

CONFIDENTIAL



# Investor Presentation

December 2024

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# Section 1

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# KDB Overview

# Driving Force behind Korea's Advancement



## KDB Overview

### Credit Ratings

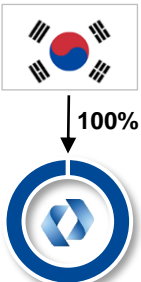


*KDB's ratings have been historically on par with those of the Korea sovereign*

|                                   |                                     |  |
|-----------------------------------|-------------------------------------|--|
| <b>Aa2</b><br>(Stable)<br>MOODY'S | <b>AA</b><br>(Stable)<br>S&P Global | <b>AA-</b><br>(Stable)<br>FitchRatings |
|-----------------------------------|-------------------------------------|--|

### Ownership Structure

Full and direct Ownership by the Korean Government



|                            | KDB Bank       | Policy Bank A  | Policy Bank B   |
|----------------------------|----------------|----------------|-----------------|
| Gov. Direct Ownership      | 100%           | 73.2%          | 68.5%           |
| Credit Ratings (M / S / F) | Aa2 / AA / AA- | Aa2 / AA / AA- | Aa2 / AA- / AA- |
| Schedule B Eligibility     | Yes            | Yes            | No              |

### Classification

- Sovereigns, Supranational and Agencies ("SSA")
- National Development Finance Institution
- Schedule B issuer (Sovereign Status) under the U.S. Securities and Exchange Commission ("SEC")

### Policy Mandates

- Support economic growth in Korea
- Promote industrial development and infrastructure expansion
- Act as a financial market stabilizer
- Drive financial innovation

### Government Linkage

- Established in 1954 under the KDB Act
- The KDB Act, a Class 2 National Law legislated by the National Assembly, ranks directly below the Constitution (Class 1)
- KDB's Chairman appointed by the President of Korea

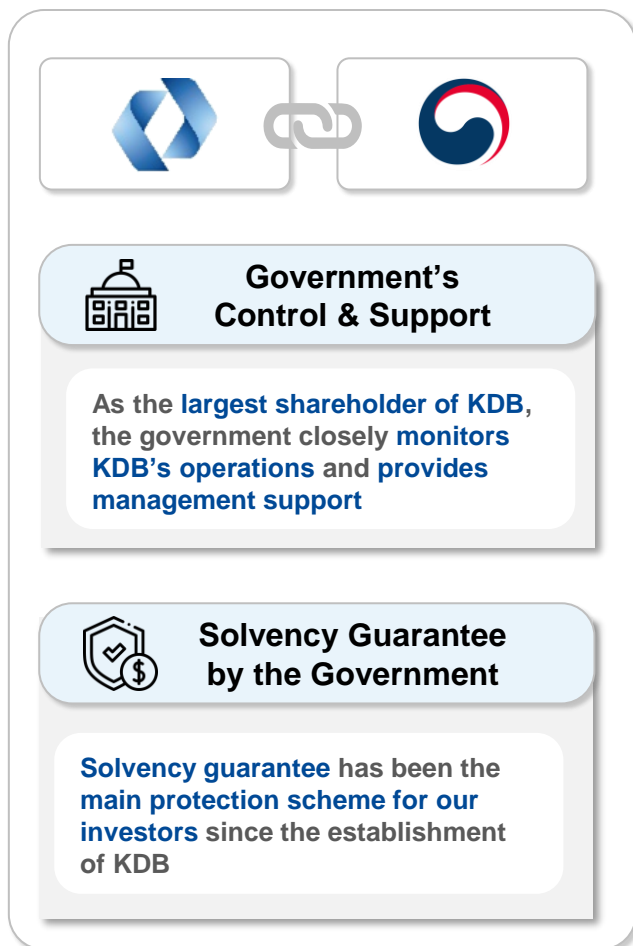
### De-facto Government Guarantee

- Government responsible for maintaining KDB's solvency
 

*"The annual net losses of KDB shall be offset each year by the reserve, and if the reserve be insufficient, the deficit shall be offset by the Government" - Article 32 of the KDB Act*



## Foundation of Strong Linkage with the Government



### Korea Development Bank Act

#### Minimum of 51% share held by the Government

**Article 5:** "The authorized capital of KDB shall be prescribed in the Articles of Incorporation to the extent of thirty trillion Korean Won provided that **more than 51% of which shall be subscribed to by the Government**"

#### KDB's Chairman appointed by the President

**Article 13:** "The Chairman shall be appointed by the **President of the Republic of Korea**"

#### Government's approval on business plan and budget

**Article 22:** "KDB shall prepare a **business plan** every fiscal year and submit it to the FSC for approval"

**Article 30:** "KDB shall prepare and submit the **budget** for revenue and expenditures in each fiscal year and report to the FSC for approval prior to the beginning of the corresponding fiscal year"

#### Government's guarantee to cover KDB's net losses

**Article 32 (Offset of Losses):** "The annual net losses of KDB shall be offset each year by the reserve, and if the reserve be insufficient, the **deficit shall be offset by the Government**"

# Key Business Areas



## KDB's Business Areas as a Leading Policy Bank



### Corporate Banking

- ✓ Provide funds to expedite long-term facility investments by companies
- ✓ Establish corporate partnerships that spur sustainable growth of key industries and the economy



### Project Finance

- ✓ Engage in domestic and global projects related to infrastructure, power plant, natural resources as well as real estate in order to facilitate regional development



### Restructuring

- ✓ Lead debt restructuring of financially-troubled companies to perform market stabilizing function
- ✓ Alleviate the impact of a potential crisis on the national economy in case of an economic emergency



### Trading

- ✓ Provide derivatives and FX solutions to corporate clients interested in hedging products
- ✓ Utilize the Bank's liquidity to manage the portfolio of domestic and international securities



### Venture Capital

- ✓ Nurture promising start-ups and companies with advanced technologies through investments
- ✓ Make direct/indirect investments to promote new growth companies and industries



### Private Equity

- ✓ Invest and manage portfolio companies through PEFs
- ✓ Supply capital as limited partner through PE and VC funds managed by private fund managers



### Debt Capital Markets

- ✓ Arrange debt offerings for potential Korean issuers and provide advisory services on structured finance
- ✓ Facilitate timely debt capital market stabilization during potential liquidity crunch



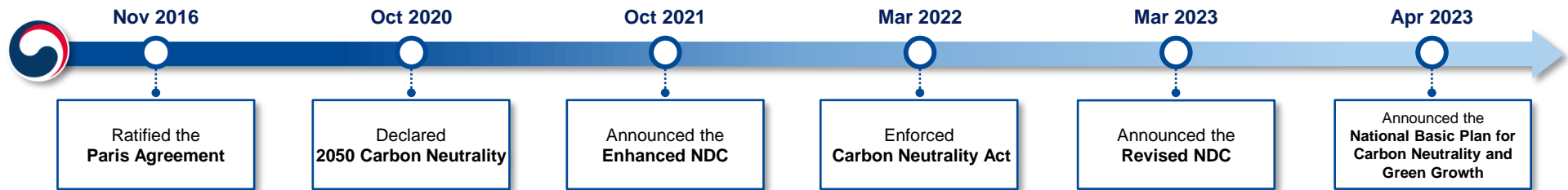
### On-lending

- ✓ Provide long-term & low-interest capital to SMEs through financial intermediaries
- ✓ Operate special lending programs designed to support innovative growth areas

# KDB's ESG Initiatives and Activities



## Key ESG Initiatives and Activities in line with Government's Policies



### KDB's Strategic Initiatives to Accelerate Transition to a Sustainable Economy

#### Goals

- **2030 Green Financing Goals**
  - ✓ Supply KRW 154tn of Green Finance in 2024-2030
  - ✓ Increase share of green finance out of total loan to 28%
  - ✓ Reduce GHG emission by 15% as a commitment to NDC (expected reduction amount: 44mn ton)

#### Governance

- Establishment of a dedicated department as a control tower for KDB's green finance operations (2021)
- Establishment of **ESG Committee** as highest decision-making body for KDB's ESG Initiatives under the Board of Members (2023 4Q)

#### International Participation for Sustainability

- **GCF Accredited Entity:** First & only bank in Korea (2016) to originate climate-related business in developing countries
- **TCFD:** Declared support together with Korea's financial regulators (2021)
- **Equator Principles:** Acted as Asia-Oceania Regional Representative Institution (2021~2023)

#### Credit Review & Risk Management

- Member of Equator Principles Association (2017, first in Korea) and Implementation of **Equator Principle-Aligned E&S Risk Management Process**
- Adoption of **TCFD Recommendations** on climate-related risk reporting (on-going)

#### Loan & Investment

- **Loans:** Support CAPEX through green finance products
- **Investment**
  - ✓ Direct & indirect investment activities
  - ✓ Linked investments by amplifying investor engagement through KDB's IR & accelerating platforms

#### Mobilization

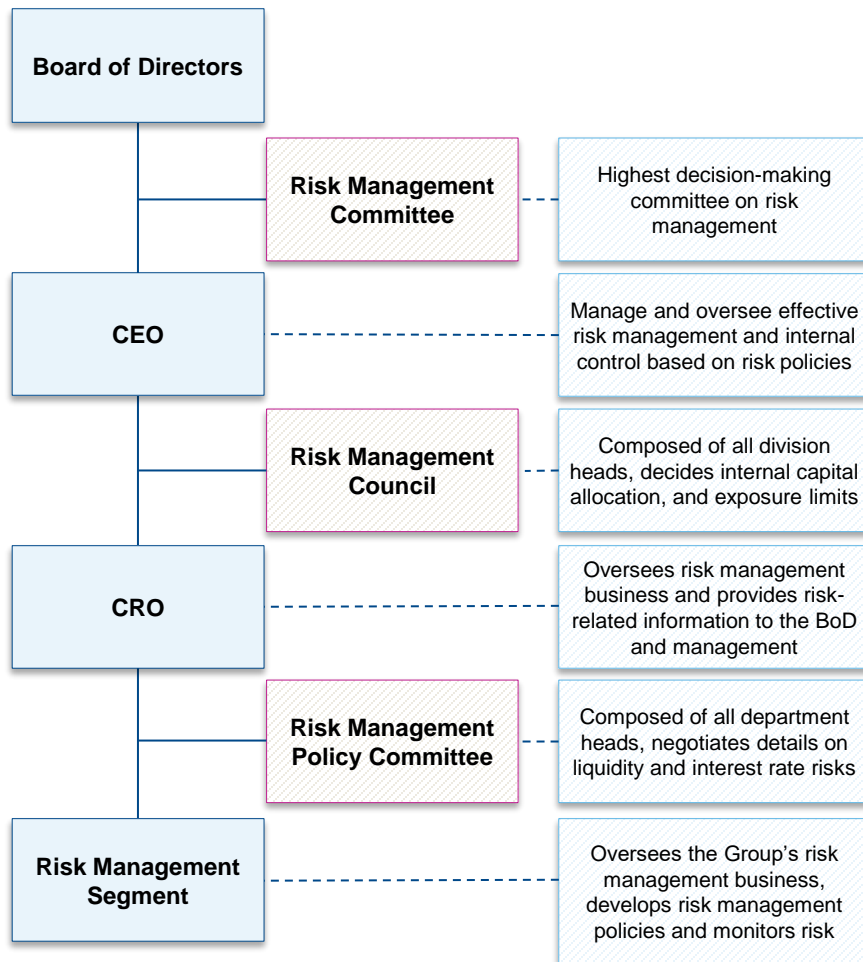
- Issue **Green/Social/Sustainability Bonds** in both domestic and foreign currencies
  - ✓ FCY: KDB Sustainable Bond Framework (2017, updated in 2019), issued foreign currency ESG Bonds since 2017
  - ✓ KRW: K-Green Bond Framework (updated in 2023 2Q), issued KRW ESG Bonds since 2018 (first in Korea)



# Proven Risk Management Policies



## Strong Risk Management Framework



## Advanced Risk Management Policies

### Capital Adequacy Policy

- ✓ The Group sets up and manages an internal capital limit on an annual basis, through the approval of the Risk Management Committee.
- ✓ The Group conducts periodic stress tests more than once every six months to assess potential weakness in crisis situations.

