of valuation technique and quantitative information about unobservable inputs used in the fair value measurement categorized within level 3 of the fair value hierarchy of financial instruments measured at fair value as of December 31, 2024 and 2023 are as follows:

	December 31, 2024		
	Valuation technique	Unobservable input	Range (%)
Securities measured at FVTPL			
Equity securities	Discounted cash flow method, Relative value approach, Net asset value approach, etc.	Discount rate	4.87 ~ 10.32
		Rate of increase in property disposal price	-
		Rate of increase in liquidation value	-
		Volatility	18.36 ~ 56.61
Securities measured at FVOCI			
Equity securities	Discounted cash flow method, Relative value approach, Net asset value approach, etc.	Growth rate	-
		Discount rate	6.01 ~ 16.03
		Volatility	29.90 ~ 32.22
		Interest rate volatility	0.47 ~ 0.73
Loans measured at FVTPL			
Convertible bonds, etc.	LSMC, Binomial model	Volatility	18.76 ~ 35.92
Derivatives financial assets			
Interest rate swaps	Hull-White	Volatility	0.68 ~ 0.85
	Two-Factor model	Correlation coefficient	(70) ~ 100
Stock index options	Discounted cash flow method, Relative value approach, Net asset value approach, Binomial Tree(T-F)	Volatility	25.71 ~ 26.97

	December 31, 2023		
	Valuation technique	Unobservable input	Range (%)
Securities measured at FVTPL			
Equity securities	Discounted cash flow method, Relative value approach, Net asset value approach, etc.	Discount rate	7.04 ~ 17.73
		Rate of increase in property disposal price	-
		Rate of increase in liquidation value	-
		Volatility	19.68 ~ 76.22
Securities measured at FVOCI			
Equity securities	Discounted cash flow method, Relative value approach, Net asset value approach, etc.	Growth rate	-
		Discount rate	9.25 ~ 20.40
		Volatility	16.68 ~ 76.22
		Interest rate volatility	0.51 ~ 0.86
Loans measured at FVTPL			
Convertible bonds, etc.	LSMC, Binomial model	Volatility	16.68 ~ 76.22
Derivatives financial assets			
Interest rate swaps	Hull-White	Volatility	0.51 ~ 1.06
	Two-Factor model	Correlation coefficient	(70) ~ 100
Stock index options	Discounted cash flow method, Relative value approach, Net asset value approach, Binomial Tree(T-F)	Volatility	19.59 ~ 25.45

44. Fair Value of Financial Assets and Liabilities, Continued

(vi) The sensitivity analysis on changes in unobservable inputs for financial instruments categorized within level 3 of the fair value hierarchy of financial instruments measured at fair value as of December 31, 2024 and 2023 are as follows:

	December 31, 2024			
	Profit (loss) for the year		Other comprehensive income (loss)	
	Favorable change	Unfavorable change	Favorable change	Unfavorable change
Securities measured at FVTPL (*1)	₩ 79,721	(168,828)	-	-
Securities measured at FVOCI (*1)	-	-	94,580	(71,808)
Loans measured at FVTPL (*2)	3,876	(3,662)	-	-
Derivative financial assets (*2)	252	(239)	-	-
	₩ 83,849	(172,729)	94,580	(71,808)

	December 31, 2023			
	Profit (loss) for the year		Other comprehensive income (loss)	
	Favorable change	Unfavorable change	Favorable change	Unfavorable change
Securities measured at FVTPL (*1)	₩ (1,876)	(2,487)	-	-
Securities measured at FVOCI (*1)	-	-	26,489	(23,913)
Loans measured at FVTPL (*2)	6,170	(5,936)	-	-
Derivative financial assets (*2)	264	(247)	-	-
	₩ 4,558	(8,670)	26,489	(23,913)

(*1) Sensitivity amounts of equity securities are calculated by increasing and decreasing the correlations between the discount rates and the growth rates (0~1%) or the rate of increase in liquidation value (-1~1%) which are significant unobservable inputs. Sensitivity amounts for beneficiary certificates are calculated by increasing and decreasing the correlations between the discount rate of rent cash flow (-1~1%) and the rate of increase in property disposal price (-1~1%), only when they consist of real properties. Other than that, it is difficult to measure the sensitivity amounts of beneficiary certificates for practical reasons. Also, for financial instruments categorized within level 3 in 2024 and 2023, ₩24,518,096 million and ₩18,704,023 million, respectively, are excluded from the sensitivity disclosure because it is impossible to calculate the sensitivity due to changes in unobservable variables for practical reasons.

(*2) Sensitivity amounts of loans measured at FVTPL and derivatives financial instruments are calculated by increasing and decreasing the correlation coefficient and volatility (-10~10%) which are significant unobservable inputs.

44. Fair Value of Financial Assets and Liabilities, Continued

(2) Fair value hierarchy of financial instruments measured at amortized cost

(i) The Bank's policies for measuring fair value of financial instruments at amortized costs are as follows:

- Cash and due from banks: Fair value of cash is considered equivalent to the carrying amount. In the case of due from banks on demand, which do not have a set maturity and can be realized instantly, the carrying amount is a close estimate of the fair value and is assumed so. In the case of other ordinary due from banks, the cash flow discount method is used to estimate the fair value.
- Securities measured at amortized cost: The fair value of securities measured at amortized cost is computed by widely-accepted appraisal agencies upon request.
- Loans measured at amortized cost: The fair value of loans measured at amortized cost is the expected future cash flows, reflecting premature redemption ratio, discounted by the market interest rate, adjusted by a spread sheet considering the probability of default. Exceptions to this method include loans with credit line facilities, loans with a maturity of three months or less left and impaired loans, which the Bank assumes the carrying amount as the fair value.
- Deposits: The fair value of deposits is computed using the discounted cash flow method. However, for deposits, whose cash flows cannot be estimated reasonably, the Bank assumes the carrying amount as the fair value.
- Borrowings: The fair value of industrial financial debentures is computed using the discounted cash flow method by the Bank's Fair Value Evaluation System. However, for borrowings including call money whose contractual maturity is three months or less, the Bank assumes the carrying amount as the fair value.
- Debentures: The fair value of industrial financial debentures is computed using the discounted cash flow method by the Bank's Fair Value Evaluation System.
- Other financial assets and liabilities: The fair value of other financial assets and liabilities is computed using the discounted cash flow method. However, in cases cash flow cannot be estimated reasonably, the Bank assumes the carrying amount as the fair value.

(ii) The fair value hierarchy of financial instruments measured at amortized cost as of December 31, 2024 and 2023 are as follows:

		December 31, 2024			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and due from banks (*)	₩	9,633,962	3,361,559	-	12,995,521
Securities measured at amortized cost		3,492,235	5,444,070	-	8,936,305
Loans measured at amortized cost (*)		-	2,824,285	207,162,934	209,987,219
Other financial assets (*)		-	6,105,731	1,691,860	7,797,591
	₩	13,126,197	17,735,645	208,854,794	239,716,636
Financial liabilities:					
Deposits (*)	₩	-	2,077,635	64,077,827	66,155,462
Borrowings (*)		-	3,975,955	28,621,339	32,597,294
Debentures		-	167,652,781	-	167,652,781
Other financial liabilities (*)		-	4,427,119	5,313,603	9,740,722
	₩	-	178,133,490	98,012,769	276,146,259

44. Fair Value of Financial Assets and Liabilities, Continued

		December 31, 2023			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and due from banks (*)	₩	6,195,521	2,464,287	-	8,659,808
Securities measured at amortized cost		3,841,102	4,742,086	-	8,583,188
Loans measured at amortized cost (*)		-	4,547,212	195,510,878	200,058,090
Other financial assets (*)		-	8,432,806	1,701,156	10,133,962
	₩	10,036,623	20,186,391	197,212,034	227,435,048
Financial liabilities:					
Deposits (*)	₩	-	1,896,208	64,054,989	65,951,197
Borrowings (*)		-	2,268,046	25,322,073	27,590,119
Debentures		-	157,898,543	-	157,898,543
Other financial liabilities (*)		-	7,027,953	4,772,875	11,800,828
	₩	-	169,090,750	94,149,937	263,240,687

(*) For financial instruments categorized as level 2, the carrying amount is considered as a reasonable approximation of the fair value and is thus, disclosed by fair value.

