KDB Bank

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2023 ANNUAL REPORT

KDB Bank

# 2023 ANNUAL REPORT

70 1954-2024 ANNIVERSARY

# Greater KDB

KDB Bank

Contents



70 1954-2024 ANNIVERSARY

# GREATER IMPACT

Since its establishment in 1954, Korea Development Bank (KDB) has played a leading role in every step of Korea's economic development as a policy finance institution. From its inception, the Bank has supported the government's post-war recovery efforts and expanded the industrial base to lay the foundation for a self-reliant economy. In line with the Korean government's economic development plans, KDB has fostered major strategic industries, establishing the basis for rapid growth. Even through the two financial crises that severely shook the Korean economy right before and after the turn of the millennium, KDB assumed a leading role in acting as a safety net for the market, propping up the Korean economy as a steadfast pillar.

Now, moving beyond the remarkable history of our past 70-year journey, KDB is looking ahead to the next 30 years and beyond and march forward on a new "100-Year KDB" journey. We remain determined to proactively guide the Korean economy through the ongoing paradigm shifts in the global market, aiming to secure Korea's sustainable growth in this rapidly changing era.

KDB is already at the forefront of securing future growth engines and technological sovereignty with our immense financial support for cutting-edge industries and our promotion of the venture ecosystem. Furthermore, KDB is fully prepared to provide the funding necessary for digital and green transitions, as well as fostering the materials, parts, and equipment industries in response to the revamp of the global value chain (GVC).

KDB Bank

# 70 Years of Financing Korean Businesses

70 Years of Growth

## 1954-1961

### Establishment of KDB and the Development Finance System

Following liberation and the armistice at the end of the Korean War, Korea Development Bank (KDB) was established on April 1, 1954, to spearhead national economic reconstruction, industrial revitalization, and economic development. During this period, a system was organized for carrying out development financing, and funds were systematically supplied to the government's development policies and key industries.

KDB's Headquater Building in Euljiro, Seoul

## 1962-1979

### Driving Rapid Growth through the Establishment of an Industrial Finance Support System

In step with the government's economic development plans, KDB supplied funds to sectors contributing to the improvement of the national trade balance, such as export industries, and to projects aimed at enhancing the quality of life throughout the country. Financial support was channeled into heavy and chemical industrial sectors, including steel and shipbuilding, and into infrastructure sectors like electricity and gas, which aligned with the national policies of industrialization and the export-driven strategic industry plan.

The Opening of the Gyeongbu Expressway

## 1980-1996

### Advancement of Development Finance and the Foundation for International and Investment Operations

The focus of this period was on fostering a healthy industrial structure. KDB supplied development finance to companies holding cutting-edge technologies and to the heavy and chemical industries, along with aiding in the improvement of corporate financial structures. As financial globalization and liberalization progressed, along with Korean companies' burgeoning global expansion, KDB significantly expanded its international financial services. This included efforts to provide stable, long-term funding to technology-intensive industries by expanding investment services and continually developing securities-related operations.

Arranging the nation's first PF transaction - The Incheon International Airport Expressway

## 1997-2007

### Surmounting the Asian Financial Crisis

During the turmoil of the 1997 Asian Financial Crisis, KDB played a key role in stabilizing Korean financial markets through immediate liquidity injection. Despite deteriorating foreign capital funding conditions due to the country's reduced creditworthiness during the crisis, KDB acted as a representative borrower of Korea, as it possessed the same credit rating as the country, thus contributing to alleviating the financial strain by securing over 50% of its annual funding from foreign capital in 1997. In addition, KDB significantly contributed to the quick recovery of the Korean economy by leading corporate restructuring efforts in alignment with government policies, based on its experience in managing distressed companies.


The First Global Bond Issued by a Financial Institution after the 1997 Korean Financial Crisis

## 2008~2018

### Overcoming the Global Financial Crisis and Spearheading Financial Industry Development

In the face of the global financial crisis triggered by the subprime mortgage crisis in 2008, KDB continued to play a crucial role as a safety net in stabilizing the Korean financial market and supporting liquidity. Efforts were made to stabilize the financial market through the creation of multiple funds, while also striving to alleviate the funding difficulties of the real economy.

KDB subsequently led the advancement of domestic financial markets by fostering new industries in response to changes in the industrial paradigm, supporting innovation growth such as establishing startup and venture ecosystems, developing investment banking (IB) services, and exploring overseas markets. KDB also led the way in adopting ESG management, emphasizing environmental and social value, and worked diligently to expand financing to enhance the sustainability of the Korean economy.


KDB's Reporting on Implementation of Equator's Principle

## 2019-present

### Pioneering Industrial Transformation and Responding to Pandemic-Related Challenges

Amidst the global economic shock caused by COVID-19, KDB supported crisis management in line with government policies. In the corporate finance sector, KDB launched special funds and programs, such as deferment of repayments to support affected companies, and operated the Bond Market Stabilization Program in the financial market sector, fulfilling its role as a policy finance institution for the national economy.

Since then, KDB has redefined its long-term roadmap in reflection of the post-pandemic global paradigm shift.

KDB is strategically channeling policy finance into preparing for the global value chain revamp. It is also readying itself for the industrial revolution being led by the transition into digital and green industries, as well as into sectors such as electric vehicles and non-memory semiconductors to foster them into leading sectors with unrivaled competitive advantages over other countries. KDB is also taking a leading role in expanding its presence in overseas markets, competing head-to-head with the world's premier financial institutions, and will continue to expand its global reach to become a greater KDB than ever before.


UAE-KOREA SIP Forum

1954 1956 1958 **1960** 1962 1964 1968 **1970** 1972 1974 1976 1978 **1980** 1982 1984 1986 1988 **1990** 1992 1994 1996 1998 **2000** 2001 2002 2004 2006 2008 **2010** 2012 2014 2016 2018 **2020** 2022 **2024**

## 70 Years of History

**1954** Establishment of Korea Development Bank

**1955** Issuance of Korea's first industrial finance bonds (IFB)

**1968** Support for the construction of the Seoul-Busan Expressway

**1974** Issuance of the first foreign currency IFB to overcome the oil shock crisis

**1976** Issuance and listing of the first public issues in foreign currency on the London Stock Exchange

**1986** Launch of KDB Asia and KDB Hong Kong

**1994** First global bond issuance by a Korean financial institution

**1995** Arrangement of Korea's first project financing for the construction of the Incheon International Airport Expressway

**1997** Overcoming the Asian Financial Crisis, successful restructuring of the Daewoo Group

**2001** Completion of the Yeouido headquarters building

**2002** First implementation of the fast-track underwriting system for corporate bonds in response to the global financial crisis

**2006** Arrangement of the government's issuance of Foreign Exchange Equalization Fund bonds

**2007** Resolution of the credit card industry crisis through the successful restructuring of LG Card

**2009** Separation into Korea Financial Corporation, Korea Development Bank, and KDB Financial Group

**2014** Launch of the integrated Korea Development Bank to strengthen its role in policy finance

**2016** Launch of KDB NextRound, KDB's venture capital platform

**2017** Approval as an accredited entity of the Green Climate Fund (GCF)

**2019** Establishment of advanced IT infrastructure with the completion of the Digital Square building in Hanam City

**2021** Establishment of KDB Silicon Valley

**2023** Completion of the 24-year sale process of Daewoo Shipbuilding & Marine Engineering

## 70 Years of Accomplishments

KRW
**346,830.5**
billion

Assets

Global Network Assets

USD
**26.8** billion

**11** Overseas Branches

**7** Representative Offices
**7** Subsidiaries

Overseas Network

**3,419**

Number of Employees

Credit Ratings

| Moody's | S&P | Fitch |
| --- | --- | --- |
| Aa2 | AA | AA- |

*Equivalent to the sovereign ratings of the Republic of Korea





# 2024 Message from the Chairman & CEO

**Today, KDB stands on the threshold of a journey towards its centenary, putting behind its 70-year legacy. The Bank vows to remain dedicated to its role in this new era in order to pursue its vision of becoming a "Greater KDB – Global Financial Leader Growing in Tandem with Korea." I request your continued support and trust as KDB journeys on, together with Korea, to its 100th year milestone.**





### Dear clients and partners,

Thank you for your steadfast trust in and support of Korea Development Bank (KDB).

The year 2023 was marked by heightened geopolitical risks epitomized by two wars, alongside significant economic challenges both domestically and internationally, including the persistence of high inflation and interest rates. Despite these formidable obstacles, KDB still achieved meaningful results in fostering future strategic industries, supporting Korea's innovative growth sectors, and enhancing the sustainability of the national economy.

Throughout the year, KDB provided KRW86.5tn in funding to bolster the growth of Korean enterprises. This included a KRW12tn allocation for the Cutting-edge Strategic Sectors Program, specifically designed to reinforce the competitiveness of the country's key strategic industries, such as semiconductors, nuclear power, secondary batteries, biohealth, and displays. KDB also injected KRW32tn into the nation's innovative growth sectors, up KRW4.6tn from last year, to ensure that the new industries and companies with demonstrated potential have access to the funding they need, thereby stimulating the country's economic dynamism.

Another priority was further elevating the sustainability of the Korean economy. To that end, KDB made strategic efforts to transform the country's southeastern region—home to Korean industrial capital centered on Busan, Ulsan, and Gyeongnam—into a new pillar of economic growth. Following the expansion of its operations in the country's southeast in early 2023, the Bank proceeded to launch Korea's first region-specific venture platform, V:Launch. In addition, the Bank formed a USD1.2bn KDB Smart Ocean Infra Fund to foster a next-generation maritime industry ecosystem, and signed an MOU to establish a Regional Innovation Fund of Funds aimed at revitalizing the local venture scenes.

As KDB faithfully executed its mission as a policy finance institution, it did not compromise on its commitment to profitability or stability. On a standalone basis, KDB recorded an operating income of KRW3tn and a net profit of KRW2.5tn for the year 2023, followed by a historic-high dividend of KRW878.1bn paid to the government. Even now, KDB is maintaining a stable BIS ratio through proactive capital increases, offsetting the significant losses in its consolidated equity, notably from a sizable deficit incurred by KEPCO.

The Korean economy, on the other hand, is confronting an era of extreme uncertainty as it moves forward in 2024. The political landscape including the upcoming U.S. presidential election is highly volatile. A growing number of marginal corporate borrowers and financial vulnerabilities in the real estate market are anticipated to further exacerbate uncertainty. In response to these challenges, KDB is committed to strategically channeling its resources into the following three focus areas to seize upon critical opportunities in the year ahead.

**First, KDB will strive to reinforce the foundation for Korea's economic growth.**

This will be done by establishing a total financial support framework designed to enhance the competitive edge of key national strategic industries. It will also involve stepping up measures to nurture new industries and technologies for Korea's future growth. KDB will broaden the target of the existing Cutting-Edge Strategic Sectors Program to cover AI and other related sectors, as well as launch tailored financial products like CAPEX Promotion Loans. The Bank will also set up new venture capital funds, including a KRW3tn Innovation Growth Fund, to bring in robust support to promising new sectors and technologies, such as deep tech.

Furthermore, KDB aims to strengthen financial support for the development of region-specific industries and deepening the foundation for regional economic growth, particularly in the southeast of the peninsula, to ensure it becomes a pivotal hub for the national economy. These efforts to reinvigorate non-metropolitan areas grappling with demographic challenges will encompass investments through a KRW300bn Regional Revitalization Investment Fund, expansion of the V:Launch platform to spur southeastern venture activities, formation and investment in a Regional Innovation Fund of Funds, and support for creating an Innovation Startup Town in Busan.

Simultaneously, KDB will reinforce its role as Korea's primary market stabilizer, providing stability and facilitating efficient corporate turnarounds amidst continuing financial market uncertainty. By extending the existing Financial Market Stabilization Program, KDB will aim to alleviate market strains, while fostering market-friendly restructurings through collaboration with external agencies and by leveraging capital market tools. As for the ongoing restructuring cases, KDB recognizes the importance of their effective resolution to bolster Korea's industrial competitiveness. Accordingly, it will press on to come up with solutions, including successfully completing the workout of Taeyoung E&C, finalizing the merger between Korean Air and Asiana Airlines, divesting shares in HMM, and enhancing the corporate value of KDB Life Insurance.

**Second, KDB will contribute to creating a more advanced industrial ecosystem for Korea.**

A core element of this endeavor is supporting the green and digital transformation of the country's industries and facilitating business realignments in tandem with global trends. As the nation's climate bank, KDB will broaden the foundation of Korea's green growth through steps including expanding its green finance product lineup and proactively employing its ESG consulting platform. Starting this year, KDB has been assigned as the managing bank for the Future Energy Fund, a new climate fund set to be established by 2030 with a total commitment size of KRW9tn. This new function will enable the Bank to make bold investments in a variety of projects related to renewable energy and hydrogen infrastructure. The Bank will also drive Korea's digital transformation by ramping up project financing for data center initiatives. Additionally, it will encourage key traditional manufacturing industries such as auto parts, steel, and chemicals to restructure their business portfolios and explore new sectors, accompanying their journey in acquiring new growth engines.

Another aspect of building an advanced industrial ecosystem involves mitigating the threat of global value chain fragmentation through resilient supply chains and enhancing the competitiveness of the parts, materials, and equipment sectors. For this, KDB will establish a KRW 500bn Global Value Chain Response Fund, introduce specialized products such as the Materials, Parts, and Equipment Special Funds, and provide preferential interest rates for businesses engaged in strategic items within the global supply chain. Through these efforts, what KDB seeks to support is the independence and diversification of supply chains and elevating the global competitiveness of Korea's strategic industries. KDB's in-house Industry & Technology Research Center will also provide impetus to help implement the government's policy directions, including the Industrial Value Chain 3050 Strategy—a reduction of Korea's dependence on the GVC to below 50% by 2030—with its in-depth analyses of ongoing trends in both domestic and international industrial supply chains.

The Bank's quest to fortify Korea's industrial competitiveness also calls for bolstering the growth of SMEs—the backbone of the Korean economy. For this, KDB will diversify its support by increasing the supply of targeted funding, fostering cooperation between large corporations and their SME partners through the creation of a Mutual Growth Support Fund, and leveraging capital markets and on-lending finance to facilitate the sustainable growth of Korean companies.

**Lastly, KDB will commit to substantializing its internal capabilities for the sustainable execution of policy finance.**

Unlike monopolistic state-owned companies, KDB is a market-oriented policy finance institution that funds its operations using proceeds earned through fair competition in the market. It strives to secure the stable profit base essential for the continuous performance of policy finance without imposing burden on the public or the country's budget. To that end, it is essential for the Bank to reinforce the competitiveness of its IB and global businesses. Hence, KDB will strategically sophisticate its IB operations, including facilitating international bond offerings by Korean issuers, providing advisory services for cross-border M&As and acquisition financing, and underwriting global syndicated loans. It will also aim to bolster its market-driven profit base by augmenting the operations and localizing the business and staff of its hub branches worldwide, thereby enhancing the overall capabilities of its global network. In particular, KDB is committed to achieving tangible outcomes from its global investment cooperation initiatives with the UAE, Qatar, and other strategic partners within the current year.

Next, the Bank will establish an ESG sustainable management system in alignment with the government's carbon neutrality policy and to intensify its commitment to social responsibility. This involves setting up an ESG Committee under the board of directors and restructuring the KDB ESG Center to establish a governance structure for systematic sustainable management. Through these efforts, KDB aims accomplish key tasks, including creating a sustainable management vision and strategy, securing financial procurement through green and social bond issuances, managing the green and social finance support framework, establishing a climate risk measurement and mitigation system, and adhering to ESG disclosures based on TCFD guidelines.

Furthermore, KDB will ensure sustained financial soundness through systematic financial management operations, including asset-liability management, accounting management, and profit management. In terms of funding, the Bank will strategically diversify its funding structures and continually expand tools to facilitate the timely supply of policy finance funds. In addition, through rigorous risk management and a thorough internal control system, KDB aims to solidify its position as a policy finance institution that can stably complete its duties even amidst uncertain market conditions.

For KDB, 2024 is a particularly special year as it marks the Bank's 70th anniversary. Since its establishment in 1954, KDB has always stepped up to the evolving demands of the times for the economic and industrial development of Korea.

Today, KDB stands on the threshold of a journey towards its centenary, putting behind its 70-year legacy. The Bank vows to remain dedicated to its role in this new era in order to pursue its vision of becoming a "Greater KDB – Global Financial Leader Growing in Tandem with Korea." I request your continued support and trust as KDB journeys on, together with Korea, to its 100th year milestone.

Thank you.

**Kang , Seoghoon**

Chairman & CEO Korea Development Bank

kang, seoghoon

# Management Profiles

**KDB strives to secure sufficient and timely funding to carry out its policy financing, taking into account the prevailing market conditions.**

## BOARD OF DIRECTORS

**Kang, Seoghoon**
Chairman & CEO

**Kim, Bock Kyu**
Vice Chairman & COO

**Joo, Tae Hyun**
Auditor

## Independent Directors

**Lee, Seog Hwan** Independent Directors

**Kim, Hee Rak** Independent Directors

**Kang, Sam Mo** Independent Directors

**You Sun Ki** Independent Directors

**Lee, Yong Hi** Independent Directors

## EXECUTIVE DIRECTORS

**Kim, Young Jin**
Regional Development Division

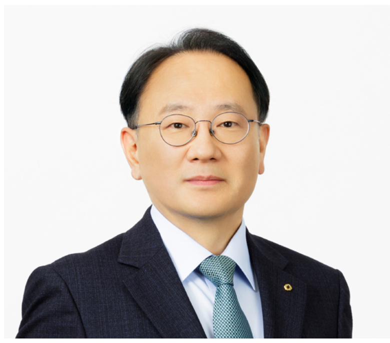
**Lee, Jun Sung**
Innovation & Growth Banking Division

**Lee, Bong Hee**
Corporate Banking Division

**Yang, Seung Weon**
Global Business Division

**Seo, Dong Ho**
Capital Market Division

**Jung, Ho Keon**
Credit Review Division



**Park, Chan Ho**
Risk Management Division

**Lee, Keun Hwan**
Planning & Administration Division

**Joo, Dong Bin**
Financial Management Division

# KDB at a Glance

## Credit Ratings

Moody's

**Aa2**

S&P

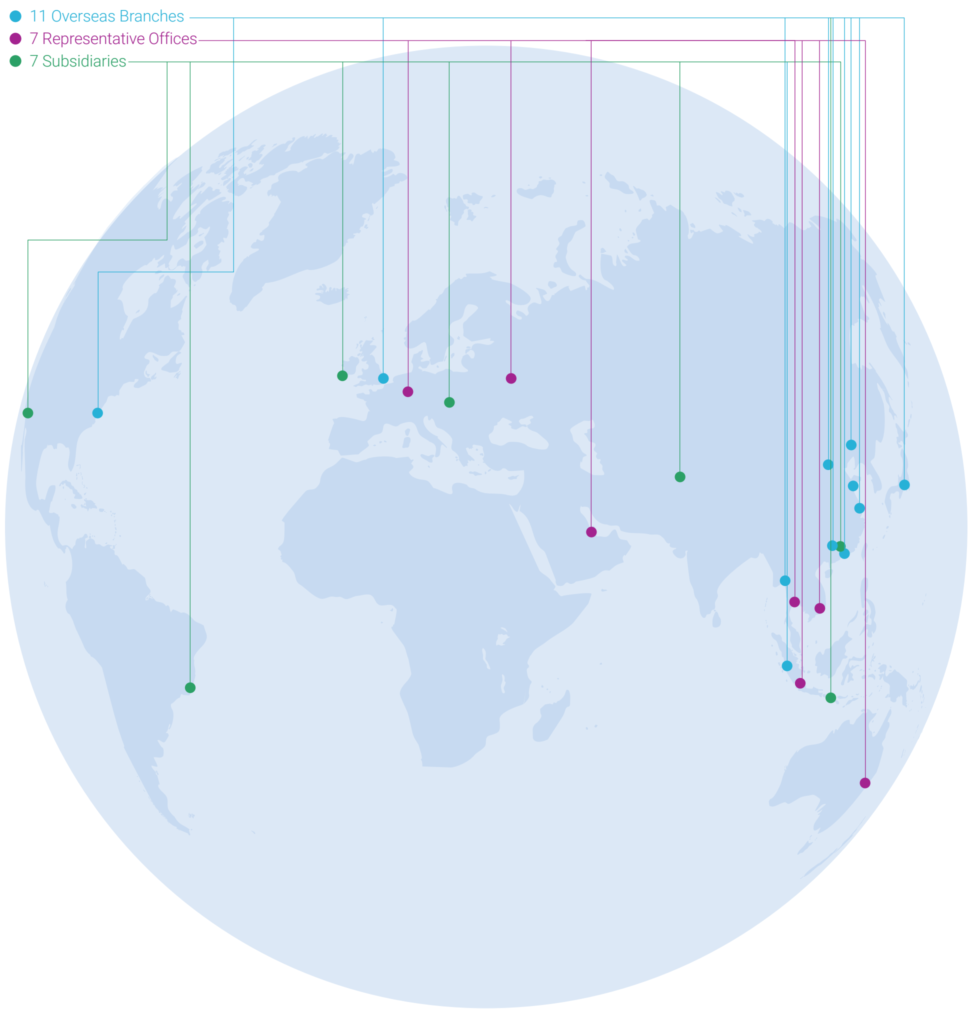
**AA**

Fitch

**AA-**

*Equivalent to the sovereign ratings of the Republic of Korea

## Global Network




## Global Initiatives

UN Global Compact

Green Climate Fund

Equator Principles

International Development Finance Club

As of December 31, 2023





# Financial Highlights

## Summary Statement of Financial Position

(Unit: KRW billion, Consolidated basis)

| | 2023 | 2022 | Change | |
|---|---|---|---|---|
| | | | Amount | % |
| **ASSETS** | 346,830.5 | 352,605.4 | (5,774.9) | (1.6) |
| Cash & due from banks | 8,306.4 | 11,477.1 | (3,170.7) | (27.6) |
| Securities | 100,760.6 | 99,344.1 | 1,416.5 | 1.4 |
| Loans | 214,325.8 | 210,325.1 | 4,000.7 | 1.9 |
| Other assets | 23,437.7 | 31,459.2 | (8,021.5) | (25.5) |
| **LIABILITIES** | 307,921.1 | 315,780.0 | (7,858.9) | (2.5) |
| Deposits | 67,571.6 | 70,288.1 | (2,716.6) | (3.9) |
| Borrowings | 34,043.7 | 30,695.5 | 3,348.2 | 10.9 |
| Bonds | 163,205.8 | 164,460.9 | (1,255.1) | (0.8) |
| Other liabilities | 43,100.1 | 50,335.5 | (7,235.4) | (14.4) |
| **EQUITY** | 38,909.4 | 36,825.4 | 2,084.0 | 5.7 |
| Issued capital | 23,926.6 | 23,151.6 | 775.0 | 3.3 |
| Capital surplus | 892.4 | 911.6 | (19.2) | (2.1) |
| Retained earnings | 10,576.2 | 6,525.1 | 4,051.1 | 62.1 |
| Capital adjustments | 214.5 | 274.5 | (60.0) | (21.9) |
| Accumulated other comprehensive income | 3,011.2 | 3,839.2 | (827.9) | (21.6) |
| Non-controlling interests | 288.5 | 2,123.5 | (1,835.0) | (86.4) |

## Summary Statement of Income

(Unit: KRW billion, Consolidated basis)

| | 2023 | 2022 | Change | |
|---|---|---|---|---|
| | | | Amount | % |
| Net operating revenue | 2,743.6 | 2,494.2 | 249.4 | 10.0 |
| Net interest income | 2,435.6 | 2,711.7 | (276.1) | (10.2) |
| Non-interest income | 308.0 | (217.5) | 525.5 | 241.6 |
| Provision for credit losses | 297.0 | 631.0 | (334.0) | (52.9) |
| G&A expenses | 1,016.8 | 974.1 | 42.7 | 4.4 |
| Operating income | 1,472.8 | 846.5 | 626.3 | 74.0 |
| Non-operating income | (1,018.4) | (9,957.8) | 8,939.4 | 89.8 |
| Income tax expenses | (696.2) | (2,286.4) | 1,590.2 | 69.6 |
| Profit for the period from continuing operations | 1,150.5 | (6,824.9) | 7,975.4 | 116.9 |
| Profit from discontinued operations | 2,328.1 | (1,070.4) | 3,398.5 | 317.5 |
| Net profit | 3,478.6 | (7,895.4) | 11,374.0 | 144.1 |

Highlights 01

# INNOVATION

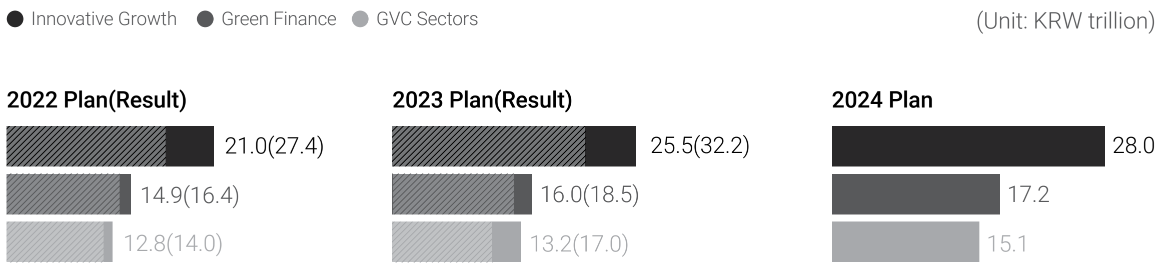
## Strengthening the Competitiveness of Key Strategic Industries

KDB has significantly contributed to Korea's economic security and explored future growth engines by strategically financing cutting-edge strategic industries, thus elevating their competitiveness to an unparalleled level. Through consistent investments in both advanced and emerging sectors—ranging from semiconductors, secondary batteries, and displays to biohealth, nanomaterials, and the hydrogen ecosystem—KDB has fortified the foundation of these strategic industries.

KDB's systematic support spans the full spectrum of industry needs: from R&D funding during the critical research and development phase, to capital investment for scaling production and financial assistance for penetrating overseas markets. This comprehensive approach has positioned Korean companies to assert dominant competitiveness on the global stage, driven by a forward-looking vision of technological innovation and industrial trends. Today, KDB's efforts are redefining Korea's future economic and industrial landscape.