### Credit Risk Management Policy

- ✓ The Group manages credit risk at both portfolio level and at individual credit level.
- ✓ The Group also resets exposure management directives for each industry by conducting industry credit evaluation twice a year.

### Liquidity Risk Management Policy

- ✓ To identify and cope with worsening liquidity risk trends, the Group has set up 15 indexes such as the "Foreign Exchange Stabilization Bond CDS Premium," and measures the trend monthly to establish the allowable liquidity risk limit complementary measures.

## Section 2

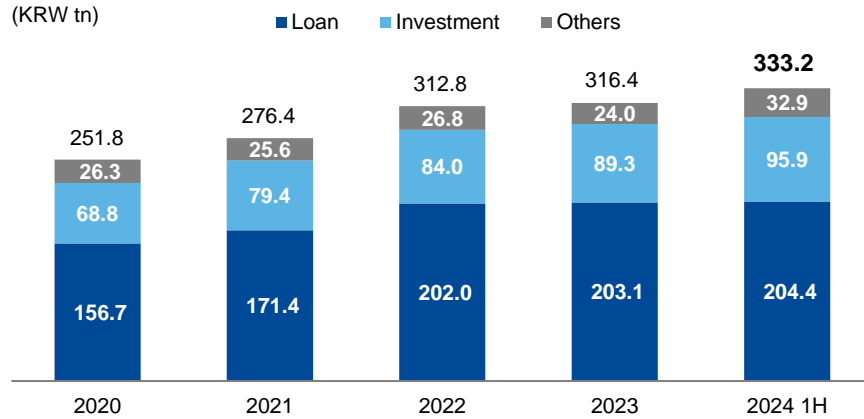
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# Financial Highlights

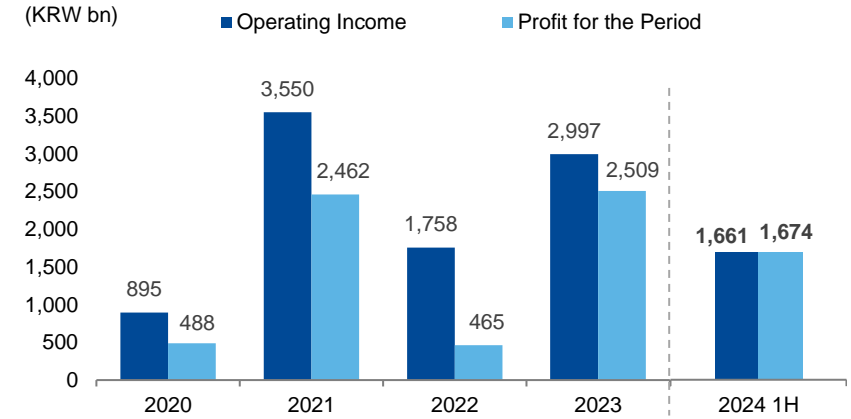
# Asset Quality & Profitability



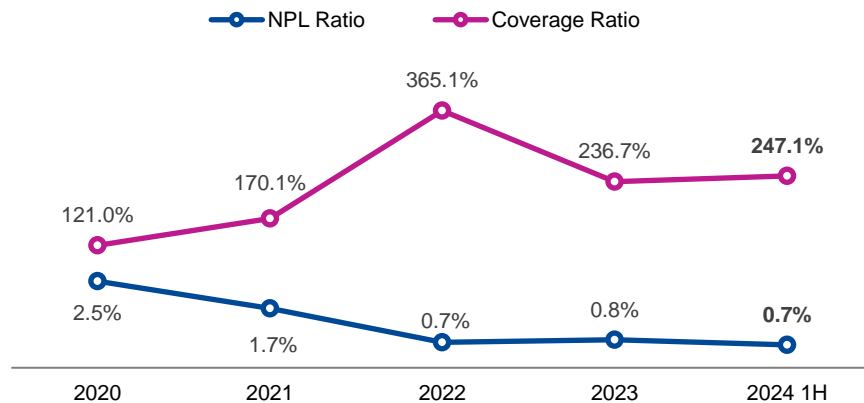
## Total Assets<sup>1,2</sup>



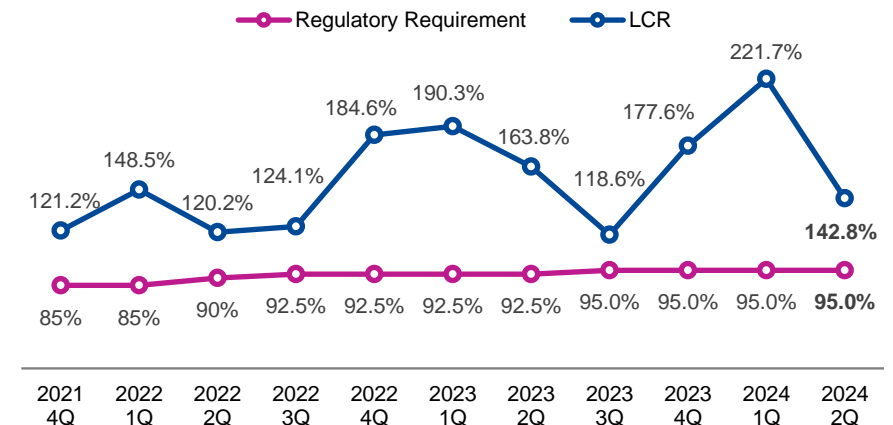
## Operating Performance<sup>1</sup>



## NPL & Provision Coverage Ratio<sup>1</sup>



## Liquidity<sup>1, 3</sup>



Note: (1) All figures are on a non-consolidated basis except for the Liquidity Coverage Ratio ("LCR"); LCRs are on a month average basis as at the end of each quarter.

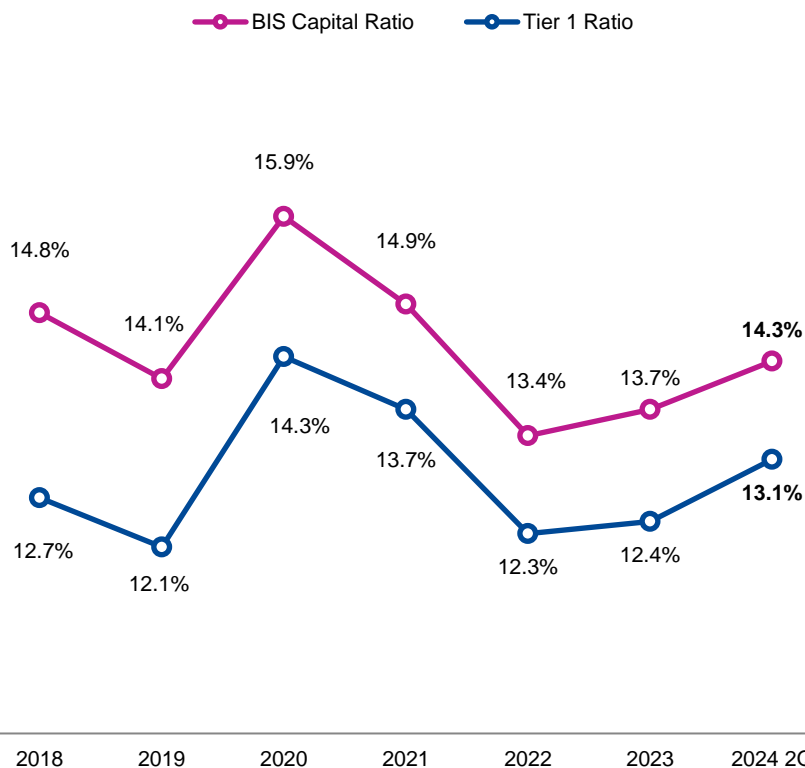
(2) Loan assets include both loans measured at amortized cost and loans measured as fair value through profit or loss.

(3) The Financial Services Commission will gradually increase the LCR regulatory requirement to 100% to encourage banks to support the Korean economy amidst the COVID-19 pandemic. Starting from July 2024 and until December 2024, the LCR requirement is 97.5%.

# Capital Adequacy & Recapitalization



## Capital Adequacy<sup>1</sup>



☑ **BIS Capital Ratio and Tier 1 Capital Ratio remain at a healthy level** based on continued capital injections from the government as well as our recapitalization efforts.