44. Fair Value of Financial Assets and Liabilities, Continued

(iii) Details of valuation technique and inputs used in the fair value measurement categorized within level 2 and level 3 of the fair value hierarchy of financial instruments measured at amortized cost as of December 31, 2024 and 2023 are as follows:

	Valuation technique	Input
Level 2		
Financial assets:		
Securities measured at amortized cost	Discounted cash flow method	Discount rate
Financial liabilities:		
Debentures	Discounted cash flow method	Discount rate
Level 3		
Financial assets:		
Loans measured at amortized cost	Discounted cash flow method	Credit spread, other spread, prepayment rate
Other financial assets	Discounted cash flow method	Other spread
Financial liabilities:		
Deposits	Discounted cash flow method	Other spread
Borrowings	Discounted cash flow method	Other spread
Other financial liabilities	Discounted cash flow method	Other spread

45. Categories of Financial Assets and Liabilities

Categories of financial assets and liabilities as of December 31, 2024 and 2023 are as follows:

	December 31, 2024							
	Cash and cash equivalents	Financial instruments measured at FVTPL	Financial instruments designated at FVTPL	Financial instruments measured at FVOCI	Financial instruments designated at FVOCI	Financial instruments measured at amortized cost	Hedging purpose derivative instruments	Total
Financial assets:								
Cash and due from banks	₩ 9,633,962	-	-	-	-	3,361,559	-	12,995,521
Securities measured at FVTPL	-	18,418,800	-	-	-	-	-	18,418,800
Securities measured at FVOCI	-	-	-	17,412,051	15,348,142	-	-	32,760,193
Securities measured at amortized cost	-	-	-	-	-	8,936,305	-	8,936,305
Loans measured at FVTPL	-	419,773	-	-	-	-	-	419,773
Loans measured at amortized cost	4,241,051	-	-	-	-	205,240,302	-	209,481,353
Derivative financial assets	-	13,624,445	-	-	-	-	290,806	13,915,251
Other financial assets	-	-	-	-	-	7,798,105	-	7,798,105
	₩ 13,875,013	32,463,018	-	17,412,051	15,348,142	225,336,271	290,806	304,725,301
Financial liabilities:								
Financial liabilities measured at FVTPL	₩ -	-	2,389,246	-	-	-	-	2,389,246
Deposits	-	-	-	-	-	66,100,573	-	66,100,573
Borrowings	-	-	-	-	-	32,730,518	-	32,730,518
Debentures	-	-	-	-	-	165,102,269	-	165,102,269
Derivative financial liabilities	-	13,733,198	-	-	-	-	1,140,741	14,873,939
Other financial liabilities	-	-	-	-	-	9,778,765	-	9,778,765
	₩ -	13,733,198	2,389,246	-	-	273,712,125	1,140,741	290,975,310

45. Categories of Financial Assets and Liabilities, Continued

:

	December 31, 2023							
	Cash and cash equivalents	Financial instruments measured at FVTPL	Financial instruments designated at FVTPL	Financial instruments measured at FVOCI	Financial instruments designated at FVOCI	Financial instruments measured at amortized cost	Hedging purpose derivative instruments	Total
Financial assets:								
Cash and due from banks	₩ 6,195,521	-	-	-	-	2,464,287	-	8,659,808
Securities measured at FVTPL	162,256	15,896,300	-	-	-	-	-	16,058,556
Securities measured at FVOCI	-	-	-	18,243,848	15,644,216	-	-	33,888,064
Securities measured at amortized cost	-	-	-	-	-	8,583,188	-	8,583,188
Loans measured at FVTPL	-	488,432	-	-	-	-	-	488,432
Loans measured at amortized cost	5,502,800	-	-	-	-	194,478,980	-	199,981,780
Derivative financial assets	-	6,821,024	-	-	-	-	562,301	7,383,325
Other financial assets	-	-	-	-	-	10,136,642	-	10,136,642
	₩ 11,860,577	23,205,756	-	18,243,848	15,644,216	215,663,097	562,301	285,179,795
Financial liabilities:								
Financial liabilities measured at FVTPL	₩ -	-	1,920,061	-	-	-	-	1,920,061
Deposits	-	-	-	-	-	65,897,732	-	65,897,732
Borrowings	-	-	-	-	-	27,745,629	-	27,745,629
Debentures	-	-	-	-	-	156,933,867	-	156,933,867
Derivative financial liabilities	-	6,961,386	-	-	-	-	693,515	7,654,901
Other financial liabilities	-	-	-	-	-	11,823,274	-	11,823,274
	₩ -	6,961,386	1,920,061	-	-	262,400,502	693,515	271,975,464

46. Offsetting of Financial Assets and Liabilities

Details of financial instruments subject to offsetting, enforceable master netting agreements or similar agreements as of December 31, 2024 and 2023 are as follows:

	December 31, 2024					
				Related amounts not set off in the statement of financial position		
	Gross amounts of recognized financial asset	Gross amounts of recognized financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Financial instruments	Cash collateral received	Net amounts
Derivative financial assets (*)	₩ 13,915,251	-	13,915,251	10,019,614	62,644	3,832,993
Unsettled spot exchange receivables (*)	4,171,827	-	4,171,827	4,171,331	-	496
Unsettled domestic exchange receivables	4,246,146	2,312,241	1,933,905	-	-	1,933,905
Security pledged as collateral for repurchase agreements	520,000	-	520,000	47,181	-	472,819
Reverse repurchase agreements	1,676,700	-	1,676,700	1,676,700	-	-
Loaned securities	40,409	-	40,409	40,409	-	-
Receivables from securities transaction	4,206	-	4,206	4,206	-	-
	₩ 24,574,539	2,312,241	22,262,298	15,959,441	62,644	6,240,213

	December 31, 2024					
				Related amounts not set off in the statement of financial position		
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Financial instruments	Cash collateral pledged	Net amounts
Derivative financial liabilities (*)	₩ 14,873,939	-	14,873,939	8,518,079	293,465	6,062,395
Unsettled spot exchange payables (*)	4,172,071	-	4,172,071	4,171,331	-	740
Unsettled domestic exchange payables	2,567,289	2,312,241	255,048	-	-	255,048
Repurchase agreements	47,181	-	47,181	47,181	-	-
Payables from securities transaction	16,102	-	16,102	16,102	-	-
	₩ 21,676,582	2,312,241	19,364,341	12,752,693	293,465	6,318,183

46. Offsetting of Financial Assets and Liabilities, Continued

	December 31, 2023					
				Related amounts not set off in the statement of financial position		
	Gross amounts of recognized financial asset	Gross amounts of recognized financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Financial instruments	Cash collateral received	Net amounts
Derivative financial assets (*)	₩ 7,383,325	-	7,383,325	4,953,052	171,466	2,258,807
Unsettled spot exchange receivables (*)	6,494,499	-	6,494,499	6,493,455	-	1,044
Unsettled domestic exchange receivables	5,110,172	3,171,865	1,938,307	-	-	1,938,307
Security pledged as collateral for repurchase agreements	1,447,767	-	1,447,767	30,095	-	1,417,672
Reverse repurchase agreements	2,599,900	-	2,599,900	2,599,900	-	-
Loaned securities	39,341	-	39,341	39,341	-	-
Receivables from securities transaction	39,213	-	39,213	39,213	-	-
	₩ 23,114,217	3,171,865	19,942,352	14,155,056	171,466	5,615,830

	December 31, 2023					
				Related amounts not set off in the statement of financial position		
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Financial instruments	Cash collateral pledged	Net amounts
Derivative financial liabilities (*)	₩ 7,654,901	-	7,654,901	4,385,976	207,942	3,060,983
Unsettled spot exchange payables (*)	6,494,121	-	6,494,121	6,493,455	-	666
Unsettled domestic exchange payables	3,705,699	3,171,866	533,833	-	-	533,833
Repurchase agreements	30,095	-	30,095	30,095	-	-
Payables from securities transaction	13,536	-	13,536	13,536	-	-
	₩ 17,898,352	3,171,866	14,726,486	10,923,062	207,942	3,595,482

(*) For the derivatives covered by the ISDA derivative contracts, all contracts are settled and the net amount of derivative contracts is measured and paid based on the liquidation value if the counterparty files for bankruptcy or has any credit issues.