### Policy Finance Supply Plan & Results

(Unit: KRW trillion)




Highlights 02

# MOMENTUM

## Developing New Growth Drivers

KDB is at the forefront of fostering Korea's venture ecosystem, identifying and supporting SMEs and mid-sized enterprises (MEs) that are poised to drive Korea's next wave of economic growth. NextRound, KDB's industry-leading market-driven venture investment platform, has facilitated 719 funding rounds of IR pitches for 2,682 startups. Of these, 782 have successfully secured investments totaling KRW 6 trillion. The annual startup fair, NextRise, has emerged as a critical networking event, drawing participation from 448 startups and major companies like Hyundai Motors, and attracting over 20,000 visitors in 2023. This momentum is expected to continue into 2024.

Moreover, KDB operates Korea's 1,000 Innovative Companies Program to bolster the innovation capacity of SMEs and MEs, providing them with the systematic financial support necessary for their continued success. By the close of 2023, the program had supported 1,308 companies, with funding amounting to KRW 8,993.8 billion.

### Korea's 1,000 Innovative Companies Program Financial Support

(cumul. as of 2023)

**262** cases

**1,308** companies
Beneficiary companies

KRW **8,993.8** billion
Financial support

### KDB NextRound Total Performance

**2,682**
Participation of 2,682 startups in IR rounds

**782**
782 startups successfully attracted investments

Highlights 03

# PROGRESS

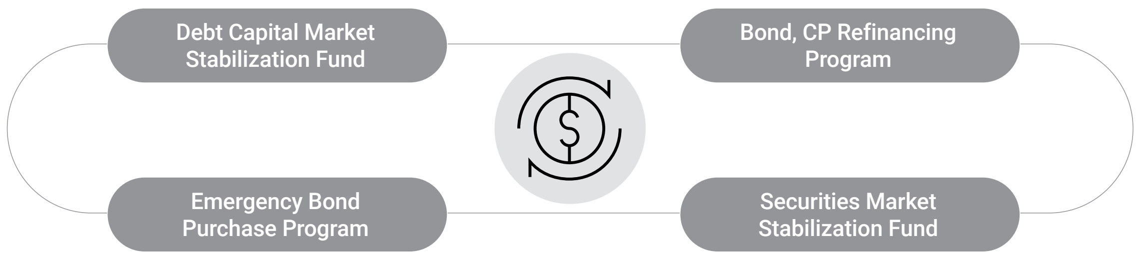
## Ensuring Stable Support with Policy Finance

In the face of a volatile global financial and macroeconomic environment, KDB has played a pivotal role in stabilizing the Korean economy and facilitating corporate management normalization, serving as a fundamental pillar of the Korean economy.

The Bank extended the capital market stabilization program that it had initiated in 2020 in response to the COVID-19 pandemic, disbursing a total of KRW 11 trillion in capital calls by the end of 2023. This KDB-led initiative has been instrumental in reviving investment sentiment and stabilized the corporate bond market through corporate bond refinancing and fast-track underwriting programs.

At the same time, KDB has implemented ongoing business normalization plans for shipbuilding and shipping companies affected by the prolonged global economic downturn. Notably, the Bank successfully concluded its M&A and business normalization plan for Daewoo Shipbuilding & Marine Engineering with third-party investment. It also facilitated the business normalization plan for GM Korea, as well as swift restructuring and normalization for 13 MEs through comprehensive workout programs.

### KDB's Financial Market Stabilization Program



Highlights 04

# ACCELERATE

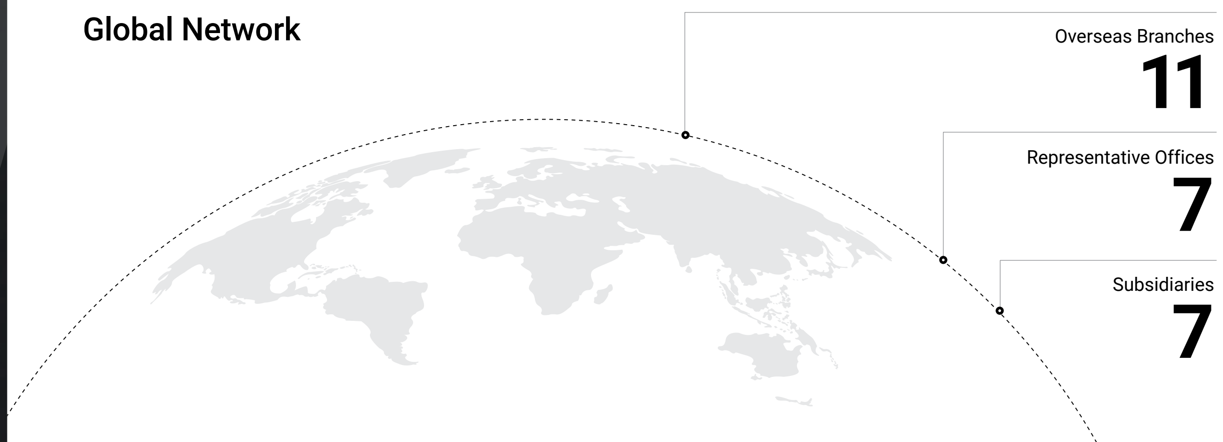
## Reinforcing Global Competitiveness

KDB is championing the globalization and overseas expansion of the Korean financial sector, standing on equal footing with the world's top financial institutions and paving the way as a leader in Korean finance.

With a robust global network of 25 overseas entities—11 overseas branches, 7 local subsidiaries, and 7 offices—across 18 countries, KDB provides a trusted platform for Korean companies seeking to navigate international markets. In 2023, KDB enhanced international cooperation, offering training to personnel from emerging countries' governments and central banks, including India and Vietnam, and sharing business insights in the annual meetings of various international organizations, such as the IMF, WB, ADB, EBRD, and AIIB.

Additionally, by initiating cooperation with the Middle East, including the UAE's Mubadala and Qatar's QIA, KDB laid the groundwork for supporting Korean companies in attracting investment and new market entry. In 2024, it plans to further these international cooperation efforts to actively support the global expansion of Korean companies.

### Global Network




Highlights 05

# CONNECT

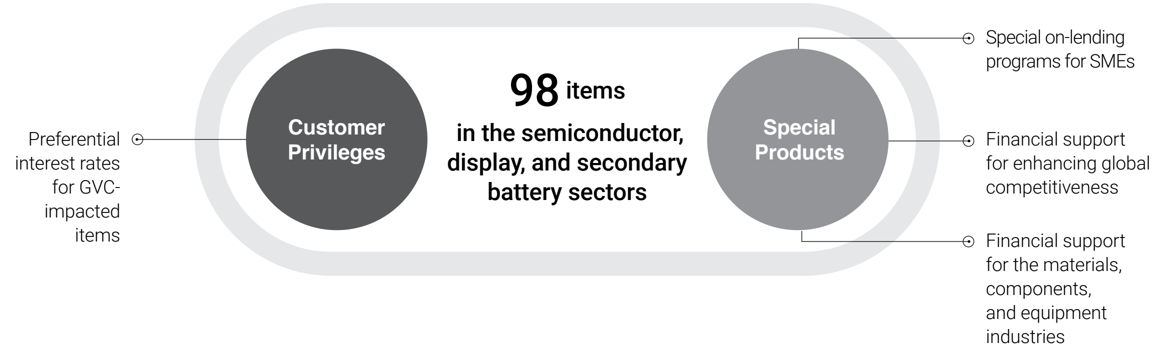
## Preparing for Global Value Chain Restructuring

KDB is continually monitoring the evolving external economic environment and supply chain risks, exploring optimal strategies for stabilizing the national supply chain.

Amid worsening macroeconomic conditions due to rising protectionist policies and international security concerns, KDB has developed a support framework to reduce Korean SMEs and MEs' foreign supply chain dependency and to assist them in coping with trade regulations. Indeed, it operates special loan products for key industries and fosters investment through a KRW 500 billion Global Value Chain Response Fund and a KRW 300 billion Semiconductor Ecosystem Fund.

Furthermore, to achieve the government's Industrial Supply Chain 3050 Strategy's goal of decreasing Korea's reliance on specific countries for essential materials, components, and equipment to below 50% by 2030, KDB performs thorough analyses of domestic and international industry supply chains (companies, technologies, alternative import sources) and aids in policy development.

### KDB Supply Chain Crisis Management Support Framework



Highlights 06

# TRANSFORM

## Leading Korea's Green and Digital Transformation

Today, KDB is spearheading the industrial transition of SMEs in their green and digital transformation.

One way it carries this out is by supporting the Korea Transition Special Funds for companies engaged in digital transition and green finance. In fact, the Bank has developed ongoing support products for digital transition, including funds for smart factories and special funds for data-driven innovative companies. In addition, it manages five dedicated green finance products for CAPEX funds. These include energy transition funds, the KDB Carbon Spread (carbon reduction), the KDB Carbon Spread (low-carbon ecosystem), the Green Society Fund, and the KDB Carbon Net Zero program, with a total scale of KRW 6.5 trillion. Notably, the KDB Carbon Spread (carbon reduction) and KDB Carbon Net Zero products are blended finance solutions funded by KDB's proprietary funds and the government's Climate Response Fund. These initiatives have laid a solid foundation for domestic carbon neutrality and promote the decarbonization of companies, as well as green projects in their initial stages. Moreover, the issuance of KRW 300 billion in green bonds has successfully funded an array of green projects across Korea.

### Eligible Green Projects

# Mission & Vision

As the country's leading policy finance institution, KDB has set a long-term growth direction targeting 2045. The long-term direction focuses on upgrading the competitiveness of the nation's financial services and industrial systems and reflects the Bank's identity and vision.


## Vision

### Greater KDB

Global Financial Leader
Growing in Tandem with Korea

* KDB's long-term vision which embodies the Bank's historical role in elevating Korea to the global hub nation as well as ambitions to solidify its presence as a global financial institution by 2045.

&

## Mission

### Top Policy Finance Institution

in Korea Spearheading the
National Economy

* Embodies KDB's role in helping Korea overcome domestic and global economic challenges while promoting the country's economic growth

KDB's mission embodies the Bank's commitment as Korea's leading policy finance institution in helping Korea overcome an unprecedented economic downturn and promote growth. In leading the Korea's economic growth, KDB aspires to attain its vision of spearheading Korea's global growth as a leader in global finance.

# Long-term Growth Direction

## KEY TASK

KDB has selected six strategic tasks with a dual focus on business success and internal innovation, which are necessary preconditions to achieving its vision as a policy bank.

### 3 Key Tasks for Business Success

| | | |
|---|---|---|
| Strategic Goals | **Propel growth in core industries** | Fostering promising industries as national growth drivers |
| Strategic Goals | **Promote regional growth** | Stimulating the development of regional industries, with a focus on sustainable national growth |
| Strategic Goals | **Pursue market stability** | Reliable market stabilizer in response to economic downturns |

### 3 Key Tasks for Internal Innovation

| | | |
|---|---|---|
| Strategic Goals | **Innovate from within** | Reinforcing KDB's inherent and essential roles as the leading policy financial institution. |
| Strategic Goals | **Build a foundation for sustainability** | Building up a solid foundation for KDB's sustainable policy finance in response to changes in future economic and social environments. |
| Strategic Goals | **Enhance global competitiveness** | Making a leap onto the ranks of the global leading bank representing Korea financial industry. |





# Management Goal

## Greater KDB:
## Creating New Growth Momentum for the Korean Economy

| Key Initiative 1 | Strengthen the Foundation for Economic Growth |
|---|---|

**Priority Task 1** : Support national high-tech strategic industries and nurture future new growth drivers
**Priority Task 2** : Activate regional investments and bolster growth infrastructure
**Priority Task 3** : Stabilize financial markets and support business normalization efforts

| Key Initiative 2 | Enhance the Competitiveness of Industrial Ecosystems |
|---|---|

**Priority Task 4** : Support the growth of SMEs and MEs to strengthen economic fundamentals
**Priority Task 5** : Promote green and digital transformation and business restructuring
**Priority Task 6** : Support the establishment of a stable global value chain and nurture materials, components, and equipment industries

| Key Initiative 3 | Expand Policy Finance Capabilities |
|---|---|

**Priority Task 7** : Establish an ESG management system
**Priority Task 8** : Expand global businesses and enhance IB capabilities in pursuit of new markets
**Priority Task 9** : Enhance financial stability and strengthen risk management
**Priority Task 10** : Increase operational efficiency and reinforce internal controls

### Economic and Financial Environment

**Persistence of high interest rates and high inflation**
(slowdown in global economic growth)

**Heightened geopolitical conflicts**
(deglobalization and higher trade barriers)

**Concerns over long-term low growth of the Korean economy**
(increase in the number of marginal borrowers and non-performing loans)

**Undermined competitiveness of traditional key industries**
(rising need for industrial transition)

# BUSINESS **REVIEW**

**As a strategic partner of Korea, KDB is forging ahead to reinvigorate the Korean economy by supporting Korean companies and enhancing their long-term growth prospects. The Bank's financial system is designed to deliver the highest level of response to the rapidly changing economic landscape. Continually on alert to explore opportunities for the future, KDB is leading Korea's pathway to greater growth.**

As the cornerstone of the Korean economy, KDB champions far-sighted investments, introduces innovative financial products, and pioneers global partnerships. In moving past the pursuit of mere stability, KDB is on a quest to unlock future possibilities, pioneering efforts that chart the course for tomorrow's economic landscape.



# Corporate Banking & Restructuring

## Corporate Banking

As Korea's leading corporate & investment bank, KDB provides a diverse array of individualized financial products and services to its clients while engaging in proactive initiatives to drive preemptive financial restructuring, create jobs in local communities through collaborative partnerships, and assist companies in preparing for the necessary business alignments to support advancements in the industrial sector. At the same time, the Bank has been striving to stay at the forefront of supporting the stable growth of medium-sized businesses and offering financial support for activities related to green projects, effectively serving as a partner to its clients in pushing for sustainable growth of the national economy.

### 2023 IN REVIEW

In 2023, the Korean financial market faced increased internal and external uncertainties due to global interest rate hikes and geopolitical risks. Despite these challenges, companies continued their efforts to secure future growth drivers. They expanded into new businesses, pursued acquisition financing for business reorganization, and made significant investments, both tangible and intangible, aimed at upgrading the nation's key strategic industries and facilitating a green and digital transition. In response, KDB provided swift liquidity support and substantial funding, supporting the enhancement of companies' core competencies and the expansion of new growth engines, thus bolstering the overall competitiveness of the industry.


As a policy finance institution, KDB works closely with the Korean government as well as other policy finance players on key economic and industry initiatives. With a focus on consolidating Korea's industry leadership and planning for changes to the global supply chain, the Bank has supported critical capital expenditures by top-tier businesses in globally strategic industries, such as the secondary battery sector.

In addition, the Bank has been managing the KDB Smart Ocean Infra Fund, a USD 1.2 billion eco-friendly ship infrastructure fund, to bolster its support of the marine industry's value chain. Moreover, through green finance products like the Carbon Net Zero Program and Energy Transition Fund, as well as digital transformation support funds such as the Korea Transformation Special Fund and Smart Factory Support Fund, the Bank has driven the green and digital industrial transformation of many SMEs and MEs.

Lastly, KDB has expanded support for mutually beneficial partnerships among large businesses and their small and medium-sized counterparts not only to create a balanced business ecosystem for inclusive growth but also to create jobs. Simultaneously, the Bank has been striving to expand green finance to support eco-friendly facility investments by businesses in response to government policies and societal demands for environmental sustainability.

### Landmark Deal of 2023

Supporting companies' net zero goals and green restructuring through the Industry and Finance Alliance Program

#### Overview

- Built a long-term industry-finance collaboration mechanism to foster key growth industries and drive carbon neutrality initiatives, with a comprehensive approach that encompasses building resilient supply chains
  - Supplied large sums of capital over an extended period to key growth sector businesses for their local and overseas CAPEX and carbon neutrality investments.
  - Supported the development of supply chains in the materials, parts, and equipment sectors through collaboration with market-leading companies, laying the groundwork for long-term industrial competitiveness.

#### Highlights

| Industry (Beneficiary) | Details of Support |
|---|---|
| Secondary Batteries (Company L) | · Secondary battery global CAPEX support<br>· USD 5 billion (5-year) partnership. Mutual growth fund KRW 150 billion. |
| Semiconductors (Company S) | · M&As to capture global semiconductor market share<br>· USD 3 billion (5-year) partnership. Mutual growth fund KRW 100 billion. |
| Green Energy (H Group) | · Green energy (solar + hydrogen) industry growth KRW 5 trillion (5-year) partnership.<br>· Mutual growth fund KRW 100 billion. |
| Carbon Reduction Equipment (7 companies, including Company S) | · Cement industry carbon neutrality initiative<br>· KRW 1 trillion (5-year) partnership |
| Submarine Cables for Wind Energy (Company L) | · Submarine cable industry growth for offshore wind power generation<br>· KRW 1 trillion (5-year) partnership |
| Secondary Battery Materials (Company S) | · Secondary battery and green materials business improvement<br>· KRW 1.5 trillion (5-year) partnership |

#### Significance

- KDB's long-term, large-scale financial backing of companies for their entry into new business areas, as well as their carbon neutrality initiatives, has helped improve their business stability. Concurrently, the joint efforts with industry leaders to develop supply chains have contributed to enhancing Korea's mid- to long-term industrial competitiveness.

### Landmark Deal of 2023

## Financial support for corporate restructuring through the Joint Council for Overseas M&A and Investments

**Overview**

- Completed set-up of the Joint Council for Overseas M&As and Investments in September 2019 to provide end-to-end support to Korean companies engaging in overseas M&As and investment activities.
  - Participants: Policy finance institutions (KDB, KEXIM Bank, IBK), commercial banks (NongHyup), and national business associations
    - Policy finance institutions and commercial banks: Joint support for overseas acquisitions and fundraising
    - National business associations: Global deal sourcing and buyer-seller matching, offering regulatory recommendations

**Highlights**

(Total of 21 deals, equivalent to approximately USD 9.79 billion)

| Beneficiary | Details of Support |
|---|---|
| A | Equity investment in Company F<br>USD 3.0 billion |
| B | Overseas CAPEX investments<br>USD 1.1 billion |
| C | Acquisition of Company G<br>USD 600 million |
| D | Acquisition of Company H<br>USD 350 million |
| E | Equity investment in Company I<br>USD 300 million |

**Significance**

- KDB has actively contributed to capital investments in key future industries (e.g., secondary batteries, semiconductors), thereby upgrading the competitiveness of the local parts and materials industries.

### PLANS FOR 2024

KDB will continue to provide customized financial solutions through sustained industry-finance cooperation, supporting investments for business reorganization and enhancing competitiveness for companies. This effort aims to secure the future competitiveness of individual firms and strengthen the overall competitiveness of the industrial ecosystem.

Additionally, in 2024, the Bank will lead various financial support efforts to grow the marine industry, targeting the long-term development of the maritime sector and the construction of eco-friendly and smart fleets to secure competitiveness in the next-generation global shipping market. The Bank will also expand financial support to respond to the acquisition of cutting-edge technologies and supply chain restructuring in high-tech industries in close communication with government agencies, while actively supporting the growth of MEs and those contributing to regional economies.

Serving as a policy finance institution that generates new growth momentum for the Korean economy, KDB will continue to push for financial support to enhance the manufacturing capabilities of key strategic industries like semiconductors and secondary batteries, as well as nurture future advanced industries such as biotechnology and artificial intelligence. Throughout these multifaceted endeavors, KDB will ensure its commitment to continuously improving its ability to perform policy finance tasks.

(Unit: KRW trillion)

| | |
|---|---|
| Total Amount | 86.5 |
| SME & ME Financing | 52.2 |
| Innovation Growth | 31.9 |

## Corporate Restructuring

Since the 1997 Asian financial crisis, KDB has become the unrivaled leader in Korea for investment banking and corporate restructuring. The global financial crisis of 2008 has resulted in a prolonged plateau in the global economic growth curve, as well as a jump in both the number and size of distressed businesses requiring a turnaround. In light of these challenges, the Bank has set an example with its principled and efficient corporate turnaround initiatives, which serve as a safety net to the national economy and the country's businesses.

### 2023 IN REVIEW

KDB has made every effort as a policy finance institution to facilitate the efficient turnaround of distressed businesses. Specifically, the Bank has focused on the insolvencies of large corporate enterprises that can potentially have a tremendous impact on the national economy and, in doing so, has played an active role as a safety net and growth facilitator for Korean businesses.

In 2023, KDB advanced its business normalization plans for distressed shipbuilders and shipping firms affected by the prolonged global economic downturn. Notably, Daewoo Shipbuilding & Marine Engineering has concluded its 24-year restructuring period, a program initiated following the dissolution of the Daewoo Group in 2000, by successfully funding its M&A deal and completing its business normalization efforts, thus embarking on a new era of business operations. In collaboration with the Korea Trade Insurance Corporation, KDB has provided support to K Shipbuilding and HJ Shipbuilding & Construction through refund guarantees (RG) and has increased the cap on forward exchange transactions for these mid-sized shipbuilders, empowering them to become self-sufficient businesses.

Furthermore, KDB has supported GM Korea in smoothly executing its business normalization plans, contributing to the company's qualitative advancement while safeguarding the competitiveness of the nation's key strategic sector, the automobile industry. The Bank also implemented workout schemes for 13 MEs to aid in restructuring and business normalization efforts.

### PLANS FOR 2024

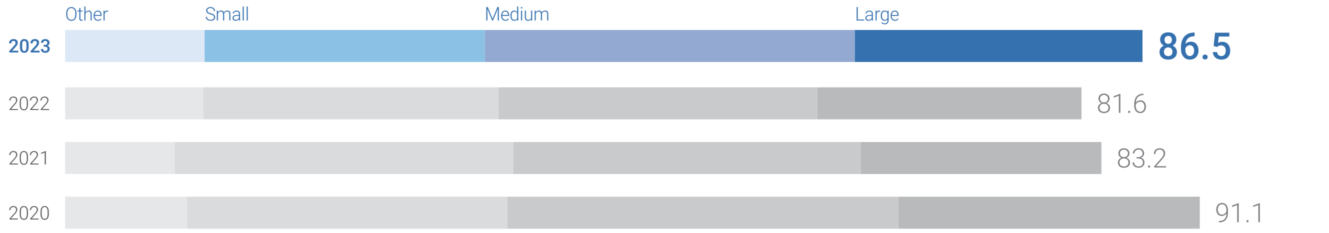
In 2024, KDB will continue to play its role as a turnaround facilitator and market safety net, adhering to its long-held principles established through years of experience in corporate restructuring.

The Bank will also leverage its accumulated expertise and human resources to encourage voluntary business realignments and support improvements to capital structure, thereby preventing insolvency and promoting business competitiveness through early engagement.

For distressed businesses, the Bank will act proactively and efficiently in its turnaround efforts to facilitate their successful recovery, which in turn will reinfuse vitality into the national economy.

### KDB Financing Volume

(Units: KRW trillion, %, %p)




| | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|
| Financing | 91.1 | 83.2 | 81.6 | 86.5 |
| Large | 24.2 (26.6%) | 19.3 (23.1%) | 21.2 (26.0%) | 23.1 (26.7%) |
| Medium | 31.4 (34.5%) | 27.9 (33.6%) | 25.6 (31.4%) | 29.7 (34.4%) |
| Small | 25.7 (25.7%) | 27.2 (32.7%) | 23.7 (29.0%) | 22.5 (26.0%) |
| Other | 9.8 (10.8%) | 8.8 (10.6%) | 11.1 (13.6%) | 11.2 (12.9%) |

# Capital Markets

## Debt Capital Market

As Korea's only bank with a license to underwrite corporate bonds, KDB has maintained market leadership in debt capital market services, such as arranging and underwriting bond offerings both domestically and internationally, in addition to providing advisory services for structured finance deals.

### 2023 IN REVIEW

In 2023, KDB continued with the Capital Market Stabilization Program that it initiated in 2020 and supported the government's financial market stabilization directives through capital calls totaling KRW 11 trillion by the end of the year.

At the same time, the Bank has diversified the underlying assets for liquidity from the typical accounts receivable to hybrid bonds and fund management fees. This expansion offers businesses broader options to fund their growth momentum using idle corporate assets. Additionally, it issued ESG P-CBOs (primary collateralized bond obligations), backed by privately placed ESG bonds from SMEs and MEs. This initiative contributed to the diversification of the ESG bond market, traditionally dominated by public offerings from large and public companies, by extending the market horizon to include private placements from SMEs and MEs.

With respect to international bonds, KDB successfully arranged large issuances of global bonds by companies like the Korea National Oil Corporation (KNOC), Korea Electric Power Corporation (KEPCO), Korea Gas Corporation (KOGAS), and LG Energy Solution, putting it 10th on the Bloomberg Benchmark-size Korean Paper League Table and consolidating its position as a leading Korean investment bank. In particular, the Bank successfully arranged the initial public offering of LG Energy Solution's green bonds, contributing to the enhancement of Korean corporate environmental management activities.

#### Landmark Deal of 2023

In September 2023, KDB successfully arranged LG Energy Solution's USD 1 billion green bond offering, which was split into two tranches: one maturing in three years for USD 400 million and another maturing in five years for USD 600 million. Fueled by investors' preference for the world's leading secondary battery manufacturer and strong demand for Korean bonds, the offering was oversubscribed by five times, with spreads set at 100 bps for the 3-year tranche and 130 bps for the 5-year tranche.

This landmark deal—the largest in size offered by any non-financial, non-governmental entity in Korea throughout 2023—achieved remarkable success by slashing spreads by 40 bps from the initial price guidance despite being the inaugural offering by the company. Of particular note is that the issuance, structured as green bonds, served to bolster corporate environmental management efforts, as its proceeds are intended to finance low-carbon transportation and energy efficiency projects.

**Bond Structure**

| | | |
|---|---|---|
| Issue Size | USD 400 million | USD 600 million |
| Maturity Date | September 25, 2026 | September 25, 2028 |
| Reoffer Spread/Yield | U.S. 3Y Treasury + 100bps/ 5.738% | U.S. 5Y Treasury + 130bps/ 5.770% |
| Coupon | 5.625% | 5.750% |
| ESG Labeling | Green | Green |

### PLANS FOR 2024

In 2024, KDB will continue its Debt Capital Market Stabilization Program, actively supporting companies grappling with access to finance due to their low credit ratings. Furthermore, the Bank will expand its real estate PF-ABCP purchases to support the construction industry's PF refinancing, thereby contributing to the stability of financial markets.