## Recapitalization Efforts

### 1 Regular Capital Injections by the Government

| Year      | Amount (KRW bn) | Related to   |
|-----------|-----------------|--|
| 2010      | 10              | Facility Investment Fund   |
| 2013~2014 | 30              |  |
| 2015      | 2,055           | Corporate Investment Stimulus Program<br>Facility Investment Fund, etc.            |
| 2016      | 308             |  |
| 2017      | 395             | Establishment of Korea Shipping and Maritime Transportation Co. <sup>2</sup> etc.  |
| 2018      | 170             | Establishment of Growth Support Funds<br>Corporate restructuring purposes, etc.    |
| 2019      | 555             |  |
| 2020      | 2,103           | Market Stabilization Program Fund, etc.<br>Market Stabilization Program Fund, etc. |
| 2021      | 1,121           |  |
| 2022      | 1,265           | Korean New Deal Fund, etc.   |
| 2023      | 775             | Sustaining Sound BIS Ratio, Growth Support Fund, etc.                              |
| 2024      | 2,390           | Expansion of Policy Finance Capacity,<br>Innovative Growth Fund, etc.              |

### 2 Issuance of Capital Securities

|   |   |   |  |   |
|---|---|---|--|---|
| <br><b>KDB Bank</b><br><b>KRW 700bn</b><br>4.850%<br>Tier 2<br>11/28/2033<br>Nov 2023 | <br><b>KDB Bank</b><br><b>KRW 380bn</b><br>4.460%<br>Tier 2<br>04/28/2030<br>Apr 2023 | <br><b>KDB Bank</b><br><b>KRW 420bn</b><br>4.610%<br>Tier 2<br>04/27/2033<br>Apr 2023 | <br><b>KDB Bank</b><br><b>KRW 50bn</b><br>5.310%<br>Tier 2<br>11/28/2029<br>Nov 2022 | <br><b>KDB Bank</b><br><b>KRW 450bn</b><br>5.410%<br>Tier 2<br>11/28/2032<br>Nov 2022 |
|---|---|---|--|---|

Note: (1) Capital Adequacy ratios are on a consolidated basis  
 (2) State-owned ship-financing specialized institution, establishment initiated by Ministry of Oceans and Fisheries  
 Source: FSS

# Financial Statement Summary



## Independent Auditors' Report

| Key Income Statement Items (KRW bn)                | 2020           | 2021           | 2022           | 2023           | 2024 1H        |
|--|----------------|----------------|----------------|----------------|----------------|
| Interest Income                                    | 4,442          | 4,125          | 6,847          | 11,489         | 6,125          |
| Interest Expense                                   | (3,162)        | (2,467)        | (5,103)        | (9,928)        | (5,562)        |
| <b>Net Interest Income</b>                         | <b>1,280</b>   | <b>1,659</b>   | <b>1,744</b>   | <b>1,562</b>   | <b>563</b>     |
| Net Fees and Commission Income                     | 333            | 347            | 454            | 410            | 234            |
| <b>Net Non-Interest Income</b>                     | <b>1,620</b>   | <b>3,555</b>   | <b>1,151</b>   | <b>1,457</b>   | <b>1,107</b>   |
| <b>Total Income</b>                                | <b>2,900</b>   | <b>5,214</b>   | <b>2,895</b>   | <b>3,019</b>   | <b>1,670</b>   |
| Provision for (Reversal of) Credit Losses          | 1,216          | 847            | 260            | (803)          | (379)          |
| General and Administrative Expenses                | 789            | 816            | 876            | 824            | 388            |
| <b>Operating Income</b>                            | <b>895</b>     | <b>3,550</b>   | <b>1,758</b>   | <b>2,997</b>   | <b>1,661</b>   |
| Net Non-Operating Income (Expense)                 | (274)          | 105            | (1,165)        | 265            | 372            |
| Profit before Income Tax                           | 621            | 3,655          | 593            | 3,262          | 2,032          |
| Tax Expenses and Loss from Discontinued Operations | 133            | 1,194          | 128            | 753            | 358            |
| <b>Profit for the Period</b>                       | <b>488</b>     | <b>2,462</b>   | <b>465</b>     | <b>2,509</b>   | <b>1,674</b>   |
| Key Balance Sheet Items (KRW bn)                   | 2020           | 2021           | 2022           | 2023           | 2024 1H        |
| Cash and due from Banks                            | 10,529         | 11,976         | 11,539         | 8,660          | 12,681         |
| Loans  | 156,735        | 171,408        | 202,032        | 203,067        | 204,432        |
| <b>Total Assets</b>                                | <b>251,852</b> | <b>276,422</b> | <b>312,845</b> | <b>316,362</b> | <b>333,207</b> |
| Deposits   | 45,879         | 52,792         | 68,327         | 65,898         | 68,797         |
| Borrowings   | 18,888         | 22,064         | 25,429         | 27,746         | 32,515         |
| Debentures   | 138,319        | 145,365        | 158,712        | 156,934        | 158,758        |
| <b>Total Liabilities</b>                           | <b>221,470</b> | <b>239,919</b> | <b>277,177</b> | <b>277,449</b> | <b>290,688</b> |
| <b>Total Equity</b>                                | <b>30,382</b>  | <b>36,503</b>  | <b>35,668</b>  | <b>38,912</b>  | <b>42,519</b>  |

Note: Financial data shown is based on non-consolidated basis  
 Source: Financial statements prepared by KDB as of June 30, 2024

## Section 3

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# Funding Activities & Track Record

# Foreign Currency Funding Activities



## KDB's Strategy

### Renowned Global Bond Issuer with Established Benchmarks

- ✓ Strategic financing & execution in response to market development
- ✓ Pave way for Korean issuers of various credits in the international capital markets as a leading benchmark issuer in Korea

### Explore Various Currency Markets to Diversify Funding Base

- ✓ Regularly visit diverse markets to explore new types of investors
- ✓ Contemplate new products and pioneer unexplored markets

### Expand Funding Sources through Private Placement

- ✓ Frequent issuances in various currencies via GMTN Program for timely funding and continuous communication with potential investors

### Relationship-based Bank Loans from Top FIs

- ✓ Act as a contingency funding plan in case of market disruption

## 2<sup>nd</sup> Largest G2 Currency Issuer among APAC SSA<sup>1</sup>

| Rank | Issuer   | Issuance Amount (USD mn) |
|------|----------|--------------------------|
| 1    | ADB      | 22,014                   |
| 2    | KDB Bank | 11,067                   |
| 3    | AiIB     | 5,832                    |
| 4    | KEXIM    | 5,036                    |
| 5    | JBIC     | 4,041                    |
| 6    | DBJ      | 2,761                    |

## Funding Programs<sup>2</sup>

| Programs              | Size                   | Major Currency | Target Maturities |
|-----------------------|------------------------|----------------|-------------------|
| <b>Capital Market</b> |                        |                |                   |
| <b>US Shelf</b>       | USD 11.8bn (remaining) | USD, EUR       | 2 – 10 year       |
| <b>Global MTN</b>     | USD 30bn               | Multi-currency | 1 - 30 year       |
| <b>JPY Shelf</b>      | JPY 600bn              | JPY            | 2 – 10 year       |
| <b>AUD MTN</b>        | AUD 5bn                | AUD, NZD       | 3 – 10 year       |
| <b>MYR MTN</b>        | MYR 3.5bn              | MYR            | 2 – 10 year       |
| <b>MXN Shelf</b>      | MXN 8bn                | MXN            | 2 – 10 year       |
| <b>Money Market</b>   |                        |                |                   |
| <b>USCP</b>           | USD 5bn                | USD            | 1 – 397 days      |
| <b>ECP</b>            | USD 12bn               | Multi-currency | 7 – 364 days      |
| <b>Samurai CP</b>     | JPY 200bn              | JPY            | < 1 year          |

Note: (1) Issuance in 2024, as of November 2024

(2) As of November 2024

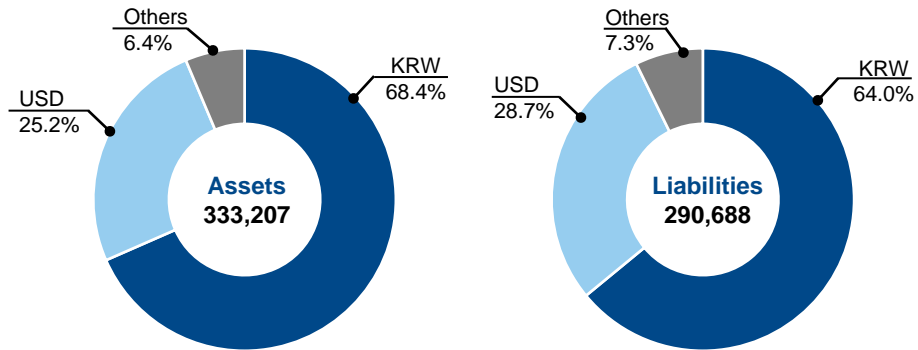
Source: Bloomberg

# Foreign Currency Funding Track Record

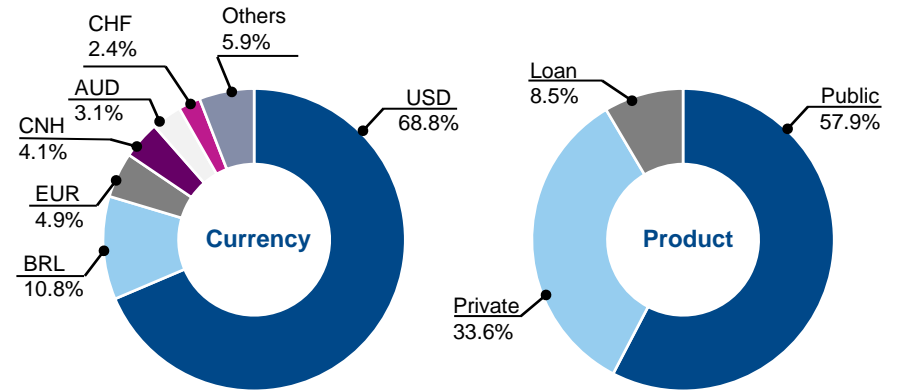


## Asset & Liability by Currency<sup>1</sup>

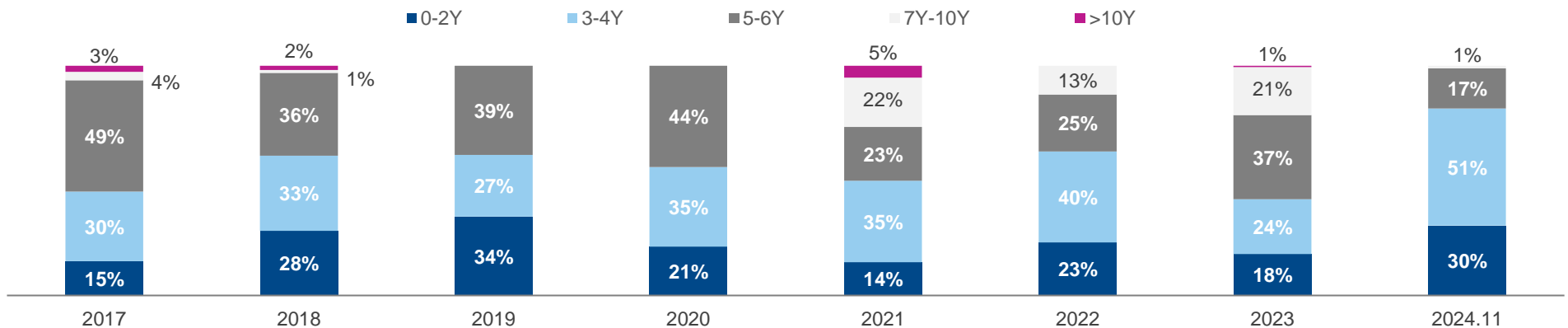
(KRW bn)



## Active Foreign Currency Bond Issuance<sup>2</sup>



## Foreign Currency Issuances with Well-distributed Maturity<sup>3</sup>



Note: (1) KDB, as of 30 June, 2024, Financial data shown is based on non-consolidated basis