47. Operating Segments

(1) The Bank has four reportable segments, as described below, which are the Bank's strategic business units. They are managed separately because each business requires different technology and marketing strategies. The following summary describes general information about each of the Bank's reportable segments:

Segments	General information
Corporate finance	Provides trade finance and loans to corporate customers
Investment finance	Provides consulting services to corporate such as capital finance, restructuring, etc.
Asset management	Provides asset management services to individual and corporate customers
Others	Any other segment not mentioned above

(2) Operating income (loss) from external customers and among operating segments for the years ended December 31, 2024 and 2023 are as follows:

	2024				
	Corporate finance	Investment finance	Asset management	Others	Total
Operating income (loss) from external customers	₩ 5,982,755	1,352,710	41,950	(5,083,299)	2,294,116
Operating income (loss) from intersegment sales	20,589	167,747	-	(188,336)	-
	₩ 6,003,344	1,520,457	41,950	(5,271,635)	2,294,116

	2023				
	Corporate finance	Investment finance	Asset management	Others	Total
Operating income (loss) from external customers	₩ 3,202,060	1,923,113	55,327	(2,183,645)	2,996,855
Operating income (loss) from intersegment sales	(24,918)	(1,256,628)	-	1,281,546	-
	₩ 3,177,142	666,485	55,327	(902,099)	2,996,855

47. Operating Segments, Continued

(3) Details of segment results for the Bank's reportable segments for the years ended December 31, 2024 and 2023 are as follows:

	2024				
	Corporate finance	Investment finance	Asset management	Others	Total
Net interest income	₩ 1,653,158	(592,763)	16,053	41,617	1,118,065
Non-interest income					
Income related to securities (*1)	293,996	313,002	-	142,993	749,991
Other non-interest income	4,350,033	1,952,285	35,170	(5,241,810)	1,095,678
	4,644,029	2,265,287	35,170	(5,098,817)	1,845,669
Provision for loan losses and others (*2)	237,772	(71,267)	-	20,960	187,465
General and administrative expenses	(531,615)	(80,800)	(9,273)	(235,395)	(857,083)
Operating income	₩ 6,003,344	1,520,457	41,950	(5,271,635)	2,294,116

	2023				
	Corporate finance	Investment finance	Asset management	Others	Total
Net interest income	₩ 2,075,842	(559,810)	17,914	27,573	1,561,519
Non-interest income					
Income related to securities (*1)	7,580	317,583	-	167,558	492,721
Other non-interest income	959,020	684,697	44,568	(775,110)	913,175
	966,600	1,002,280	44,568	(607,552)	1,405,896
Provision for loan losses and others (*2)	571,679	283,665	-	(1,913)	853,431
General and administrative expenses	(436,979)	(59,650)	(7,155)	(320,207)	(823,991)
Operating income	₩ 3,177,142	666,485	55,327	(902,099)	2,996,855

(*1) Income related to securities is composed of net gain (loss) on securities measured at FVTPL, securities measured at FVOCI and securities measured at amortized cost.

(*2) Provision for loan losses and others comprises of provision for loan losses, provision for derivative credit risks, gains (losses) on sales of loans, and increase (reversal) of provision.

(4) Geographical revenue information about the Bank's operating segments for the years ended December 31, 2024 and 2023 and the geographical non-current asset information as of December 31, 2024 and 2023 are as follows:

	Revenues (*1)		Non-current assets (*2)	
	2024	**2023**	**December 31, 2024**	**December 31, 2023**
Domestic	₩ 66,878,265	40,864,069	34,059,881	31,641,008
Overseas	2,981,348	2,637,622	122,342	123,367
	₩ 69,859,613	43,501,691	34,182,223	31,764,375

(*1) Revenues consist of interest income, fees and commission income, dividend income, income related to securities, gain on derivatives, foreign currency transaction gain, other operating income and provision for loan losses.

(*2) Non-current assets consist of investments in subsidiaries and associates, property and equipment, investment property and intangible assets.

48. Risk Management

(1) Introduction

(i) Objectives and principles

The Bank's risk management aims to maintain financial soundness and effectively manage various risks pertinent to the nature of the Bank's business. The Bank has set up and fulfilled policies to manage risks timely and effectively. Pursuant to the policies, the Bank's risks shall be

- managed comprehensively and independently,
- recognized timely, evaluated exactly and managed effectively,
- maintained to the extent that the risks balance with profit,
- diversified appropriately to avoid concentration on specific segments,
- managed to prevent excessive exposure by the setting up and managing of tolerance limits and guidelines.

(ii) Risk management strategy and process

The Bank's risk management business is separated into two different stages; the 'metrification stage,' in which risks are estimated and monitored, and the 'integration stage,' in which information gained during the risk management process is integrated and used in management strategies. Risk management is recognized as a key component of the Bank's management and seeks to change from its previously adaptive and limited role to more leading and comprehensive role.

Furthermore, the Bank focuses on consistent communication among different departments to establish a progressive consensus on risk management.

(iii) Risk management governance

Risk Management Committee

The Bank's Risk Management Committee (the "Committee") is composed of the President of the committee (an outside director), and three other commissioners. The Committee functions to establish policies of risk management, evaluate the capital adequacy of the Bank, discuss material issues relating to risk management, and present preliminary decisions on such matters.

The CEO of the Bank and the head of Risk Management Segment

The CEO of the Bank, according to the policies of risk management, performs his or her role to manage and direct risk management to sustain efficiency and internal control. The head of the Risk Management Segment is responsible for supervising the overall administration of the Bank's risk management business and providing risk-related information to members of the board of directors and the Bank's management.

Risk Management Policy Committee

The Bank's Risk Management Policy Committee is composed of the leaders of all business segments. and exercises its role to decide important matters relating to the Bank's portfolio including allocating internal capital limits by segment and setting exposure limits by industry within the scope that Risk Management Committee regulated.

Risk Management Steering Committee

Established under the Risk Management Council, the Risk Management Steering Committee (Steering Committee) is comprised of the heads of relevant departments. The Steering Committee is responsible for: preliminary review on the decisions of the Risk Management Council; establishing operational limits under the Regulatory Liquidity Book; and reporting on important matters related to risks.

Operational Risk Management Council

Established under the Risk Management Council, the Operational Risk Management Council is comprised of the heads of relevant departments. The Operational Risk Management Council conducts reviews, makes decisions and provide reports on matters related to operational risks.

48. Risk Management, Continued

(iv) Performance of risk management committee

The Risk Management Committee performs comprehensive reviews of all the affairs related to risk management and deliberates the decisions of the board of directors. For the year ended December 31, 2024, the key activities of the Risk Management Committee are as follows:

- Major decision
  - Risk management plan for 2024
  - Contingency funding plan for 2024
  - Setting and managing exposure limits by country for 2024
  - Increase in internal capital limit
- Major reporting
- Result of ex-post validation of credit rating system and default rates, and verification of risk measurement factors for internal purposes
- Setting management limit of credit portfolios of 2024
- Resolution of Credit Committee for the fourth quarter of 2023
- Allocation of internal capital limits of 2024
- Adjustment of exposure limits by country
- Resolution of Credit Committee for the first quarter of 2024
- Result of integrated crisis analysis for the first half of 2024
- Revision of the application period for additional loan loss provisions for COVID-19-affected firms
- Resolution of Credit Committee for the second quarter of 2024
- Result of operation of corporate credit rating system in 2024
- Verification of risk-weighted assets for BIS ratio as of December 31, 2023
- Resolution of Credit Committee for the third quarter of 2024
- Result of BCP training for 2024
- Result of integrated crisis analysis for the second half of 2024
- Result of assessment of suitability for internal capital for 2024

(v) Improvement of risk management system

For the continuous improvement of risk management, financial soundness and capital adequacy, the Bank performs the following:

- Continuous improvement of Basel
  - Improvements in the internal capital adequacy assessment system, in line with the guidelines set by the Financial Supervisory Service (FSS) in 2008, to manage capital adequacy more effectively
  - Improvements in the credit assessment system on Low Default Portfolio (LDP)
  - Elaboration of risk measuring criteria including credit risk parameters and measurement logics
  - Development of the application system for timely calculation of LCR and NSFR
  - Rebuilding the Corporate Credit Rating System (approved by Financial Supervisory Services on October 26, 2017)
  - Establishment of the system to calculate Basel Interest Rate Risk in the Banking Book coming to domestic in September 2018
  - Establishment of the system to comply with the amended regulation relating to risk-weighted assets under Basel III in December 2020
  - Development of system related to Fundamental Review of the Trading Book (FRTB) under Basel III in August 2022
  - Development of system related to operational risk under Basel III in September 2022

- Expansion of risk management infrastructure
  - Establishment of the RAPM system to reflect risks to the Bank's business and support decision-making upon management, and application of performance assessment at the branch level since 2010
  - Enforcement of risk management related to irregular compound derivatives and validation of the derivative pricing model developed by the Bank's Front Office
  - Establishment of IFRS 9 accounting system to calculate a loan loss allowances under IFRS 9 in March 2017 and, since then, run of IFRS 9 accounting system in January 2018

