



Investor Newsletter

March 2021



PDF format is available to download at our website. (www.kdb.co.kr)

01	Executive Summary	03
02	Recent Developments	04
03	KDB Green Bond	05
04	KDB Social Bond	08
05	APPENDICES	10

INTERACTIVE User Guide

The Investor Newsletter is made with Interactive PDF. You can move to the relevant page by clicking on the contents at the top of each page

Executive Summary

Since the issuance of the inaugural green bond in 2017, KDB has continued its commitment to help finance environmentally sustainable and socially responsible businesses through consequent offerings of green and social bonds.

So far, KDB has issued four green bonds and one social bond in the international market, raising a total of USD 2.4 billion. The first green bond was issued under its Green Bond Framework 2017 while the rest of green bonds were issued under the Sustainable Bond Framework 2019. Both frameworks are in compliance with the Green and the Social Bond Principles introduced by the International Capital Market Association.

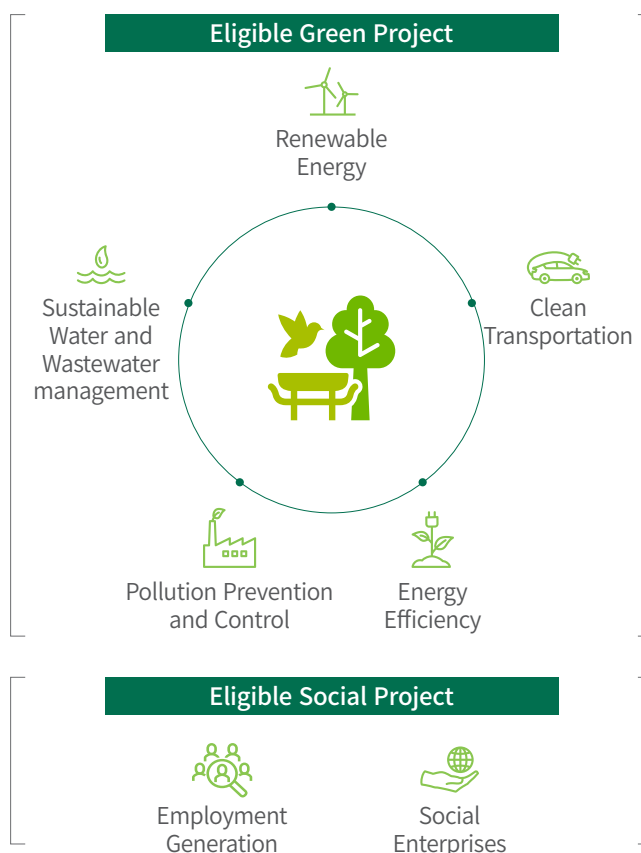
For the first social bond issued in 2020 in the wake of the COVID-19 pandemic, KDB disclosed its framework on the offering prospectus, which included 1) the process for selection of eligible projects, 2) use of proceeds, 3) management of proceeds, and 4) reporting. The extraordinary circumstances triggered by the pandemic and the extensive array of urgent needs prompted KDB to issue the social bond to support certain small and medium sized enterprises (“SMEs”) who were damaged by the pandemic. Thus, eligibility of those SMEs may not be in line with the 2019 Framework

Building on the experience of issuing its debut green bond in the international capital markets in 2017, KDB pioneered the market for ESG bonds in the domestic market with the country’s first ever green and social bonds issuances in 2018. Since then, many other Korean banks and corporates followed suit, driving the growth and diversity of the Korean ESG bond markets. KDB has successfully issued six ESG bonds in the domestic capital market to date - two green bonds, three

social bonds and one sustainable bond, totaling KRW 2.7 trillion (approximately USD 2.4 billion).

* Please note that this Newsletter only covers the green and social bonds issued in the international markets. You can find the Newsletters on KRW denominated green and social bonds issued in Korea on KDB’s Korean website at <https://www.kdb.co.kr>.