(2) KDB, from January 2020 to November 2024

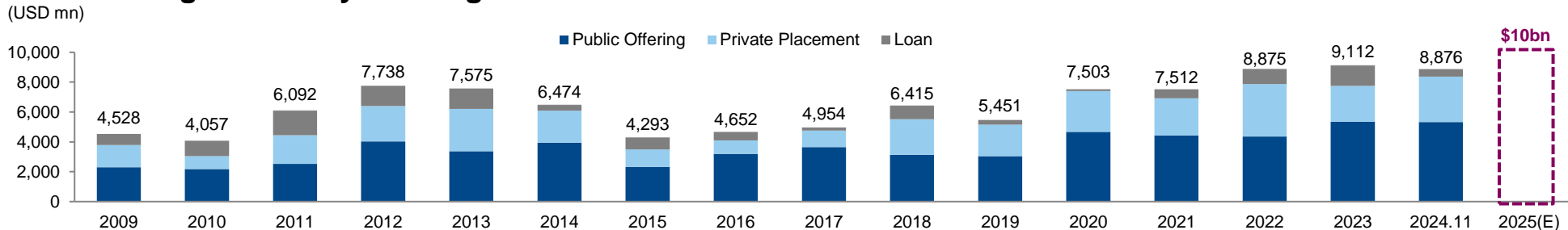
(3) Bloomberg, as of November, 2024



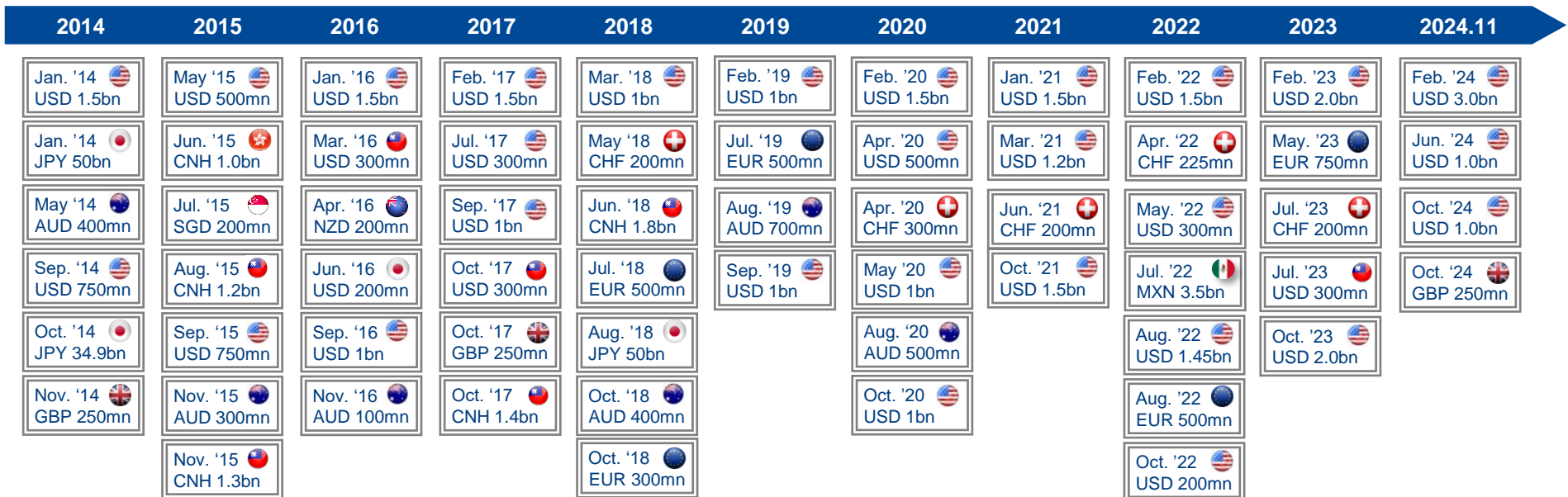
# Foreign Currency Funding Track Record (cont'd)



## Active Foreign Currency Funding



## KDB's Solidified Position as a Frequent Issuer in the Major Currency Public Offering Markets



# Foreign Currency Funding Track Record (cont'd)



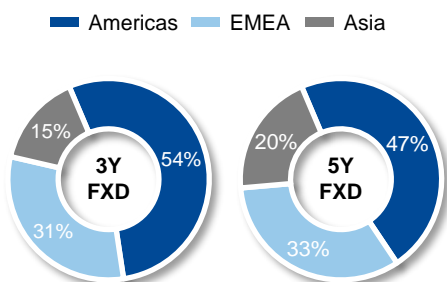
## KDB's US\$3.0bn Senior Unsecured Notes (Feb 2024)

| Tranche                 | 3Y FXD                                     | 5Y FXD               |
|-------------------------|--|----------------------|
| Issuer                  | Korea Development Bank ("KDB")             |                      |
| Issuer Ratings (M/S/F)  | Aa2 (Stable) / AA (Stable) / AA- (Stable)  |                      |
| Issue Ratings           | Aa2 by Moody's / AA by S&P / AA- by Fitch  |                      |
| Ranking                 | Senior Unsecured                           |                      |
| Format                  | SEC-registered                             |                      |
| Issue Date              | 15 February, 2024                          |                      |
| Issue Price             | 99.839%                                    | 99.575%              |
| Coupon Rate             | 4.625%                                     | 4.500%               |
| Initial Price Guidance  | SOFR MS + 69bps area                       | SOFR MS + 81bps area |
| Issue Spread            | SOFR MS + 66bps                            | SOFR MS + 78bps      |
| Currency / Size         | USD 1.75bn                                 | USD 1.25bn           |
| Use of Proceeds         | General Corporate Purposes                 |                      |
| Listing / Governing Law | LSE, LuxSE, SGX, STU, TRACE / New York law |                      |

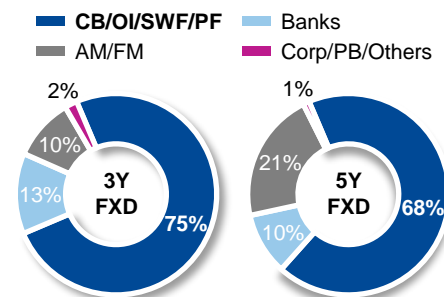
## KDB's US\$1.0bn Senior Unsecured Notes (Oct 2024)

|                         | 3Y FXD                                    |
|-------------------------|---|
| Issuer                  | Korea Development Bank ("KDB")            |
| Issuer Ratings (M/S/F)  | Aa2 (Stable) / AA (Stable) / AA- (Stable) |
| Issue Ratings           | Aa2 by Moody's / AA by S&P / AA- by Fitch |
| Ranking                 | Senior Unsecured                          |
| Format                  | SEC-Registered                            |
| Issue Date              | 8 October, 2024                           |
| Issue Price             | 99.657%                                   |
| Coupon Rate             | 4.125%                                    |
| Initial Price Guidance  | SOFR MS + 62bps area                      |
| Issue Spread            | SOFR MS + 60bps                           |
| Currency / Size         | USD 1.0bn                                 |
| Tenor                   | 3-year                                    |
| Use of Proceeds         | General Corporate Purposes                |
| Listing / Governing Law | Euro MTF, ISM, SGX-ST / New York Law      |

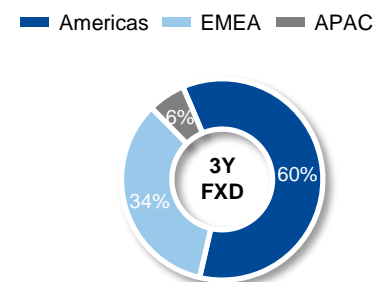
### By Geography



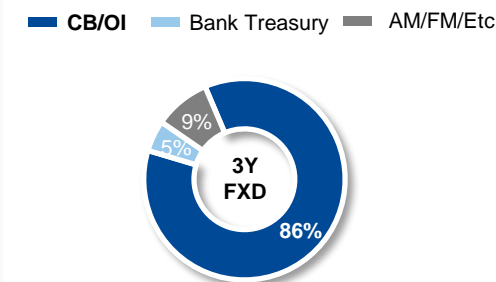
### By Investor Type



### By Geography



### By Investor Type

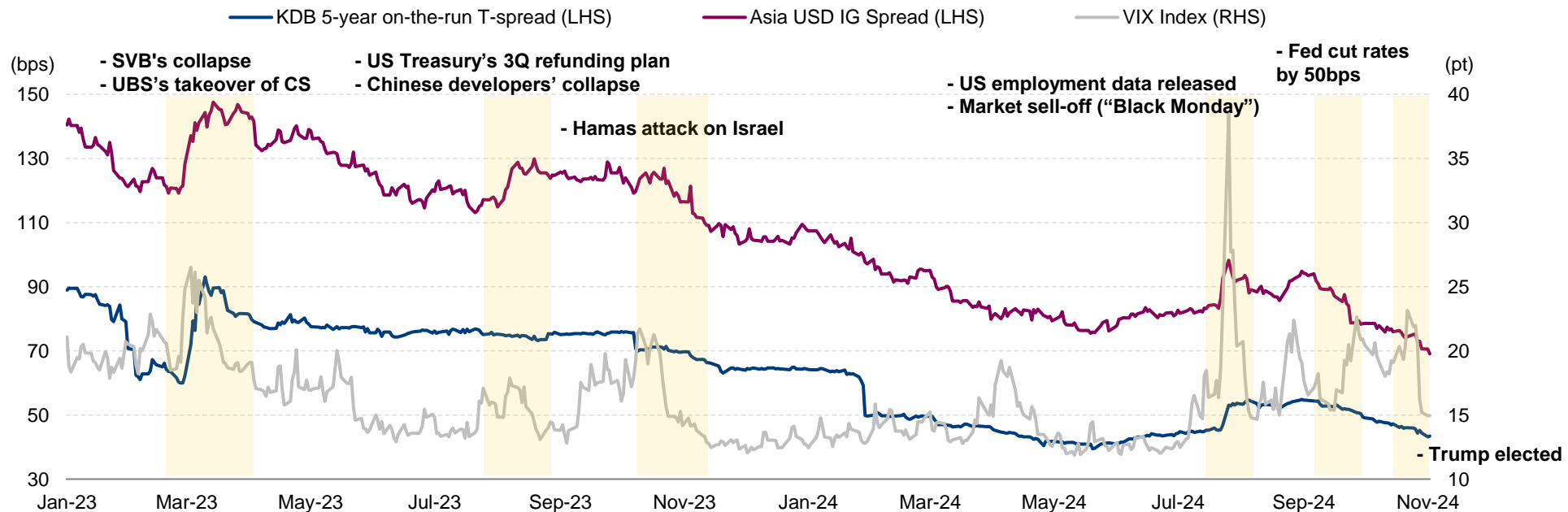


# KDB Bonds' Resilience to Market Volatility



## KDB bonds have shown high stability amid increasingly volatile market conditions

- ✓ In March 2023, while overall Asian IG spreads remained elevated in the aftermath of SVB's failure, KDB spreads managed to turn back downward within a week.
- ✓ During a period of heightened volatility in August 2023, following the U.S. Treasury's announcement of increased long-term debt issuance and defaults of Chinese developers, KDB spreads remained highly stable.
- ✓ Despite the market sell-off in August 2024 driven by concerns over economic recession following release of unfavorable US employment data, KDB spreads demonstrated resilient performance.