The Bank will also propose a broad spectrum of structured finance options tailored to meet the funding needs of companies engaged in key strategic industries, such as cutting-edge technology and AI, thus expanding the base of the structured finance market.

In 2024, KDB aims to enhance its capabilities in arranging international bond offerings through the organizational expansion and system-building of its Hong Kong IB Desk operations while also committing to increasing its global and cross-border deals portfolio by actively engaging with strong corporate clients, both Korean and non-Korean.

## M&A

KDB provides M&A advisory services to Korean and international companies and arranges acquisition financing for corporate clients, ensuring timely funding to support their acquisition plans, while also assisting them in managing the most optimal capital structures.

#### Landmark Deal of 2023

Buy-side M&A advisory services for KKR's purchase of Taeyoung Industry in support of Taeyoung Group's restructuring plan

In 2023, KDB provided buy-side M&A advisory services to KKR for its acquisition of Taeyoung Industry. The KRW 340 billion deal derived from KKR's exclusive preferential acquisition rights to the company. In addition to advisory, the Bank also provided financial arrangements totaling KRW 180 billion. This substantial contribution not only generated significant fee revenue for KDB but also helped fortify the asset portfolio of its branches. What's more, the deal expedited Taeyoung Group's restructuring plan, thereby laying a solid foundation for the Group's business normalization. Taeyoung Industry specializes in port logistics infrastructure, including liquid cargo tanks and grain terminals. The company is poised to benefit from the deal as KKR will contribute its expertise in investment and management of SOC projects, enhancing Taeyoung's operational efficiency and business competitiveness in the long term.

### 2023 IN REVIEW

The global M&A market in 2023 faced a decline in transaction volume by 9% and a drop in transaction value by 38% from the previous year due to the high-interest rates and liquidity crunch that began in the latter half of 2022. Similarly, the domestic M&A market also experienced significant contraction, with deal volume and value dropping by 13.3% and 25%, respectively, marking the slowest performance in five years. Nevertheless, Korean companies continued to explore M&A opportunities as part of their efforts to restructure their businesses and secure new growth drivers to address macro-economic challenges.

Even with subdued market sentiment, KDB remained dedicated to fostering innovation and growth, thus helping to rekindle Korea's national economic dynamism. As a result, the Bank facilitated a number of significant M&A deals totaling KRW 1.1 trillion in 2023 alone. Some of these deals helped secure new growth drivers for MEs, develop overseas distribution channels for tech-competitive Korean companies, and assist in the turnaround of financially distressed companies, while also enhancing their corporate value.

### PLANS FOR 2024

While the overall recovery in the M&A market is anticipated to remain challenging in 2024 due to continued tightening and delayed interest rate cuts, demand for M&As is expected to expand. This growth aligns with key market trends, including increased restructuring opportunities in high-debt sectors, growth in distressed asset sales and recovery companies, industrial convergence, and greater investment to secure technological supremacy.

To adapt to these evolving market conditions, KDB will coordinate inter-departmental cooperation to actively support companies' business portfolio restructuring and structural M&A transactions. This includes assisting in the carve-out of non-core operations from large corporations, as well as supporting MEs with acquiring new growth drivers. Additionally, in response to growing demand for industrial restructuring within the country, KDB will strengthen its support for strategic M&A attempts by assisting domestic companies in their overseas expansion efforts. This will be achieved through active collaboration with the Hong Kong M&A Desk and international advisory firms, with the aim of enhancing Korean companies' global competitiveness.

## Consulting

Since the Bank launched its consulting service in 2003, the M&A Consulting Department has carried out a total of 888 projects that cover a wide range of topics, including business management, finance, ESG, overseas projects, corporate turnarounds, in-house consulting tasks, public services, and development. In particular, the M&A Consulting Department is proud to offer a differentiated, one-stop service line by leveraging not only the bank's extensive database on industries and businesses but also its collaboration with the Bank's IB departments in investment, private equity, acquisition finance, and project finance.

### 2023 IN REVIEW

In 2023, Korean businesses faced multiple challenges stemming from a volatile macroeconomic environment marked by deepening international tensions resulting in supply chain disruptions, rapid interest rate hikes, and high inflation levels. KDB's M&A Consulting Department drew upon its accumulated expertise to perform consulting services covering diverse aspects of the Bank's operations and government policies in collaboration with other departments within the Bank throughout the year.

For example, in support of the Korean government's ESG policies, KDB developed the KDB ESG platform and provided ESG consulting services to many SMEs. Additionally, the Bank continued building up its consulting competencies through offering a comprehensive range of solutions across capital markets, including funding advisory services, facilitating M&As, and arranging acquisition financing. Furthermore, the M&A Consulting Department supported the Bank's startup accelerator program with a wide array of its growth mentoring services, meaningfully contributing to Korea's Startup ecosystem.

### PLANS FOR 2024

In 2024, the adverse business landscape in Korea is set to exacerbate the existing economic slowdown caused by high interest rates and inflation. Businesses are likely to face mounting pressure as escalating energy costs and disruptions in commodity supply chains become more severe and entrenched with geopolitical tensions. Moreover, the industrial ecosystem is confronted with heightened risks from the tightening grip of global ESG regulations driven by decarbonization initiatives.

In response to these challenges, KDB is poised to provide targeted consulting services, including value enhancement, pre-IPO/IPO advisory, and M&A strategy consulting, with the objective of strengthening the long-term viability of Korean businesses and nurturing the country's startup ecosystem. Another key initiative is the Bank's Supply Chain Green Competency-Building Program, which is designed to provide comprehensive ESG advisory services to Korean SMEs and MEs operating within the supply chains of large Korean corporations. Another important task of the Department is to undertake a PF performance evaluation, as part of KDB's GCF reaccreditation process.

**Number of Projects Completed** (2003-2023)

(Unit: cases)


## Private Equity

KDB's private equity business launched in January 2005 and is now in its 19th year as of 2024. To date, KDB has set up 34 private equity funds (PEFs) and built an extensive track record in fund management, including buyouts, growth financing, and mezzanine financing. As of September 2023, total capital commitments of the 11 active funds currently under KDB's management (excluding liquidated ones) amounted to KRW 3.4 trillion, claiming a market share of 2.5% and ranking seventh in Korea's PEF market.

### 2023 IN REVIEW

In 2023, a difficult fundraising environment continued as limited partners turned conservative in their capital commitments amidst uncertain market circumstances stemming from interest rate hikes and stock market instability.

Against this backdrop, KDB's PE Department successfully launched three new blind funds totaling KRW 0.5 trillion, drawing on the confidence it has garnered from partners and a proven track record built upon its extensive experience in supporting the nation's transition to a green economy and investing in R&D for cutting-edge technologies.

At the same time, the Bank continued to uncover and invest in outstanding and promising players in the green and new growth sectors. In particular, it leveraged its engagement with the International Finance Corporation (IFC) through the KDB Asia Fund to invest in the infrastructure and manufacturing projects in developing countries. These investment efforts have solidified the Bank's position as a global ESG-focused PE house.

### PLANS FOR 2024

Despite expectations for a potential interest rate adjustment downward, the market outlook for 2024 remains unfavorable to businesses in light of escalating geopolitical risks and volatile stock markets. Amidst sustained conservative investment trends in this challenging market environment, funding supply is forecast to concentrate on a handful of attractive investment opportunities.

Based on its experience managing the largest green investment PEF to date in Korea—Green Initiative II, with a total size of KRW 700 billion—KDB has plans to launch another ESG fund of KRW 350 billion in 2024, specifically aimed at expanding hydrogen fund initiatives and eco-friendly infrastructure projects.

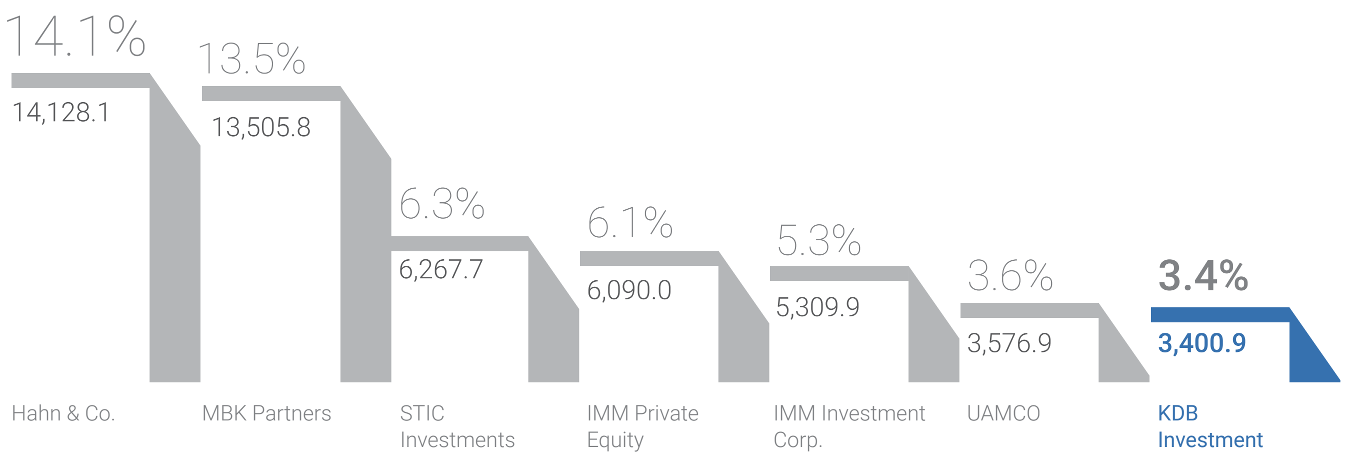
Moreover, in a bid to carry on with its successful partnership with IFC, the Bank is working to establish the KDB Asia II Fund. It will also build up its investment competencies through project funds that invest in future growth sectors and those companies operating in high-tech industries.

During the first half of 2024, the Bank is gearing up to create a sizeable fund of KRW 300 billion that will be targeted at investing in globally competitive, high-performing mid-cap enterprises (MEs) located outside of Seoul. This effort is aligned with the Bank's ongoing commitment in identifying new investment opportunities to bolster returns, while also fostering the advancement of key industrial sectors.

Furthermore, KDB intends to take bold action towards value enhancement and successful exits to maximize the IRRs on existing portfolio companies, thereby fortifying its position as a competitive PE house adept at balancing policy finance with market-driven investment.

**Korea's PE Firms Ranking** (in terms of capital commitment size)

(Unit: KRW billion, as of September 2023)



# Innovative Growth

## Innovation & Growth Banking

KDB serves as secretariat to the Innovative Growth Policy Council, a joint effort of four Korean government ministries[1] and eleven Korean policy finance institutions[2] to create a multilateral support system for the country's innovation and growth. KDB's role as the secretariat is to provide managerial support and official communication channels for and among member institutions. In fact, the Bank helped establish the Common Criteria for Innovative Growth, a consolidated guideline defining the innovative growth areas eligible for the council's policy finance support. KDB also analyzes the outcome of the policy finance support and uses the results as the benchmark for establishing further financial policies. In addition, the Bank provides end-to-end support to Korea's 1,000 Innovative Companies Program, which was designed by the Financial Services Commission to provide customized policy finance support to high-growth companies selected from different industries by relevant government institutions. Through the program, KDB enables innovators from a multitude of business verticals to scale up their businesses through policy finance support.

1) Ministry of Economy and Finance, Financial Services Commission, Ministry of Trade, Industry and Energy, and Ministry of SMEs and Startups

2) Korea Development Bank, Industrial Bank of Korea, the Export-Import Bank of Korea, Korea Credit Guarantee Fund, Korea Technology Finance Corporation, Korea Credit Information Services, Korea SMEs and Startups Agency, Korea Trade Insurance Corporation, Agriculture, Forestry and Fisheries Credit Guarantee Fund, Korea Growth Investment Corporation, and Korea Venture Investment Corporation

### 2023 IN REVIEW

Amid ongoing concerns over a global economic slowdown and sustained interest rate hikes, KDB continued its efforts to provide efficient and systematic financial support to innovative growth sectors. The efforts included updating the Common Criteria for Innovative Growth and stable operation of Korea's 1,000 Innovative Companies Program.

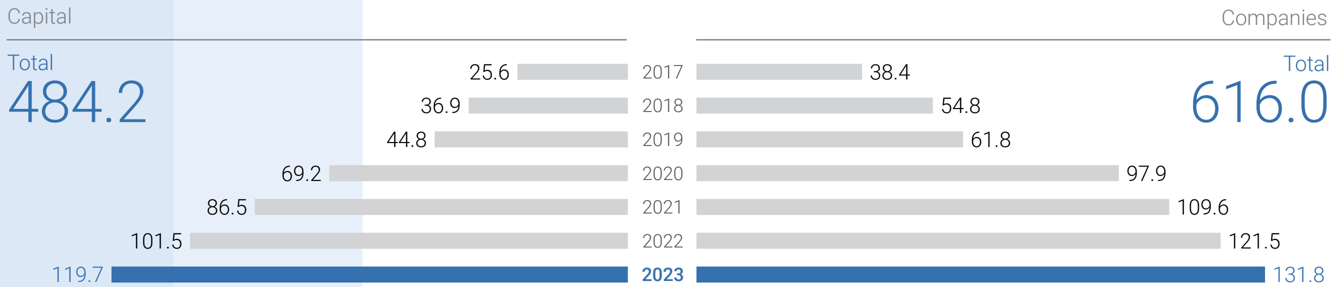
In March 2023, the fifth edition of the Common Criteria for Innovative Growth was attuned to the new administration's national industrial policies, while also incorporating feedback from the private sector. The criteria were categorized into four key initiatives* based on the government's major industrial policy objectives and integrated with the New Growth Strategy 4.0**. To enhance user accessibility, the Bank provided Help Desk services to support the application of the Common Criteria, established qualification guidelines for the innovation growth sector, and implemented improvements across all manuals. These efforts contributed to the steady expansion and efficient execution of financial support for myriad innovative companies.

* ① Strengthening competencies and achieving an unparalleled competitive edge in key industries; ② Fostering and preempting the market for future-oriented high-tech industries; ③ Realizing carbon neutrality and a green economy; and ④ Achieving industrial advancement and fundamental revamps

** A comprehensive, pan-governmental national growth strategy to drive Korea's transition to future industrial changes. This strategy focuses on three key national challenges (① Pioneering future-oriented industries; ② Realizing "Digital Everywhere," and ③ Securing differentiation) and encompasses 15 specific projects designed to tackle and provide solutions to these challenges.

### Annual Supply of Policy Finance Capital in the Innovative Growth Sector

(Units: KRW trillion, thousand companies)




* KDB, IBK, KEXIM, KCGF, KTFC, KOSME, KTIC, KGIC, KB, and WFG (reflects KOSME and KTIC capital from 2020 onwards, KGIC capital from 2021 onwards, and KB and WFG capital from 2023 onward)





Serving as the facilitator of the 1,000 Innovative Companies Program*, KDB has selected a total of 1,043 innovative businesses on five separate occasions since 2020 through collaborative efforts with 12 governmental agencies. The Bank subsequently followed through with the financial needs of all the beneficiary firms, matching them with the proper policy finance institutions to ensure priority consultation. KDB also oversaw the implementation of financial support guidelines and developed exclusive financial products to enhance support for innovative businesses. Additionally, the Bank also provided non-financial support to these beneficiaries, such as supporting their participation in financial institutions' IR events.

* A collaborative program between government agencies and policy finance institutions providing end-to-end financial support to 1,000+ select innovative businesses.

### PLANS FOR 2024

In 2024, policy finance is poised to be a linchpin in reigniting national growth momentum, specifically in addressing the stagnant economic conditions exacerbated by high interest rates, inflation, and a sluggish real estate market.

As the control tower of the Innovative Growth Policy Council, KDB will closely cooperate with government agencies, policy finance institutions, and the private sector to bolster the competitiveness of high-tech industries and strengthen efforts to nurture innovation and emerging technologies as future growth drivers.

In preparing the upcoming sixth edition of the Common Criteria for Innovation Growth, the Bank is actively collecting feedback from government agencies and the private sector to ensure timely integration of evolving industrial technologies and government policies aimed at fostering high-tech industries. The sixth edition of the Common Criteria will involve restructuring the system to facilitate the efficient allocation of policy finance in line with national industrial strategies and the promotion of new industries.

Moreover, the Bank intends to introduce a follow-up program tailored for those companies selected by the 1,000 Innovative Companies Program. The initiative aims to advance the program's effectiveness by ensuring that policy finance support for these companies continues in a systematic and sustainable manner. Additionally, KDB will remain committed to exploring cooperation tasks in policy finance essential for national industrial policies and to actively fostering synergies to maximize the impact.

### Total Financial Support to Korea's 1,000 Innovative Companies Program (cuml. as of 2023)

(Units: KRW billion, companies)

| Financial Institution | KDB | IBK | KEXIM | KCGF | KTFC | KGIC | Total |
|---|---|---|---|---|---|---|---|
| Support | 1,308 | 1,887 | 509 | 1,927 | 2,440 | 272 | 8,343 |
| Companies | 262 | 525 | 87 | 450 | 422 | 145 | 1,891[1] |
| Capital | 8,993.8 | 2,523.1 | 4,120.1 | 2,157.9 | 1,480.3 | 985.9 | 20,261.1 |

1) Excluding the overlapping support from different institutions, the total number comes to 908 beneficiaries.

## Indirect Investment

KDB indirectly supports companies by providing them with funding customized to their particular stages of growth. This is done through private equity (PE) and venture capital (VC) vehicles managed by private fund managers. In response to the government's policy direction in 2023, the Bank established funds that included the Innovative Growth Fund, Corporate Restructuring Innovation Fund, and Regional Development Investment Fund. KDB has also pioneered various investment projects to secure future growth engines and diversify its profit base, and is currently leading the domestic VC market.

### 2023 IN REVIEW

As of the end of 2023, KDB had pooled a total of KRW 50.9 trillion since launching its indirect investment operation in 2010. It is a major investor in Korea's fund market as a limited partner to 247 funds (with assets under management totaling KRW 7.6 trillion). The Bank is proud to be at the forefront of encouraging the adoption of an innovative investment culture, introducing market-oriented policy finance programs to stimulate market-driven venture capital, allowing more discretionary power and responsibility for fund managers, and promoting performance-driven fund management practices.

As a major investor in the Korean fund market, KDB actively deploys investments through its policy-driven funds that are set up to achieve specific objectives, such as supplying venture capital to innovative industries, setting the stage for restructuring, and promoting regional balanced development. By the end of 2023, it had closed on policy-type funds totaling KRW 31.5 trillion, with approximately KRW 19.3 trillion already executed.

Furthermore, after assessing market needs, including for the facilitation of exits for venture capital investments, KDB successfully established a KRW 1 trillion fund to support secondary investments, M&As, and companies' global expansion initiatives.

### PLANS FOR 2024

KDB's forthcoming capital allocations will reach a total of KRW 15 trillion, which will be dispersed between 2023 and 2027, toward the Innovative Growth Fund established to secure new growth drivers and foster global unicorns. Building on the Fund's successful first year of operation, the Bank plans to channel KRW 1.5 trillion each toward innovative industrial sectors, such as semiconductors, nuclear energy, and secondary batteries, and the unicorn sector. KDB's investment plans reflect the government's industrial policy, while also providing ample room for private sector autonomy, with this capital serving as a valuable means to jump-start Korea's economy.

At the same time, KDB plans to organize the fifth annual rollout of the Corporate Restructuring Innovation Fund, in response to rising demand for restructuring capital as businesses face further severe downward economic pressures. The investment will consist of a KRW 500 billion commitment from the Bank, with a matching fund from the private sector, bringing the total to KRW 1 trillion in 2024. Also in the pipeline targeted for the year include a global supply chain response fund, regional investment fund, and Growth Ladder Fund No. 2, all of which demonstrate KDB's determination to strengthen its policy finance capacity in the investment ecosystem.

As such, in 2024, KDB will ensure an ongoing supply of venture capital to stimulate new growth momentum for the country's economy, actively fulfilling its role as Korea's leading investor.

### Indirect Investment AUM

(Unit: funds, KRW billion)

| No. of Funds | Fund Size | KDB Commitment | KDB Capital Contributions | AUM |
|---|---|---|---|---|
| 247 | 41,085.2 | 14,485.8 | 10,193.8 | 7,605.0 |

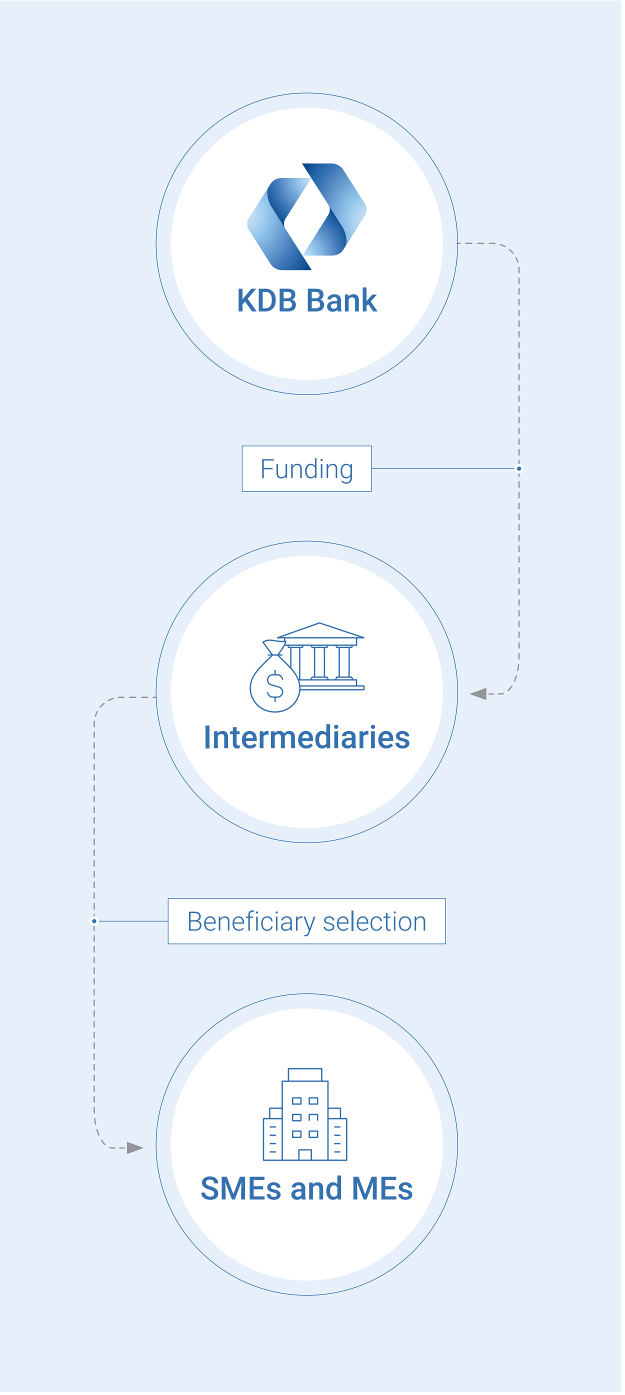
(as of the end of 2023)





## On-lending

On-lending is a market-friendly indirect policy finance tool that supplies long-term capital at low interest rates to underfinanced SMEs and MEs due to low credit ratings. KDB supplies funds for these loans to 25 commercial banks or specialized credit finance companies, which act as intermediary financial institutions. The intermediary financial institutions determine the loan beneficiaries and execute the loans.




### 2023 IN REVIEW

In 2023, KDB supplied on-lending loans totaling KRW 8.4 trillion to 7,651 qualified SMEs and MEs. The lion's share of the funding was allocated to financially underserved companies, particularly SMEs and those located outside the capital city, and for long-term loans of more than three years, facilitating companies' CAPEX investments and demonstrating KDB commitment as a policy finance institution.

In January 2023, KDB also launched two new on-lending products to foster SMEs in key strategic industries as well as green energy businesses, one of which was Materials, Parts, and Equipment & Strategic High-tech Industries On-lending, the other being Carbon Net-Zero Support On-lending. The combined balance of these two products closed the year at KRW 1.4 trillion, facilitating innovation-driven growth and enhanced competitiveness of SMEs.

At the same time, KDB actively engaged in public marketing campaigns to strengthen customer satisfaction and expand the reach of on-lending loans. These efforts were supported by the launch of a new mobile webpage for the on-lending digital platform, increasing customer touchpoints and the program's digital competitiveness.

### PLANS FOR 2024

The Bank plans to increase the cap for the Carbon Net-Zero Support On-lending product in support of corporate initiatives to address climate change.

KDB also intends to raise the cap on support programs to promote balanced national development across regions, and plans to introduce preferential interest rate products tailored for regional SMEs' capex investments, with the aim of stimulating capital investment activities nationwide.

In addition to above, more special on-lending programs are in the pipeline to support the creation of jobs and foster new industries, extending the beneficiaries of the Bank's policy finance support.

### On-lending Loan Yearly Balance

(Unit: KRW billion)

| 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|
| 7,590.1 | 8,404.4 | 9,151.8 | 8,835.2 | 8,386.0 |


## KDB NextRound

As a market-oriented policy finance institution, KDB has led Korea's effort to discover growth engines for its economy while promoting vitality and diversity of the startup ecosystem. The Bank's market-driven venture investment platform, KDB NextRound, has held 719 IR rounds since its inception in August 2016. In response to the COVID-19 era, the Bank successfully arranged both virtual and offline rounds together with the NextRound online platform (www.nextround.kr), offering uninterrupted opportunities to startups attracting investment and acting as a market maker in Korea's startup ecosystem. KDB's NextRise, an annual event launched in 2019, is the industry's largest startup fair that brings together startups and medium to large-sized businesses in an open innovation setting. Furthermore, KDB has set up a dedicated venture capital entity in Silicon Valley and a special purpose fund to invest in Korean startups seeking to expand globally. In tandem with this effort, the Bank has collaborated with industry and academic partners to build and finance a positive cycle that facilitates technology development, transfers, and product commercialization, while engaging in startup incubation and acceleration activities through the KDB NextONE program.