Eligible Green & Social Projects under KDB’s Sustainable Bond Framework



KDB Green Bond and Social Bond Issuance Details

Category	Issue	Due	Size	Use of Proceeds	ISIN
4 th Green	2021	2024	USD 300mn	Renewable Energy & Clean Transportation	US500630DK18
3 rd Green	2021	2024	USD 700mn	Renewable Energy & Clean Transportation	US500630DF23
1 st Social	2020	2023	USD 500mn	COVID-19 Pandemic Support (SMEs & SOHOs)	US500630DD74
2 nd Green	2019	2024	EUR 500mn	Renewable Energy	XS2022179159
1 st Green	2017	2022	USD 300mn	Renewable Energy	US500630CQ96
Total			USD 2,363mn		

Exchange rates for 31st Dec 2019 was used for the 2nd green bond denominated in EUR.

Recent Developments

Since the issuance of green bonds in 2017 and 2019, KDB issued its first social bond in 2020 to respond to the COVID-19 pandemic, which was followed by two more green bonds in January and March 2021 to continue its commitment to help finance projects that are in accordance with the Sustainable Bond Framework.

In 2020, KDB issued its debut social bond (COVID-19 Response Social Bond).

In the midst of soaring demands for financial support to help mitigate the effects of the COVID-19 crisis on industries and businesses, KDB issued its first social bond for the amount of USD 500 mn. Proceeds were all used to provide financial support to small and medium sized enterprises (“SMEs”) as well as small offices/home offices (“SOHOs”).

KDB won the Best Bond Awards from The Asset for all of its green and social bonds.

KDB’s social bond was issued at the lowest coupon seen among all Korean issuers. The successful issuance was widely recognized by the market, winning the Best Social Bond award in The Asset Triple A Sustainable Capital Markets Regional Awards 2020.

During the first quarter of 2021, KDB issued two more green bonds.

In the first quarter of 2021 alone, KDB issued two more green bonds, each in the amount of USD 700 mn and USD 300 mn. The proceeds of the bonds are to be allocated to finance the projects that fall under the renewable energy and clean transportation criteria of KDB’s Sustainable Bond Framework 2019.



2017 Best Green Bond



2019 Best Green Bond



2020 Best Social Bond



KDB Green Bond

The net proceeds from KDB's green bonds were allocated to finance and/or refinance new and/or existing projects related to 1) the construction or expansion of renewable energy production facilities, including those that use solar or wind power and/or 2) the manufacturing of rechargeable batteries for electric vehicles. The projects satisfy the eligibility criteria under the renewable energy and the clean transportation cat-

egories of the KDB Sustainable Bond Framework 2019. The proceeds from the first two green bonds were fully disbursed to renewable energy projects while the proceeds from the third green bond issuance were divided into renewable energy projects at 44% and clean transportation projects at 56%.

	Disbursement Status	Eligible Projects
1st Green Bond (2017)	Fully disbursed during 2017	Construction and/or expansion of renewable energy production facilities including biomass
2nd Green Bond (2019)	Fully disbursed during 2020	Construction and/or expansion of renewable energy production facilities
3rd Green Bond (2021)	68% of the proceeds have been disbursed as of end of January 2021	1) Construction and/or expansion of renewable energy production facilities; and 2) Expansion of a manufacturing facility for rechargeable batteries exclusively used for electric vehicles

The Fourth Green Bond (2021)

The net proceeds of the bonds issued in March 2021 will be disbursed in due course.

