



Investor Newsletter

March 2022

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Executive Summary

USD 3.7 billion equivalent, outstanding balance of KDB Green Bonds and Social Bonds issued in foreign currencies, as of March 31, 2022

538 t CO₂/USD 1mn, the amount of CO₂ emission Avoided per US\$1 million of the green bonds

867 SME borrowers supported through the social bonds

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.

KDB has issued 10 green bonds and one social bond in the international market up to date in 2022, raising a total of USD 3.7 billion. The first green bond was issued under its Green Bond Framework 2017 while the other green bonds were issued under the Sustainable Bond Framework 2019. Both frameworks are in compliance with the principles introduced by the International Capital Market Association and the second party opinion on the framework has been obtained. The 2019 framework and a related second party opinions are available at <https://www.kdb.co.kr/index.jsp>, KDB official website.

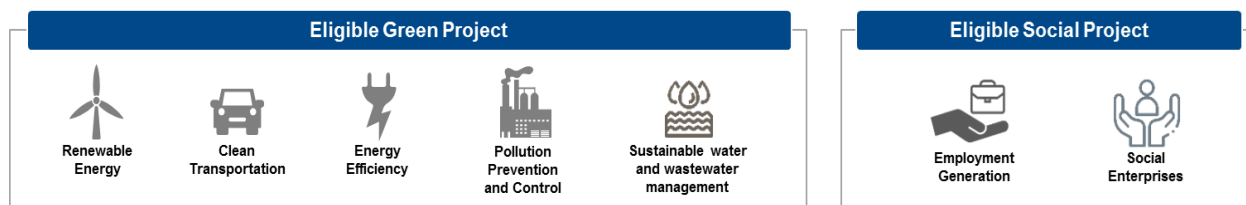
For the first social bond issued in 2020 in the wake of the COVID-19 pandemic, KDB disclosed its framework on the offering prospectus, which included 1) the process for selection of eligible projects, 2) use of proceeds, 3) management of

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 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 ESG bonds (including green bonds, social bonds and sustainable bonds), totaling KRW 3.7 trillion (approximately USD 3.0 billion) with the outstanding balance to date at KRW 2.5 trillion (approx., USD 2.0 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](https://www.kdb.co.kr) website at <https://www.kdb.co.kr>.

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



KDB Green Bonds and Social Bonds issued in foreign currencies

No.	Issue Year	Maturity	Size	Use of Proceeds	ISIN
Green Bond					
1	2017	2022	USD 300mn	Renewable Energy	US500630CQ96
2	2019	2024	EUR 500mn	Renewable Energy	XS2022179159
3	2021	2024	USD 700mn	Renewable Energy & Clean Transportation	US500630DF23
4	2021	2024	USD 300mn	Renewable Energy & Clean Transportation	US500630DK18
5	2021	2023	IDR 1,425bn	Renewable Energy	XS2351219055
6	2021	2031	CHF 200mn	Renewable Energy	CH1121837228
7	2021	2051	USD 20mn	Renewable Energy	XS2395577674
8	2021	2025	USD 700mn	Renewable Energy & Clean Transportation	US500630DM73
Subtotal by 2021			USD 2,900mn		
9	2022	2024	BRL 1,285mn	Renewable Energy &/or Clean Transportation	XS2452429645
10	2022	2032	USD 40mn	Renewable Energy &/or Clean Transportation	XS2458348294
Subtotal of all green bonds			USD 3,190mn		
Social Bond					
1	2020	2023	USD 500mn	COVID-19 Pandemic Support for SMEs & SOHOs	US500630DD74
Grand Total			USD 3,690mn		

Exchange rates as of the end of years where the bonds were issued are used for the currencies against USD.

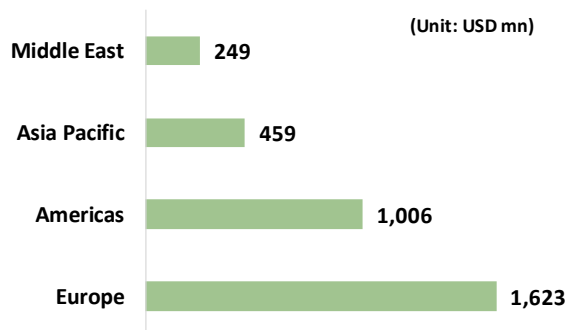
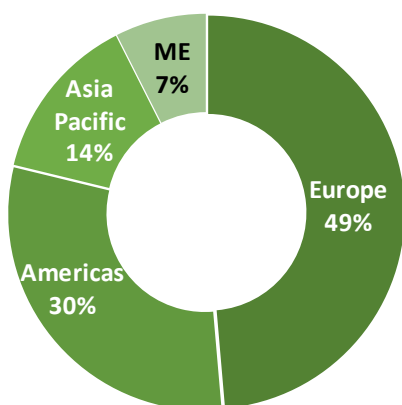
KDB Green Bond

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 categories of the KDB Sustainable Bond Framework 2019.