### 2023 IN REVIEW

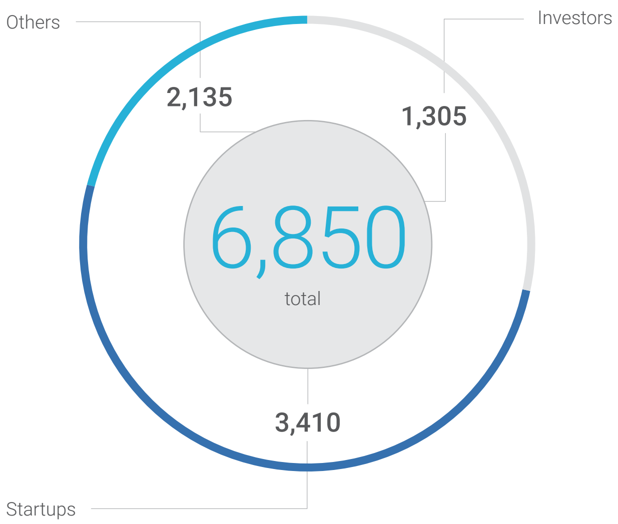
**Contributing to the startup ecosystem through its market-driven KDB NextRound platform**

KDB NextRound is a market-driven startup investment platform that connects startups attracting investments with investors searching for targets. The Bank and its partners, ranged from VCs and accelerators to government research institutes, have discovered promising startups and arranged for them a total of 719 IR rounds since the platform's launch in 2016. Through these rounds, 2,682 startups have had an opportunity to make their pitch, of which 782 have successfully raised a total of KRW 6 trillion.

In addition to regular IR rounds, KDB NextRound also holds industry-specific special rounds for biotech, fintech, and other sectoral players to better meet versatile market demand. It also offers global rounds in conjunction with VCs from overseas to support startups looking to expand beyond Korea's borders. In order to foster startup ecosystems outside the Seoul metropolitan area, KDB makes tours of startup hubs located across the country and holds IR rounds tailored to the strengths and needs of each regional hub.

### NextRound Online Platform Overview in 2023

**Members by Type** (Unit: persons)




**No. of Startup Media Available** 1,620

**Operating NextRound online platform (www.nextround.kr)**

KDB's NextRound online platform was launched in April 2021 to overcome the limitations of a physical event and better cater to the diverse needs of the startup ecosystem in Korea. The online platform allows startups to directly introduce their business and technologies, and to upload videos and other material related to their pitch. For investors, the platform offers live videos and recordings of NextRound events as well as a convenient interface to browse through the information on potential startup targets.

**NextRise 2023, Seoul: Korea's largest startup fair**

KDB supported Korea's startup ecosystem on multiple fronts through the 2023 edition of the NextRise fair, which was held on June 1-2. NextRise is the industry's largest startup fair organized jointly by KDB and four other organizations—the Korea International Trade Association, Korea Venture Business Association, Korea Venture Capital Association, and National Research Council of Science & Technology. The event consists of conferences, exhibition booths, and 1:1 meetups to bring together industry participants, including medium to large-sized corporates, VCs, startups, research institutions, and support institutions. The event continues to develop by adding new programs and attracting more participants each year.

More than 20,000 participants visited the two-day fair this year. In the fair, 448 local and overseas startups and several multinational companies, including Hyundai Motor Company, LG, Amazon Web Services, and Mercedes-Benz, opened exhibition booths. Unicorns such as MegazoneCloud, Zigbang, and IGAWorks, global financial institutions and startup support organizations like Vertex Holdings and Salesforce Ventures, as well as a distinguished pool of industry experts conducted a total of 71 on- and offline conferences. More than 3,300 investment and business partnership meetings took place among 878 startups, 139 medium and large-sized businesses, and 67 VCs. The NextRise participants showed their high satisfaction with the outcomes of the fair: investment attraction, business cooperation, marketing, etc., as evidenced by that more than 80% of the participants indicated their willingness to participate in the next year fair.

**Accelerating the growth of startups via KDB NextONE**

KDB continues to discover and incubate early-stage startups through the NextONE program, which was launched in July 2020. KDB NextONE provides business consulting, targeted mentoring, fundraising support, and business growth programs to deliver tangible help to early-stage startups. Since the program's launch, KDB has incubated a total of 105 startups across seven serial groups, many of which have secured funding, generated meaningful business results, and created new jobs. In short, KDB NextONE has effectively pushed KDB's startup support system to the next level.

**Supporting startups through special purpose funds**

Since 2014, KDB has been managing special purpose funds to support the development of the Korean venture capital market and companies. The Bank has set up a Global Partnership Fund Series (I to V) worth a total of KRW 744.5 billion to help innovative Korean startups advance to global markets and attract overseas investments. At the same time, the funds have fostered the qualitative growth of Korea's venture ecosystem by promoting international venture capital companies' entry into the domestic market. Also, KDB had set up a total of KRW 326.6 billion in Open Innovation Funds as of 2023 to expand investments in startups and support the securing of future growth engines through open innovation by establishing a technical/strategic collaboration between large/mid-sized companies and startups.


**Opening an in-house VC in Silicon Valley (KDB Silicon Valley LLC)**

Taking a step in a new direction from the Bank's historical focus on building startups within Korea, KDB opened a VC subsidiary in Silicon Valley in November 2021 to better connect the Korean startup ecosystem with one of the most prominent global centers of technological innovation. The Silicon Valley entity is further supported by venture investment desks in Singapore (opened in 2020) and London (opened in 2022). As the Bank's first overseas VC subsidiary, KDB Silicon Valley LLC makes both direct and indirect investments in local startups, while venture investment desks in Singapore and London support investment efforts across local and Korean teams. Through these hubs, KDB seeks to build an ethnic Korean network encompassing local entrepreneurs, investors, and industry leaders. This entity will serve as the foundation for KDB to develop industry connections within the global startup ecosystem, through which the Bank will actively support Korean startups on their journey to global expansion and unicorn status.

### PLANS FOR 2024

KDB will continue to foster and accelerate Korea's venture ecosystem in support of the government's drive to foster national strategic industries and future emerging industries. In 2024, KDB NextRound plans to host special rounds related to national strategic projects, such as AI, semiconductors, and secondary batteries. Furthermore, in a bid to broaden the reach of the venture ecosystem beyond the Seoul metropolitan area, the Bank intends to increase its hosting of regional rounds to five times annually. At the same time, the Bank plans to hold more global rounds in Silicon Valley, leveraging KDB's established overseas VC network to facilitate domestic startup s in attracting foreign investment and expanding internationally.

In addition, KDB plans to establish special purpose funds, such as Open Innovation Funds, to support continuous overseas expansion of innovative startups and the qualitative growth of domestic venture ecosystems.

The sixth annual NextRise fair is scheduled from June 13 to June 14, 2024, at the COEX Convention & Exhibition Center in Seoul, with members of domestic and international venture ecosystems set to attend. Serving as a venue for participants to exchange ideas and discuss partnerships for mutual growth, NextRise 2024 will allow for a window of opportunity amidst a bearish investment climate for startups and members of venture ecosystems from around the world to build connections and accelerate expanded development. Moreover, the Bank hopes that NextRise 2024 will contribute to the global growth of promising Korean startups while also furthering local interest in innovation and entrepreneurship.

Given the central role of KDB NextONE in the KDB venture platform, the Bank will also allocate the best of its know-how and skills from NextRound, NextRise, and its global network in managing the NextONE program over the coming year. As startups today face a very challenging, bearish investment climate, KDB will increase its crisis recovery support and engage in the active building of promising startups in nationally strategic high-tech industries, laying the foundation for Korea's startup ecosystem to become the driving force of the country's growth. KDB aims for these efforts to help solidify the Bank's standing as Korea's financial leader, providing uninterrupted innovation-driven momentum and fueling the country's growth.





# Venture Finance

## Venture & Technology Banking

KDB's venture finance operations began in 1997 at the dawn of venture investment in Korea. Since then, it has been pioneering the venture investment market, identifying and nurturing promising venture startups and SMEs with the capital they need to grow. In recent years, the Bank has expanded investments in promising tech firms, aligning with the government's strategy to cultivate innovative growth drivers of the national economy.

### 2023 IN REVIEW

KDB has been actively broadening its investment horizon by focusing on high-growth high-potential startups that will shape the future of the Korean industrial landscape. In 2023, the Bank invested a total of KRW 119 billion in 31 promising tech startups earmarked as being at the vanguard of key national strategic industries.

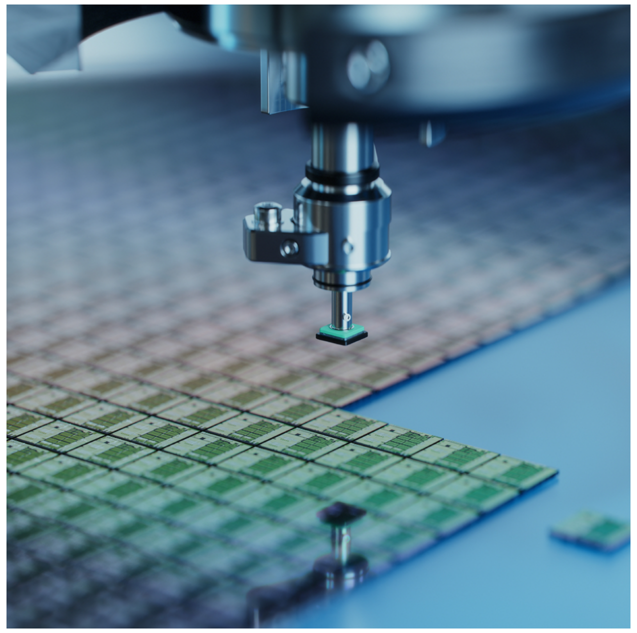
The Bank's commitment to fostering innovation drivers is evident in its approach to financing tech-driven startups from their nascent stages, guiding them through their growth phases with strategic follow-on investments. Indeed, this approach saw tangible results in 2023, with KDB investing KRW 25.5 billion in 11 early-stage startups and seeing through the successful IPOs of eight companies that established themselves within the market.

KDB's investment portfolio also spans the aerospace sector, covering a diverse range of ventures from private launch vehicle development and liquid fuel rocket manufacturing to AI-driven satellite imagery analysis. In particular, the Bank organized a meeting with aerospace startups in 2023, demonstrating its ceaseless commitment to unearth and promote innovative growth companies and build a robust ecosystem for the aerospace industry.

Looking ahead to 2024, KDB is set to further increase its investments in promising startups. The Bank will take a proactive stance in investing in early-stage innovative companies that boast outstanding technology and business models. In addition, it will support the global market penetration of key industries, such as the high-tech equipment parts and materials chemistry sectors, and remain dedicated to being an unwavering partner for startups.

## Scale-up Banking

As a result of the government's aggressive startup-fostering policies and the fast growth of the Korean venture community, the corporate value of innovative startups has continuously increased, giving rise to the need for financial support for mid- to late-stage startups according to their stage of maturity in the business cycle.



KDB's Scale-up Banking operation focuses on startups that have grown out of the initial stages and entered the growth phase, supporting their rise into unicorn companies through technology development, market expansion, and overseas advancement. Moreover, KDB aims to support the advancement of the Korean venture industry more systematically and effectively through strategic investments tailored to the specific needs of each sector.

### 2023 IN REVIEW

Despite a sluggish domestic venture investment environment in 2023, KDB actively supported the scale-up of various promising startups by directly investing KRW 340.3 billion into 32 companies (an average of KRW 10.6 billion per company).

The financial support was spread across a wide array of industries, including semiconductors, IT, mobility, and biotech. Notable investments included KRW 30 billion each to SEMIFIVE, a system semiconductor design house, and Rebellions Inc., a team of AI semiconductor architects, as well as KRW 10 billion to OKESTRO Co., Ltd., a private cloud solution service provider, bringing the total to 27 scale-up investments of more than KRW 10 billion each. KDB also provided follow-on capital towards existing portfolios to support their sustained growth and innovation.

KDB is building an efficient system for discovering and nurturing unicorns through its Mega-7 Club, a joint investment vehicle it set up with large VCs. The Bank supports startups selected by the Club through co-investments and IR events to attain the significant financial backing required for their growth. Since the launch in 2019, the program has supported 84 pre-unicorns in their IR activities as of 2023, and will continue to expand the horizons in unicorn investing.

KDB also practices open innovation to help foster the biotech venture ecosystem. In fact, the Bank was the first financial institution in Korea to spearhead the formation of a bank-led biotech alliance and forums to promote open innovation throughout the country. In light of various factors, including the public good, research complexity, and expected investment returns, the Bank has selected Alzheimer's disease and infectious diseases as the two key themes of its Open Innovation program. From the program's launch in 2019 to the end of 2023, the Open Innovation program has invested in 15 Alzheimer's disease startups and seven other startups engaged in studying infectious diseases. As the program evolves, KDB expects to add more themes like rare diseases to its pipeline.

### PLANS FOR 2024

In 2024, KDB plans to organize a team of experts to provide effective support for startups based on a more precise understanding of industries and their specific needs. The team will facilitate a  systematic approach to startup investments in line with government policies, seeing through the growth of the firms at each stage of the business cycle. In the same context, KDB will maintain extensive support for AI and high-tech industries, which are crucial for national competitiveness.

Furthermore, the Bank will channel its resources into nurturing the Korean venture ecosystem. It plans to bolster financial assistance and mobilize its domestic and international network to aid local innovators in developing global competencies and expand their presence overseas.

To invigorate the stagnant venture investment market, KDB intends to expedite the deployment of its investments while developing financial products tailored for startups struggling with fundraising challenges during market downturns. As a policy financial institution, KDB will expand its customized financial support to stimulate market growth.





# Project Finance

## Domestic Project Finance

KDB offers comprehensive financial solutions that encompass project finance (PF) advisory and arrangement services. For this, the Bank draws upon its extensive experience and capabilities in financing projects for social overhead capital (SOC), industrial plants (including those for power generation), natural resource development, and real estate development aimed at promoting balanced regional growth. Indeed, the Bank successfully arranged financing for the Incheon International Airport Expressway in 1995, the first PF initiative in Korea. Since then, the Bank has maintained its pioneering role in Korean project finance, harnessing the creative resources of the private sector while also catalyzing long-term investments by financial institutions. Through these efforts, it has fulfilled its crucial role in policy finance, significantly contributing to expanding national SOC, improving power supply, and stimulating regional economies. At the same time, it has been instrumental in advancing Korea's financial sector.

### 2023 IN REVIEW

Since arranging the nation's first PF transaction in 1995, KDB's robust track record now totals 834 domestic PF arrangements, amounting to KRW 164 trillion as of the end of 2023.

In 2023 alone, the Bank arranged financing for 39 projects domestically, including 16 SOC PFs and 23 regional development PFs, with a total deal volume of KRW 8.6 trillion.

KDB has spurred growth in the domestic PF market by arranging a number of mega-size SOC deals, such as the Daejeon Water Treatment Facility Upgrade Project and the Seoul Eastern Underground Expressway Project. Additionally, the Bank took the lead in the next-generation green PF market through financial arrangements for projects like the Incheon fuel cell power plant and the Seosan solar power farm projects.

Serving as an anchor player in the regional development PF market, KDB also successfully arranged finance totaling KRW 4 trillion for projects that included the Bucheon KTC Data Center and Gyeongbuk KT Cloud Data Center, thereby contributing in meaningful ways to the economies of these regions.

### PLANS FOR 2024

As a leading policy finance institution, KDB will continue to actively collaborate with the government to provide new funding for local landmark initiatives while closely managing existing investments. Portfolio management strategies will prioritize enhancing the operational stability at existing project sites through restructuring and refinancing, as well as improving end-user utility through toll reductions and other means. These measures are intended to allow the Bank to effectively respond to the government's policy to increase public interest in traditional infrastructure PPPs. In addition, the Bank aims to lead the next industrial revolution by deploying green finance to eco-friendly and low-carbon sectors, such as clean transport infrastructure and environmental improvement projects, as well as investing in ICT infrastructure, including ultra-high-speed optical networks and data centers.

In the energy sector, KDB intends to actively invest in offshore wind farms, hydrogen energy, and other assets related to carbon neutrality that are expected to see high growth, thus aligning its investments with the government's renewable energy policies. It also intends to actively expand financial support for major green projects pursued by leading global developers.

In the real estate sector, KDB will reinforce its role as a policy finance institution in stabilizing the market for traditional regional development projects. Moreover, it aims to lead in projects involving smart logistics centers, advanced industrial complexes, data centers, and other digital transformation assets that support government initiatives to vitalize Korea's economy.

## Overseas Project Finance

Since KDB first entered the global PF market in 2003 through a dedicated team organized in that same year, the Bank has built up an international network supported by PF desks led by local talents in Singapore (2011), New York (2015), London (2016), and Sydney (2022). As of the end of 2023, the Bank had arranged 232 overseas PF deals totaling USD 22.5 billion and 286 ship & aircraft finance deals amounting to USD 38.9 billion. These accomplishments secured KDB a 27th global ranking and an 8th position in the Asia-Pacific region on the 2023 international league table published by Project Finance International (PFI). Furthermore, KDB added to its network two dedicated financial advisory teams in London (2018) and Singapore (2019) to ramp up its global financial advisory capabilities.

### 2023 IN REVIEW

In 2023, KDB successfully closed 19 overseas PF deals worth USD 2.51 billion , and 31 ship & aircraft finance deals totaling USD 4.12 billion . The Bank also built upon its track record in the world's largest data center market by arranging the financing for three data center projects within the U.S., including that of QTS Eagle, and diversified its portfolio in the digital infrastructure sector through participation in projects like the GD Towers project by Deutsche Telekom in Germany and the Telecom Towers project by Vantage Towers in Europe.

Additionally, KDB supported eco-friendly and high-value-added ship financing, such as the Eneti offshore wind turbine installation vessels (WTIVs) and KOGAS LNG carriers, while further enhancing its prime asset position by offering portfolio financing to its premium clients in the aircraft lease sector.

Of particular note, five of KDB's 2023 global PF deals were selected as Deals of the Year by PFI. These landmark deals took place across the Americas, Europe, Asia, and the Middle East.

**PFI's list of KDB Deals of the Year**

- **USA** Rio Grande LNG export terminal
- **Chile** Codelco industrial seawater desalination
- **Germany** GD Towers
- **Taiwan** Hai Long 1,022 MV offshore wind farm
- **Qatar** Ras Laffan petrochemical plantswind farm

### Landmark Deals of 2023

#### Daejeon Water Treatment Facility Upgrade, Korea

- On February 20, 2023, KDB concluded the financing agreement for an underground water treatment facility project, following a concession agreement between a private company and Daejeon Metropolitan City. The project involves creating 146,297m$^2$ of land for a sewage treatment plant in Yuseong-gu, Daejeon, aimed at integrating and relocating the outdated sewage treatment facilities underground.
- With a total investment of KRW 1,282.2 billion and total arranged financing of KRW 1,127.6 billion, this project stands as the largest green infrastructure project in Korea's environmental sector to date. By extending KRW 437 billion in PF support, KDB has meaningfully contributed to invigorating the domestic PPP market while bolstering its standing in Korea's SOC PF segment.

#### Hai Long 1,022 MV Offshore Wind Farm, Taiwan

- On September 22, 2023, KDB inked a financing agreement for the Hai Long 1,022 MW offshore wind farm project in the Formosa Strait, Taiwan.
- This project materialized through a collaboration with reputable companies such as TSMC, a leading emiconductor manufacturer in Taiwan, and Siemens, the world's largest offshore wind turbine supplier. KDB financed EUR 120 million in support for this USD 6.6 billion-valued global green infrastructure project, further strengthening its position in the global PF landscape.

### Plans for 2024

KDB will strive to expand its PF operations and become one of the leading global PF houses in 2024. To this end, the Bank will establish marketing strategies tailored to the geographical regions where its PF Desks are located and seek out more opportunities for advisory and arranger roles through greater equity participation in reputable infrastructure funds.

Furthermore, the Bank will strive to facilitate global expansion opportunities for Korean businesses. Specifically, KDB will offer transaction advisory and financing arrangement services in the early stages of those infrastructure and energy development projects where Korean developers are key stakeholders. Expansion of overseas real estate development financing is another agenda , as the Bank seeks to build up its portfolio of international prime assets and also alleviate private sector conflicts domestically, serving as a strategic approach to exploring future growth opportunities.





# Trading

## F/X & Derivatives Trading

Since pioneering the Korean F/X and derivatives market in the 1980s by building it from the ground up, KDB has remained a leader in this sector. Over the course of 30 years, the Bank has built up a depth of expertise in handling a wide range of products, from basic derivatives, such as F/X, swaps, and options, to more complex structured products. All the while, it has provided customized hedging solutions for its corporate clients. Today, KDB stands as the unrivaled derivatives house in Korea, contributing to the development of the national economy.

### 2023 IN REVIEW

In 2023, the global economy was mired in amplified uncertainty and volatility as governments continued to raise interest rates to tame prolonged inflation, all the while grappling with heightened geopolitical risks from the protracted Russia-Ukraine war and the Israel-Hamas conflict. All these contributed to disrupting the global supply chain, creating challenging circumstances for Korean companies. Against this backdrop, KDB's seasoned professional team actively supported its domestic corporate clients with customized hedging products, protecting the market from international competition and achieving notable outcomes as follows:

First, KDB capitalized on its dominant position in the domestic currency swap market to attract swaps from foreign bond issuers, which were then supplied to foreign asset investors. By matching supply and demand at competitive prices, the Bank contributed to the virtuous cycle as the market maker in Korean currency swaps.

Secondly, the Bank was named a leading bank in the FX market for the second year in a row, highlighting its efforts to stabilize the market and support government policies with regard to exchange rates. Notably, KDB backed policy-driven finance needs with policy advisory services to stabilize exchange rates and advance the F/X market. KDB also offered FX risk hedging products to protect national key industries, including shipbuilding, shipping, and heavy industries, from fluctuations in exchange rates.

Thirdly, through its London derivatives desk, KDB expanded its derivatives business by starting businesses with local airports and port companies. It also became the first Korean bank to join a hedging bank group associated with major local utility companies, setting the stage for similar moves in the future.

In addition, as a market maker, KDB contributed to stabilizing the prices of carbon allowances and keeping the domestic currency swap market liquid through its foreign currency supply. Furthermore, KDB continued to build up the direct CNY-KRW trading volume while providing liquidity to the spot exchange market. Through these efforts, it remained committed to active market making activities in the F/X markets.

### PLANS FOR 2024

In 2024, the global economy faces significant headwinds, including sustained high global interest rates, increased protectionism in global trade sparked by intensified U.S.-China tensions, and ongoing instability in the Middle East. To navigate these challenges, KDB is committed to empowering Korean businesses and financial institutions by delivering timely, need-based products and services.

First, to enhance its derivatives sales, KDB is introducing and promoting products specifically designed to meet individual client needs. After a hiatus since 2011, the Bank is reinitiating its commodity derivatives operations to cater to corporate demands for hedging against commodity price risks. Additionally, KDB plans to initiate consumer price index-linked inflation swap transactions for local businesses in London, a major global financial center. This initiative represents a strategic expansion of KDB's derivatives activities, moving beyond the borders of Korea into global markets.

Second, KDB is proactively adapting its strategies to the evolving dynamics of the foreign exchange market. In line with the government's 2023 announcement aimed at advancing the F/X market, the Bank is gearing up to extend its market opening hours until 2 a.m., starting in July 2024. KDB will swiftly align with the government's policy to liberalize the F/X market through infrastructure enhancements and pilot operations. As the F/X markets transition towards digital platforms at home and abroad, KDB is set to operate an online trading platform to strengthen its trading competitiveness.

Moreover, KDB is committed to acting as a principal market maker in carbon credit trading, diligently engaging in policy discussions and offering advisory services to stimulate the domestic market. The Bank also aims to bolster Korean companies' risk management capabilities by providing currency risk advisory services and supplying products tailored to the specific needs of businesses.

Looking forward to 2024, KDB is determined to solidify its market position as a leading derivatives house, taking on a pivotal role as a derivatives trading center for the implementation of Korean policy finance, while striving to expand its derivatives business footprint abroad.

## Money Market & Capital Market Trading

KDB generates returns from investments of its surplus funds in securities at home and abroad. It is an active investor of corporate bonds issued by leading global companies, allowing it to elevate the presence of Korean investors on the global stage. Through close collaboration with 18 overseas branches and subsidiaries, including those in the financial hubs of New York and London, KDB is broadening its investment footprint in the global financial landscape.

Domestically, KDB's efforts extend beyond investing in KRW-denominated securities. Serving as the primary dealer of Korea treasury bonds (KTBs), the Bank facilitates smooth issuance and liquidity of KTBs in line with the government's initiative to modernize the KTB system.

### 2023 IN REVIEW

KDB has adeptly tailored its investment strategies to counter the recent increased volatility in financial markets, thereby securing stable returns. This approach includes diversifying its investment portfolio, notably with its reengagement in investments in Euro-denominated bonds. Through monthly Security Management Committee (SMC) meetings, the Bank meticulously keeps the balance of its foreign currency securities portfolio across different countries, credit ratings, and sectors. In addition, since the adoption of its Daily Credit Watch program in January 2021, the Bank has been strengthening its risk management capabilities. Daily Credit Watch is a sophisticated, in-house developed system for sensitive detection of signs of abnormalities in the credit spread of securities.

### PLANS FOR 2024

In anticipation of a slowdown in the global economy within a disinflationary context in 2024, KDB is poised to further refine its securities investment practices and bolster its risk management framework. As such, the Bank aims to fine-tune its investment strategies to minimize the impact of market fluctuation in pursuit of stable returns. Complementing the Daily Credit Watch-based early warning system, KDB is committed to continuing its efforts to enhance credit quality across its investment portfolio.

As a leader in Korea's bond market, KDB will maintain its active market participation, enhancing the bond issuance environment for Korean companies. Fulfilling its role as a primary dealer of KTBs, KDB is dedicated to contributing tirelessly to the advancement and sophistication of the KTB market.






# Global Business

## Global Expansion and Network Management

As one of Korea's key policy finance institutions, KDB continues to make strides in leading the globalization of the country's financial services industry and expanding its international presence. The Bank draws on its overseas network to underpin the government's policy objectives and support the simultaneous expansion of Korean financial institutions and businesses abroad.

KDB's competitive edge stems from its deep-rooted financial acumen and insights garnered through longstanding participation in the international financial arena, coupled with a credit rating on par with that of the Republic of Korea. The Bank offers both Korean and international clients a diverse range of corporate and investment banking (CIB) services, competing head to head with some of the world's most prominent banks.