Green Bond Allocation and Disbursement

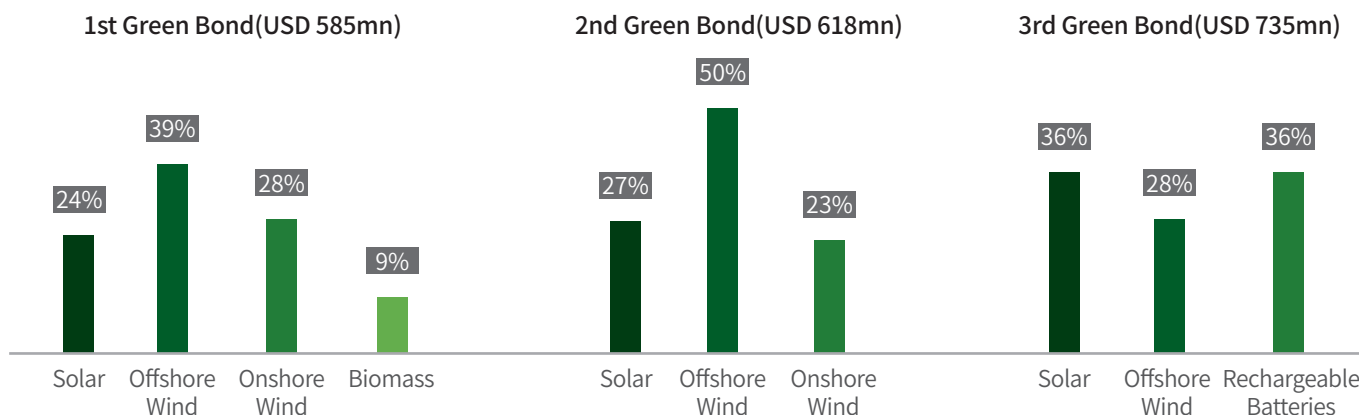
(Unit : USD mn)

Green Bond Series	Eligible Green Project	Sector	Project Size	KDB Share	Allocated Amount	To be Allocated
1st Green Bond USD 300mn (US500630CQ96)	Renewable Energy	Solar	1,344	139	139	0
		Offshore Wind	4,558	226	212	13
		Onshore Wind	1,045	167	167	0
		Biomass	1,188	54	54	0
		Sub Total	8,135	585	572	13
2nd Green Bond EUR 500mn (XS2022179159)	Renewable Energy	Solar	541	165	165	0
		Offshore Wind	8,190	307	267	40
		Onshore Wind	461	146	139	7
		Sub Total	9,192	618	571	47
3rd Green Bond USD 700mn (US500630DF23)	Renewable Energy	Solar	12,400	267	62	205
		Offshore Wind	347	201	147	54
	Clean Transportation	Rechargeable Batteries	2,211	267	267	0
		Sub Total	14,958	735	476	259

Allocation and disbursement status as of end 2020 for the 1st & 2nd green bonds and end Jan 2021 for the 3rd green bond.

For projects financed in non-USD, exchange rates for 31st Dec 2017, 31st Dec 2019, and 31st Jan 2021 were applied respectively.

Green Project Composition (KDB Share)



Proceeds from the 1st and 2nd green bonds were used to finance renewable energy projects, with offshore wind projects accounting for the largest portions at 39% and 50%, respectively. From the 3rd green bond, proceeds were used for renewable energy and clean transportation projects with the latter taking up a 36% share within the portfolio.

Green Project Status

Most of the projects financed by the first two green bonds are near completion as of 2020 with all projects expected to become operational by 2022. Projects funded by the 3rd green bond are expected to be fully operational by 2025.