Source: Bloomberg, as of 12 November, 2024

Note: KDB 5 year on-the-runs consisting of KDB 2.25% 02/24/27 (2023.1.3-2023.2.13), KDB 4.375% 02/15/28 (2023.2.14-2023.10.17), KDB 5.375% 10/23/28 (2023.10.18-2024.2.7), KDB 4.500% 02/15/29 (2024.2.8-2024.11.12)

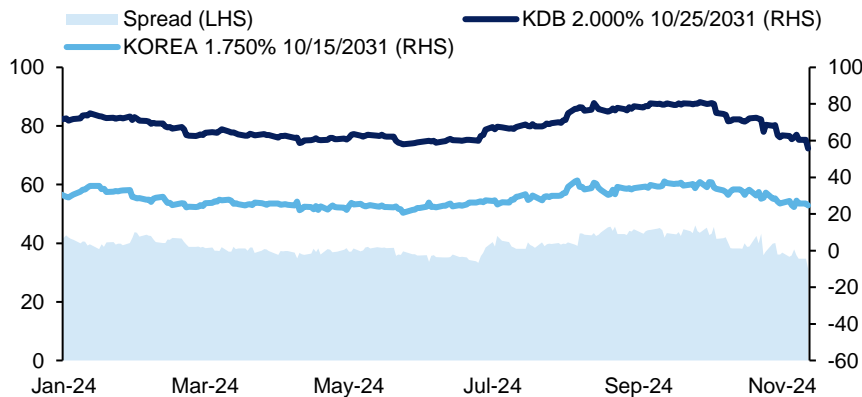
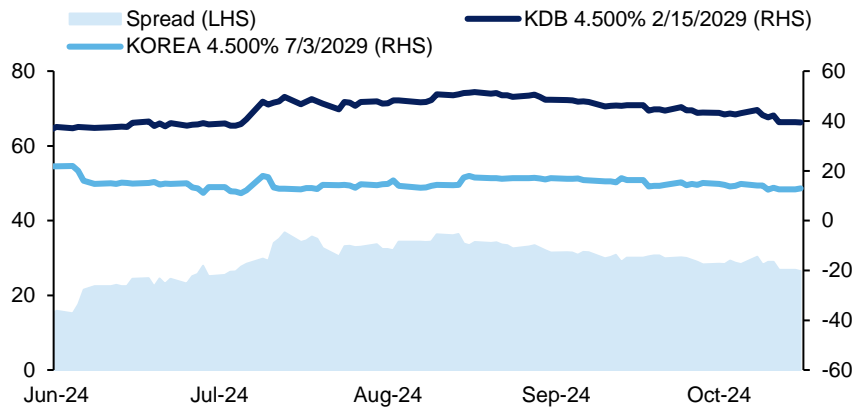
# Attractive Relative Value



## KDB bonds offer generous spreads compared to its SSA peers

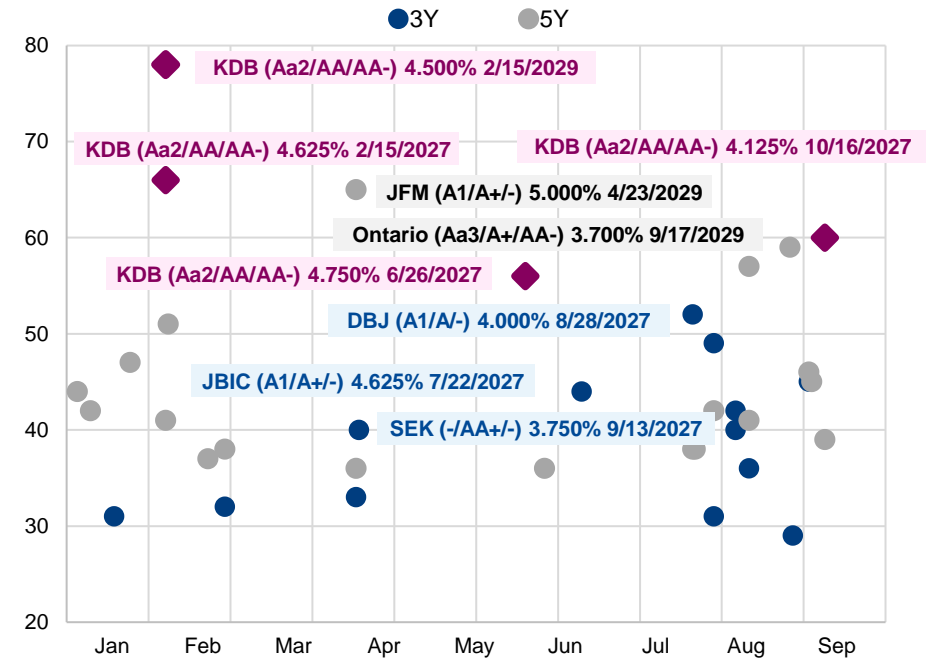
### Pick-up over Korean Government Bonds<sup>1</sup>

(G-spread, bps)



### Launch Spread Compared to Other USD SSA (2024)

(MS-spread, bps)



The price of KDB bonds does not fully reflect KDB's credit quality which leads to an attractive pick-up compared to other similarly rated or even lower rated SSA peers.

Source: Bloomberg, as of 12 November, 2024

Note: (1) Secondary levels based on Bloomberg BVAL Bid G-Spread

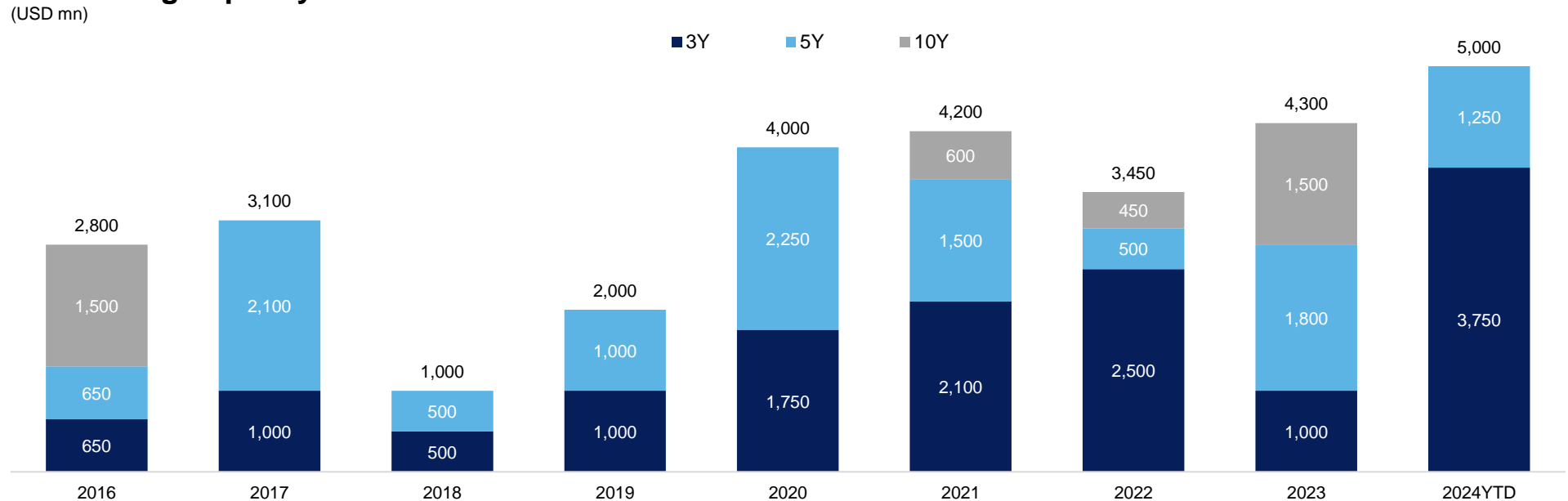
# Commitment to Liquidity



## KDB will continue to maintain liquid USD benchmark curves

- ☑ Continue issuing an average of 3 USD benchmarks annually
- ☑ USD public bonds listed on various stock exchanges
- ☑ 20+ lead managers have participated in USD benchmark transactions
- ☑ Broad orderbook diversification (more than 130 investors bought KDB's USD public trades in 2024)