Going forward, KDB is committed to offering comprehensive funding arrangement services across loan and capital markets, alongside an array of corporate banking solutions, including project finance, M&A, ship and aircraft finance, consulting, derivatives and more. Based on this integrated financial platform, KDB will support Korean companies' global expansion as it works toward its goal of becoming one of the top 20 global banks and emerges as a premier CIB house in Asia.

### 2023 IN REVIEW

KDB seeks to establish a stable funding base and secure new revenue sources while also serving as a gateway for Korean businesses expanding globally. At present, KDB's global network spans 18 countries—eleven branches, seven subsidiaries, and seven offices, totaling 25 entities—and this number is only expected to grow. To strengthen its global business infrastructure, KDB capitalizes on the specialties of each of its international locations, amplifying strategic assets through ship and aircraft finance, as well as private equity and venture capital investments, with a focus on enhancing its asset portfolio around promising sectors and businesses with high growth potential.

In a push to expand its global network and business collaborations, KDB actively engages with international organizations and financial institutions. In 2023, KDB arranged training sessions for public officials from the governments and central banks of emerging economies like India and Vietnam, using these opportunities to introduce its operations and strengthen bilateral ties. By participating in annual meetings of key international organizations (IMF, WB, ADB, ERBD, and AIIB), KDB shared insights and bolstered partnerships with leading global financial institutions. In fact, in November 2023, the Bank signed an MOU with the UK Department for Business and Trade aimed at broadening KDB's product offerings in the UK financial market and supporting asset growth in pursuit of enhanced collaboration. Moreover, KDB has enriched its institutional exchanges by taking part in working-level discussions across various international financial associations and engaging in knowledge-sharing initiatives.

### PLANS FOR 2024

In 2024, KDB will seek to deepen its long-term growth foundation by continually expanding its geographic coverage. In line with this, the Bank plans to establish a branch in Hanoi, Vietnam, as a key business outpost in the fast-growing Southeast Asia region, and another in Frankfurt, Germany, a center for its green finance activities in Europe.

In addition, the Bank will divide its overseas branch network into five regions, covering China, Hong Kong, Asia, the Americas, and Europe, and subsequently develop a growth strategy tailored for each region. Under an aggressive strategy of expansion and localization, KDB aims to scale up its overseas operations and assets. By taking full advantage of its strategic hub branches, the Bank will explore opportunities for arranging mega-deals for international clients while increasing its exposure to local currency securities abroad and expanding trade finance transactions with financial institutions.

## Global Investment Cooperation

KDB has been designated to carry out the systematic and effective implementation of investments from the United Arab Emirates (UAE) into Korea, pursuant to the government's Korea-UAE Investment and Financial Sector Cooperation Follow-Up Action Plan. Key responsibilities include actualizing the Sovereign Investment Partnership (SIP) agreement between KDB and Mubadala Investment Company, managing the investment cooperation network, and presenting promising domestic investment projects to UAE investors through the Investment Proposal Delivery Protocol.

In 2024, KDB also aims to widen its scope of investment cooperation beyond UAE investment bodies to include global investment institutions. This expansion entails scouting for prospective investment opportunities, organizing dialogues for cooperation with global investors, and coordinating governmental interactions.

### 2023 IN REVIEW

At the Korea-UAE summit in January 2023, the UAE announced its plan to invest USD 30 billion in Korea, leading to the establishment of a Sovereign Investment Partnership (SIP) between KDB and Mubadala Investment Company. Soon after, in February, KDB launched the UAE Investment Cooperation Network, engaging 23 Korean financial institutions and industry associations to support the UAE's direct investments in Korea. March saw the forwarding of investment cooperation proposals to Mubadala, culminating in strategic discussions between senior executives, which were followed by working-level discussions to fine-tune investment cooperation strategies. In May, seven key UAE investment institutions, including Mubadala and other sovereign wealth funds and public enterprises, visited Korea for the UAE-Korea SIP Forum. June featured the establishment of an Investment Proposal Delivery Protocol, complete with a comprehensive checklist that incorporates the final investment criteria set by UAE investors. The protocol has been instrumental in submitting meticulously evaluated and transparently processed proposals to the UAE for investing in the Korean private sector, thus enhancing investment attraction efforts.

### PLANS FOR 2024

In 2024, KDB is committed to continuing its investment collaboration activities with the UAE while also extending efforts to attract other prestigious sovereign wealth funds. This strategic expansion is designed to facilitate the influx of substantial investments from various sovereign wealth funds into Korean enterprises, facilitating their significant growth and establishing best practices for successful investments.

## Cross-Border Syndicated Loans

**Global Corporate Banking for Non-resident Institutions**

KDB's global corporate banking offers syndicated loans and credit commitments to non-resident, non-Korean institutional clients. The Bank's loan origination and distribution desks in the Asia-Pacific region and Europe oversee investment grade and non-investment grade borrowers across the globe. In recent years, KDB has expanded its product offerings, from plain vanilla loans and merger & acquisition financing, to fund facilities such as net asset value financing and subscription line facilities.

Leveraging its extensive network across the world, KDB has reported strong results despite the continuing high-interest rate environment and volatile market conditions. KDB financed a number of different mega-transactions in 2023, including a USD 2.5 billion syndicated loan to Reliance Industries and a USD 750 million syndicated loan to The Commercial Bank (P.S.Q.C.).

In the coming years, KDB will continue to broaden its partnership efforts alongside global financial institutions and corporations, with a focus on expanding its presence in Asia, Europe, and the MENA region in pursuit of delivering on its 2024 targets.

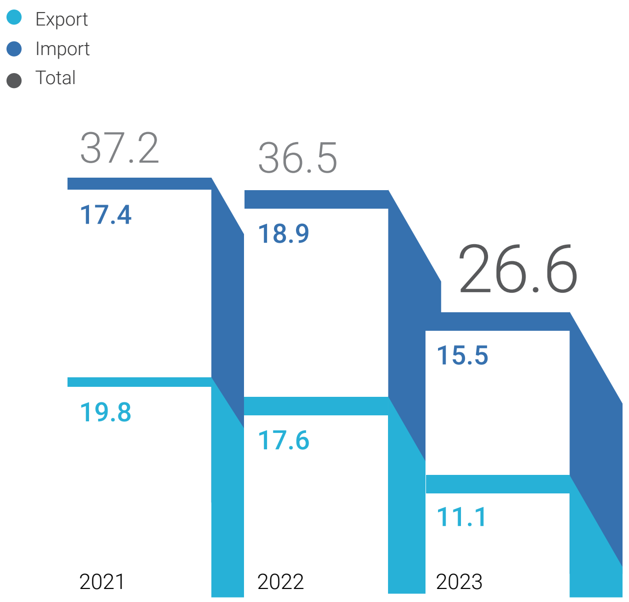

## Trade Finance

KDB offers a comprehensive spectrum of import and export trade finance products to its clients, thus playing a crucial role in the nation's trade business.

In addition to traditional import and export trade finance, the Bank also engages in inter-bank risk participations. These transactions, intermediated by global banks, form an integral part of financial institution (FI) trade finance operations, aimed at bolstering asset soundness and exploring new sources of revenue. Furthermore, the Bank extends credit lines to banks from emerging economy partners that are guaranteed by international financial organizations. Since 2018, KDB has been actively providing trade loans to these banks, reducing its reliance on risk participations and also diversifying the FI trade finance offerings in order to broaden its inter-bank operational base.

**Import/Export Trade Finance Supplied to Korean Companies by Year**

(Unit: USD billion)




### 2023 IN REVIEW

In 2023, imports and exports faced a downturn in the first half of the year due to concerns over inflation and economic recession. However, with the stabilization of international oil prices in the latter half, exports turned to an upward trend, maintaining a surplus for seven straight months after June 2023. Despite the rapidly changing trade environment, KDB executed USD 26.6 billion in import and export trade finance transactions.

KDB has also expanded its global trade finance asset base by dealing with a wide array of products, such as collaborative transactions with international organizations and corporate risk participations, through which KDB extended credit lines to corporations. At the same time, the Bank sought diversification of its short-term foreign currency trade finance instruments to better manage its foreign currency liquidity needs and generate higher profits from these offerings.

### PLANS FOR 2024

Despite the negative factors in the market environment, such as deepening trade barriers and weakening price competitiveness of Korean exporters, KDB plans to expand its support for companies engaged in import and export trade finance in 2024. As such, the Bank plans to actively provide import and export trade finance solutions to its clients by coordinating close cooperation between the Bank's relationship managers and the Trade Finance Department and arranging a greater number of networking opportunities with the Bank's corporate clients.

KDB will continue to expand its operations by diversifying both the target banks and regions for its flagship products, such as trade loans and risk participations. Additionally, it aims to broaden collaborative transactions with international organizations and support the activation of global trade finance operations at its overseas branches, thereby reinforcing KDB's trade finance asset base as it continues to diversify its activities.

# Pensions & Trusts

## Pensions

Since the introduction of retirement pension plans in Korea in December 2005, KDB has been actively involved in the retirement pension business as part of its commitment to providing a full spectrum of financial solutions tailored to the needs of its clients. KDB draws on its extensive expertise as a specialist in corporate banking to manage retirement funds effectively.

In response to the growing demand for post-retirement security in Korea, especially given its aging population and staggeringly low birth rates, KDB contributes to the stable growth of the Korean retirement pension market in line with government policies. In particular, by leveraging its strengths in corporate finance, the Bank is always exploring strategies to more effectively respond to the corporate retirement pension market (DB), while also enhancing its capabilities in the retirement pension business.

In 2023, Korea's retirement market witnessed growth that was driven by the government's active policy to promote the private pension market. In tandem with the market size growth, KDB's retirement pension assets under management (AUM) grew by 5.5% year on year to reach KRW 8.6 trillion as of the end of 2023, ranking 13th among 44 Korean retirement pension operators in terms of AUM size.

Amid a continuously growing retirement pension market, fueled by the government's efforts to broaden tax deductions and enhance worker awareness, KDB plans to swiftly adapt to evolving laws and regulations governing retirement pensions in 2024. As part of this endeavor, the Bank's Pension Business Department aims to strengthen cooperation with the relationship managers within the Bank's different business units, expand its lineup of top products, and improve IT infrastructure to continuously deliver stronger returns and service convenience, thus strengthening its business competitiveness.

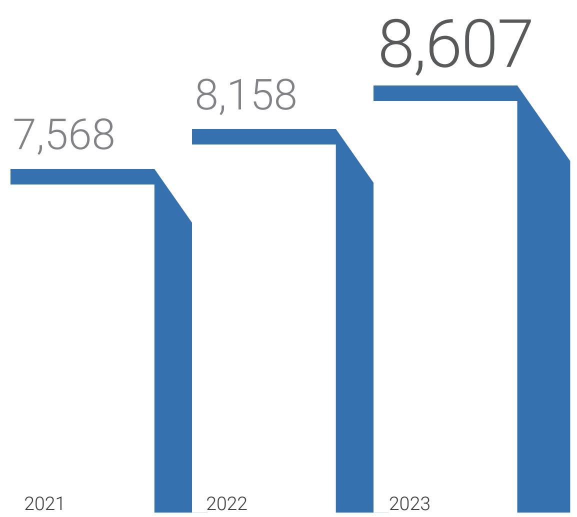
While driving DB-centered marketing based on the Bank's corporate client networks, KDB also aims to continuously enhance DC/IRP services for retail clients through diverse product offerings and enhanced asset management consulting. Through these efforts, the Bank aims to continually expand retirement pension AUMs, as the risk-free fee income from this reserve strengthens KDB's revenue base and provides a source of funding for its policy finance programs.

### 2023 Pension Assets under Management

(Unit: KRW billion)

Year over Year

+5.5%




## Trusts

Beginning with monetary trust services and subsequently broadening its offerings to include property trusts and custodial services, KDB has been actively involved in an array of trust services since 1989.

KDB's specific monetary trusts and property trust solutions (real estate-backed trusts, monetary receivables trusts) play a crucial role in facilitating stable liquidity management and efficient fundraising for corporate clients. For individual clients, the tax benefits of an unspecified money trust (pension trust) offer a compelling option for retirement planning. In addition, KDB plays a vital role in policy finance by acting as the custodian for policy funds and supporting the seamless financial operations of corporate clients as an agency bank for syndicated loans. The Bank is also advancing the digitization of trust services by implementing robotic process automation (RPA) across various processes.

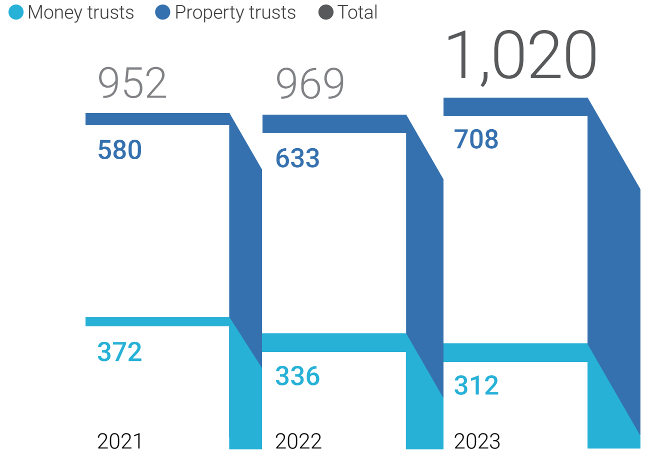
In 2023, the total assets under management (AUM) of trusts in Korea reached KRW 1,020 trillion, continuing its growth trend at a rate of 5.3% from the previous year. This increase was backed by the consistent expansion of property trusts, which account for 70% of the domestic trust AUM, and compensated for the decline in money trusts related to the wrap and trust scandal at certain Korean securities firms.

### Total Trust AUM in Korea

(Unit: KRW trillion)

| | 2021 | 2022 | 2023 |
|---|---|---|---|
| Money trusts | 372 | 336 | 312 |
| Property trusts | 580 | 633 | 708 |
| Total | 952 | 969 | 1,020 |

Source: Korea Financial Investment Association (excluding retirement pensions)




KDB's focus on monetary trust products is central to its strategy for assisting corporate clients in managing liquidity effectively. The Bank has expanded its product range by introducing new options like treasury monetary market funds (MMFs) and foreign currency proprietary account products, both of which are tailored to the sophisticated needs of corporate clients for managing their surplus funds efficiently.

In the property trust sector, KDB leverages its profound expertise in corporate banking to aid corporate clients with capital markets engagement. Over the last year, the Bank successfully attracted 18 new contracts for monetary receivables trusts, amassing KRW 8.1 trillion in AUM, enabling corporate clients to enhance their collateral and diversify their funding sources. Furthermore, with five of its new contracts for real estate-backed trusts totaling KRW 1.1 trillion in AUM, KDB has continued to facilitate smooth capital management for its corporate clients.

Regarding custodial services, KDB has been proactively involved in setting up and managing policy funds, helping launch 21 new funds with a total of KRW 2.8 trillion, and raising its overall average custody balance to KRW 52.2 trillion, up by KRW 8.8 trillion from the previous year. For example, as the custodian of the Bond Market Stabilization Fund, KDB manages KRW 11 trillion in AUM, thereby contributing to the stabilization of financial markets.

Going forward, KDB is committed to further developing trust services that draw on its competitive edge in corporate banking to meet evolving customer needs. The Bank aims to offer customized money trusts designed for optimal short-term liquidity management for businesses and to employ a flexible approach in managing property trusts to enhance businesses' capital market positioning. In anticipation of an increase in the custodial size of policy funds, KDB intends to leverage its seasoned expertise in stable asset management as Korea's largest custodian bank for policy funds, including for Innovation Growth Funds. Specifically, the Bank will actively participate in the formation of new funds, continuing to empower the Korean economy through its trust services.

### KDB Trust AUM

(Unit: KRW trillion)

| | 2021 | 2022 | 2023 |
|---|---|---|---|
| Monetary trusts (average balance) | 3.0 | 2.0 | 2.5 |
| Property trusts (outstanding balance) | 21.8 | 19.5 | 21.5 |
| Custody (average balance) | 35.0 | 43.4 | 52.2 |

# Research

## Industrial Research

KDB operates an Industry Technology Research Center under the auspices of the KDB Future Strategy Research Institute. Internally, the center supports the Bank's front-office departments with its industry analysis reports as the core reference in formulating business strategies, credit evaluation, and investment decisions. Externally, it acts as a policy finance think tank, providing valuable research materials for enhancing Korea's competitiveness, fostering new growth industries, managing supply chains, and expediting carbon neutrality and digital innovation.

### 2023 IN REVIEW

In response to the post-pandemic shift toward protectionism and significant industrial transformation, the center has conducted in-depth research on Korea's critical strategic technologies and emerging growth sectors, alongside changes in the global value chain. More recently, the focus has also expanded to encompass green industries and the digital transformation.

The center proactively studies strategies for securing critical technologies and carries out the research essential to the digital transformation of conventional sectors, backing government policy formulation and alerting officials to any signals of industry mega-trend shifts. It also timely addresses and evaluates the major issues facing domestic industries that stem from changes in both the internal and external environment, thereby informing Bank-wide operations and advocating for infrastructural enhancements in industry and technology.

In particular, the center has introduced technologies in carbon reduction for traditional industries and the green energy sector, while also analyzing key technologies and promising sectors in the carbon neutrality sphere. Specialized research on smart farms, smart logistics, and smart factories—all keys to digital innovation in traditional industries—further aided policy decision-making and illuminated significant industrial transformations.

### PLANS FOR 2024

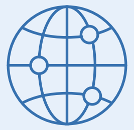
In 2024, the center will keep up with its in-depth exploration aimed at cultivating new growth industries and strengthening industrial competitiveness as it continues to offer robust support for the effective execution of government policies focused on advancing strategic industries and securing supply chain stability.

Expanded research activities will target high-tech industries, such as semiconductors, secondary batteries, and biotechnology, while also concentrating on the industrial application and broader impact of next-generation technologies at the heart of today's industrial transformation, including artificial intelligence and nanotechnology. Key areas of study will also include green and digital transformation, with an emphasis on the expansion of carbon-neutral energy, low-carbon transitions, and the digitization of social overhead capital (SOC). Additionally, the center plans to assess strategies and outcomes related to the restructuring of foundational industries like steel and shipbuilding. At the same time, it will perform detailed analyses of strategies for enhancing the competitiveness of the Korean materials, parts, and equipment industries, and scrutinize international supply chain stabilization policies to devise ongoing solutions to the global supply chain crisis, thus ensuring that the main growth drivers of Korea's industrial sector keep up with their momentum.

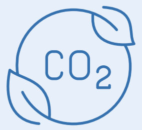
Continuing its support for the Bank's front-office departments through industrial and technological research, the center will engage in and host research seminars both domestically and internationally to reinforce its research expertise. In addition, it will continue to operate a center-wide research council to accumulate and share new technological insights across the Bank. Specifically for the Bank's credit departments, the center will supply insights into prospective sectors, including analyses of domestic and international markets, policies, and core technologies. It will also provide technology evaluations, TCB assessment, help desk services for project cost reviews and funding, as well as input in major credit consultation bodies within the Bank.

#### 2023 Key Research Reports at the Center

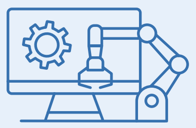
Unrivaled Technologies Series II



Global Value Chain Key Items



Carbon Neutrality Special Study



Digital Transformation in Traditional Industries





## Development Finance (Development Cooperation Projects in Emerging Markets)

Founded to drive post-war reconstruction and economic resurgence, KDB has diligently adhered to its development finance mandate, aligning with the evolving policies of successive governments to supply industrial capital and ensure financial market stability. Leveraging its more than six decades of experience in development finance, the Bank has been sharing its insights and expertise with governments and financial institutions in developing countries, aiming to broaden its international impact while also sharing co-prosperity with them.

### 2023 IN REVIEW

Throughout 2023, KDB pressed on with its initiatives to transfer development finance knowledge to partner nations while networking with development finance experts to cultivate a foundation for external collaboration, which is vital for broadening the reach of its knowledge transfer projects and facilitating future partnerships. To that end, the Bank undertook comprehensive research, drawing from a wide array of expert opinions to stay abreast of the latest trends in development cooperation and strategies for funding. This effort laid the groundwork for defining the future trajectory of its development finance operations and formulating strategies to navigate the paradigm shifts in the external environment.

### PLANS FOR 2024

In 2024, KDB is set to concentrate on enriching and deepening its development finance content through targeted research initiatives, while also persisting in the efforts to impart development finance knowledge to partner nations. As the Bank moves forward, it plans to establish forums for expert exchanges to bolster development finance knowledge sharing and research capacity. Through stronger networking efforts with research entities, governmental bodies, and international organizations, all while seeking out collaborative ventures, the Bank aims to further its transition into a globally recognized, full-service financial institution.

# SUSTAINABILITY **REVIEW**

**Embracing a future-oriented, responsible vision, KDB pledges sustained growth through responsibly led environmental, social, and governance (ESG) initiatives.**

Grounded in rigorous risk management and ethical governance, KDB not only ensures a secure financial environment for its customers but also drives financial innovation and operational efficiency through digital transformation. At the vanguard of the Korean financial sector, KDB is crafting superior value for tomorrow's financial landscape.



# Asset-Liability Management

KDB proactively maintains control of its asset-liability management (ALM) as well as profit portfolios, adapting to the dynamic global financial and macroeconomic landscapes. In tandem with its growing size of operating assets, the Bank formulates integrated financial strategies that strike a balance across operations, procurement, and investment activities. The Asset Liability Committee (ALCO), which serves as the top decision-making body for the Bank-wide ALM practices, ensures the coherence of financial strategies through inter-departmental coordination.

## KDB Bonds

Under the Korea Development Bank Act (KDB Act), KDB issues industrial finance bonds (KDB bonds) to secure the funds necessary for Korea's industrial development and support, the expansion of social infrastructure, regional economic development, financial market stabilization, and other initiatives aimed at promoting sustainable growth.

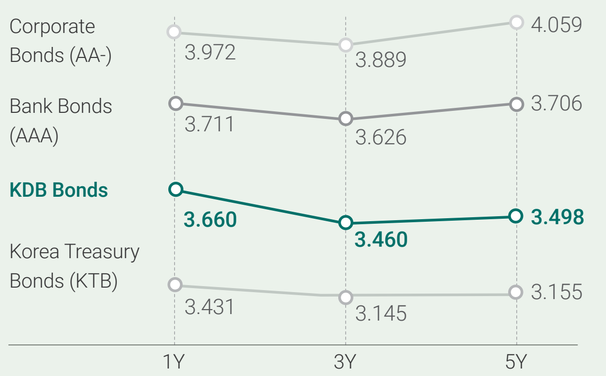
### KRW-denominated

In 2023, following a single increase of 25 bps in January, the Bank of Korea maintained a freeze on the base rate at seven consecutive policy meetings, attributing this stance to slowing inflation and swelling household debt. This action helped reduce the market volatility that had significantly escalated in 2022. KDB capitalized on these developments to issue KDB Bonds in a timely manner and in consideration of market liquidity. The new issuances for 2023 totaled KRW 54.5 trillion, with a standing balance of KRW 116.6 trillion. This approach facilitated the procurement of resources for policy finance support through the flexible and stable issuance of KDB Bonds that were aligned with fund demand.

As a policy bank governed by the KDB Act, KDB benefits from the coverage of losses provision, which allows the government to compensate its losses. This provision equates the Bank's credit ratings with those of the government under Basel III standards, guaranteeing KDB's access to low-cost funding on par with government financing.

**Market Yields on Benchmark Bonds by Maturity**

(As of December 2023, Unit: %)




KDB Bonds are classified as special bank debentures. Since the Bank's merger with the Korea Finance Corporation in 2014, the issuance volume has increased, making KDB the largest issuer in the Korean bond market, behind only the government and the central bank as of 2023.

The yields on KDB Bonds are widely used as a key benchmark rate in the Korean bond market, along with Korean treasury bonds and monetary stabilization bonds by market participants such as the Korea Financial Investment Association.

As the premier issuer of KRW-denominated ESG bonds, KDB has consistently issued green bonds every year since introducing the country's first KRW green bonds (KRW 300 billion) in 2018, thereby cementing its role as a key market maker.

In 2023, KDB established its Korean Green Bond Management System, incorporating the Ministry of Environment's K-Taxonomy and the Korean Green Bond Guidelines by the Ministry of Environment and the Financial Services Commission. The Bank then issued KRW 300 billion in Korean-style green bonds, the first time any Korean bank had done this. In fact, this move played a significant part in expanding the Korean green bond market, mitigating concerns about greenwashing and aligning with government policy objectives.

Looking ahead to 2024, the Bank is proactively preparing for an anticipated surge in bank funding supply. As such, it aims to boost fundraising efficiency through adaptable maturity management to lessen refinancing risks and reinforce cost rate management. Moreover, the Bank is exploring opportunities to vary the structure of KDB Bonds to lower capital costs and broaden the investor base.

All in all, KDB will remain committed to ensuring the availability of the stable resources necessary to fulfill its policy finance obligations, which include fostering sustainable growth of the Korean economy. This commitment accompanies the Bank's unwavering adherence to both domestic and international regulations and securing timely funding to navigate the ever-evolving dynamics of the financial market environment.

### Foreign currency-denominated

In 2023, despite numerous challenges including geopolitical risks arising from the Israel-Hamas conflict, Silicon Valley Bank's bankruptcy, and the continued tightening of global monetary policies resulting in increased market volatility, KDB successfully issued a total of USD 9.1 billion in foreign currency-denominated bonds (FC bonds). This achievement was backed by meticulous market trend analysis and proactive bond issuance. Through two rounds of global bond offerings in 2023, the Bank set a benchmark for FC bond issuance by Korean issuers in the international bond market.

KDB diversified its funding channels and reduced dependence on the dollar market through niche market fundraising, including the issuance of CHF (Swiss franc) bonds and BRL (Brazilian real) bonds, securing reputable investors from various regions. Notably, in July 2023, the Bank issued Formosa bonds (U.S. dollar-denominated bonds by foreign institutions in Taiwan's capital market) for the first time in five years, further enhancing its stature as Korea's leading policy financial institution and setting a benchmark for the country's other issuers looking to tap the market.