48. Risk Management, Continued

(vi) Risk management reporting and measuring system

The Bank endeavours consistently to objectively and rationally measure and manage all significant risks considering the characteristics of operational areas, assets and risks. In relation to reporting and measurement, the Bank has developed application systems as follows:

Application system	Approach	Completion date	Major function
Corporate Credit Rating System	Logit Model	Oct. 2017	Rebuilding the Corporate Credit Rating System
Market Risk Management System	Murex FRTB	Sep. 2022	Calculation of regulatory capital and internal capital under FRTB SA Standards and stress testing analysis
Interest/Liquidity Risk Management System	In-house	May. 2019	Calculation of interest risk, liquidity risk, etc.
Operational Risk Management System	Standardized Approach	Sep. 2022	Calculation of operation risk, RCSA, KRI and management of loss events, etc.
BIS Capital Ratio Calculation/Credit Risk Measurement System	Fermat RaY	Sep. 2006 Dec. 2013	Calculate equity, credit risk-weighted assets and credit risk, etc.
Loan Loss Allowance Calculation System	IFRS IFRS 9	Jan. 2011 Mar. 2017	Incurred loss model Expected loss model

(vii) Response to Basel

The Korean financial authorities have implemented Basel II since January 2008, and the Standardized Approach and the Foundation Internal Ratings-Based Approach for calculating credit risk are applicable.

In conformity with the implementation roadmap of Basel II, the Bank obtained the approval to use the Foundation Internal Ratings-Based Approach on credit risk from the FSS in July 2008 and has applied the approach since late June 2008. The Bank applies the Standardized Approach on market risks and operational risks.

The Bank completed the Basel III standard risk management system in preparation of the adoption of the Basel III regulations announced on December 1, 2013. Starting from 2013 year-end, the BIS capital adequacy ratio has been measured in accordance to the Basel III regulations.

Responding to the requirements of the financial authorities, the Bank recognizes interest rate risk, liquidity risk, credit bias risk and reputation risk besides Pillar I risks (credit risk, market risk and operational risk). The Bank has actively responded to the Pillar 2 regulation, including additional capital requirements based on comprehensive assessment of risk management levels since 2015. In addition, from the end of 2015, the Bank has applied the uniform standards for the public announcement of financial business for Basel compliance.

The Bank completed revised standards such as capital requirements for banks' investments in funds in 2017, capital requirements for securitization in 2018, and the Standardised Approach for measuring counterparty credit risk (SA-CCR) in 2019.

To comply with the amended regulation relating to risk-weighted assets under Basel III, the Bank completed the consultation and the development of the relevant systems and the amended regulation has been applied since the calculation of the BIS ratio at the end of 2020.

The Bank completed IT consulting and system development related to the revised Market Risk Regulation (FRTB) and Operational Risk Regulation under Basel III during the second half of 2022. After conducting parallel calculations under both Basel II and Basel III standards during the second half of 2022, the Bank has been operating under the Basel III framework since January 2023.

48. Risk Management, Continued

(viii) Internal capital adequacy assessment process

Internal capital adequacy assessment process is defined as the process that the Bank aggregates significant risks, calculates its internal capital, compares the internal capital with the available capital and assesses its internal capital adequacy. The internal capital adequacy report including the assessment results at the end of the year is prepared and reported to the Risk Management Policy Committee.

- Internal capital adequacy assessment

For the internal capital adequacy assessment, the Bank calculates its aggregated internal capital by evaluating all significant risks and available capital considering the quality and components of capital, and then assesses the internal capital adequacy by comparing the aggregated internal capital with the available capital.

In addition, the Bank conducts periodic stress tests more than once every six months to assess potential weakness in crisis situations and uses its results to assess the internal capital adequacy. The Bank assumes the macroeconomic situation as three stages of 'normal- pessimistic-serious' and is preparing countermeasures such as checking the adequacy of capital by each stage.

- Goal setting of internal capital management

The Bank sets up and manages an internal capital limit on an annual basis, through the approval of the Risk Management Committee, to maintain internal capital adequacy by managing internal capital (integrated risks) within the extent of available capital.

The prior year's internal capital, analysis of domestic and foreign environment changes in the current year, and the direction and size of operations are all reflected in the goal setting of internal capital management to calculate the integrated internal capital scale. Moreover, Bank for International Settlements(BIS) capital adequacy ratio and risk appetite are taken into consideration in the goal setting of internal capital management.

- Allocation of internal capital

The Bank's Risk Management Committee approves entire internal capital and the Risk Management Policy Committee allocates the capital to each segment and department, considering the extent of possible risk faced and size of operations. The allocated internal capital is monitored regularly and managed using various management methods. The results of monitoring and managing the allocated internal capital are reported to the Risk Management Committee. In case of any material changes in the Bank's business plan or risk operation strategy, the Bank adjusts the allocations elastically.

- Composition of internal capital

Internal capital comprises all the significant risks of the Bank and is composed of quantifiable and non-quantifiable risks. Quantifiable risks are composed of credit risk, market risk, interest rate risk, operational risk, liquidity risk and credit concentration risk, foreign currency settlement risk, and are risks measured quantitatively by applying reasonable methodology using objective data. Non-quantifiable risks are composed of strategy risk, reputation risk, residual risk on asset securitization and furthermore. Non-quantifiable risks are those risks that cannot be measured quantitatively because of lack of data or the absence of appropriate measuring methodologies.

(2) Credit Risk

(i) Concept

Credit risk can be defined as potential loss resulting from the refusal to perform obligations or default of counterparties. More generally, it is used to refer to the possibility of loss from engaged bonds that cannot be redeemed properly or from substitute payments.

48. Risk Management, Continued

(ii) Approach to credit risk management

Summary of credit risk management
The Bank regards credit risk as the most significant risk area in its business operations, and accordingly, closely monitors its credit risk exposure. The Bank manages both credit risks at portfolio level and at individual credit level. At portfolio level, the Bank reduces credit concentration and restructures the portfolio in such a way to maximize profitability considering the risk level. To avoid credit concentration on a particular sector, the Bank manages credit limits by client, group, and industry. The Bank also resets exposure management directives for each industry by conducting an industry credit evaluation twice a year.

At the individual credit level, the relationship manager (RM), the credit officer (CO) and the Credit Review Committee manage each borrower's credit risk.

Post management and insolvent borrower management
The Bank monitors the borrower's credit rating from the date of the loan to the date of the final collection of debt consistently and inspects the borrower's status frequently to prevent the generation of new bad debts and to stabilize the number of debt recoveries.

In addition, an early warning system is operated to spot borrowers that are highly likely to be insolvent. The early warning system provides financial information, financial transaction information, public information and market information of the borrower, and such information is used by the RM and the CO to monitor and manage changes in the borrower's credit rating.

A borrower that is likely to be insolvent is classified as an early warning borrower, depending on the level of insolvency risk. The Bank sets up a specific and applicable stabilization plan for such a borrower considering the borrower's characteristics. Furthermore, sub-standard borrowers are classified as insolvent borrowers, and are managed intensively by the Bank, which takes legal proceedings, disposals or corporate turnaround measures if necessary.

Classification of asset soundness and provision of allowance for loss
Classification of asset soundness is fulfilled by the analysis and assessment of credit risk. The classification is used to provide an appropriate allowance, prevent further occurrences of insolvent assets and promote the normalization of existing insolvent assets to enhance the stabilization of asset operations.

Based on the Financial Supervisory Regulations of the Republic of Korea, the Bank has established standards and guidelines on the classification of asset soundness, according to the Forward-Looking Criteria, which reflects not only the borrower's past records of repayment but also their future debt repayment capability.

In conformity with these standards, the Bank classifies the soundness of its assets as "normal", "precautionary", "substandard", "doubtful", or "estimated loss" and differentiates the coverage ratio by the level of classification.