### Broadening Liquidity Across the Curve<sup>1</sup>



Source: KDB, as of 29 November, 2024

Note: (1) Including only USD-denominated public bond issuances



# Appendix I

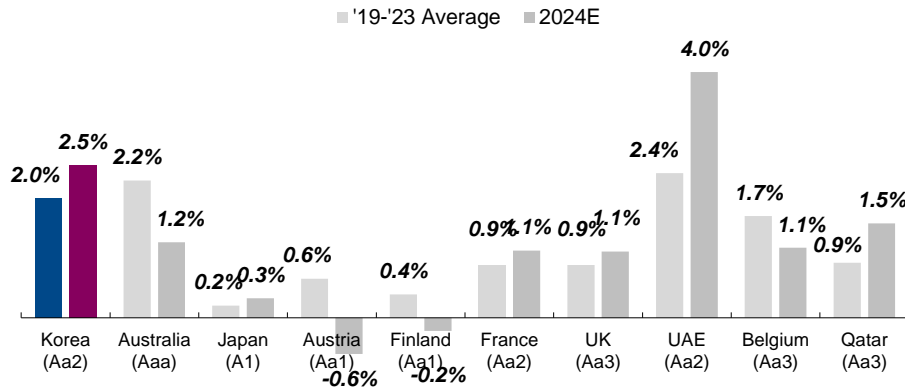
## Korean Economy

# Strong Macroeconomic Fundamentals

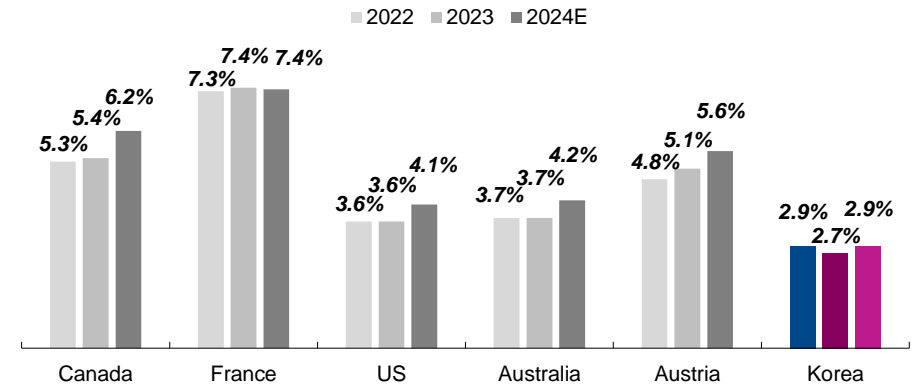


## Korean economy remains resilient compared to major economies

### Robust GDP Growth<sup>1,2</sup>

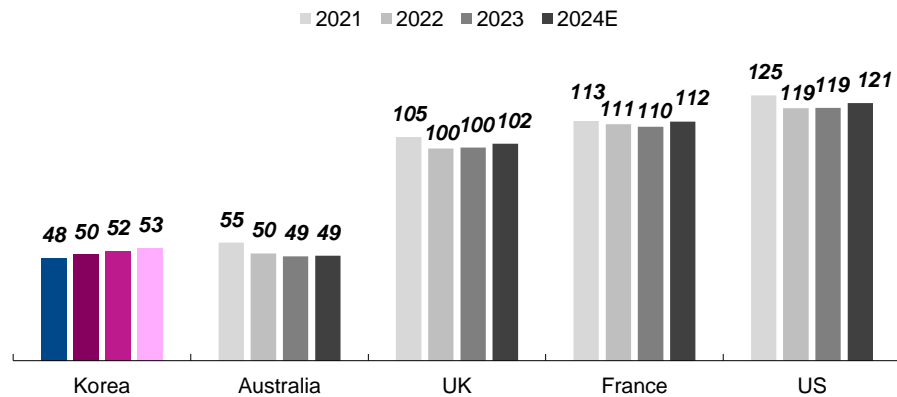


### Low Unemployment Rate<sup>1</sup>



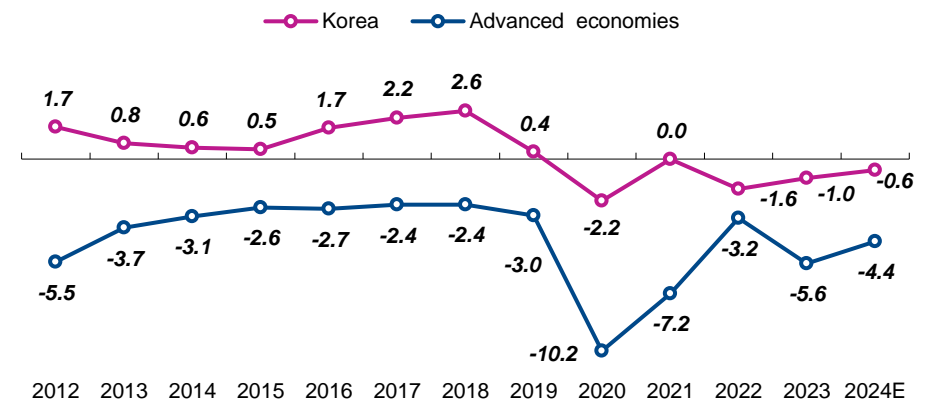
### Sovereign Debt-to-GDP<sup>3</sup>

(Gross Debt, % of GDP)



### Fiscal Balance Trend<sup>4</sup>

(% of potential GDP)



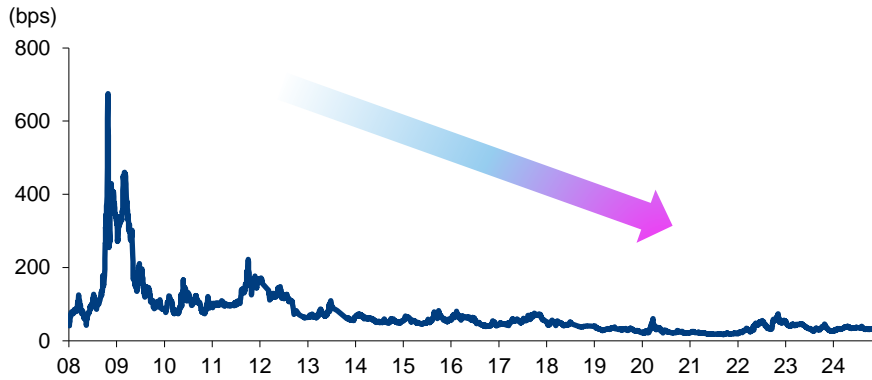
Source: (1) IMF World Economic Outlook, as of October 2024  
 (2) GDP (constant prices) average percent growth for 2019-2023  
 (3) IMF Fiscal Monitor, as of October 2024  
 (4) IMF Fiscal Monitor, April 2024

# Strong Macroeconomic Fundamentals (Cont'd)

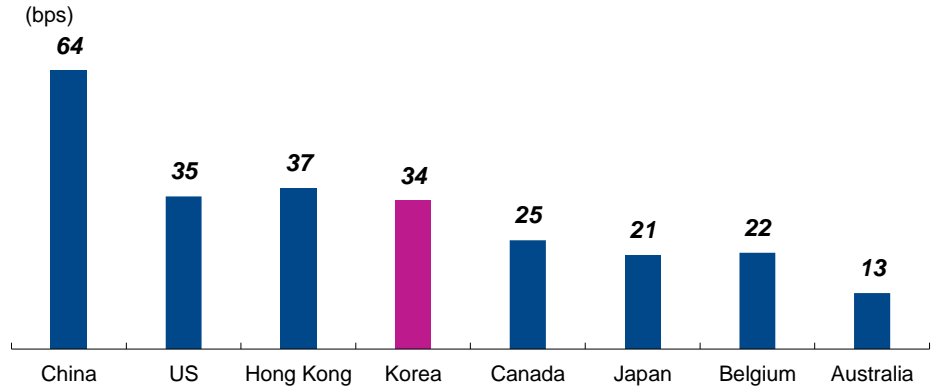


The Korean financial market has exhibited a stable performance amid global market volatility

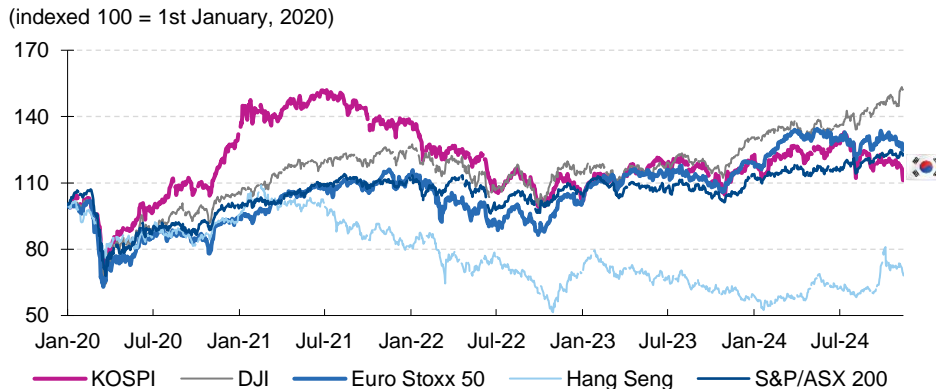
## Korea 5-year CDS Premium



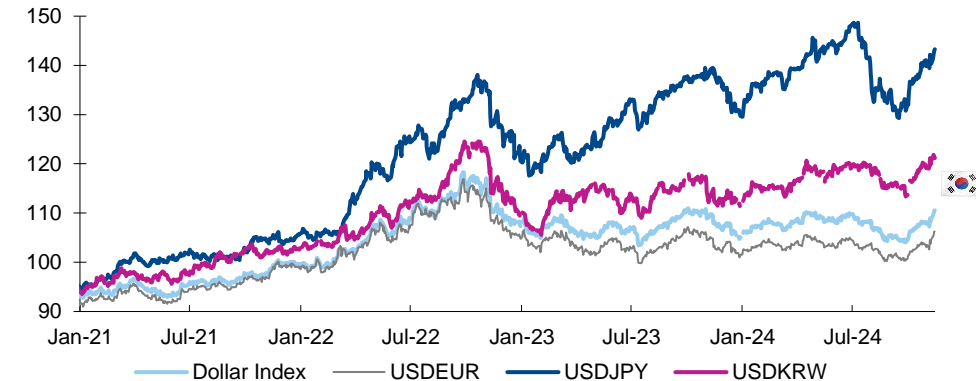
## Comparison of 5-year CDS Premium<sup>1</sup>



## Resilience of Korean Equity Market



## Stabilized FX Rates





# Strong Macroeconomic Fundamentals (cont'd)



## Inflation showing a steady declining trend and labor market at its historically most robust point

### Korea CPI Trend<sup>1</sup>



### BOK Statement on Monetary Policy Decision<sup>2</sup>

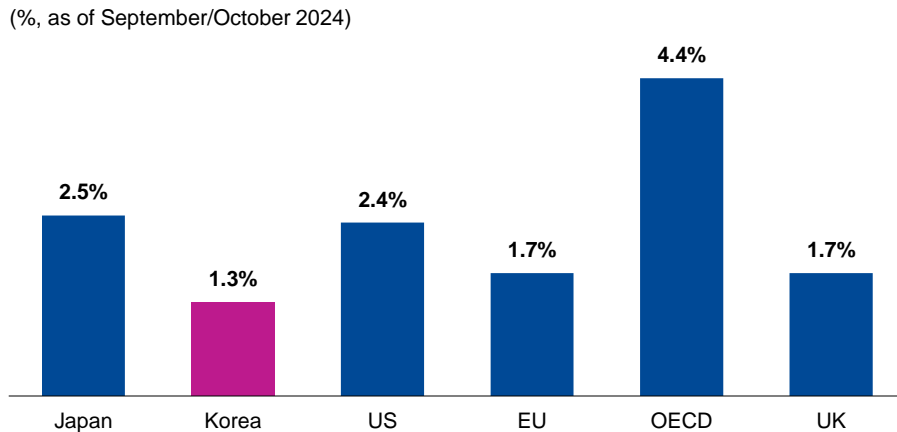
"The Monetary Policy Board of the Bank of Korea decided today to **lower the Base Rate by 25 basis points, from 3.50% to 3.25%**.

(...)  
 In terms of the domestic economy, exports have continued to increase while the recovery in domestic demand has been slow. Looking at labor market conditions, although the increasing trend in the number of employed persons has gradually slowed, the unemployment rate has remained at a low level. Going forward, the domestic economy is expected to continue its trend of moderate growth.