In 2024, KDB plans to employ flexible funding strategies in anticipation of changes in major countries' monetary policies and aims to diversify its sources of funding. It also intends to continue its pioneering role as a Korean benchmark issuer in a number of markets outside the U.S. by seizing low-cost funding opportunities through the monitoring of niche markets in different currencies.

Additionally, to improve funding conditions for all Korean institutions, the Bank intends to expand the investor base of SSA (Sovereign, Supranational, and Agency) bonds and continue cooperation with other financial institutions by leveraging its accumulated funding expertise.

**Share of KDB Bonds in the Korean Bond Market**

(As of December 31, 2023, Unit: KRW trillion)

| | Treasury & Municipal Bonds | Public Corporation Bonds | Monetary Stabilization Bonds | Bank Bonds | | Corporate Bonds | Other | Total |
|---|---|---|---|---|---|---|---|---|
| | | | | | KDB Bonds | | | |
| Newly Issued (Ratio) | 198(21%) | 101(11%) | 127(14%) | 220(24%) | **54(6%)** | 114(12%) | 162(18%) | 922(100%) |
| Outstanding Balance (Ratio) | 1,107(40%) | 456(16%) | 122(4%) | 354(13%) | **117(4%)** | 411(15%) | 319(12%) | 2,769(100%) |

## Deposits

KDB ensures an ample supply of policy funds by utilizing a wide range of deposit instruments to supplement funding from KDB bonds, which can be price-sensitive to market conditions. By securing a sufficient amount of funds through cost-efficient deposit and money market products, KDB is doing its utmost to diversify its funding risks, while reducing funding costs to enhance its operational competitiveness, with the ultimate goal of more effectively supporting the growth of the Korean economy.

### 2023 IN REVIEW

In 2023, amid growing global economic uncertainties, market rates slightly declined compared to the previous year, following the BOK's continuous freeze on the base interest rate. Consequently, competition for deposits intensified against other funding markets, such as stocks and bonds. Nevertheless, KDB maintained a stable deposit balance, which remained at the previous year's level of KRW 51.5 trillion. This was made possible because the Bank swiftly reinforced its product competitiveness through the restructuring of deposit products and by flexibly adapting its interest rate policy to market developments, as shown by the key performance results summarized below:

#### Yearly Deposit Balance Trend

(Unit: KRW trillion)

| | 2021 | 2022 | 2023 |
|---|---|---|---|
| KRW Deposits | 43.1 | 55.6 | **51.5** |
| Corporate Deposits | 31.4 | 42.1 | **38.1** |
| Retail Deposits | 11.7 | 13.5 | **13.4** |
| Demand Deposits | 19.3 | 21.9 | **19.0** |

#### 2023 Key Performance Results Summary

| | |
|---|---|
| **Total KRW deposit balance as of 2023** | KRW 51.5 trillion |
| **KRW demand deposit balance as of 2023** | KRW 19.0 trillion |
| **Number of retail clients as of 2023** | 609,000 persons |

- Improved customer convenience through the Bank's revamp of its deposit product lineup, restructuring of product interest rates, and easing of subscription restrictions
- Improved convenience on digital channels, setting the stage for locking in customers

### PLANS FOR 2024

Anticipating a base rate cut in 2024, investor preference is expected to shift towards assets like corporate bonds, consequently escalating the competitive landscape for deposits among legacy banks.

Against this backdrop, KDB is strategically targeting key deposit clientele to ensure a stable funding base for policy finance initiatives. Drawing on its extensive corporate banking expertise, the Bank will focus on attracting more corporate deposits, while also aiming to broaden its deposit base beyond large corporations to include SMEs and MEs in response to the government policy of expanding financial support for these businesses. Additionally, the Bank intends to attract low-cost payment accounts through collaborations with fintech firms and to actively adapt to the digital era by providing competitive services via digital channels.

#### Landmark Deals of 2023

**Revamp of the Deposit Product Lineup**

KDB has overhauled its deposit product line-up, introducing new, customer-preferred, and easy-to-understand products. At the same time, it has phased out products with complex structures to increase customer convenience. To enhance customers' comprehension of products and facilitate informed decisions, KDB has adopted a simplified interest rate structure (adoption of basic interest rates scheme) and segmented the subscription period, eliminating restrictions on eligibility for product subscriptions.

**Enhanced Digital Channel Convenience**

Dedicated to promoting inclusive finance for the digitally underserved demographic, such as the elderly, KDB launched Smart Senior app and broadened its digital outreach. This expansion included the inauguration of the KDB Customer Center on KakaoTalk, thereby establishing a solid foundation for customer lock-in.





# Risk Management

KDB maintains its stability by adeptly managing a range of risks associated with its business activities, grounded on the principles outlined below.

## Effective Risk Management by Specialized Councils

KDB operates an independent risk management system to ensure prompt and effective risk management decision-making. The Risk Management Committee (RMC) is the Bank's highest risk-related decision-making body, resolving important matters such as yearly risk management plans and total risk limits for the Bank. The RMC members are mainly comprised of independent directors with extensive experience and knowledge in finance and economic matters. Chaired by one of the independent directors, the committee is armed with a decision-making mechanism that ensures balanced views on critical risk management agenda. All agenda items resolved by the RMC are reported to the Board of Directors of the Bank.

In 2023, seven RMC meetings were held, with a total of 25 agenda items being presented for discussion to the committee. Major items resolved included the risk management plans for 2023 and the country exposure management plans. Also, important risk management issues were reported, such as the results of integrated stress tests for the second half of 2023, the first half of 2023, and the second half of 2023. In addition, verification results for BIS risk-weighted assets at the end of the first quarter of 2023 were also reported to the committee.

The Risk Management Council (Council) is composed of the Bank's division heads, and its roles and responsibilities include the monitoring of the Bank's constant risk variables and the coordination of operations so that risks can be effectively managed within each operation unit. Following the limits set by the RMC, the Council discusses and distributes risks among divisions, setting limits for trading losses and F/X positions. In 2023, the Council convened eight times, discussing the establishment of credit portfolio limits and the distribution of internal capital limits for the year.

The Risk Management Steering Committee (Steering Committee), comprised of the heads of relevant departments, was newly established in 2023 for effective risk management. The Steering Committee convened seven times in 2023 to decide on various matters, including setting operational limits under the Regulatory Liquidity Book for liquidity management.

### KDB Risk Management Principles

The KDB Risk Management Principles are centered on maintaining the soundness of the Bank's operations by effectively managing the various risks that arise in the ordinary course of business. The Principles are as follows:

- Risk must be managed across the Bank in a manner that is independent and comprehensive;
- Risk must be accurately identified, measured, and evaluated, and then properly managed;
- Risk must be maintained within a range where it can be balanced against rewards;
- Risk must be appropriately diversified to prevent concentration in specific categories;
- Risk must be managed within certain limits or guidelines to avoid overexposure.

## KDB's Risk Management Methodologies

### Credit risk

Credit risk refers to possible losses due to the failure of the counterparty to perform its contractual obligations including failure to (re)pay. The Bank manages credit risk both at the portfolio level and individual credit level. Portfolio management involves reducing credit concentrations and restructuring the portfolio to maximize profitability while taking into account the risk. This is done by setting limits based on credit ratings for each company, group, and industry to prevent overconcentration in specific sectors. To consider industry-specific risks, industry assessments are conducted every six months to provide industry assessments are conducted every six months to provide industry ratings and directions for exposure management. Individual credit management involves monitoring the credit risk of individual companies through a credit review system consisting of credit officers, relationship managers, and credit review committees as the evaluation and decision-making body.

### Market risk

Market risk refers to possible losses to the Bank's assets resulting from a fluctuation in interest rates, stock prices, F/X rates, and/or other variables. The Bank measures and manages possible losses in trading positions, including positions in securities and derivatives held for trading, due to negative movements in market indices. Moreover, the Bank classifies the severity of market swings into three stages—precautionary, semi-crisis, and crisis stages—and operates Market Risk Contingency Plans appropriate for each of the three stages. The Bank also conducts stress tests to measure the potential scale of losses based on scenarios replicating significant fluctuations in major market indices over the last three years and by factoring in major events, such as the Global Financial Crisis of 2008.

### Interest rate risk

Interest rate risk refers to possible losses due to interest rate fluctuations that cause a decrease in net present value (NPV) or net interest income (NII) of rate-sensitive assets and an increase in interest expenses on rate-sensitive liabilities contained within the Bank's accounts. The Bank manages interest rate risks mainly through the economic value of equity (EVE), but it does also employ net interest income (NII) as an auxiliary index. Since the end of 2019, the Bank has managed its interest rate risk by measuring interest rate risk in the banking book (IRRBB), reporting its IRRBB profile on a quarterly basis.

### Liquidity risk

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, or assets are sold below a normal price. The Bank uses Basel III's short-term liquidity regulation index with the liquidity coverage ratio (LCR), and a mid- to long-term liquidity regulation index with the net stable funding ratio (NSFR), to manage its liquidity risks and to meet regulatory requirements.

#### Key Committees and Councils for Risk Management

| Organization | Committee / Council | Role |
|---|---|---|
| Board of Directors | Risk Management Committee | • Highest risk-related decision making body<br>• [Head] Independent Director<br>• [Members] Independent Directors and Vice Chairman<br>• Decides the annual limits on internal capital and risk management principles |
| Chair | Risk Management Council | • Division-level risk management body<br>• [Head] Vice Chairman<br>• [Members] Executive Directors (Division Heads)<br>• Decides exposure limits and allocation of internal capital |
| Chief Risk Officer (Head of Risk Management Division) | Risk Management Steering Committee | • Department-level risk management body<br>• [Head] Head of Risk Management Division<br>• [Members] Head of relevant departments<br>• Decides the limits related to liquidity requirements |
| Risk Management Department | | |





### Operational risk

Operational risk refers to possible losses that may occur due to inadequate internal processes, system failures, employee errors, as well as external events that disrupt business operations. Through a Control Self-Assessment (CSA) program, the Bank periodically assesses how aware the relevant staff in each department are of the potential operational risks associated with their job functions, and how well they can properly manage those risks. The Bank has established business continuity plans (BCPs) for each job function to prepare for potential disruptions due to disasters, strikes, and other emergencies. Under the BCPs, annual mock drills are held to ensure that major operations can be resumed within a target timeframe in the event of an emergency.

Capital Adequacy Ratio

13.70%

Tier 1 Capital Ratio

12.42%

## Management for Soundness of the Bank's Assets

The Bank categorizes the soundness of its assets as "normal," "precautionary," "substandard," "doubtful," or "estimated loss" based on an evaluation of the possibility of insolvency, and sets aside loan loss provisions according to the categorization of its assets. In addition, the Bank makes reasonable estimates of the probability of defaults as well as losses based on defaults, and sets aside adequate levels of loan loss provisions using the expected credit loss (ECL) impairment model in line with the International Financial Reporting Standards 9.

The Bank constantly strives to minimize insolvencies by strengthening credit approval criteria based on the asset soundness category and managing portfolio concentration. If assets are classified as non-performing, the Bank pursues measures to normalize business operations through corporate restructuring or manages the assets through sales or write-offs.

### 2023 IN REVIEW

The Bank has consistently updated its risk management framework to respond to changing market conditions and to better support the government's policy finance initiatives. The Bank's risk framework prioritizes the sustainability of its business.

The Bank has been an active player in public sector finance, analyzing risk factors to establish internal review guidelines for new industry innovators.

Furthermore, the Bank has successfully ensured the stability of newly introduced systems to incorporate external regulatory requirements, such as the Basel III Leverage Ratio and Credit Value Adjustment (CVA) standards scheduled for implementation in 2023, as well as revisions to market and operational risks calculations.

The Bank has effectively managed regulatory indicators by proactively responding to the strengthening risk regulations. To comply with regulatory indicators, the Bank has enhanced collaboration with relevant departments.

### PLANS FOR 2024

The Bank will continue to improve existing systems to enhance its risk management capabilities. At the same time, the Bank will update its risk management framework in line with market and regulatory changes to better manage its risk indices and ensure that its risk framework underpins the effective execution of policy finance activities.

First, the Bank plans to strengthen its risk management to ensure sufficient policy financing capacity. Specifically, the Bank will take preemptive actions to manage its BIS ratio including issuing subordinated debts to boost its capital position, while reviewing the impacts and mitigation measures for addressing risks from the Bank's policy financing activities, such as the implementation of the innovation growth funds.

The Bank also plans to actively support stable risk management and policy finance activities, considering changes in the financial environment and management objectives.

Lastly, the Bank will step up the monitoring of its asset quality to prepare for the termination of the COVID-19 repayment deferment.

# IT & Digitalization

## 2023 IN REVIEW

In 2023, the world witnessed an upheaval in the business landscape, catalyzed by the advent of generative AI technology. Triggered by the release of ChatGPT at the end of 2022, the shift spurred the industry-wide push toward digital transformation.

Driven by the overarching objective of digitally innovating the core banking business, KDB steadfastly pursued digital transformation, with a focus on three key areas: corporate banking digitalization, process innovation, and AI and data science.

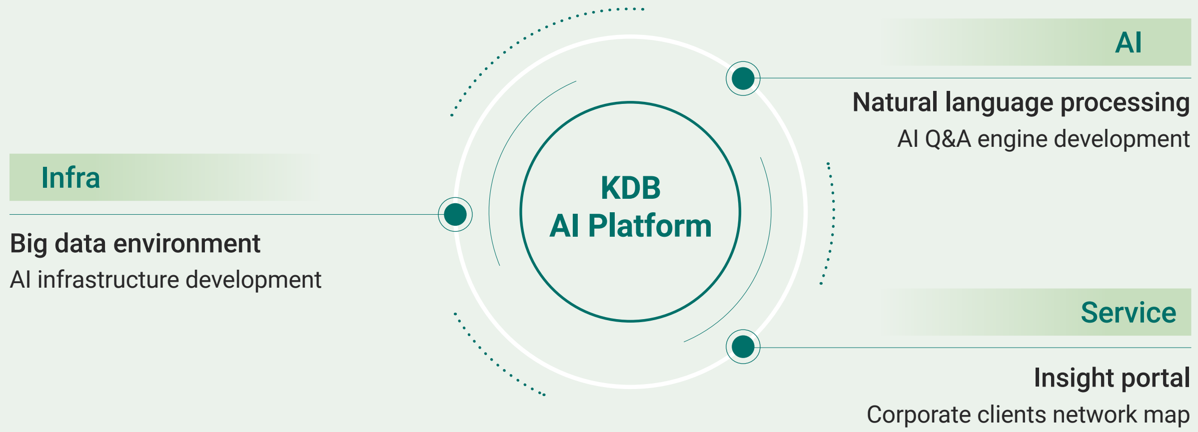
Building on the digital transaction infrastructure established in 2022, KDB streamlined the core business of corporate banking, such as redesigning the digital loan application process. One example of this was the common process that was instituted to facilitate online loan applications and processing through real-time connectivity between channels and core business operations, which significantly enhanced customer accessibility to corporate banking services. In addition, the scope of non-face-to-face services was broadened to encompass post-lending administrative tasks that can be handled online, such as issuing loan transaction confirmations, maturity notices, and requests for interest rate reductions. The digitization of these non-core business processes not only enhanced customer convenience but also streamlined the workload at the branch level.

Moreover, KUPID On The Go, the marketing app supporting relationship managers' (RM) business activities on and off the premises, was enhanced to facilitate real-time data-based consultations, assisting swift decision-making for RMs. In particular, the addition of the RoRWA (return on risk-weighted assets) simulator function can now assist RMs in planning business activities in consideration of any risks before providing capital.

Since 2021, the first and second phases of robotic process automation (RPA) projects have automated approximately 150,000 hours of simple, repetitive, and routine tasks. In 2023, further improvements in the scope and efficiency of automation were pursued through the third phase of RPA projects, leveraging accumulated internal capabilities alongside a wide range of digital technologies for continuous business process innovation.

A dedicated AI laboratory task force team has also been organized to conduct service PoCs (proof of concept). Insights garnered from initial PoCs on AI Q&A (question and answer), AI Translator, and AI Speech Recognition services provided the groundwork for shaping the direction of AI service development and operation within the Bank. Additionally, the data insight portal service underwent enhancements to actively facilitate data-driven decision-making. This included the incorporation of supplementary serviceable data and the introduction of a new network map of major clients,

**KDB AI Platform Overview**




furthering the corporate banking DT (digital transformation) initiative. At the same time, Operating Guidelines for the Data Management Council were established to serve as the foundation for AI and big data utilization, delineating a comprehensive data management system. As a result, KDB established a refined data management system, which has strengthened its data quality and allowed it to actively endorse government public data policies. This ultimately earned the Bank an "Excellent" rating for its assessment of public data operation practices.

## PLANS FOR 2024

In 2024, the financial market is expected to continue its trajectory of continuous business model innovation through the utilization of various digital technologies, such as the introduction of generative AI technology.

In this era of rapid change, KDB aims to take an aggressive approach to the evolving financial services environment. With a focus on building KDB Digital Bank, the Bank will develop a contactless corporate lending system, a data-driven decision-making system, and streamline and automate key workflows.

In 2024, KDB will concentrate on advancing an array of digital solutions that have already been developed. The corporate banking digitalization project will continue to advance the contactless corporate lending system and the marketing app KUPID On The Go. Additionally, the process innovation drive will persist with RPA-applied process automation and the utilization of IOT technology in our business operations.

Specifically, KDB aims to promote digital transformation with a focus on AI technology, including the introduction of generative AI. The Bank will also enhance AI platforms such as AI credit scoring models, corporate banking AI Q&A engines, and data insight portals to internalize data-driven decision-making practices within the organization. Furthermore, KDB will promote the adoption of on-premises generative AI to expand AI literacy across the board, accelerating the Bank's digital transformation drive.

KDB believes that digital transformation is the key to a genuine Bank-wide transformation towards customer-orientedness and enhanced work efficiency. Accordingly, KDB remains committed to leading advanced and fully digitalized corporate banking services in Korea.

# Ethical Management

KDB has in place effective internal control measures designed to prevent financial malpractices and ensure compliance with a full range of legal and regulatory requirements, including anti-money laundering rules. As a public organization, the Bank regularly monitors and improves its anti-corruption measures and implements a variety of compliance programs to promote business ethics across the Bank's day-to-day operations. KDB also conducts customized training sessions for its employees to reinforce a workplace culture based on integrity and transparency.

### 2023 IN REVIEW

In 2023, the importance of robust internal controls surged due to a rise in financial incidents and sanctions. This highlighted the need to foster a culture of integrity in public service and underscored the critical role of ethical management in the public sector. In response, KDB proactively enhanced its internal control framework and bolstered ethical management practices to prevent corruption.

In line with the regulatory emphasis on stringent internal controls by domestic and international financial authorities, KDB overhauled its internal control regulations and instituted guidelines for preventing financial incidents following authorities' recommendations to bolster internal controls. To guarantee the efficacy and adherence of the internal control system, the Bank's Compliance Department fostered collaboration with relevant departments within the Bank to establish prevention measures tailored for individual divisions. It also reinforced its internal audit processes, thereby augmenting the overall effectiveness of the Bank's internal control system.

KDB has expanded its ethics and compliance training initiatives, offering targeted integrity training for senior executives and quarterly educational sessions for its entire workforce. In response to the government's policy to eradicate any abuse of power, KDB facilitated internal and external reporting mechanisms, providing counsel and preventive measures to combat misuse of authority and ensure effective remediation. As a result of these efforts, the Bank earned a Grade 2 rating for two consecutive years in the Anti-Corruption & Civil Rights Commission's integrity assessment.

KDB's commitment to human rights, which is integral to its responsibility as a public organization, involves proactive management to prevent any violations in this area. Through annual human rights impact assessments, KDB identifies and addresses actual and potential human rights risks, underscoring its dedication to system improvement and risk mitigation.

Regarding anti-money laundering (AML) practices, KDB has taken steps to strengthen its internal capabilities in response to the increasing regulatory pressure. As part of this effort, the Bank has improved its AML training programs and offered additional incentives for AML-related tasks to assist practitioners in competency-building. Since the launch of the global AML/Sanction Compliance team in 2022, KDB has proactively managed risks associated with its expanding international business. Based on the consulting outcomes regarding overseas branches' AML practices, the bank has worked to establish a global standard AML system through revisions of policies and procedures, process innovation, and IT system upgrades.

With respect to sanctions, KDB also updated the Sanctions Compliance Program (SCP) that it introduced in 2022. In fact, KDB was the first Korean bank to adopt the program, underscoring its determination to carry out the preemptive resolution of sanctions risks. The SCP is expected to help the Bank in safeguarding its global business activities and bolster international credibility.

### Major Compliance Management Programs

| | |
|---|---|
| Compliance monitoring | Conducts monitoring of compliance reports, self-inspection reports from branches, and monthly compliance training outcomes |
| Preliminary compliance review | Carries out compliance reviews on internal regulations, terms and conditions, product disclosures, and BoD agenda items |
| Anti-money laundering(AML) | Customer Due Diligence (CDD), Suspicious Transaction Report (STR), Currency Transaction Report (CTR) Know-Your-Employee (KYE) AML/CFT Risk Assessment |
| Sanction Compliance Program(SCP) | Monitors transactions with countries subject to economic sanctions (high-/medium-risk countries) and individuals targeted by economic sanctions, and collects standard sanctions compliance pledges |
| Financial investment and securities account report system | Requires employees to report on their financial investment activities to prevent them from using undisclosed information |
| Cryptoasset possession report system | Requires employees engaging in cryptoasset transactions to report their possession of cryptoassets biannually |
| Clean Report Center/ No Gifts Campaign | Prohibits solicitation and acceptance of gifts exceeding specified amounts while maintaining an organizational culture of integrity |
| Executive Pledge of Ethics | Mandates registered directors maintain integrity in job performance |
| Code of Conduct Pledge | Mandatory pledge of compliance with the KDB Employee Code of Conduct and the Anti-Graft Act by new recruits |
| Report Center for abuse of power at work | Builds a reporting system for unfair demands or treatment of fellow employees or people outside the Bank |
| Whistleblowing system | Operation of an official whistleblower program |
| Report system for outside lecture requests | Requires employees to report outside lecture requests tied to their job function or influence |
| Compliance self-check system | Checks the compliance status of all employees biannually |
| Ethical training | Provides training to new employees, promoted employees, high-level management, and employees engaged in job functions vulnerable to corruption |

### PLANS FOR 2024

In 2024, KDB is set to further refine its internal control system to support consistent business growth. Recently, the financial sector's evolving consensus in favor of boosting internal controls beyond the minimum requirements and formalities, alongside stricter financial regulations globally, has propelled momentum for internal control advancements. Moreover, societal demands will only increase for ethical management in the public sector, such as eradicating abusive practices, maintaining integrity in business practices, and promoting anti-corruption.

Against this backdrop, KDB's top priority in 2024 is elevating and articulating the roles and responsibilities of its internal control system. First, the Internal Control Committee, currently under the chairman's direction, will be elevated to become a subcommittee within the Board of Directors' purview. In addition, a detailed duty structure diagram will be introduced to specify the responsibilities and control obligations of executives by position and function so as to correctly assign internal control management duties to the chairman and executives.

Furthermore, KDB will continue to strengthen its efforts to prevent violations of internal and external regulations, including Korea's *Prevention of Conflict of Interest Related to Duties of Public Servants Act, Improper Solicitation* and Graft Act, and the Bank's own Code of Conduct. The Bank will also promote various reporting channels to prevent corruption and abuse of power within the organization, while continuing to diversify integrity training methods and conduct campaigns to further elevate integrity and ethics awareness.

At the same time, KDB will modify its compliance monitoring system to align with the 2023 amendments to its internal control regulations and to ensure the effectiveness of the newly instituted guidelines for preventing financial incidents. This will substantialize the operation of systems such as self-audits as part of rigorous efforts to prevent financial incidents.

Concerning anti-money laundering (AML) efforts, KDB is committed to further strengthening the system. The Bank will enhance checks on Enhanced Due Diligence (EDD) practices for high-risk business clients and ongoing monitoring of compliance with standardized AML procedures by overseas branches. To that end, the SCP will play a pivotal role in supporting the Bank's reviews of and advisory measures on sanctions issues as the Bank continues with its system upgrades and employee education to mitigate economic sanctions risks.





# Corporate Social Responsibility


## Social Responsibility

KDB's corporate social responsibility initiatives run under four key themes—love of neighbors, education, culture, and love of nation—all of which support the Bank's goal to "give hope and make the world a better place." Particularly in 2023, KDB hosted an employee-engaging plogging event called "Sea is the Future" and continued its sponsorship for restoring a damaged national park, expanding its CSR activities related to ESG.

### Love of Nation

#### One Company for One Village and One Company for One Platoon Campaigns

Already in its 18th year, the One Company for One Village campaign provides a channel for KDB employees to directly purchase specialty produce from partner villages, helping farmers cope with challenges such as a drop in rice prices and giving KDB an opportunity to donate freshly harvested rice to its partner welfare facilities. KDB also has a military variation of the program through which the Bank supports soldiers serving in the military.

#### National Park Ecosystem Recovery Sponsorship & Environmental Conservation Efforts

The project aims to restore the damaged area of "You and Me Ranch" in Mudeungsan Mt. National Park. It involves restoring ecological balance in the highland ranch area and creating small-scale ecological wetlands adjacent to creeks. Scheduled over two years starting in 2023, the project includes an employee-engaging plogging event called "Sea is the Future" to enhance employee awareness of natural volunteering and contribute to improving coastal environments. Through this project and volunteer activities, KDB's sponsorship helped improve the resilience of the local ecosystem and contributed to achieving carbon neutrality by 2050.



## Love of Neighbors

### KDB Helping Hands

KDB identifies the underprivileged in urgent need of financial assistance but not receiving benefits and provide appropriate supports through various programs. KDB's outreach programs during the previous year included supporting artists in welfare blind spots, helping the social settlement of young adults graduating from orphanages, and aiding children with rare/intractable diseases, among others.

### Holiday Season & Year-end Sharing Events

In partnership with the Yeongdeungpo-gu Senior Welfare Center, KDB visits elderly people living alone to deliver rice, food and other daily necessities, as well as holiday packages. The Bank also takes part in a wide range of volunteer activities, including the sharing of free meals with the elderly (Bethel Nanum Community in Hanam City) and the fundraising event involving all employees at the end of each year.