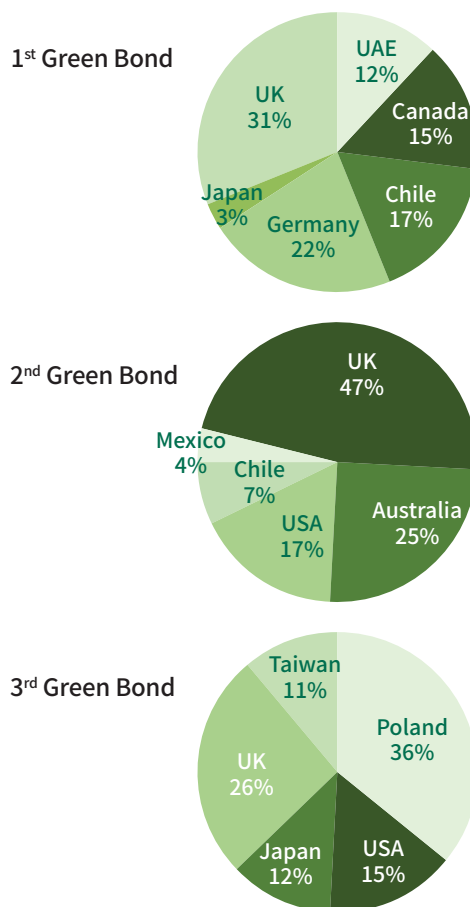
(Unit : USD mn)

Project Status	1 st Project	2 nd Project	3 rd Project
Operation	6,014(74%)	6,091(66%)	42(1%)
Construction	2,121(26%)	3,101(34%)	14,916(99%)
Total	8,135(100%)	9,192(100%)	14,958(100%)



Regional Distribution

The proceeds from the 1st green bond was invested mostly in the UK (on- and offshore wind projects and a biomass project) and Germany (offshore wind projects). The 2nd green bond proceeds were heavily invested in offshore wind projects in the UK as well as an onshore wind project in Australia. Lastly, most of the proceeds from the 3rd green bond were invested in a rechargeable battery project in Poland and offshore wind projects in the UK.



Environmental Impact

The CO₂ emission equivalent avoided (“CO₂e Avoided”) by using renewable energy from renewable energy projects and/or by replacing internal combustion vehicles with electric vehicles serves as an indicator of environmental impact.

CO₂e Avoided per year by investing in KDB green bonds

CO ₂ e Avoided	The 1 st Green Bond	The 2 nd Green Bond	The 3 rd Green Bond
t CO₂ / USD 1mn	518	717	583

CO₂e Avoided – Details

[Renewable Energy]

By Investing in KDB’s green bonds, investors are, on average, avoiding 287,120 tons of CO₂/year. In Terms of USD mn, that will be 507 tons of CO₂ emissions avoided annually/ USD mn invested. Assuming all projects are completed and operational, the total CO₂e avoided from the projects will be 3,967,777 tons/year, 3,359,783 tons/year and 3,720,973 tons/year for each of the green bond issuance. As for KDB’s share, the expected CO₂e avoided will be 303,544 tons/year, 42,911 tons/year and 133,905 tons/year, respectively. To put into the context of CO₂e avoided per USD mn invested, that will be 518 t CO₂/year, 717 t CO₂/year and 286 tons/year for each round of the issuance.

Renewable Energy	The 1 st Green Bond	The 2 nd Green Bond	The 3 rd Green Bond
Expected Energy Production : MWh / Yr			
Total Project	9,075,728	8,218,456	9,802,195
Solar Power	1,624,630	2,438,258	236,275
Offshore Wind Power	3,460,550	4,617,571	9,565,920
Onshore Wind Power	1,816,579	1,162,627	-
Biomass	2,173,969	-	-
Estimated CO₂e Avoided : per t CO₂/Year			
Total Project	3,967,777	3,359,783	3,720,973
Solar Power	776,994	907,470	100,851
Offshore Wind Power	1,796,291	1,701,256	3,620,123
Onshore Wind Power	846,652	751,057	-
Biomass	547,840	-	-
KDB Share	303,544	423,911	133,905
Solar Power	74,524	74,806	55,648
Offshore Wind Power	97,803	238,558	78,257
Onshore Wind Power	106,428	110,547	-
Biomass	24,789	-	-
Estimated CO₂e Avoided : per t CO₂(Year) / USD mn			
KDB Green Bond	518	717	286

[Clean Transportation]

The clean transportation projects invested by the proceeds from the 3rd green bond are estimated to have avoided 297 tons of CO₂e per year/ USD mn investment.