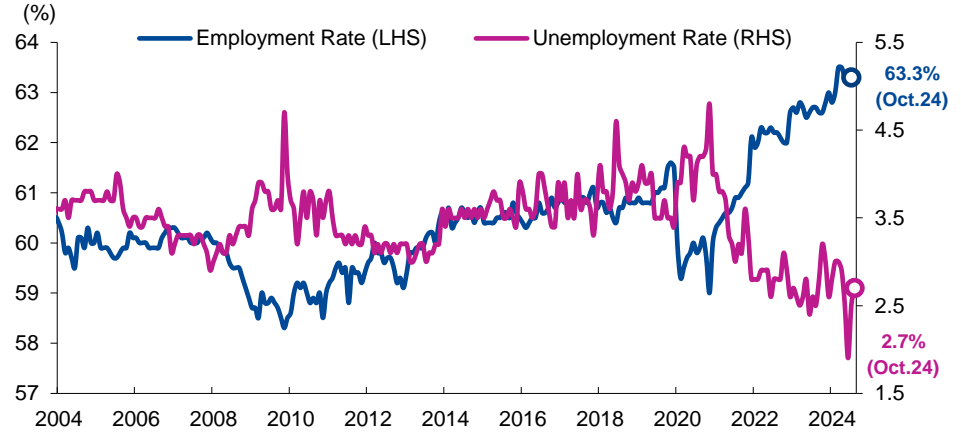
(...)  
 Core inflation is expected to remain stable at around 2%, and it is projected to be consistent with the August forecast of 2.2% this year."

11 October, 2024

### Major G20 Countries Inflation Comparison<sup>3</sup>



### Labor Market Indicator Trends<sup>2</sup>



Source: (1) the Bank of Korea, as of November 2024  
 (2) the Bank of Korea, as of November 2024  
 (3) Bloomberg, as of 14 November, 2024; OECD, as of November 2024

# Sound External Resilience

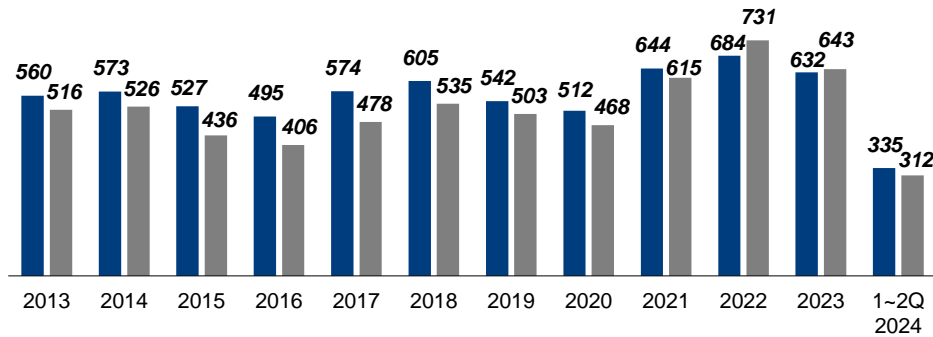


## Korea maintains sound external resilience based on low external debt and abundant FX reserves

### Export & Import Trend<sup>1</sup>

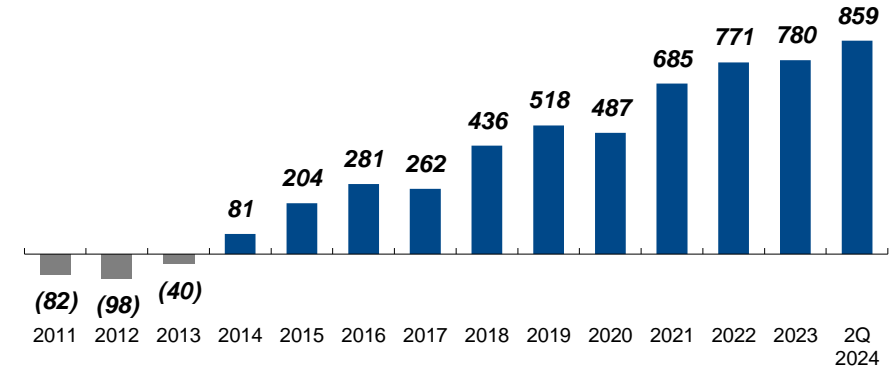
(USD bn)

■ Export ■ Import



### Net International Investment Position Trend<sup>2</sup>

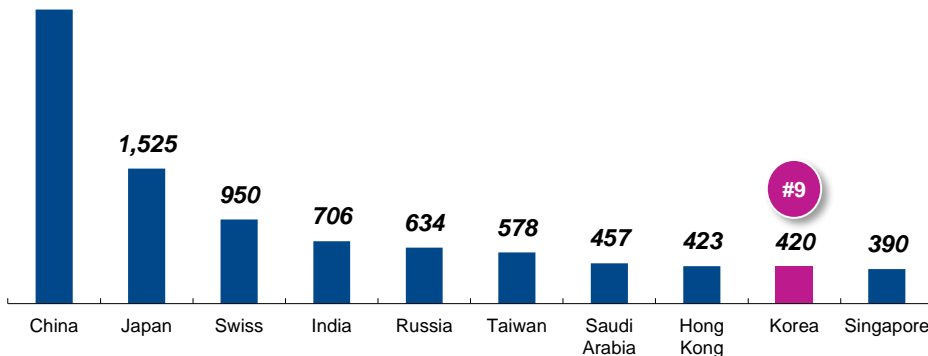
(USD bn)



### 9<sup>th</sup> Largest FX Reserve in the World<sup>3</sup>

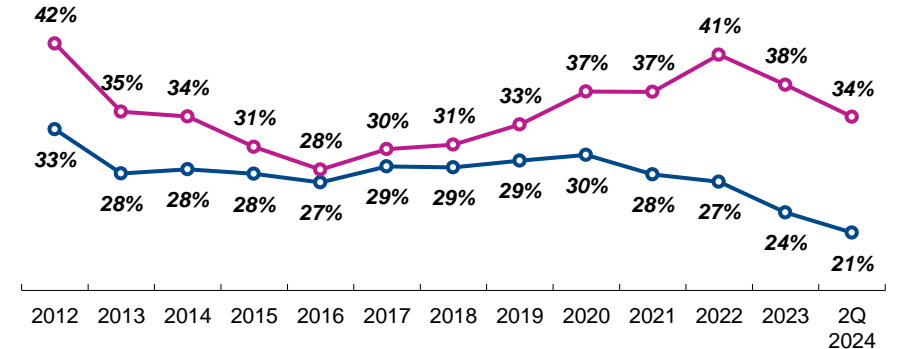
(USD bn)

3,316



### Sound External Debt Structure<sup>3</sup>

—○— ST External Debt / Total External Debt    —○— ST External Debt / Foreign Reserves



Source: (1) Korea Customs Service, as of June 2024  
 (2) the Bank of Korea, as of July 2024  
 (3) the Bank of Korea, as of October 2024  
 (4) the Bank of Korea, as of August 2024

# Korean Economy Overview



## Rating agencies recognize Korea's financial resiliency, economic flexibility, and growth potential

**MOODY'S INVESTORS SERVICE**

**Government of Korea - Aa2 stable**  
Update following rating affirmation, outlook unchanged

**CREDIT OPINION**  
13 May 2024

**Summary**  
Moody's affirmed its Aa2 stable rating on the Government of Korea, reflecting its confidence in the country's economic strength, despite rising government debt and high interest rates. Moody's affirmed its Aa2 stable rating on the Government of Korea, reflecting its confidence in the country's economic strength, despite rising government debt and high interest rates. Moody's affirmed its Aa2 stable rating on the Government of Korea, reflecting its confidence in the country's economic strength, despite rising government debt and high interest rates.

**Key Rating Drivers**

- High degree of economic flexibility and growth potential
- Robust external finances, including a large net external creditor position
- High degree of economic flexibility and growth potential

**Credit Challenges**

- Rising government debt and high interest rates
- High degree of economic flexibility and growth potential

**13 May, 2024**

*“Our “aa2” assessment of Korea's economic strength is based on the economy's size, diversity and sustained competitiveness, which together provide a backdrop for reasonably strong medium-term growth and continued convergence of per capita income with advanced economy peers.*

*The score is set one notch above an initial score of “aa3” to reflect the high degree of economic flexibility and Korea's strong rankings on innovation and complexity relative to peers – factors that support overall economic strength.”*

**S&P Global Ratings**

**RatingsDirect®**

**Korea 'AA/A-1+' Ratings Affirmed; Outlook Stable**  
April 30, 2024

**Research Update**

**Overview**  
We raised Korea's external growth to investment of 2.3% from 1.6% in 2023. Over the next three years, we expect Korea's external growth to remain positive, reflecting its strong economic fundamentals and high degree of economic flexibility.

**Outlook**  
We expect Korea's external growth to remain positive, reflecting its strong economic fundamentals and high degree of economic flexibility.

**Rating Action**  
On April 30, 2024, S&P Global Ratings affirmed its 'AA' long-term and 'A-1' short-term foreign and local currency debt ratings on Korea. The ratings are based on the country's strong economic fundamentals and high degree of economic flexibility.

**Dispositive scenario**  
We expect Korea's external growth to remain positive, reflecting its strong economic fundamentals and high degree of economic flexibility.

**30 April, 2024**

*“The stable rating outlook reflects our expectation that Korea will maintain average credit rates that are higher than most other high-income economies over the next three to five years.*

*We also anticipate that the general government deficit will remain low over the next three years. We believe geopolitical risks on the Korean peninsula will not escalate to the point of hurting the country's economic fundamentals.”*

**Fitch Ratings**

**Korea**

**Key Rating Drivers**

- Robust external finances, including a large net external creditor position
- High degree of economic flexibility and growth potential
- Robust external finances, including a large net external creditor position

**Current Rating**  
Aa2

**Outlook**  
Stable

**26 March, 2024**

*“Korea's rating balances robust external finances, resilient macroeconomic performance and a dynamic export sector against geopolitical risks related to North Korea, lagging governance indicators and structural challenges from an ageing population.*

*Korea's robust external finances are underpinned by its history of persistent current account surpluses that supports a large net external creditor position of 22% of GDP.”*

# Enhancing Economic Vitality



## Discovering future growth drivers via various policies and government-supported growth models

### Policy Measures for Investments

#### Taxation and Fiscal Policy

- ✓ **1%p reduction** in corporate tax brackets
- ✓ **25%+α tax benefit** for investments in national strategic technology
- ✓ **+10%p temporary increase in tax incentives for R&D investment** by each company size

#### Financial & Fiscal Support

- ✓ **Inject facility investment funds worth KRW 52tn**, the largest amount ever to **foster the High5+** (i.e. semiconductor, secondary battery, biotech, future mobility, and hydrogen)
- ※ Financial support up to **1.3%p on preferential rates**

#### Industrial Ecosystem Development

- ✓ Create the **world's largest system semiconductor cluster**
- ✓ **Boost companies' reshoring** by raising the upper limit of subsidies
- ✓ Enhance support for attracting **the largest-scale foreign investment ever (\$35 bn)**

### Future Growth Drivers

#### New Growth Strategy 4.0

##### New Technology

- Future Mobility
- Independent Space Exploration
- Quantum Technology
- Future Healthcare
- New Energy Technologies

##### New Markets

- NO.1 in Strategic Industry
- Bio-Innovation
- K-Culture Tourism
- Fostering Korea's Disney
- Expanding Overseas Orders