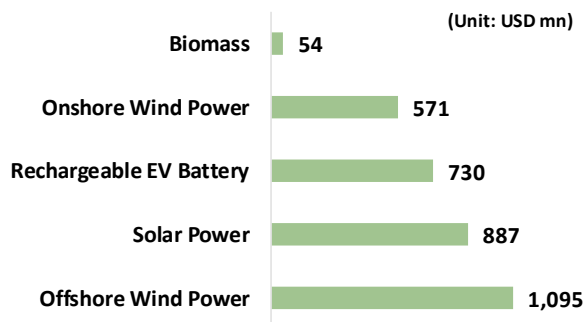
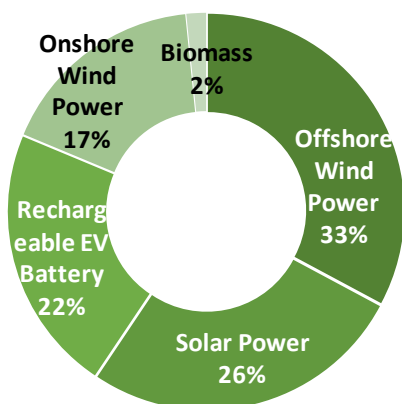
The portfolio presented hereby are projects that the proceeds of eight (8) green bonds issued by 2021 are allocated to and the proceeds of two (2) green bonds issued in 2022 will be disbursed in due course throughout the year 2022.

Use of Proceeds - Green Portfolio Distribution

Breakdown by regions



Breakdown by project categories



Green Bond Allocation and Disbursement as of Dec 31, 2021

(Unit: USD mn)

Green Bond Series	Sector	Project Size	KDB Share	Disbursed Amount	To be Disbursed	Status of Projects		
						Operation	Construction	
1st Green Bond USD300mn (US500630CQ96)	Solar	1,344	139	139	0			
	Offshore Wind	4,558	226	212	0			
	Onshore Wind	1,045	167	167	0			
	Biomass	1,188	54	54	0			
	Sub Total		8,135	585	572	0	90.8%	9.2%
2nd Green Bond EUR 500mn (XS2022179159)	Solar	541	165	165	0			
	Offshore Wind	8,190	307	289	9			
	Onshore Wind	461	146	140	0			
	Sub Total		9,192	618	594	9	89.2%	10.8%
3rd Green Bond USD700mn (US500630DF23)	Solar	12,400	267	182	17			
	Offshore Wind	347	201	109	158			
	Rechargeable EV Batteries	2,211	267	267	0			
	Sub Total		14,958	735	558	175	23.3%	76.7%
	4th Green Bond USD300mn (US500630DK18)	Offshore Wind	2,975	40	40	0		
Onshore Wind		1,326	258	258	0			
Sub Total			4,301	298	298	0	68.2%	31.8%
5th Green Bond IDR 1,425bn (XS2351219055)	Offshore Wind	3,527	136	0	136			
	Sub Total		3,527	136	0	136	0%	100%
6th Green Bond CHF 200mn (CH1121837228)	Solar	896	108	46	62			
	Offshore Wind	4,061	120	37	83			
	Sub Total		4,957	228	83	145	0%	100%
7th Green Bond USD 20mn (XS2395577674)	Solar	120	40	17	26			
	Sub Total		120	40	17	26	0%	100%
8th Green Bond USD 700mn (US500630DM73)	Solar	1,494	234	24	207			
	Rechargeable EV Batteries	2,143	463	432	31			
	Sub Total		3,637	697	456	238	16.2%	83.8%

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

538 t CO2/USD 1mn, the amount of CO2e Avoided per USD 1 million of KDB Green Bonds

3,368 GWh/year, the expected energy production

177,744, the number of electric vehicles annually manufactured

Breakdown of CO2e Avoided by Portfolio for KDB Share

Portfolio category	Total Allocation USD mn	Estimated CO2e Avoided: t CO2/Year	CO2e Avoided t CO2/USD 1.0mn
Renewable Energy	2,607	1,614,459	619
Clean Transportation	730	179,522	246
Total	3,337	1,793,981	538*

* Weighted average CO2e Avoided between two portfolio categories

Breakdown of CO2e Avoided by Green Bonds

Green Bond Series	Total Project			KDB Share			
	Expected Energy Production (GWh/Year)	Annual Production of Electric Vehicles	Estimated CO2e Avoided: t CO2/Year	Expected Energy Production (GWh/Year)	Annual Production of Electric Vehicles	Estimated CO2e Avoided: t CO2/Year	CO2e Avoided t CO2/USD 1.0mn
1	9,075		3,967,777	694		303,543	519
2*	9,117		3,681,546	867		438,037	709
3	9,802	650,000	4,377,473	337	78,410	213,099	290
4	5,314		894,076	521		246,685	829
5	3,994		1,430,052	154		55,142	405
6	3,069		1,283,053	184		76,945	337
7	161		67,375	54		22,458	561
8	3,139	452,375	2,317,678	557	99,334	438,072	628
Total	43,671	1,102,375	17,125,848	3,368	177,744	1,793,981	538**