The number of electric vehicles newly produced by expanding the manufacturing facility for rechargeable batteries is estimated to be 650,000 per year. That translates to 656,500 tons/year CO₂e avoided. Taking into account KDB’s share in the project, that will be 79,194 tons/year CO₂e avoided (or 297 tons/year per USD mn).

Clean Transportation – 3rd Green Bond

(Unit : t CO₂e)

Annual Production of Electric Vehicles	Total project		KDB’s portion by its financing (12.1%)		
	Life-cycle CO ₂ e Avoided	Annual CO ₂ e Avoided	Life-cycle CO ₂ e Avoided	Annual CO ₂ e Avoided	CO ₂ e Avoided per USD mn
650,000	6,565,000	656,500	791,945	79,194	297

The life-cycle CO₂e is based on 10-year lifetime of an average mid-size car by powertrain

The Renewable Energy Category : The Methodology for the Assessment of Project GHG Emissions and Emission Variations (version 11.1) (<http://www.eib.org/en/about/cr/footprint-methodologies.htm>) released in July 2020 by the European Investment Bank was used to calculate the CO₂e Avoided per each renewable energy project. We have also used the Projected Costs of Generating Electricity published in 2020 (<https://www.iea.org/reports/projected-costs-of-generating-electricity-2020>) & 2015 (<https://www.oecd-nea.org/ndd/pubs/2015/7057-proj-costs-electricity-2015.pdf>) by the International Energy Agency for the capacity factors of the renewable energy plants by country. Please note that any difference in CO₂e avoided from the previous Investor Newsletter is due to applying different versions of the above mentioned methodologies.

The Clean Transportation Category : The reference is made to the International Energy Agency’s parameters. According to the agency, internal combustion vehicles (conventional vehicles) on average have 34.3 t CO₂e life-cycle greenhouse gas emission, and battery electric vehicles on average have 24.2 t CO₂e life-cycle greenhouse gas emissions. That is a 10.1 t CO₂e difference per vehicle (<https://www.iea.org/reports/global-ev-outlook-2020>).

KDB Social Bond

The Covid-19 pandemic has had and continues to have immense impact on Korea and its economy, but thanks to the government's relentless "K-Quarantine" effort, the country was able to control the cumulative number of COVID-19 cases to as low as 60,740 (0.1% of the total population of Korea) with the number of cured cases standing at 42,271 out of the cumulative cases of 60,740, as of 31 Dec. 2020.

Against this backdrop, KDB issued its inaugural COVID-19 Response Social Bond for USD 500 mn in an effort to provide financial support to small and medium sized enterprises ("SMEs")¹ as well as small offices/home offices ("SOHOs") affected by the crisis.

Eligible projects fall under two categories²

[Eligible Project 1]

Loans to SMEs and/or SOHOs in "regions severely damaged by the pandemic" within the special disaster zones as designated by the government or areas within a province or a city where the number of accumulated COVID-19 cases equal or exceed 1,000.

[Eligible Project 2]

Loans to SMEs and/or SOHOs in "the most adversely affected industries" such as wholesale and retail, transportation, tourism, and accommodation, among others, as specified in Appendix I herein.

Social Bond Allocation Details

Proceeds from the social bond were fully disbursed in year 2020 to eligible social projects, benefiting 1,034 borrowers. Most of the proceeds were allocated to SMEs in the category falling under "regions severely damaged by the pandemic," which accounted for 86% of the loans and 83% of the borrowers.

(Unit : USD mn)

Project Category	Loan Amount	No. of Borrower	Loan Amount per Borrower (USD thousand)
Eligible Project 1	586 (86%)	861 (83%)	680
Eligible Project 2	93 (14%)	173 (17%)	537
Total	679 (100%)	1,034 (100%)	657

The foreign exchange rates against USD as of December 31, 2020 were applied for the projects financed in non-USD.