Details of loans by credit rating as of December 31, 2024 and 2023 are as follows:

< Corporate >

	December 31, 2024			
		12-month	Lifetime expected credit losses	
	Carrying amounts	expected credit loss	Non credit-impaired	Credit-impaired
AAA ~ BBB1	₩ 180,348,619	159,388,765	20,959,854	-
BBB2 ~ CCC	30,814,870	11,229,886	18,561,521	1,023,463
Below CC	1,101,360	-	100	1,101,260
	₩ 212,264,849	170,618,651	39,521,475	2,124,723

48. Risk Management, Continued

		December 31, 2023			
			12-month expected credit loss	Lifetime expected credit losses	
		Carrying amounts		Non credit-impaired	Credit-impaired
AAA ~ BBB1	₩	173,049,276	154,937,789	18,111,487	-
BBB2 ~ CCC		28,462,327	10,457,743	16,807,917	1,196,667
Below CC		1,412,185	-	-	1,412,185
	₩	202,923,788	165,395,532	34,919,404	2,608,852

< Retail >

		December 31, 2024			
			12-month expected credit loss	Lifetime expected credit losses	
		Carrying amounts		Non credit-impaired	Credit-impaired
Grade 1~ Grade 6	₩	114,899	109,559	5,307	33
Grade 7~ Grade 8		1,205	-	1,205	-
Grade 9~ Grade 10		1,502	-	-	1,502
	₩	117,606	109,559	6,512	1,535

		December 31, 2023			
			12-month expected credit loss	Lifetime expected credit losses	
		Carrying amounts		Non credit-impaired	Credit-impaired
Grade 1~ Grade 6	₩	140,982	135,315	5,667	-
Grade 7~ Grade 8		1,322	-	1,306	16
Grade 9~ Grade 10		1,230	-	-	1,230
	₩	143,534	135,315	6,973	1,246

Details of payment guarantees (including financial guarantees) and unused commitments by credit rating as of December 31, 2024 and 2023 are as follows:

< Corporate >

		December 31, 2024			
			12-month expected credit loss	Lifetime expected credit losses	
		Exposures		Non credit-impaired	Credit-impaired
Unused commitments:					
AAA ~ BBB1	₩	50,579,198	46,235,837	4,343,361	-
BBB2 ~ CCC		5,699,307	3,365,397	2,285,478	48,432
Below CC		397	-	-	397
	₩	56,278,902	49,601,234	6,628,839	48,829
Payment guarantees (including financial guarantees):					
AAA ~ BBB1	₩	8,255,939	7,466,921	789,018	-
BBB2 ~ CCC		11,035,950	5,176,575	5,842,792	16,583
Below CC		50,886	-	-	50,886
	₩	19,342,775	12,643,496	6,631,810	67,469

48. Risk Management, Continued

		December 31, 2023			
			12-month expected credit loss	Lifetime expected credit losses	
		Exposures		Non credit-impaired	Credit-impaired
Unused commitments:					
AAA ~ BBB1	₩	48,742,342	44,927,503	3,814,839	-
BBB2 ~ CCC		6,034,409	2,350,626	3,622,987	60,796
Below CC		-	-	-	-
	₩	54,776,751	47,278,129	7,437,826	60,796
Payment guarantees (including financial guarantees):					
AAA ~ BBB1	₩	7,779,809	6,962,566	817,243	-
BBB2 ~ CCC		10,515,773	4,612,674	5,885,145	17,954
Below CC		68,808	-	86	68,722
	₩	18,364,390	11,575,240	6,702,474	86,676

< Retail >

		December 31, 2024			
			12-month expected credit loss	Lifetime expected credit losses	
		Exposures		Non credit-impaired	Credit-impaired
Unused commitments:					
Grade 1~ Grade 6	₩	33,418	33,171	247	-
Grade 7~ Grade 8		-	-	-	-
Grade 9~ Grade 10		-	-	-	-
	₩	33,418	33,171	247	-

		December 31, 2023			
			12-month expected credit loss	Lifetime expected credit losses	
		Exposures		Non credit-impaired	Credit-impaired
Unused commitments:					
Grade 1~ Grade 6	₩	39,887	39,310	577	-
Grade 7~ Grade 8		-	-	-	-
Grade 9~ Grade 10		-	-	-	-
	₩	39,887	39,310	577	-

48. Risk Management, Continued

(iii) Measurement methodology of credit risk

Pursuant to Basel III, the Bank selects the measurement methodology of credit risk considering the complexity of measurement, measurement factors, estimating methods and others. Measurement approaches are divided into Standardized Approach and Internal Ratings-Based Approach.

Standardized Approach ("SA")

In the case of the Standardized Approach, the risk weights are applied according to the credit rating assessed by External Credit Assessment Institution ("ECAI"). Risk weights in each credit rating are as follows:

Credit rating	Corporate	Country	Bank
AAA ~ AA-	20.0%	0.0%	20.0%
A+ ~ A-	50.0%	20.0%	30.0%
BBB+ ~ BBB-	75.0%	50.0%	50.0%
BB+ ~ BB-	100.0%	100.0%	100.0%
B+ ~ B-	150.0%	100.0%	100.0%
Below B-	150.0%	150.0%	150.0%
Unrated	100.0% (*)	100.0%	Rating based on due diligence

(*) In case of small and medium-sized business, 85.0% is applied.

The OECD is designated as foreign ECAI and Korea Investrors Service Co., Ltd., NICE Investors Services Co., Ltd. and the Korea Ratings Co., Ltd. are designated as domestic ECAI.

The Bank applies the credit rating based on the corresponding loan and same borrower's unsecured senior loans. In the case the borrower's risk weight is higher than the unrated exposure's risk weight (100%), the higher weight is applied. In the case the borrower has more than one rating, the higher weight of the two lowest weights (Second Best Criteria) is applied.

48. Risk Management, Continued

Internal Ratings-Based Approach (IRB)
To use the Internal Ratings-Based Approach, a bank must be approved by the FSS and should also meet the requirement pre-set by the FSS.

In relation to Basel II that has been adopted domestically as of January 2008, the Bank gained approval from the FSS to use the Foundation Internal Ratings-Based Approach in July 2008. The Bank has calculated credit risk-weighted assets using the approach since late June 2008.

Measurement method of credit risk-weighted asset
The Bank calculates credit risk-weighted assets of corporate exposures and asset securitization exposures using the Foundation Internal Ratings-Based Approach as of December 31, 2024.

The Standardized Approach is applied to country exposures, public institution exposures and bank exposures permanently and applied to overseas subsidiary and the Bank's branch pursuant to prior consultation with the FSS.

<Approved measurement method>

Measurement method		Exposure
Standardized Approach	Permanent SA	- Countries, public institutions, banks, equity
	SA	- Overseas subsidiaries and branches, and other assets, retail, residential mortgage, commercial properties
Foundation Internal Ratings-Based Approach		- Corporate, small and medium enterprises, asset securitization (at each credit level)
Application of IRB by phase		- Special lending, non-residence and others

The mitigated effect of credit risks reflects the related policies which consider eligible collateral and guarantees. The Bank calculates the credit risk-weighted assets using the capital adequacy ratio.

Upon the calculation of credit risk-weighted assets for derivatives, the Bank takes into consideration the set-off effects of transactions under legally enforceable rights to set-off to calculate exposures.

48. Risk Management, Continued

Credit rating model
The results of credit rating are presented as grades through an assessment of the debt repayment capacity that the principal and interest of debt securities or loans are redeemed while complying with contractual redemption schedule.

Using the Bank's internal credit rating model, the Bank classifies debtors' credit rating into 14 grades (AAA~D). To distinguish the difference between credits in the same grade, the Bank uses 20 stages as auxiliaries to 20 grades.

The Bank's regular credit rating process is carried out once a year and in the case of the change of debtor's credit condition, the credit rating is frequently adjusted as necessary to retain the adequacy of credit rating.

The results of credit rating are applied to various areas such as discrimination of loan processes, loan limit, loan interest rate, post loan management standard process, credit risk measurement, and allowance for loan losses assessment.

Credit rating process control structure
According to the Principle of Checks and Balances, the Bank has established the credit rating process control structure by which the credit rating system operates appropriately.

- Independent assessment of credit rating: The Bank's business segment (RM) and credit rating assessment segment (SRO) are independently operated.
- Independent control of credit rating system: The control of credit rating system including the development of credit rating model is independently implemented by the Bank's Risk Management Department.
- Independent verification of credit rating system: Credit rating system is independently verified by Risk Validation Team of the Financial Planning Department.
- Internal audit of credit rating process: Credit rating process is audited by the Bank's internal audit department.
- Role of the Board of Directors and the Bank's management: Major issues relating to credit process are approved by the Board of Directors and are regularly monitored by the Bank's top management.

The Bank reviews debt serviceability based on a credit analysis when handling loans. Depending on the results, credit loan preservation is adjusted as necessary using such methods as interest rate preservation due to credit risk.

The Bank evaluates the value of the collateral, performing ability and legal validity of the guarantee at the initial acquisition. The Bank re-evaluates the provided collateral and guarantees regularly for them to be reasonably preserved.