* Slightly changed from last year figure due to rectification on energy installed capacity of one project

** Weighted average CO2e Avoided

Further breakdown of Clean Transportation (Rechargeable EV Battery)

(Unit: t CO2e)

Green Bond Series	Total project			KDB Share			
	Annual Production of Electric Vehicles	Life-cycle CO2e Avoided*	Annual CO2e Avoided	Annual Production of Electric Vehicles	Life-cycle CO2e Avoided*	Annual CO2e Avoided	CO2e Avoided per USD mn
3	650,000	6,565,000	656,500	78,410	791,945	79,194	297
8	452,375	4,568,988	456,899	99,334	1,003,278	100,328	217
Total	1,102,375	11,133,988	1,113,399	177,745	1,795,223	179,522	246**

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

** Weighted average CO2e Avoided

Notes to Methodology for calculation of impact indicator

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

KDB issued its inaugural COVID-19 Response Social Bond for U\$500mn in 2020 in an effort to provide financial support to small and medium sized enterprises (“SMEs”)¹ as well as small offices/home offices (“SOHOs”) adversely affected by the pandemic.

- Eligible projects under two categories²:**
- (1) 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.
 - (2) 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.

Status of Use of Proceeds

Proceeds from the social bond were fully disbursed in year 2020 to eligible social projects, benefiting 1034 borrowers in that year. As of December 31, 2021, the number of borrowers reduced to 867 as loans KDB extended were repaid by the borrowers. The loan outstanding also decreased to U\$566mn in 2021 from U\$679mn in 2020. Most of the proceeds were allocated to SMEs in the category falling under "regions severely damaged by the pandemic.

Project Category	Loan Amount (USD '000,000)	No. of Borrowers	Loan per Borrower (USD '000)
Regions severely damaged by the pandemic	489 (86%)	718 (83%)	681
Most adversely affected industries	77 (14 %)	149 (17%)	518
Total	566 (100%)	867 (100%)	653

The foreign exchange rates against USD as of December 31, 2020 for comparison of the portfolio between 2020 and 2021

Breakdown by Number of Employees

The loans extended 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 pandemic, accounted for 83% of total loans.

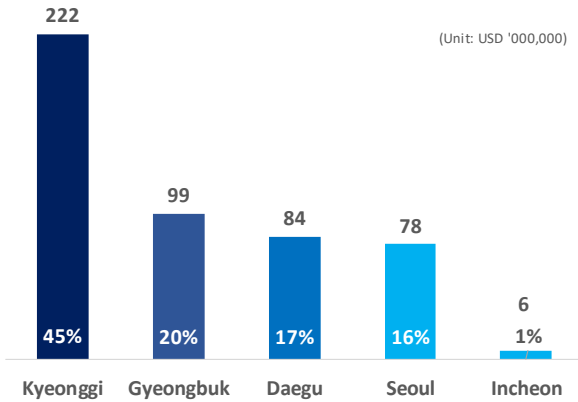
Employees Breakdown	Loan Amount	Number of Borrowers	Number of Employees	Loan per Borrower (USD '000)	Loan per Employee (USD '000)
1~50 Employees	467 (83%)	770	12,038	607	39
51~100 Employees	41 (7%)	52	4,065	782	10
101~200 Employees	36 (6%)	28	4,196	1,290	9
201~300 Employees	22 (4%)	15	4,331	1,439	5
Total	566(100%)	865	24,630	654	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/02/10205000000002019050902.jsp>

² The selection of eligible SMEs and/or SOHOs is subject to the list of sectors and/or industries excluded from allocation as set forth in Appendix II herein

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

Breakdown by Region



Breakdown by Industry

Industry Breakdown	Loan Amount
Manufacturing	U\$ 350mn (72%)
Wholesale & Retail	U\$ 48mn (10%)
Transportation/Warehouse	U\$ 22mn (5%)
Waste Management	U\$ 15mn (3%)
Information Services	U\$ 12mn (3%)
Building Construction	U\$ 8mn (1%)
Hospital	U\$ 8mn (1%)
Professional Services	U\$ 7mn (1%)
Healthcare	U\$ 5mn (1%)
Misc.*	U\$ 14mn (3%)
Total	U\$ 489mn (100%)

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

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

Breakdown by Industry

A total of U\$77mn was used to finance wholesale and retail (42%), manufacturing (27%), transportation/warehouse (25%), services (4%), recreation/leisure (1%), and healthcare (1%)

Industry Breakdown	Loan Amount
Wholesale & Retail	U\$ 33mn (42%)
Manufacturing	U\$ 21mn (27%)
Transportation/Warehouse	U\$ 19mn (25%)
Service	U\$ 3mn (4%)
Recreation/Leisure	U\$ 1mn (1%)
Healthcare	U\$ 1mn (1%)
Total	U\$ 77mn (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 of the bond proceed

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