Further breaking down the disbursements, KDB provided the most of its financial support, or 83% of the total loan volume, to SMEs with employees of less than or equal to 50, which were found to be the most vulnerable group to the effects of the COVID-19 crisis. The average amount of loans extended to all companies eligible for KDBs support was USD 657,000 while those with employees of less than or equal to 50 received, on average, USD 611,000. The average amount of loans per employee was USD 23,000 while that with employees of less than or equal to 50 was USD 39,000.

Social Bond Allocation Details

Employees Breakdown	Loan Amount	Number of Borrowers	Number of Employees	Loan amount per Borrower (USD Thousand)	Loan amount per Employee (USD Thousand)
1~50 Employees	563 (83%)	921	14,570	611	39
51~100 Employees	51 (6%)	63	4,910	809	10
101~200 Employees	40 (6%)	31	4,628	1,290	9
201~300 Employees	25 (5%)	19	5,445	1,316	5
Total	679(100%)	1,034	29,553	657	23

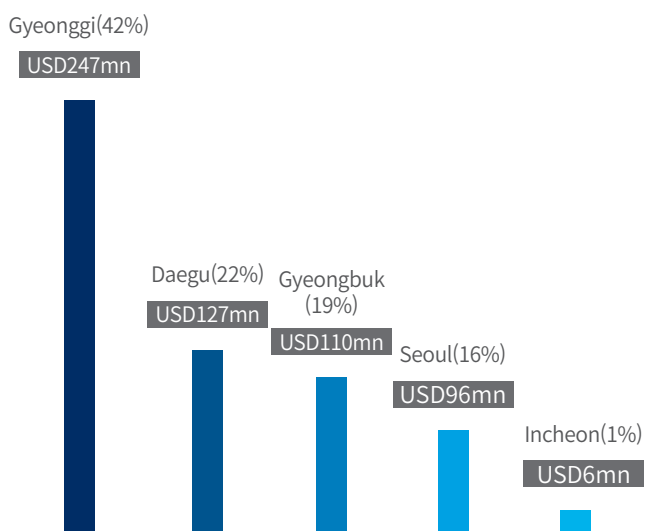
¹⁾ "Small and medium sized enterprises" are defined in Article 3 of the Enforcement Decree of the Framework Act on Small and Medium Enterprises, available at the following link: <https://www.mss.go.kr/site/eng/02/1020500000002019050902.jsp>

²⁾ The selection of eligible SMEs and/or SOHOs is subject to the Exclusion List as described in Appendix II herein

Eligible Project 1: Loans to “Regions Severely Damaged by the Pandemic”

[Break-Down by Regions]

A total of USD 586 mn was provided to the “Regions Severely Damaged by the Pandemic.” Of the total, USD 247 mn (42%) was provided to SMEs operating in the Gyeonggi province and USD 127 mn (22%) to Daegu, two regions hit most hard by the COVID-19 outbreak as shown in Appendix 3.



[Break-Down by Industry]

Breaking down by industry sector, 69% of the loans were provided to manufacturing followed by wholesale and retail (9%), transportation/warehouse (5%), and healthcare (3%).

Industry Breakdown	Financial Support
Manufacturing	USD 404mn (69%)
Wholesale & Retail	USD 54mn (9%)
Transportation/Warehouse	USD 31mn (5%)
Waste Management	USD 20mn (4%)
Information Services	USD 14mn (3%)
Building Construction	USD 13mn (2%)
Electricity	USD 9mn (2%)
Hospital	USD 9mn (2%)
Professional Services	USD 8mn (1%)
Healthcare	USD 6mn (1%)
Misc.	USD 18mn (2%)
Total	USD 586mn(100%)

*Miscellaneous includes services, business facilities management, mining, livestock, recreation/leisure, drinking places for non-alcoholic beverage and education services.