For guarantees, the Bank demands a corresponding written guarantee according to loan handling standards and the guarantor's credit rating is independently calculated when in conformance with the credit rating endowment method.

The quantification of the extent to which collateral and other credit enhancements mitigate credit risk of impaired financial assets as of December 31, 2024 and 2023 are as follows:

	December 31, 2024	December 31, 2023
Securities measured at FVOCI	₩ 75,472	73,063
Loans measured at amortized cost	2,383,289	2,663,591
Other assets	7,812	13,481

48. Risk Management, Continued

(iv) *Credit exposure*

Geographical information of credit exposure as of December 31, 2024 and 2023 are as follows:

	December 31, 2024									
	Korea	Hong Kong	Ireland	Uzbekistan	Brazil	Hungary	UK	USA	Ohers	Total
Due from banks (excluding due from BOK)	₩ 453,479	1,318,743	-	176,400	191,100	715,340	19,911	5,499,422	3,247,842	11,622,237
Securities measured at FVOCI: Bonds (excluding government bonds)	5,930,002	372,498	29,678	-	-	-	706,417	5,949,041	4,118,457	17,106,093
Securities measured at amortized cost: Bonds (excluding government bonds)	3,560,368	-	-	-	-	-	-	588,959	-	4,149,327
Loans	159,628,176	1,762,157	2,175,683	545,206	694,285	258,082	1,938,291	12,288,293	51,738,561	231,028,734
Derivative financial assets	243,449	-	-	-	-	-	1,230	182	45,981	290,842
Other assets	2,616,174	-	-	-	-	-	-	-	5,362,961	7,979,135
	172,431,648	3,453,398	2,205,361	721,606	885,385	973,422	2,665,849	24,325,897	64,513,802	272,176,368
Guarantees (including financial guarantees)	18,357,053	1,085	-	-	-	56,699	-	828,844	99,094	19,342,775
Commitments	46,482,058	250,896	66,134	-	-	21,402	579,201	4,406,682	4,505,948	56,312,321
	64,839,111	251,981	66,134	-	-	78,101	579,201	5,235,526	4,605,042	75,655,096
	₩ 237,270,759	3,705,379	2,271,495	721,606	885,385	1,051,523	3,245,050	29,561,423	69,118,844	347,831,464

	December 31, 2023									
	Korea	Hong Kong	Ireland	Uzbekistan	Brazil	Hungary	UK	USA	Ohers	Total
Due from banks (excluding due from BOK)	₩ 138,552	1,346,131	-	128,940	104,441	578,910	256,742	2,782,499	1,222,893	6,559,108
Securities measured at FVOCI: Bonds (excluding government bonds)	10,137,604	227,397	-	-	-	-	354,937	5,573,303	3,305,218	19,598,459
Securities measured at amortized cost: Bonds (excluding government bonds)	2,653,129	-	-	-	-	-	-	152,683	-	2,805,812
Loans	162,410,485	2,068,402	1,942,429	501,707	826,633	1,038,070	1,541,959	7,283,163	45,660,084	223,272,932
Derivative financial assets	207,334	9,763	-	-	-	-	49,559	813	295,027	562,496
Other assets	3,991,060	-	-	-	-	-	-	-	6,294,514	10,285,574
	179,538,164	3,651,693	1,942,429	630,647	931,074	1,616,980	2,203,197	15,792,461	56,777,736	263,084,381
Guarantees (including financial guarantees)	17,523,463	-	-	-	-	48,997	-	743,963	47,967	18,364,390
Commitments	46,663,341	72,725	114,919	-	25,788	-	313,368	4,155,937	3,470,560	54,816,638
	64,186,804	72,725	114,919	-	25,788	48,997	313,368	4,899,900	3,518,527	73,181,028
	₩ 243,724,968	3,724,418	2,057,348	630,647	956,862	1,665,977	2,516,565	20,692,361	60,296,263	336,265,409

48. Risk Management, Continued

Industry information of credit exposure as of December 31, 2024 and 2023 are as follows:

	December 31, 2024			
	Manufacturing	Service	Others	Total
Due from banks (excluding due from BOK)	₩ -	9,859,582	1,762,655	11,622,237
Securities measured at FVOCI:				
Bonds (excluding government bonds)	3,096,554	10,493,304	3,516,235	17,106,093
Securities measured at amortized cost:				
Bonds (excluding government bonds)	847,317	2,337,223	964,787	4,149,327
Loans	89,083,417	118,293,797	23,651,520	231,028,734
Derivative financial assets	-	290,842	-	290,842
Other assets	257,770	606,725	7,114,640	7,979,135
	93,285,058	141,881,473	37,009,837	272,176,368
Guarantees (including financial guarantees)	16,764,602	2,415,561	162,612	19,342,775
Commitments	24,979,628	27,329,872	4,002,821	56,312,321
	41,744,230	29,745,433	4,165,433	75,655,096
	₩ 135,029,288	171,626,906	41,175,270	347,831,464

	December 31, 2023			
	Manufacturing	Service	Others	Total
Due from banks (excluding due from BOK)	₩ -	5,814,916	744,192	6,559,108
Securities measured at FVOCI:				
Bonds (excluding government bonds)	3,403,270	12,644,311	3,550,878	19,598,459
Securities measured at amortized cost:				
Bonds (excluding government bonds)	369,654	1,673,363	762,795	2,805,812
Loans	86,309,450	116,687,925	20,275,557	223,272,932
Derivative financial assets	-	562,496	-	562,496
Other assets	308,939	615,661	9,360,974	10,285,574
	90,391,313	137,998,672	34,694,396	263,084,381
Guarantees (including financial guarantees)	16,171,129	2,091,952	101,309	18,364,390
Commitments	26,388,986	26,117,146	2,310,506	54,816,638
	42,560,115	28,209,098	2,411,815	73,181,028
	₩ 132,951,428	166,207,770	37,106,211	336,265,409

48. Risk Management, Continued

Credit exposures of debt securities by credit rating as of December 31, 2024 and 2023 are as follows:

		December 31, 2024			
			12-month expected credit loss	Lifetime expected credit losses	
		Carrying amounts		Non credit-impaired	Credit-impaired
AAA ~ BBB1	₩	26,273,071	25,861,132	411,939	-
BBB2 ~ CCC		85,000	35,000	50,000	-
Below CC		-	-	-	-
	₩	26,358,071	25,896,132	461,939	-

		December 31, 2023			
			12-month expected credit loss	Lifetime expected credit losses	
		Carrying amounts		Non credit-impaired	Credit-impaired
AAA ~ BBB1	₩	26,723,386	26,383,861	339,525	-
BBB2 ~ CCC		112,869	30,000	82,869	-
Below CC		-	-	-	-
	₩	26,836,255	26,413,861	422,394	-

(3) Capital management activities

(i) Capital adequacy

The FSS approved the Bank's use of the Foundation Internal Ratings-Based Approach in July 2008. The Bank has been using the same approach when calculating credit risk-weighted assets since the end of June 2008. The equity capital ratio and equity capital according to the standards of the Bank for International Settlements are calculated for such disclosure. The equity capital ratio and equity capital are calculated on a consolidated basis. In conformity with the Banking Act, which is based on the implementation of Basel III on December 1, 2013, the regulatory capital is divided into the following two categories.

Tier 1 capital

- Common Equity Tier 1

Regulatory capital that represents the most subordinated claim in liquidation of the Bank, takes the first and proportionately greatest share of any losses as they occur, and which principal is never repaid outside of liquidation meets the criteria for classification as common equity, including capital stock, capital surplus, retained earnings and accumulated other comprehensive income as common equity Tier 1.

- Additional Tier 1 capital

Capital stock and capital surplus related to issuance of capital securities that are subordinated, have non-cumulative and conditional dividends or interests, and have no maturity or step-up conditions.

48. Risk Management, Continued

Tier 2 capital (Supplementary Tier 2 capital)
Regulatory capital that fulfills supplementary capital adequacy requirements, and includes subordinated debt with maturities over 5 years and allowance for loan losses in conformity with external regulatory standards and internal standards.