##### New Lifestyle

- Digital Everywhere
- Net Zero Cities
- Smart Grid
- Next-Generation Logistics
- Smart Farming/Fisheries

#### All-Round Government Support

##### Shore up R&D Innovation

- Increase global R&D investments in advanced industries (KRW 0.5tn → 1.8tn)
- Expand research opportunities for young scientists and strengthen their capabilities
- Substantially raise incentives to attract global R&D centers

##### Foster Key Advanced Industries (the High5+)

- Provide policy finance totaling over KRW 150tn for the next 3 years
  - Promptly create the advanced industry clusters\* and provide tailored support for each stage of the creation
- \* 15 National high-tech clusters, 2 Global innovation zones

##### Build a Growth Ladder for SMEs & Ventures

- Extend the period of tax benefits (3 → 5 years) to assist SMEs' growth into middle market enterprises
- Establish relevant laws and basic plans for enhancing productivity in SMEs
- Develop a new growth roadmap for venture enterprises in 2024



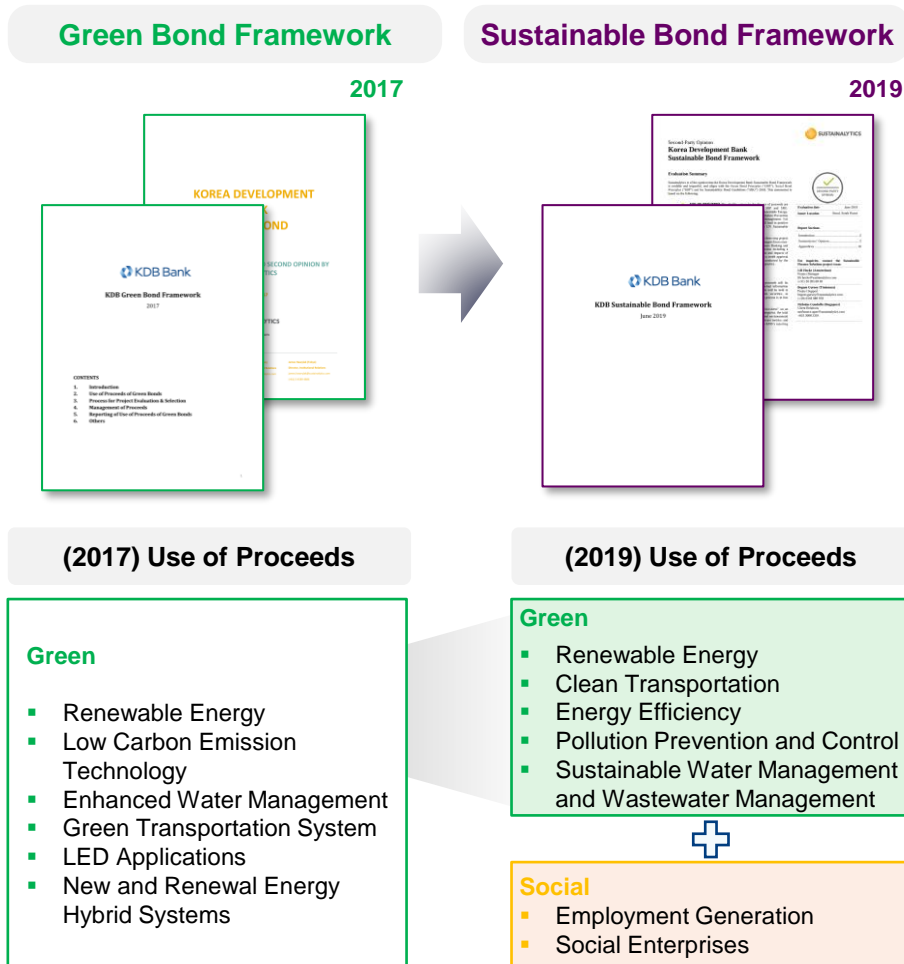
## **Appendix II**

# **KDB's Sustainability Bond Framework**

# KDB Sustainable Bond Framework



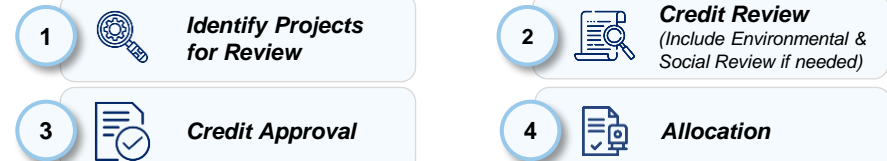
## KDB Sustainable Bond Framework



## Project Evaluation and Selection

- KDB's business units, including the Project Finance Division, Corporate Banking Division, SME Banking Division and On-Lending Banking Department, engage in the overall evaluation and selection of eligible projects
- Upon approval of the project by the Credit Committee, business units submit a request to the Treasury Department to finance approved projects. The Treasury Department then allocates the proceeds to the project if the project falls under the eligible projects

### Selection Process:



## Management of Proceeds

### Management

- The Proceeds will be managed by KDB's Treasury Department
- Upon confirmation of the eligible projects for allocation, the Treasury Department will record the proceeds in the internal information system in accordance with the financing schedule of the respective eligible projects. These eligible projects will then be earmarked as allocated to the proceeds

### Unallocated Proceeds

- If the proceeds are not fully allocated, the Treasury Department will periodically inquire with the business units with regard to the drawdown of funds to the eligible projects
- Pending allocation, the proceeds may be invested in cash, cash equivalents and/or marketable securities, in accordance with our cash management policies

# KDB's ESG Bond Issuance



## Regular Green, Social, and Sustainability Bond Issuer since its Inaugural Issue in 2017

| Issue Year | Bond                            | Total Issue Size <sup>1</sup>            | # of issue             | Use of Proceeds  |
|------------|---------------------------------|--|------------------------|--|
| 2024       | Green / Social                  | KRW 2,000bn                              | 7                      | Green: Secondary battery projects, clean transportation projects, resource circulation<br>Social: Job creation   |
|            | Green                           | USD 44mn                                 | 1                      | Green: Renewable energy and/or clean transportation related projects   |
| 2023       | Green                           | KRW 300bn                                | 1                      | Clean transportation (EV battery) projects; and carbon capture utilization & storage project   |
| 2022       | Green                           | KRW 500bn                                | 2                      | Renewable energy and/or clean transportation (EV battery) related projects   |
|            |                                 | USD 818mn                                | 7                      | Renewable energy production facilities and/or other eligible categories  |
| 2021       | Green / Social / Sustainability | KRW 1,610bn                              | 8                      | Green: Project for construction of solar power generation facilities; and rail-roads<br>Social: COVID-19 Pandemic Support (SMEs & SOHOs)<br>Sustainability: Renewable energy related projects and job creation |
|            | Green                           | USD 2,037mn                              | 6                      | Renewable energy and/or clean transportation (EV battery) related projects   |
| 2020       | Green / Social                  | KRW 1,200bn                              | 4                      | Green: Solar power generation facilities; and rail-roads<br>Social: COVID-19 Pandemic Support (SMEs & SOHOs)   |
|            | Social                          | USD 500mn                                | 1                      | COVID-19 Pandemic Support (SMEs & SOHOs)   |
| 2019       | Social / Sustainability         | KRW 800bn                                | 3                      | Social: Job creation<br>Sustainability: Renewable energy related projects and job creation   |
|            | Green                           | USD 555mn                                | 1                      | Renewable energy related projects  |
| 2018       | Green / Social                  | KRW 600bn                                | 2                      | Green: Solar power generation facilities; and rail-roads<br>Social: Job creation   |
| 2017       | Green                           | USD 300mn                                | 1                      | Renewable energy related projects  |
|            | <b>Accumulated</b>              | <b>USD 4,254mn</b><br><b>KRW 7,010bn</b> | <b>17</b><br><b>27</b> |  |



# KDB's ESG Reporting



## KDB's Effort to Meet Global Standards of Sustainable Financing

### Annual Allocation & Impact Report

- KDB has published Investor Newsletter annually containing information on the allocation of the proceeds and resulting environmental/ social impact.
- In 2024, KDB engaged a third party to provide the verification report of Investor Newsletter

### USD 3.3bn equivalent green bonds issued in FCY (as of Dec 31, 2023)

- KDB has produced the following results by allocating proceeds of green bonds into eligible projects:
  - ✓ **1,678tCO<sub>2</sub>** avoided GHG emission per year per USD 1mn of KDB share
  - ✓ **6,594GWh** energy production per year under KDB share
  - ✓ **920,118** electric vehicles annually manufactured under KDB share
- Social Bond has been repaid in full in 2023

### Featured Projects

#### ocells "Today's sun is tomorrow's power"

- KDB provided USD 170mn facility loan to Hanwha Q cells USA, a subsidiary of Hanwha Solutions, for expansion of its solar power module production facility in Dalton, Georgia.

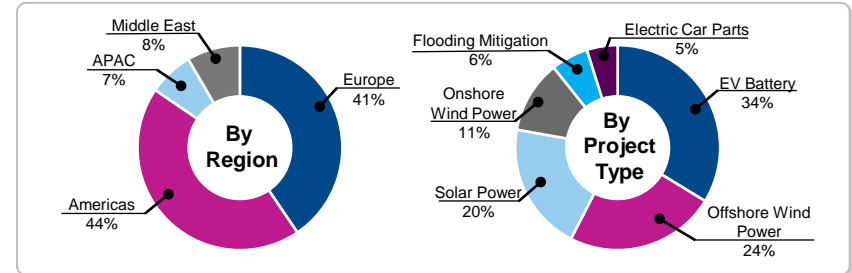


#### LG Energy Solution "Power Today. Preserve Tomorrow"

- KDB approved USD 350mn facility loan to LG Energy Solution Michigan, a subsidiary of LG Energy Solution, for expansion of its secondary battery production facility for EVs in Michigan.



### Use of proceeds – Green



### CO<sub>2</sub>e Avoided by Green Portfolio under KDB Share

| Category             | KDB Share (USD mn) | Estimated CO <sub>2</sub> e Avoided (tCO <sub>2</sub> /year) | CO <sub>2</sub> e Avoided (tCO <sub>2</sub> /USD1.00 mn) |
|----------------------|--------------------|--|--|
| Renewable Energy     | 2,334              | 2,526,564  | 1,083  |
| Clean Transportation | 1,313              | 3,591,145  | 2,735  |
| <b>Total</b>         | <b>3,647</b>       | <b>6,117,709</b>   | <b>1,678</b>   |

### Renewable Energy/ EVs Production under KDB Share



**6,594 GWh/year**  
Expected Energy Production



**920,118**  
Annual Production of EVs

### Sustainable Water Management under KDB Share



**245,000**  
Protected Residents



**194.8 mm/year**  
Flood Damages Prevented



**4,185**  
Jobs Created for the Projects



CONFIDENTIAL



**Thank you**