Eligible Project 2: Loans to “The Most Adversely Affected Industries”

[Break-Down by the adversely affected industries]

A total of USD 93 mn was used to finance wholesale and retail (40%), manufacturing (29%), transportation/warehouse (26%), services (3%), healthcare (01%), and recreation/leisure (1%).

Industry Breakdown	Financial Support
Wholesale&Retail	USD 37mn (40%)
Manufacturing	USD 27mn (29%)
Transportation Warehouse	USD 24mn (26%)
Service	USD 3mn (3%)
Healthcare	USD 1mn (1%)
Recreation/Leisure	USD 1mn (1%)
Total	USD 93 mn(100%)



Appendix I

List of industries most adversely affected by the COVID-19 pandemic

Industry	Korea Standard Industry Code (KSIC)
Wholesale & Retail	G465 (Wholesale of machinery, equipment and supplies) G46202 (Wholesale of seeds and seedlings) G46441 (Wholesale of pharmaceuticals) G46442 (Wholesale of medical goods) G47811 (Retail sale of pharmaceutical and medical goods) G4521 (Sale of new parts and accessories for motor vehicles) G4672 (Wholesale of basic metals and metal ores)
Transportation/Warehouse	H49~52 (Transportation and storage)
Service	S95 (Maintenance and repair of personal and household goods)
Recreation/Leisure	R901 (Creative and arts related services) R902 (Library, historical sites and buildings and similar recreation related services) R9111 (Arena and stadium operation) R91111 (Indoor arena and stadium operation) R91112 (Outdoor arena and stadium operation) R9113 (Other sports facility operation) R91131 (Other complex sports facility operation) R91132 (Physical fitness facility operation) R91133 (Swimming pool operation) R91139 (Other sports facility operation n.e.c.) R9119 (Other sports services) R91191 (Sports club operation) R91199 (Other sports services n.e.c.)
Healthcare	Self-employed in the Q862 category (Medical and dental practice activities)
Tourism	N740 (Business facilities management and landscape services) N752 (Activities of travel agencies and tour operators and tourist assistance activities)
Drinking Places for non-alcoholic beverages	I56220 (Non-alcoholic beverage places) I56221 (Coffee shops) I56229 (Other non-alcoholic beverage places)
Accommodation	I5510 (General accommodation and accommodation with cooking facilities registered as tourism business (with business registration) in the Jeolla region, Gangwon, or Jeju)
Manufacturing (only for small businesses with ten or fewer employees)	C10~34 (Manufacturing) with ten or fewer employees * Excluding C111 (Manufacture of alcoholic beverages) and C120 (Manufacture of tobacco products)

Appendix II

List of sectors and/or industries excluded from allocation

The proceeds of the social bond are not allocated to SMEs (or SOHOs) in the sectors or industries that are considered to have negative social or environmental impacts. These include, but are not limited to, the businesses or activities that are engaged in the following:

1. Fossil fuel exploration and distribution
2. Trade and production of conflict minerals
3. Predatory or payday lending
4. Production of palm oil
5. Production or trade of alcoholic beverages (excluding beer and wine)
6. Production or trade of tobacco products
7. Production or trade of nuclear fuel
8. Production or trade of weapons, ammunition and military fighting vehicles
9. Gambling related activities
10. Forced labor and/ or child labor
11. Activities or products that are deemed illegal under local laws or regulations or international conventions and agreements, and/or subject to international phase-outs or bans, whether in the past or the present
12. Production, distribution or storage of hazardous chemicals and radioactive materials
13. Production, distribution or storage of pornography and/or prostitution

Appendix III

COVID-19 cases by the regions

As of December 31, 2020

Breakdown	Number (Cumulative)
Infected	60,740
Cured	42,271
In quarantine	17,569
(Severe/Critical)	344
Deceased	900



[Source]

Central Disaster Control Headquarters(<http://ncov.mohw.go.kr>)
Updates on COVID-19 in Republic of Korea(as of 31 December)