The BIS capital adequacy ratio and capital in accordance to Basel III standards as of December 31, 2024 and 2023 are as follows:

BIS capital adequacy ratio

		December 31, 2024	December 31, 2023
Equity capital based on BIS (A):			
Tier 1 capital:			
Common Equity Tier 1	₩	42,581,473	37,417,288
Additional Tier 1 capital		-	-
		42,581,473	37,417,288
Tier 2 capital		3,350,097	3,854,806
	₩	45,931,570	41,272,094
Risk-weighted assets (*) (B):			
Credit risk-weighted assets	₩	316,077,185	277,294,329
Market risk-weighted assets		3,246,288	2,895,790
Operational risk-weighted assets		11,020,728	13,164,005
	₩	330,344,201	293,354,124
BIS capital adequacy ratio (*) (A/B):		13.90%	14.07%
Tier 1 capital ratio:		12.89%	12.76%
Common Equity Tier 1 ratio		12.89%	12.76%
Additional Tier 1 capital ratio		-	-
Tier 2 capital ratio		1.01%	1.31%

(*) The previous period's BIS ratio has been revised due to changes in the methodology for calculating risk-weighted assets.

Equity capital based on BIS

		December 31, 2024	December 31, 2023
Tier 1 capital (A):			
Common Equity Tier 1			
Capital stock	₩	26,316,559	23,926,559
Capital surplus, etc.		1,355,849	1,435,780
Retained earnings		12,768,402	9,900,499
Accumulated other comprehensive income		2,992,380	3,148,442
Common stock deductibles		(851,717)	(993,991)
		42,581,473	37,417,288
Tier 2 capital (B):			
Allowance for doubtful accounts, etc.		939,461	955,241
Qualified capital securities		2,678,000	3,176,000
Non-qualified capital securities		-	-
Additional stock deductibles		(267,364)	(276,435)
		3,350,097	3,854,806
Equity capital (A+B)	₩	45,931,570	41,272,094

48. Risk Management, Continued

(4) Market risk

(i) Concept

Market risk is defined as the possibility of potential loss resulting from fluctuations in interest rates, foreign exchange rates and the price of stocks and commodities. Trading position is exposed to risks, such as interest rate, stock price, and foreign exchange rate, etc. Non-trading position is mostly exposed to interest rates. Accordingly, the Bank classifies market risks into those exposed from trading position or those exposed from non-trading position.

(ii) Market risks of trading positions

Management method on market risks arising from trading positions

In response to the full implementation of Basel III market risk regulations, the Bank has been calculating and managing market risk capital in accordance with the Standardized Approach under Basel III since January 2023. The Standardized Approach under Basel III measures market risk by three components: sensitivity risk, default risk and residual risk. Sensitivity risk measures the market risk by five risk classes, which are general interest rate, credit spread, equity, foreign exchange and commodity. Default risk quantifies losses in the event of a default that exceeds normal market price fluctuations. Lastly, residual risk quantifies risk that cannot be measured by sensitivity risk and default risk. These components are then simply added together to calculate the total required capital.

The Bank sets total limit of market risk based on annual business plan, risk appetite and others and monitors Market Risk limit of each trading department on a daily basis.

Capital Requirements for Market risk

The Bank's Capital Requirements for Market risk as of December 31, 2024 and 2023 are as follows:

		December 31, 2024	December 31, 2023
Sensitivity risk:			
General interest rate	₩	94,918	112,612
Credit spread		136,309	84,971
Equity		24	815
Foreign exchange (FX)		14,186	8,383
Commodity		555	120
		245,992	206,901
Default risk		3,296	7,696
Residual risk		4,720	3,901
	₩	254,008	218,498

48. Risk Management, Continued

(iii) Market risks of non-trading positions

Management method on market risks arising from non-trading positions

The most critical market risk that arises in non-trading position is the interest rate risk. Interest rate risk is defined as the likely loss resulting from the unfavorable fluctuation of interest rate in the Bank's financial condition and is measured by IRRBB (Interest Rate Risk in Banking Book), △EVE (change in Economic Value of Equity) and △NII (change in Net Interest Income).

△EVE represents fluctuations in the economic value of equity capital that may occur due to changes in interest rates affecting the present values of assets, liabilities and off-balance sheet items. △NII represents changes in net interest income that may occur over a certain period of time (e.g. one year) in the future due to changes in interest rates.

The Bank's Risk Management Committee sets and manages interest rate risk limits on a yearly basis and interest rate risk is monthly measured and monitored.

△EVE and △NII of the Bank's non-trading positions as of December 31, 2024 and 2023 are as follows:

		December 31, 2024	December 31, 2023
△EVE	₩	1,584,245	1,920,912
△NII		551,404	583,853

48. Risk Management, Continued

(iv) *Foreign currency risk*

Outstanding balances by currency with significant exposure as of December 31, 2024 and 2023 are as follows:

	December 31, 2024						
	KRW	USD	EUR	JPY	GBP	Others	Total
Financial assets:							
Cash and due from banks	₩ 1,585,770	10,173,373	267,561	100,607	25,041	843,169	12,995,521
Securities measured at FVTPL	17,551,633	843,635	-	2,149	-	21,383	18,418,800
Securities measured at FVOCI	20,084,498	11,340,644	562,946	611,946	-	160,159	32,760,193
Securities measured at amortized cost	8,347,345	588,960	-	-	-	-	8,936,305
Loans measured at FVTPL	419,773	-	-	-	-	-	419,773
Loans measured at amortized cost	135,613,268	63,255,440	4,019,108	3,094,708	1,257,669	2,241,160	209,481,353
Derivative financial assets	11,806,992	1,735,394	63,397	9,916	245,797	53,755	13,915,251
Other financial assets	4,371,190	2,311,768	42,597	47,501	3,728	1,021,321	7,798,105
	199,780,469	90,249,214	4,955,609	3,866,827	1,532,235	4,340,947	304,725,301
Financial liabilities:							
Financial liabilities measured at FVTPL	2,117,534	271,712	-	-	-	-	2,389,246
Deposits	47,697,961	17,759,643	90,238	500,654	24	52,053	66,100,573
Borrowings	4,690,210	24,145,429	173,945	2,401,491	-	1,319,443	32,730,518
Debentures	114,196,967	39,397,041	2,643,535	271,509	543,055	8,050,162	165,102,269
Derivative financial liabilities	11,971,427	2,544,086	50,006	3,689	262,150	42,581	14,873,939
Other financial liabilities	5,661,685	2,823,530	57,793	44,262	5,256	1,186,239	9,778,765
	186,335,784	86,941,441	3,015,517	3,221,605	810,485	10,650,478	290,975,310
Net financial position	₩ 13,444,685	3,307,773	1,940,092	645,222	721,750	(6,309,531)	13,749,991

	December 31, 2023						
	KRW	USD	EUR	JPY	GBP	Others	Total
Financial assets:							
Cash and due from banks	₩ 2,053,194	6,109,070	54,613	88,293	31,063	323,575	8,659,808
Securities measured at FVTPL	15,369,828	667,073	-	2,116	-	19,539	16,058,556
Securities measured at FVOCI	23,180,190	9,601,225	76,216	499,704	-	530,729	33,888,064
Securities measured at amortized cost	8,430,505	152,683	-	-	-	-	8,583,188
Loans measured at FVTPL	488,432	-	-	-	-	-	488,432
Loans measured at amortized cost	136,780,322	54,107,004	4,261,084	2,095,045	1,045,941	1,692,384	199,981,780
Derivative financial assets	5,079,144	1,962,602	62,952	15,177	216,238	47,212	7,383,325
Other financial assets	5,805,262	3,051,990	52,799	34,950	2,293	1,189,348	10,136,642
	197,186,877	75,651,647	4,507,664	2,735,285	1,295,535	3,802,787	285,179,795
Financial liabilities:							
Financial liabilities measured at FVTPL	1,659,485	260,576	-	-	-	-	1,920,061
Deposits	51,240,623	14,219,436	33,889	393,757	185	9,842	65,897,732
Borrowings	4,817,839	19,649,421	272,211	1,610,656	1,481	1,394,021	27,745,629
Debentures	114,993,187	31,115,161	3,206,528	153,390	97,197	7,368,404	156,933,867
Derivative financial liabilities	4,894,577	2,431,566	63,937	7,236	212,812	44,773	7,654,901
Other financial liabilities	6,848,988	3,508,339	56,519	35,828	1,627	1,371,973	11,823,274
	184,454,699	71,184,499	3,633,084	2,200,867	313,302	10,189,013	271,975,464
Net financial position	₩ 12,732,178	4,467,148	874,580	534,418	982,233	(6,386,226)	13,204,331

48. Risk Management, Continued

(5) Liquidity risk management

(i) Concept

Liquidity risk is defined as the possibility of potential loss due to a temporary shortage in funds caused by a maturity mismatch or an unexpected capital outlay. Liquidity risk soars when funding rates rise, assets are sold below a normal price, or a good investment opportunity is missed.