### Kimchi Drive

Each year since 2008, KDB employees and their spouses team up with volunteers from Seoul's Saemaeul volunteer group to deliver handmade fall/winter kimchi to elderly people living alone and others in need. In 2023, the Bank purchased kimchi made with locally grown ingredients and newly harvested rice and delivered the packages to partner welfare facilities as well as underprivileged families across Seoul.

### Employee Donations

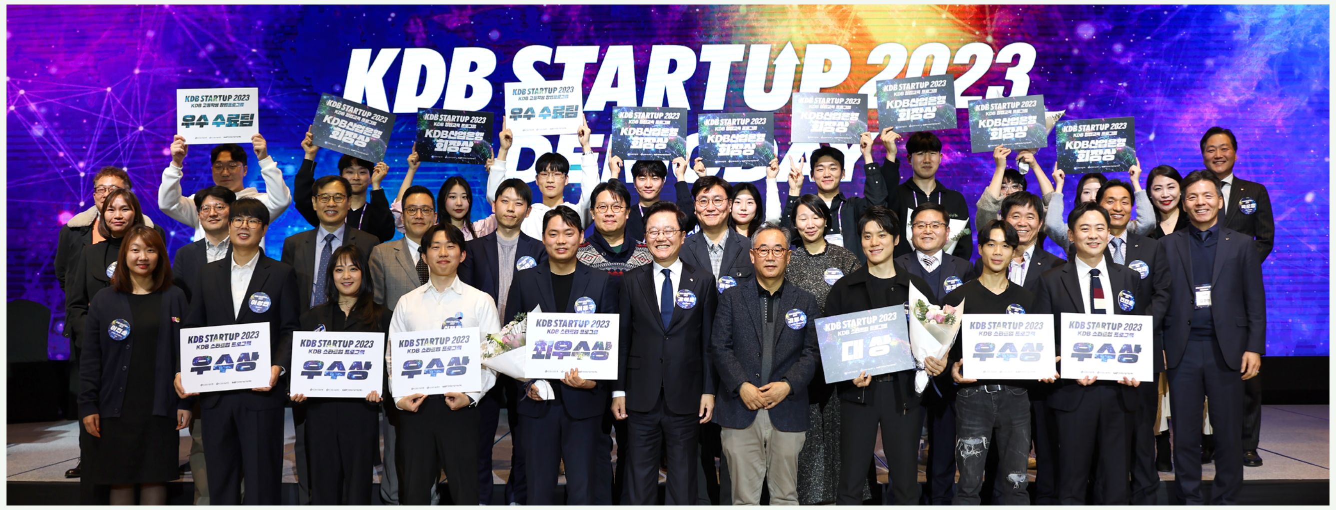
KDB collects monthly contributions from employees' paychecks, consisting of surpluses of less than KRW 10,000 per paycheck, and donates the sum in the form of scholarships and financial support to low-income and single-parent households.

## Education

KDB provides a career development program for teenagers from low-income families facing difficulties in choosing their career path. Last year, the Bank also supported various symposiums and conferences that studied topics related to promoting the development of finance in Korea.

## Culture

KDB's diverse Mecenat activities bring culture, arts, and sports closer to the public. The Bank also sponsors traditional and lesser-known cultural performances and arts. The Bank also increased opportunities for disabled artists to realize their dreams on stage by sponsoring concerts featuring collaboration between disabled artists and orchestras.




## KDB Foundation

Since its establishment in 2007, the KDB Foundation has been running projects in three areas: socially responsible finance, community service and talent development. The Foundation aims to identify blind spots in the country's social welfare system and establish a policy foundation through preemptive and strategic intervention. A total of 9 projects are currently in progress and reflect KDB's commitment to sustainable finance.

### KDB Social Enterprise Support Project

The Bank supported a total of 20 social enterprises in 2023 through its KDB Social Enterprise Support Project, which was established with the goal of discovering highly capable social enterprises, providing employment opportunities to the socially vulnerable, and equipping them with the necessary infrastructure. The project goes beyond financial aid to offer a holistic and sustainable business support mechanism run by professional entrepreneurs. Unlike most other programs of a similar nature, the KDB Social Enterprise Support Project allows partner enterprises to use KDB's funding to purchase production facilities, directly financing their infrastructure needs. Partner enterprises leverage this opportunity to develop new products, obtain HACCP certification, register patents, and penetrate online and offline sales channels to generate a stable revenue stream. Through the ESG Accelerator Program, the Bank provided investment-linked and business enhancement consulting services to three companies with ESG-related social missions and one company seeking business expansion into the ESG sector. A total of 110 social enterprises received KDB funds and mentorship support from 2015 to 2023, and in 2023 alone, partner enterprises contributed to the creation of 254 jobs for vulnerable worker groups, including physically disabled ones, while also driving increased revenue growth.

### Youth Startup Support Project

The Youth Startup Support Project and the Social Enterprise Support Project are making both direct and indirect contributions to Korea's job market. The Youth Startup Support Project, which consists of the KDB Startup Program and the KDB Startup Education Program, aims to build a Startup ecosystem for new growth industries by discovering and fostering young entrepreneurs. In 2023, a total of 496 teams applied for the KDB Startup Program, with 25 teams making it to the semi-final round. The selected teams received professional support and training, including mentoring and opportunities to secure access to venture capital.

Of these 25 teams, seven finalists received a total of KRW 200 million as Startup funding, along with opportunities for follow-up funding rounds and support programs. The KDB Entrepreneur Training Program is being offered as a regular course at sixteen universities nationwide, benefiting 833 students to date and serving as a catalyst for spreading an entrepreneurial mindset among college students and identifying new Startups. Between 2013 and 2023, KDB identified 231 Startup teams through its Young Startup Support Project, of which 192 have gone on to start a business of their own. As of December 2023, KDB's work had generated 2,837 jobs and KRW 275.5 billion in cumulative revenue. Furthermore, KDB has offered mid- to long-term follow-up support through its Startup platforms NextRound and NextONE, giving young entrepreneurs access to IR activities and incubation programs.

# ESG
# REVIEW





# 2023 ESG REVIEW

KDB's primary purpose is to "contribute to the sound development of the financial industry and the national economy," as stated in Article 1 of the Korea Development Bank Act. Since its establishment, the Bank has been dedicated to driving the sustainable growth of the Republic of Korea and enhancing the sustainability of the nation as a whole.

Specifically, KDB serves as the national climate bank, supporting Korean SMEs and MEs that lack the resources for ESG management practices with a range of products and services derived from the Bank's green and socially responsible finance initiatives. KDB's work with these firms has induced them to place a greater emphasis on ESG values in their day-to-day business practices. Recognizing the essential role of policy finance institutions in tackling climate change, KDB has also stepped up its commitment to green finance, engaging in an increasing array of activities to drive the low-carbon transition of Korean companies and sectors, and to facilitate climate-resilient business ecosystems throughout the country.


At the same time, in order to avoid, minimize, and/or address any negative environmental and social impact from the Bank's business activities, KDB has established and is effectively implementing environmental and social risk guidelines, all of which are aligned with the Equator Principles (EP). To maintain integrity in green investments and prevent greenwashing, KDB has developed a green classification system based on the government's K-Taxonomy. From a governance perspective, KDB actively practices corporate social responsibility through environmentally sustainable business management, human rights empowerment, ethical integrity, and legal compliance, aiming to bring the notion of a "responsible bank" closer to the heart of its corporate identity. As a practical application of this effort, the Bank has continually expanded the adoption of green vehicles, goods, and renewable energy facilities at its buildings and throughout its daily operations.

In recognition of its accomplishments in strengthening the country's green finance practices based on K-Taxonomy and invigorating the green bond market and green venture ecosystem, KDB earned the Financial Services Commission's Chairman's Prize at the Korea Green Climate Awards. Additionally, the World Bank introduced KDB's green finance initiatives as one of the four good NDFI case studies in its report titled Greening National Development Financial Institutions: Trends, Lessons Learned, Ways Forward, published in December 2023.

# 2023
# ESG Highlights

HIGHLIGHTS 1

## Establishment of a Sustainable Management Framework

KDB has established a sustainable management framework that governs the systematic implementation of its sustainability initiatives across the board. It underpinned by three pillars: internal environmental and social responsibility management activities; support and funding of green and social finance as a financial institution; and governance for ESG decision-making.

In November 2023, KDB established an ESG Committee under the board of directors as the highest decision-making body for the Bank's ESG agenda. The committee deliberates and decides on key strategies and action plans for bank-wide sustainable management. These activities will be supported by a working-level council called the ESG Steering Committee, which will begin operating in 2024.

Furthermore, KDB has in place a dedicated organization, the KDB ESG Center (formerly known as the Green Finance Planning Department), which has functioned as the control tower for bank-wide ESG and green finance operations since 2021.

### KDB Sustainable Management Framework

Sustainable Management

| | E (Environment) | S (Social) | G (Governance) |
|---|---|---|---|
| Internal Management Activities | Environmentally Responsible Management<br>Reducing direct carbon emissions | Socially Responsible Management<br>Social contribution, consumers, human rights | Board of Directors<br>Top decision-making body |
| | Risk Management System<br>Controlling financed emissions and incorporating climate risks into credit review system | | ESG Committee<br>ESG control tower |
| Financing & Funding | Green Financing<br>Energy transition, low-carbon transition, green materials, parts, and equipment, climate-responsive society | Supporting social finance<br>Promoting balanced regional development, building infrastructure, and creating jobs | ESG disclosure<br>ESG reports (TCFD-aligned) |
| | Issuing green bonds | Issuing social bonds | |





### KDB's Green Finance Organization: Roles & Responsibilities

Board of Directors — ESG Committee

Chairman

Vice Chairman&COO

**Planning & Administration Division**

Green Finance Planning Department

- ESG Planning Team: ESG planning & sustainable management system
- Green Finance Team: Planning and managing green finance products
- Environmental and Social Policy Team: Green classification system, E&S assessment
- Climate Change Business Team: GCF project development & management

**Corporate Banking Division (Corporate Restructuring Center)**
- Development and operation of green industry partnerships
- Investments and loans in green projects by large businesses
- Green industry · corporate restructuring

**Capital Market Division (Project Finance Center)**
- Underwriting/Acquisition of green bonds
- Investment in green funds as a general partner (GP)
- Discovering and financing green projects

**Credit Review Division**
- Review of investments and loans

**Regional Development Division (Maritime Finance Center)**
- Investments and loans in regional green projects and SMEs & MEs
- Support for green shipbuilding

**Global Business Division**
- Global go-to-market support for green businesses
- Support for overseas green businesses
- Market-making for carbon credits

**Financial Management Division**
- Issuance of green bonds

**Innovation & Growth Banking Division (Venture Finance Center)**
- Establishment of market and policy funds
- Investments and loans in green businesses

**Risk Management Division**
- Risk management for climate change
- Management of financed emissions portfolios

**KDB Future Strategy Research Institute**
- ESG research/study
- Case studies of international green finance

HIGHLIGHTS 2

# Acting as a National Climate Finance Bank Based on a Green Finance Support System

As a policy finance institution, KDB set its green financing goal at serving as the national climate bank, leading the country's carbon neutrality and green growth initiatives. To that end, the Bank has established and is operating a green finance support system linked with the six environmental objectives of the Korean green taxonomy system (1. Greenhouse gas reduction, 2. Climate change adaptation, 3. Sustainable water preservation, 4. Transition to a circular economy, 5. Pollution prevention and control, and 6. Biodiversity preservation) and the government's carbon neutrality and green growth strategy (4 key strategies and 12 tasks).

In 2023, KDB operated 5 specialized green finance products, totaling KRW 6.4 trillion, to support CAPEX investments in four key areas, as outlined above. Specifically, the KDB Carbon Spread and KDB Net Zero services are examples of blended finance, combining their funding resources from KDB's own fund with those from the government's climate action fund. These products supply venture capital through mechanisms like subordinated loans, thereby facilitating the development and commercialization of technologies to achieve carbon neutrality and advance green finance.

To deter greenwashing and channel investments towards genuine green initiatives, KDB classifies potential candidate against the criteria set forth by the Korean Green Taxonomy system (K-Taxonomy). Furthermore, large-scale projects involving investments of USD 10 million or more in PF undergo environmental and social impact assessments aligned with the Equator Principles to manage associated risks.

For select projects with quantifiable greenhouse gas reduction targets, the Bank determines the impact of green finance by measuring the achieved reductions. Moving forward, KDB is committed to refining its green finance impact methodology, including broadening the range of impact assessments and improving the systematic management of green finance performance. This includes evaluating contributions towards Korea's nationally determined contribution (NDC).

## KDB Green Finance Framework

| | | | | |
|---|---|---|---|---|
| Goal | National climate bank leading Korea's carbon neutrality and green growth | | | |
| Four Key Areas | Energy transition (fossil fuel divestment) | Low-carbon transition (decarbonization) | Green materials/parts/equipment industries (future growth drivers) | Green economy (resource circulation) |
| | Green financial product lineup specialized in each key area | | | |
| Green Financial Products | Energy transition funds | KDB Carbon Spread (carbon reduction) | KDB Carbon Spread (low-carbon ecosystem) | Eco-friendly society fund |
| | KDB Net Zero (hydrogen infrastructure) | | KDB Net Zero (green and innovative tech firms) | |
| | Green classification & measuring the impact of green finance (preventing greenwashing) | | | |
| Green Classification & Impact Investing | E&S assessment (Equator Principles) | Korea Green Taxonomy | Green finance impact measurement | |

KDB-funded products
GCF-linked products

## Green Finance Product Highlights

### KDB Carbon Spread (carbon reduction)

Designed to fund the low-carbon transition of industries with high greenhouse gas emissions and to nurture emerging low-carbon sectors, it offers a preferential interest rate spread of up to 2.6%p below standard rates, inclusive of the Ministry of Environment's interest subsidy that accounts for 50% of the preferential rates for large-scale renovations of existing facilities or new facilities introduced to reduce carbon emissions.

In addition, the product covers the expenses for third-party assessments of facilities for GHG reduction and energy savings before and after the loan agreement in order to shoulder businesses' financial burdens and ensure objective measurement of reduction effects.

Balance in 2023 ............................ KRW **2.5** trillion

**KDB Carbon Spread_Carbon Reduction Funding Plan Procedures**

- **Loan consultation** (Facility investment plan) — Borrower
- **Preliminary assessment** (Carbon reduction effect) — Third-party assessor
- **Review and agreement** (Lending) — KDB
- **Post-evaluation** (Performance inspection) — KDB & third-party assessor
- **Follow-ups** (Interest rate adjustment) — KDB

### KDB Carbon Spread (low-carbon ecosystem)

This product supports projects that are related to activities fostering a low-carbon ecosystem and falling under the 18 green economic activities according to K-Taxonomy. In 2023, the product supported projects such as expanding solar panel manufacturing facilities, constructing additive production facilities for secondary battery cathodes, and expanding EV battery manufacturing facilities.

Balance in 2023 ............................ KRW **2.5** trillion

## KDB's Financing for Green and Carbon-Neutral Businesses

### New & Renewable Energy

Leveraging its high-caliber know-how in PF to actively finance new & renewable energy power projects

- Arranged PF for Korea's 20 solar power plant projects (totaling 41 MW) (Jun. 2023)
- Arranged PF for Korea's 8.8 MW-capacity floating solar power facilities project (Sep. 2023)

### Low-Carbon Transition

Inducing the low-carbon transition of Korean companies by offering tailored financial products (e.g., KDB Carbon Spread program)

- Provided a CAPEX loan to improve eco-friendly boiler power generation facilities (Jun. 2023)
- Financed the construction of Korea's largest low-carbon transition petrochemical project (Jul. 2023)

### Hydrogen Economy

Financing the creation of a hydrogen ecosystem (production, storage, distribution, and use)

- Invested in a liquefied hydrogen venture firm RCPS (Jun. 2023)
- Financed the construction of a 19.8 MW-capacity fuel cell power plant in Korea (Dec. 2023)

### Secondary Batteries

Pioneering support for the Korean secondary batteries industry ecosystem

- Provided a CAPEX loan to Company P for the new construction of a pitch manufacturing plant for secondary battery anode materials (Feb. 2023)
- Financed Company D for the construction of a nickel-plated steel plate manufacturing plant for secondary battery cases (Oct. 2023)

### Waste Recycling

Facilitating a circular economy by financing the use of refuse-derived fuels (RDFs) and recycled resources

- Financed Company H for a factory retrofit to expand the use of alternative fuels (Jun. 2023)
- Provided a CAPEX loan for the construction of an end-of-life battery recycling plant (Jun. 2023)

HIGHLIGHTS 3

## Promoting Sustainable Finance to Heighten Social Value

Through various financial products and support mechanisms, KDB remains steadfast in its commitment to fulfilling its social responsibility, which aligns with its founding purpose and role as a policy finance institution. Given the absence of a social finance classification system in Korea, KDB aligns its financial endeavors to enhance social value with the social bond guidelines set forth by the International Capital Market Association (ICMA). With the anticipated future establishment of a social finance classification system in Korea, KDB plans to further refine and formalize its support framework for social finance.

HIGHLIGHTS 4

## Equator Principle-Aligned E&S Risk Management E&S Risk Management

### E&S Risk Management

KDB's approach to tackling E&S risks in project-related transactions follows the Equator Principles (EP), the finance industry's highest standard for E&S risk management. The process starts by categorizing projects based on the significance of their potential E&S risks and impact. In the course of E&S due diligence, KDB reviews a client's compliance with the EP requirements, such as identifying potential E&S impact and incorporating measures to avoid, minimize, mitigate, and/or compensate for the adverse impact on project design. KDB ensures that financing documentation includes covenants linked to compliance with the EP and reviews each client's E&S monitoring reports over the life of the loan.

Since adopting the EPs in January 2017, KDB has run environmental and social (E&S) assessments on a total of 249 credit transactions that fell within the scope of the Principles. Of these, 38 transactions valued at KRW 5.75 trillion received E&S assessments in 2023 alone.

From November 2021 to December 2023, KDB served as the Asia-Oceania Regional Representative Institution on the EP Steering Committee. Representing 58 EP member institutions in the Asia-Pacific region, KDB acted as a standard bearer in E&S assessments. Over that same time, the Bank organized Asia-Oceania regional conferences and capability-building seminars to enhance the E&S assessment capabilities of Asia-Oceania region member institutions and promoted consistency in adopting the Equator Principles.

### KDB's E&S Risk Management Process

| New Project-Related Transactions | E&S Risk Categorization | E&S Due Diligence (in conjunction with credit review) | Financing Documentation | Monitoring and Reporting |
|---|---|---|---|---|
| Determine if the financial product supporting the project is subject to E&S due diligence (project finance, project-related corporate loans) | Categorize the project into Category A (high risk), Category B (medium risk), or Category C (low risk) | Conduct a compliance review against the EP requirements, which are commensurate with the project's risk category, as part of the loan approval process | Incorporate covenants on a client's E&S undertakings into financial documents | Monitor and review a client's documents to ensure continued compliance with the EP requirements |





### Equator Principles Steering Committee Overview

**Overview** The coordinating body of the committee made up of regional representatives and management support institutions

**Function** Establishing an operating strategy, budget, execution of meeting resolutions, and public relations for all EP

Chair (Standard Chartered)

Equator Principles Steering Committee

Regional Representatives: (Asia-Oceania) **KDB**, (Europe) **ING**, (Latin America) **CIFI**, (Middle East & Africa) **MCB**, (North America) **Citi Group**

Management Support: (1)**SMBC** (2)**EKF** (3)**EDC** (4)**UKEF**

Working Groups (Groups organized by strategic theme)

Working Group Leads: CBA, EDC, BMO, Mizuho, ING, Citi, Santander, SC etc.

Administrative Support

EP Secretariat

HIGHLIGHTS 5

## Adopting Green and Carbon Neutral Management at KDB

### RE100

As a member of the K-RE100 initiative, KDB has set out to source 100% renewable electricity by 2040 in support of the country's 2050 net zero ambitions. To this end, KDB has installed solar power systems on the rooftop of its new data center as well as its employee training facility in Hanam, east of Seoul. Additionally, the Bank is purchasing Renewable Energy Certificates, which count as a carbon offset, and is considering the use of third-party power purchase agreements. These initiatives, combined with the Bank's energy-saving campaigns, are aimed at raising environmental awareness as part of the practical implementation of KDB's corporate social responsibility.

### EV100

KDB's 2025 green vehicle transition initiative made significant progress in 2023. Aiming for a fully sustainable vehicle fleet by 2025, KDB is methodically replacing its business vehicles with EVs and hydrogen vehicles, alongside an expansion of the requisite charging infrastructure to support this shift. In 2023, KDB successfully upgraded 92 vehicles within its fleet to eco-friendly options, elevating the total number of green vehicles to 188 out of 212 total vehicles that KDB operates. Moreover, the number of charging stations at KDB's premises saw a significant increase, doubling to 61 by the end of 2023 (30 at KDB HQ, 9 at the KDB Digital Square in Hanam, and 22 at branches), with an ongoing plan in place to install additional stations at its domestic branches.

Solar power systems on the rooftop of KDB Digital Square (left) & training center (right) in Hanam Citydocuments


EV chargers at KDB HQ

HIGHLIGHTS 6

## GCF-funded Global Climate Change Response Project

KDB successfully signed a Funded Activity Agreement (FAA) for Korea's inaugural project approved by the GCF Board, which is titled Supporting Innovative Mechanisms for Industrial Energy Efficiency Financing in Indonesia with Lessons from Replication in other ASEAN Member States, on July 12, 2023. Additionally, the Bank is actively engaging with governments and institutions in Cambodia, Laos, Vietnam, and the Philippines to explore future opportunities for GCF projects. The Bank's efforts to secure new GCF-funded projects aim to widen the scope for Korean companies to participate in green projects within developing countries and to disseminate Korean business models for climate change response globally.

KDB has participated in various global climate response events organized by the Korean government. These include the 10th Anniversary of the GCF in Korea, an event co-hosted by the GCF and the Ministry of Economy and Finance, as well as the 9th Seminar on Climate Change Projects and Programs, which was conducted by the Ministry of Economy and Finance. At these events, KDB shared its wealth of experience and capabilities in climate-focused projects, underscoring Korea's pledge to international cooperation to ensure effective climate response. Positioned at the forefront of Korea's climate finance initiatives, KDB remains committed to leveraging its expertise to advance global climate response projects in collaboration with the GCF.

Drawing upon its successful track record with the inaugural GCF-funded project and its profound expertise in project development, KDB is poised to embark on an expanded range of GCF cooperation projects. Among these are the Cambodian Climate Financing Facility, which is designed to facilitate the transformation of the local policy bank into a specialized climate finance institution, and the Collaborative R&DB Programme for Promoting the Innovation of Climate Technopreneurship, which supports the expansion into five ASEAN countries by Korean companies and others with advanced climate technology. Through these initiatives, KDB anticipates creating more opportunities for the Bank, as well as for Korean SMEs, MEs, and startups, to enter the overseas climate finance market.

After signing the FAA at the GCF Secretariat Office


Engaging in dialogue on GCF project opportunities with governments and institutions

KDB at international climate response events organized by the Korean government





# ESG Funding

## Issuance of KRW-denominated Green Bonds

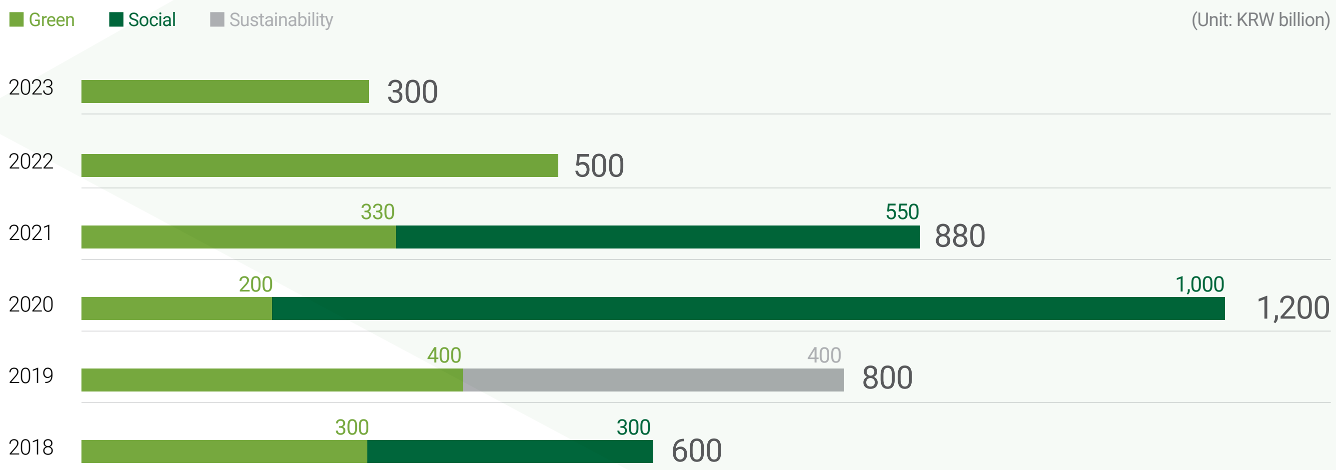
In 2023, KDB issued KRW 300 billion in KRW-denominated green bonds, fully allocating the proceeds to support green projects in Korea, such as the production of secondary battery materials, EV transition, and the installation of carbon capture facilities. The green bonds issued in 2023 were particularly notable for their application of the Korean Green Bond Guidelines (K-GBG*) under the revised K-Taxonomy Guidelines**, which enhanced international credibility and institutionally prevented the greenwashing of green bonds. Additionally, the Bank disclosed investor guidance documents and third-party audit reports, including fund allocation details and environmental contributions, not only on its website but also on the Korea Exchange's Socially Responsible Investment (SRI) webpage.

*K-GBG is set by the Ministry of Environment and Financial Services Commission.
**K-Taxonomy Guidelines are governed by the Ministry of Environment.