(ii) Approach to liquidity risk management

The Bank manages its liquidity risks as follows:

Allowable limit for liquidity risk

- The allowable limit for liquidity risk sets LCR, NSFR and Mid- to long-term foreign currency fund management ratio
- The management standards with regards to the allowable limit for liquidity risk should be set using separate and stringent set ratios in accordance with the FSS guidelines.

<Measurement Methodology>

- LCR: (High quality liquid assets / Total net cash outflows over the next 30 calendar days) X 100
- NSFR: Available Stable Funding / Required Stable Funding X 100
- Mid- to long-term foreign currency fund management ratio: Foreign currency funding being repaid after 1 year / Foreign currency lending being collected after 1 year X 100

Early warning indicator

To identify prematurely and cope with worsening liquidity risk trends, the Bank has set up 15 indexes such as the "Foreign Exchange Stabilization Bond CDS Premium," and measures the trend monthly as a means for establishing the allowable liquidity risk limit complementary measures.

Stress-Test analysis and contingency plan

- The Bank evaluates the effects on the liquidity risk and identifies the inherent flaws. In the case where an unpredictable and significant liquidity crisis occurs, the Bank executes risk situation analysis quarterly based on crisis specific to the Bank, market risk and complex emergency, and reports to the Risk Management Committee for the Bank's solvency securitization.
- The Bank established detailed contingency plan to manage the liquidity risks at every risk situations.

48. Risk Management, Continued

(iii) Analysis on remaining contractual maturity of financial instruments

Remaining contractual maturity analysis of non-derivative financial instruments including interest payment as of December 31, 2024 and 2023 are as follows:

	December 31, 2024					
	Within 1 month	1~3 months	3~12 months	1~5 years	Over 5 years	Total
Financial assets:						
Cash and due from banks	₩ 9,972,375	503,873	1,547,894	924,609	-	12,948,751
Securities measured at FVTPL	46,600	44,229	1,366,748	189,953	16,741,203	18,388,733
Securities measured at FVOCI	826,144	915,551	3,345,316	9,961,875	16,773,121	31,822,007
Securities measured at amortized cost	115,000	811,131	3,340,174	4,649,715	30,000	8,946,020
Loans	14,624,020	22,345,767	75,308,653	74,886,373	21,375,761	208,540,574
Other financial assets	6,105,756	-	-	-	1,812,957	7,918,713
	₩ 31,689,895	24,620,551	84,908,785	90,612,525	56,733,042	288,564,798
Financial liabilities:						
Financial liabilities measured at FVTPL	₩ 692,242	177,967	845,385	401,940	271,712	2,389,246
Deposits	26,721,259	14,853,061	19,694,387	4,812,941	494	66,082,142
Borrowings	6,497,080	9,373,391	9,491,425	6,268,523	774,520	32,404,939
Debentures	7,190,293	9,981,850	51,813,957	88,861,601	8,010,418	165,858,119
Other financial liabilities	5,725,726	2,996,849	-	-	5,921,914	14,644,489
	₩ 46,826,600	37,383,118	81,845,154	100,345,005	14,979,058	281,378,935

	December 31, 2023					
	Within 1 month	1~3 months	3~12 months	1~5 years	Over 5 years	Total
Financial assets:						
Cash and due from banks	₩ 6,496,029	435,423	1,052,742	675,016	-	8,659,210
Securities measured at FVTPL	148,946	183,900	1,240,381	357,045	14,108,295	16,038,567
Securities measured at FVOCI	993,549	818,347	4,937,042	9,576,173	15,126,966	31,452,077
Securities measured at amortized cost	329,935	648,441	3,341,184	4,242,848	30,000	8,592,408
Loans	14,612,469	18,283,041	70,764,523	77,534,031	18,136,771	199,330,835
Other financial assets	8,432,805	-	-	-	1,773,897	10,206,702
	₩ 31,013,733	20,369,152	81,335,872	92,385,113	49,175,929	274,279,799
Financial liabilities:						
Financial liabilities measured at FVTPL	₩ 472,317	156,783	447,317	583,068	260,576	1,920,061
Deposits	27,470,945	11,085,432	20,825,008	6,400,963	128,990	65,911,338
Borrowings	4,644,515	5,118,500	11,503,777	5,421,288	840,401	27,528,481
Debentures	5,640,391	8,903,959	48,962,250	86,164,795	7,795,760	157,467,155
Other financial liabilities	8,439,585	2,664,173	-	-	5,703,816	16,807,574
	₩ 46,667,753	27,928,847	81,738,352	98,570,114	14,729,543	269,634,609

48. Risk Management, Continued

Remaining contractual maturity analysis of derivative financial instruments as of December 31, 2024 and 2023 are as follows:

Net settlement of derivative financial instruments

		December 31, 2024					
		Within 1 month	1~3 months	3~12 months	1~5 years	Over 5 years	Total
Trading purpose derivatives:							
Currency	₩	3,724	-	-	-	-	3,724
Interest rate		55,197	30,315	(325,391)	(394,347)	1,079,448	445,222
Hedging purpose derivatives:							
Interest rate		36,090	250,330	841,971	2,130,959	1,295,726	4,555,076
	₩	95,011	280,645	516,580	1,736,612	2,375,174	5,004,022

		December 31, 2023					
		Within 1 month	1~3 months	3~12 months	1~5 years	Over 5 years	Total
Trading purpose derivatives:							
Currency	₩	(2,033)	(28,349)	(275,111)	(366,676)	826,714	154,545
Interest rate		(1)	-	-	-	-	(1)
Hedging purpose derivatives:							
Interest rate		43,722	144,662	543,394	1,595,618	1,336,540	3,663,936
	₩	41,688	116,313	268,283	1,228,942	2,163,254	3,818,480

48. Risk Management, Continued

Gross settlement of derivative financial instruments

	December 31, 2024					
	Within 1 month	1~3 months	3~12 months	1~5 years	Over 5 years	Total
Trading purpose derivatives:						
Currency						
Inflow	₩ 67,582,388	38,553,043	66,563,517	122,988,092	6,762,347	302,449,387
Outflow	67,425,405	38,576,699	66,061,685	122,136,515	6,868,720	301,069,024
Hedging purpose derivatives:						
Currency						
Inflow	1,258,709	1,810,835	3,446,653	19,785,824	4,827,947	31,129,968
Outflow	1,542,826	1,787,625	3,950,032	22,008,513	4,721,907	34,010,903
Total inflow	₩ 68,841,097	40,363,878	70,010,170	142,773,916	11,590,294	333,579,355
Total outflow	₩ 68,968,231	40,364,324	70,011,717	144,145,028	11,590,627	335,079,927

	December 31, 2023					
	Within 1 month	1~3 months	3~12 months	1~5 years	Over 5 years	Total
Trading purpose derivatives:						
Currency						
Inflow	₩ 45,348,884	27,478,545	57,355,351	87,467,138	5,566,523	223,216,441
Outflow	45,470,176	27,330,617	56,975,759	86,723,581	5,583,057	222,083,190
Hedging purpose derivatives:						
Currency						
Inflow	1,581,339	714,124	5,614,897	17,506,798	4,659,118	30,076,276
Outflow	1,828,956	1,245,814	5,799,883	17,135,514	4,444,721	30,454,888
Total inflow	₩ 46,930,223	28,192,669	62,970,248	104,973,936	10,225,641	253,292,717
Total outflow	₩ 47,299,132	28,576,431	62,775,642	103,859,095	10,027,778	252,538,078

Remaining contractual maturity analysis of guarantees and commitments as of December 31, 2024 and 2023 are as follows:

	December 31, 2024					
	Within 1 month	1~3 months	3~12 months	1~5 years	Over 5 years	Total
Guarantees	₩ 2,224,092	2,203,315	3,958,687	10,308,705	647,976	19,342,775
Commitments	74,400	138,142	1,440,012	2,535,934	63,501,419	67,689,907
	₩ 2,298,492	2,341,457	5,398,699	12,844,639	64,149,395	87,032,682

	December 31, 2023					
	Within 1 month	1~3 months	3~12 months	1~5 years	Over 5 years	Total
Guarantees	₩ 1,210,778	2,221,822	5,049,000	9,253,213	629,577	18,364,390
Commitments	282,001	103,672	1,586,296	1,763,658	53,127,394	56,863,021
	₩ 1,492,779	2,325,494	6,635,296	11,016,871	53,756,971	75,227,411

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