### Allocation of Proceeds from 2023 Green Bonds

| Code : KR310206GD64 | | Areas | | | |
|---|---|---|---|---|---|
| Issuance | KRW 300.0 billion | Secondary Battery Materials | KRW 216.0 billion | CCS Facility | KRW 14.0 billion |
| Allocation | KRW 300.0 billion | EV Transition | KRW 70.0 billion | | |

### KRW ESG Bond Issuance Track Record



## Issuance of Foreign Currency-Denominated Green Bonds

KDB has been continuously issuing green bonds since its inaugural issuance in 2017. In March 2021, the Bank issued Asia's first SEC-registered SOFR-linked green bonds, which amounted to USD 300 million. This particular type of bond was significant for KDB, as it provided momentum to facilitate the use of alternative benchmark rates and diversified the Bank's ESG funding sources. Since then, the Bank has issued fixed-rate and floating-rate ESG bonds in public and private bond markets. Later, in 2023, the Bank further expanded its green bond portfolio by issuing CHF 225 million worth of green bonds in Switzerland, a top ESG finance market. Today, KDB is leading the way in foreign currency-denominated ESG bond issuance with bonds denominated in currencies other than the U.S. dollar, such as the Brazilian real, Hong Kong dollar, and Mexican peso.

## Foreign Currency Green Loans as a Funding Vehicle

In order to diversify its ESG funding sources, KDB introduced its first green loan worth USD 100 million in September 2022, followed by another valued at €100 million in 2023, demonstrating its ongoing commitment to sustainable ESG funding efforts.

### 3-Year Foreign Currency ESG Funding Track Record

(Unit: million)

| Type | Issue Date | Currency | Amount | USD Equivalent | Coupon | Use of Proceeds |
|---|---|---|---|---|---|---|
| Green Bond | Jan. 2021 | USD | 700 | 700 | 0.40% | Renewable Energy & Clean Transportation |
| | Mar. 2021 | USD | 300 | 300 | SOFR+0.25% | |
| | Jun. 2021 | IDR | 1,424,800 | 100 | 4.80% | |
| | Jul. 2021 | CHF | 200 | 218 | 0.17% | |
| | Oct. 2021 | USD | 20 | 20 | 0.00% | |
| | Oct. 2021 | USD | 700 | 700 | 0.75% | |
| | Mar. 2022 | BRL | 1,285 | 250 | 11.15% | |
| | Mar. 2022 | USD | 40 | 40 | 2.643% | |
| | Apr. 2022 | CHF | 225 | 241 | 0.940% | |
| | May 2022 | HKD | 390 | 50 | 3.45% | |
| | May 2022 | HKD | 169 | 22 | 3.60% | |
| | Jun. 2022 | HKD | 349 | 45 | 4.20% | |
| | Jul. 2022 | MXN | 3,500 | 170 | TIIE+0.20% | |
| Green Loan | Sep. 2022 | USD | 100 | 100 | SOFR+0.72% | |
| | Dec. 2023 | EUR | 100 | 108 | Euribor+0.30% | |
| **Total** | - | - | - | **3,064** | - | |





# FINANCIAL **REVIEW**

# Management's Discussion and Analysis

The 2023 financial statements prepared by KDB conform to Korean International Financial Reporting Standards (K-IFRS). K-IFRS refers to Korea's adoption of the standards and interpretations released by the International Accounting Standards Board. The 2023 financial statements of KDB cover financial performance from January 1 to December 31 of the year, and the financial figures in this Management's Discussion & Analysis (MD&A), unless specified otherwise, are based on consolidated financial statements.

## 2023 Review

In 2023, the global economy showed resilience from the COVID-19 pandemic, with stronger than expected performance in the United States. But short- and medium-term growth outlooks remained subdued in most countries, and downside risks were elevated because of increasing uncertainty in interest rates and geopolitical tensions. Inflation fell moderately from its 2022 peak due to a tightened monetary policy stance. According to the International Monetary Fund (IMF), the global economic growth rate was recorded at 3.1%, 0.4%p down from 2022.

In Korea, there were signs of increased volatility in the financial market due to aggressive monetary tightening in major countries, escalating geopolitical tensions, rising household debt, and a slowdown in China's economy. Consequently, Korea's economy was sluggish in the first half of the year but began improving modestly in the second half, driven by a rebound in the IT business cycle and favorable growth in service sectors.

As growth slowed due to inflation control policies in many different countries around the world, Korea's year-on-year economic growth rate declined to 1.4% from 2.6% in the previous year. Overall consumption rose by 1.8% year-on-year, compared to 4.1% in the previous year. The inflation rate for the year recorded 3.6%, down from 5.1% in the previous year. The current account surplus increased to USD 35.5 billion in 2023 from USD 25.8 billion in 2022, mainly due to improvement in the goods balance driven by IT products.

The combined net income of the Korean banking industry in 2023 reached an all-time high of KRW 21.3 trillion, up 15% from KRW 18.5 trillion in 2022, according to the figures published by the Financial Supervisory Service. This increase was due to non-interest income, such as ELS sales fees, as well as interest income, which was supported by high-interest rates. Meanwhile, banks set aside large provisions for bad debts to absorb potential losses in preparation for financial market instability and the real estate project financing crisis.

In 2023, KDB played a pivotal role in stabilizing the market as one of the key policy banks of Korea. The Bank continuously provided financing for SMEs and MEs to foster future strategic industries, and assisted startups to support Korea's innovative growth sectors. The Bank also facilitated turnaround of business for distressed shipbuilders and shipping companies affected by the prolonged global economic downturn. Notably, the Bank successfully concluded 24 years of restructuring for Daewoo Shipbuilding & Marine Engineering, by funding an M&A deal and completing the company's business normalization in 2023.

Moreover, KDB stayed committed to its mandate as a policy finance institution to enhance the sustainable growth of ventures and startups with potential. Since its launch in 2016, the KDB NextRound, KDB's own venture capital platform connecting promising startups and potential investors both domestically and internationally, has held 740 rounds to date, including "Global NextRound in Silicon Valley". The Bank's other platforms for stimulating Korea's venture ecosystem include the NextRise, an annual startup fair launched in 2019 to provide opportunities for early-stage firms and individual entrepreneurs to attract investment from venture capitals, and the KDB NextONE, a startup incubation and accelerator program launched in 2020.

As for its credit profile, KDB is consistently evaluated and recognized for its capacity and capital adequacy by major international credit rating agencies. In 2023, KDB maintained its credit ratings of Aa2 from Moody's, AA from S&P and AA- from Fitch, with a BIS capital ratio of 13.7%.

## 2024 Outlook

The global economic recovery from the COVID-19 pandemic, Russia's invasion of Ukraine, and the high inflation rate is proving surprisingly resilient. Inflation is falling moderately from its 2022 peak but remains high, reflecting favorable supply-side developments and tightening by central banks, which has kept inflation expectations anchored. At the same time, high interest rates aimed at fighting inflation and the withdrawal of fiscal support amid high debt levels are expected to weigh on growth in 2024.

According to the IMF's World Economic Outlook (2024), global output is expected to increase by 3.1% year-on-year in 2024. The growth rate of advanced economies is projected to be 1.5%, with Japan expected to show a lower growth of 0.8%, while the US (2.1%) and the Eurozone (0.9%) are projected to show higher rates. Major emerging markets, such as India (6.5%) and Saudi Arabia (2.7%), are expected to show faster growth rates than advanced economies. China (4.6%) is also expected to experience stronger-than-expected economic growth due to increased government spending on capacity building against natural disasters.

The Bank of Korea's forecast for Korea's growth is 2.1% while the IMF's projection is 2.3%. In 2024, the global economy will experience a shift from the high inflation and interest rate regime, while heightened geopolitical uncertainty continues to loom over growth. The Korean economy, despite weakening recovery momentum in domestic demand such as consumer spending and construction investment, is projected to improve moderately, aided by exports exceeding previous forecasts. Consumer price inflation is expected to continue its gradual deceleration, mainly driven by core disinflation due to weak demand-side inflationary pressures. However, this deceleration may temporarily slow due to geopolitical risks.

To tide over the challenges of 2024, KDB has set its business objective to be a "Greater KDB: Creating new momentum for the Korean Economy," with a goal of strengthening the foundation for economic growth, enhancing the competitiveness of industrial ecosystems, and expanding policy finance capabilities. In line with the Korean government's policy on carbon neutrality and the environmental goals under K-Taxonomy (one of the Korean government's key initiatives on climate change), the Bank has selected four key areas as the target of its green finance initiatives and expanded its green financing accordingly: 1) promoting energy transition; 2) creating a low-carbon industrial structure; 3) fostering green materials/parts/equipment industries; and 4) building an environmentally sustainable society. In addition, the Bank will continue supporting innovative future industries by identifying and nurturing companies with potential and promoting a dynamic venture ecosystem within the country.

The global economy is confronting an era of extreme uncertainty as it moves forward in 2024. In the midst of prolonged high interest rates and increased uncertainty, KDB will actively utilize its existing venture platforms to foster the venture ecosystem and lay the foundation for innovative growth for the Korean economy. In addition, the Bank will reinforce its role as Korea's primary market stabilizer, providing stability and facilitating efficient corporate turnarounds amidst continuing financial market uncertainty. As Korea's leading policy bank, KDB will continue to carry out its market stabilization role based on its strong credit ratings, globally competitive financial expertise, and thorough risk management.

## Income Analysis

### Summary Statement of Income

(Unit: KRW billion)

| | 2023 | 2022 | Change | |
|---|---|---|---|---|
| | | | Amount | % |
| Net operating revenue | 2,743.6 | 2,494.2 | 249.4 | 10.0 |
| Net interest income | 2,435.6 | 2,711.7 | (276.1) | (10.2) |
| Non-interest income | 308.0 | (217.5) | 525.5 | 241.6 |
| Provision for credit losses | 297.0 | 631.0 | (334.0) | (52.9) |
| G&A expenses | 1,016.8 | 974.1 | 42.7 | 4.4 |
| Operating income | 1,472.8 | 846.5 | 626.3 | 74.0 |
| Non-operating expense | (1,018.4) | (9,957.8) | 8,939.4 | 89.8 |
| Income tax expenses | (696.2) | (2,286.4) | 1,590.2 | 69.6 |
| Profit for the period from continuing operations | 1,150.5 | (6,824.9) | 7,975.4 | 116.9 |
| Profit from discontinued operations | 2,328.1 | (1,070.4) | 3,398.5 | 317.5 |
| Net profit | 3,478.6 | (7,895.4) | 11,374.0 | 144.1 |

KDB recorded a net profit of KRW 3.5 trillion in 2023, KRW 11.4 trillion higher than the previous year. Net operating revenue increased by KRW 0.2 trillion year-on-year. Despite a 10.2% decline in net interest income compared to the previous year, due to a deterioration of NIM, non-interest income increased from the previous year. This increase was mainly driven by profits from valuation of securities, resulting from the stabilization of rising policy interest rates in 2023.

In addition, impairment gains from investments in associates, such as Hanwha Ocean and HMM, contributed to the decrease in non-operating expenses.

### Interest Income and NIM

(Unit: KRW billion)

| | 2023 | 2022 | Change | |
|---|---|---|---|---|
| | | | Amount | % |
| Interest-earning assets (Annual average balance) | 237,805 | 229,259 | 8,546 | 3.7 |
| Yield rate (%) | 4.73 | 2.89 | | 1.84%p |
| Interest-bearing liabilities (Annual average balance) | 249,145 | 239,184 | 9,961 | 4.2 |
| Cost rate (%) | 4.03 | 2.17 | | 1.86%p |
| NIM (%) | 0.51 | 0.63 | | (0.12%p) |

* Non-consolidated basis

Interest-earning assets and interest-bearing liabilities both increased by 3.7% and 4.2% respectively, standing at KRW 237,805 billion and KRW 249,145 billion. The yield rate and cost rate also increased by 1.84%p and 1.86%p respectively, reaching 4.73% and 4.03%. As a result, the net interest margin for the year decreased by 0.12%p to 0.51%.

## Financial Statement

### Summarized Statement of Financial Position

(Unit: KRW billion)

| | 2023 | 2022 | Change | |
|---|---|---|---|---|
| | | | Amount | % |
| Assets | 346,830.5 | 352,605.4 | (5,774.9) | (1.6) |
| Cash & due from banks | 8,306.4 | 11,477.1 | (3,170.7) | (27.6) |
| Securities | 100,760.6 | 99,344.1 | 1,416.5 | 1.4 |
| Loans | 214,325.8 | 210,325.1 | 4,000.7 | 1.9 |
| Other assets | 23,437.7 | 31,459.2 | (8,021.5) | (25.5) |
| Liabilities | 307,921.1 | 315,780.0 | (7,858.9) | (2.5) |
| Deposits | 67,571.6 | 70,288.1 | (2,716.6) | (3.9) |
| Borrowings | 34,043.7 | 30,695.5 | 3,348.2 | 10.9 |
| Bonds | 163,205.8 | 164,460.9 | (1,255.1) | (0.8) |
| Other liabilities | 43,100.1 | 50,335.5 | (7,235.4) | (14.4) |
| Equity | 38,909.4 | 36,825.4 | 2,084.0 | 5.7 |
| Issued capital | 23,926.6 | 23,151.6 | 775.0 | 3.3 |
| Capital surplus | 892.4 | 911.6 | (19.2) | (2.1) |
| Retained earnings | 10,576.2 | 6,525.1 | 4,051.1 | 62.1 |
| Capital adjustments | 214.5 | 274.5 | (60.0) | (21.9) |
| Accumulated other comprehensive income | 3,011.2 | 3,839.2 | (827.9) | (21.6) |
| Non-controlling interests | 288.5 | 2,123.5 | (1,835.0) | (86.4) |

As of the end of 2023, KDB's assets amounted to KRW 346,831 billion, down 1.6% compared to the previous year. This was attributable to a decrease in other assets, mainly domestic exchange receivables.

On the other hand, loans and securities increased, reflecting the Bank's effort to expand its operating assets to support strategic industries (semiconductor, bio, nuclear power, etc.) and incubate SMEs.

KDB's liabilities decreased by 2.5% year-on-year to record KRW 307,921 billion, mainly attributable to decreases in deposits and other liabilities such as derivative financial liabilities. The outstanding bond amount stood at KRW 163,206 billion at year-end, reflecting a slight decline of 0.8% year-on-year.

KDB's total equity stood at KRW 38,909 billion, marking a 5.7% increase from the previous year. During the year, KDB received a capital injection totaling KRW 775 billion through a contribution-in-kind (shares in Land and Housing Corporation worth KRW 435 billion) to maintain its BIS ratio, in addition to KRW 340 billion in cash for establishing the Innovative Growth Fund and the KDB Carbon Net Zero Fund.

Accumulated other comprehensive income reached KRW 3,011 billion, a 21.6% reduction compared to the previous year. The decline was mainly affected by the reclassification of valuation gains or losses on equity securities measured at FVOCI.

### Loans

(Unit: KRW billion)

| | 2023 | 2022 | Change | |
|---|---|---|---|---|
| | | | Amount | % |
| Corporate loans | 181,321 | 177,099 | 4,222 | 2.4 |
| Large enterprises | 153,966 | 145,753 | 8,213 | 5.6 |
| SMEs | 27,355 | 31,346 | △3,991 | △12.7 |
| Household loans | 179 | 223 | △44 | △19.5 |
| Public and others | 1,475 | 1,586 | △111 | △7.0 |
| Total loans | 182,975 | 178,908 | 4,067 | 2.3 |

* Non-consolidated basis / Excluding loans extended to other banks under on-lending programs

Total loans in 2023 recorded KRW 182,975 billion, up 2.3% from the previous year. Of these, corporate loans, which accounted for the largest portion, rose by 2.4% year-on-year to reach KRW 181,321 billion. This was mainly attributable to a 5.6% increase in loans to large enterprises.

### Funding

(Unit: KRW billion)

| | 2023 | 2022 | Change | |
|---|---|---|---|---|
| | | | Amount | % |
| Deposits | 67,571.6 | 70,288.1 | (2,716.6) | △3.9 |
| Borrowings | 34,043.7 | 30,695.5 | 3,348.2 | 10.9 |
| Bonds | 163,205.8 | 164,460.9 | (1,255.1) | △0.8 |

Compared to last year, deposits decreased by 3.9%, while borrowings increased by 10.9%. The outstanding bonds amounted to KRW 163,205 billion, a 0.8 % decline from the previous year.

## Asset Quality

(Unit: KRW billion)

| | 2023 | 2022 | Change | |
|---|---|---|---|---|
| | | | Amount | % |
| Total credit | 182,975 | 178,908 | 4,067 | 2.3 |
| Normal | 181,077 | 171,069 | 10,008 | 5.8 |
| Precautionary | 422 | 6,526 | △6,104 | △93.5 |
| Sub-standard | 663 | 575 | 88 | 15.4 |
| Doubtful | 167 | 136 | 31 | 22.7 |
| Estimated loss | 646 | 602 | 44 | 7.4 |
| Sub-standard and below loans (NPL) | 1,476 | 1,313 | 163 | 12.5 |
| NPL Ratio | 0.81% | 0.73% | - | 0.08%p |
| Loan loss reserve | 3,495 | 4,793 | △1,298 | △27.1 |
| NPL coverage ratio | 236.70% | 365.11% | - | △128.41%p |

* Non-consolidated basis

Total credit exposure as of the end of 2023 amounted to KRW 183 trillion, up by KRW 4.1 trillion or 2.3% year-on-year. As NPLs increased by 12.5% from the previous year, the NPL ratio rose to 0.81% in 2023 from 0.73% in 2022. The NPL coverage ratio fell by 128.41%p, mainly affected by the reduction in loan loss reserve due to the improvement in credit ratings, particularly within the asset quality of shipbuilding companies.

## Capital Management

### Capital Adequacy Ratio and Tier 1 Ratio

(Unit: %)

| | 2023 | 2022 | Change (%p) |
|---|---|---|---|
| Capital adequacy ratio | 13.70 | 13.40 | +0.30 |
| Tier 1 ratio | 12.42 | 12.28 | +0.14 |

* The BIS capital adequacy ratio of KDB is well maintained above the minimum requirement of 10.51%.

KDB's BIS capital adequacy and Tier 1 ratios are calculated in accordance with BASEL III standards. As of the fiscal year end 2023, the corresponding ratios stood at 13.70% and 12.42%, up 0.30%p and 0.14%p, respectively, from the previous year. Despite the increase in risk-weighted assets from KRW 286 trillion to KRW 301.2 trillion in 2023, the Bank's capital adequacy ratio increased. This improvement was driven by the increase in total capital from KRW 38.3 trillion to KRW 41.3 trillion.

# 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 consolidated financial statements of Korea Development Bank and its subsidiaries (collectively, the "Group"), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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, 2023 and 2022, and its consolidated financial performance and its consolidated 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 audit 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 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.

### 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 Consolidated Financial Statements** Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Korean 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### Auditor's 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 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 consolidated 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 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, but not for the purpose of expressing an opinion on the effectiveness of the Group'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 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 auditor's 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 auditor's 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.

Seoul, Korea
March 28, 2024

Nexia Samduk

This report is effective as of March 28, 2024, 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 there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.





Korea Development Bank and Subsidiaries

# Consolidated Statements of Financial Position

December 31, 2023 and 2022

| *(In millions of won)* | Notes | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| **Assets** | | | |
| Cash and due from banks | 4,41,49,50,53 | ₩ 8,306,382 | 11,477,085 |
| Securities measured at FVTPL | 5,49,50,53 | 23,770,064 | 19,633,683 |
| Securities measured at FVOCI | 6,41,49,50,53 | 44,284,307 | 46,980,682 |
| Securities measured at amortized cost | 7,41,49,50,53 | 11,687,681 | 10,212,258 |
| Loans measured at FVTPL | 8,49,50,53 | 488,432 | 542,619 |
| Loans measured at amortized cost | 9,43,49,50,53 | 213,837,347 | 209,782,428 |
| Derivative financial assets | 10,49,50,51,53 | 7,382,918 | 9,390,972 |
| Investments in associates | 11,52 | 21,018,516 | 22,517,464 |
| Property and equipment, net | 12,52 | 986,231 | 1,117,113 |
| Investment property, net | 13,52 | 150,367 | 151,676 |
| Intangible assets, net | 14,52 | 448,007 | 203,508 |
| Defined benefit assets | 22 | 75,493 | 88,663 |
| Deferred tax assets | 39 | 26,162 | 169,678 |
| Current tax assets | | 62,418 | 174,316 |
| Other assets | 15,49,50,53 | 11,077,694 | 8,419,643 |
| Assets held for sale | 16 | 3,228,444 | 11,743,608 |
| **Total assets** | | ₩ 346,830,463 | 352,605,396 |
| **Liabilities** | | | |
| Financial liabilities measured at FVTPL | 17,49,50,53 | ₩ 1,920,061 | 1,469,724 |
| Deposits | 18,49,50,53 | 67,571,567 | 70,288,133 |
| Borrowings | 19,49,50,53 | 34,043,663 | 30,695,509 |
| Debentures | 20,49,50,53 | 163,205,745 | 164,460,858 |
| Derivative financial liabilities | 10,49,50,51,53 | 7,776,341 | 11,409,250 |
| Insurance Contracts | 21 | 16,339,173 | 15,718,370 |
| Reinsurance contract liabilities | 21 | 27,577 | 26,184 |
| Investment contract liabilities | 21 | - | 36 |
| Provisions | 23 | 1,075,990 | 689,829 |
| Deferred tax liabilities | 39 | 2,627,064 | 3,791,331 |
| Current tax liabilities | | 389,595 | 75,657 |
| Other liabilities | 24,49,50,53 | 12,944,303 | 7,783,317 |
| Liabilities held for sale | 16,21 | - | 9,371,801 |
| **Total liabilities** | | ₩ 307,921,079 | 315,779,999 |
| **Equity** | | | |
| Issued capital | 25 | ₩ 23,926,559 | 23,151,559 |
| Capital surplus | 25 | 892,373 | 911,588 |
| Capital adjustment | 25 | 214,482 | 274,457 |
| Accumulated other comprehensive income | 25 | 3,011,226 | 3,839,167 |
| Retained earnings | 25 | 10,576,203 | 6,525,113 |
| (Regulatory reserve for credit losses of ₩254,574 million and ₩272,805 million as of December 31, 2023 and 2022, respectively) | | | |
| (Required reversal of regulatory reserve for credit losses of ₩144,643 million and ₩18,231 million as of December 31, 2023 and 2022, respectively) | | | |
| (Planned reversal of regulatory reserve for credit losses of ₩144,643 million and ₩18,231 million as of December 31, 2023 and 2022, respectively) | | | |
| **Total equity attributable to owners of the parent** | | 38,620,843 | 34,701,884 |
| **Non-controlling interests** | 46 | 288,541 | 2,123,513 |
| **Total equity** | | 38,909,384 | 36,825,397 |
| **Total liabilities and equity** | | ₩ 346,830,463 | 352,605,396 |

*(Continued)*

Korea Development Bank and Subsidiaries

# Consolidated Statements of Comprehensive Income

Years ended December 31, 2023 and 2022

| *(In millions of won, except earnings per share information)* | Notes | | 2023 | 2022 |
|---|---|---|---|---|
| **Continuing operations:** | | | | |
| Interest income | 26 | ₩ | 12,831,835 | 8,080,595 |
| Interest expense | 26 | | (10,396,217) | (5,368,893) |
| **Net interest income** | | | 2,435,618 | 2,711,702 |
| Net fees and commission income | 27 | | 447,202 | 552,629 |
| Dividend income | 28 | | 316,017 | 485,826 |
| Net gain (loss) on securities measured at FVTPL | 29 | | 743,362 | (174,589) |
| Net gain (loss) on financial instruments designated at FVTPL | 30 | | (148,104) | 465,099 |
| Net loss on securities measured at FVOCI | 31 | | (12,857) | (72,828) |
| Net gain (loss) on securities measured at amortized cost | 32 | | (8,787) | 2,887 |
| Net loss on derivatives | 33 | | (495,585) | (526,157) |
| Net foreign currency transaction gain (loss) | 34 | | 431,131 | (116,037) |
| Other operating expense, net | 35 | | (964,399) | (834,335) |
| **Non-interest income, net** | | | 307,980 | (217,505) |
| **Provision for credit losses** | 36 | | 296,755 | 630,899 |
| **General and administrative expenses** | 37 | | 974,080 | 1,016,829 |
| **Operating income** | | | 1,472,763 | 846,469 |
| Net loss related to investments in associates | 11 | | (701,928) | (9,926,416) |
| Other non-operating income | 38 | | 25,910 | 21,155 |
| Other non-operating expense | 38 | | (342,406) | (52,521) |
| **Non-operating expense, net** | | | (1,018,424) | (9,957,782) |
| **Profit (loss) before income taxes** | | | 454,339 | (9,111,313) |
| **Income tax benefits** | 39 | | (696,147) | (2,286,389) |
| **Profit (loss) for the year from continuing operations** | | | 1,150,486 | (6,824,924) |
| **Discontinued operations:** | | | | |
| **Profit (loss) from discontinued operations** | 16 | | 2,328,119 | (1,070,423) |
| **Profit (loss) for the year** | 25 | ₩ | 3,478,605 | (7,895,347) |
| (Profit (loss) for the year adjusted for regulatory reserve for credit losses: ₩3,623,248 million and ₩(7,877,116) million for the years ended December 31, 2023 and 2022, respectively) | | | | |

*(Continued)*





Korea Development Bank and Subsidiaries

# Consolidated Statements of Comprehensive Income, Continued

Years ended December 31, 2023 and 2022

| *(In millions of won, except earnings per share information)* | Notes | | 2023 | 2022 |
|---|---|---|---|---|
| **Other comprehensive income (loss) for the year, net of tax** | 25 | | | |
| **Items that are or may be reclassified subsequently to profit or loss:** | | | | |
| Net gain (loss) on securities measured at FVOCI | | ₩ | 773,146 | (1,416,671) |
| Share of other comprehensive income of associates | | | (225,793) | 633,246 |
| Exchange differences on translation of foreign operations | | | 79,796 | 401,435 |
| Valuation gain (loss) on cash flow hedge | | | (2,915) | 11,355 |
| Net loss on hedges of net investments in foreign operations | | | (15,112) | (50,090) |
| Others | | | (431,111) | 993,890 |
| | | | 178,011 | 573,165 |
| **Items will not be reclassified to profit or loss:** | | | | |
| Remeasurements of defined benefit liabilities | | | (13,351) | 111,606 |
| Fair value changes on financial liabilities designated at fair value due to credit risk | | | (17,722) | 90,220 |
| Net loss on securities measured at FVOCI | | | (228,139) | (1,505,942) |
| Share of other comprehensive income of associates | | | (53,195) | 21,801 |
| | | | (312,407) | (1,282,315) |
| | | | (134,396) | (709,150) |
| **Total comprehensive income (loss) for the year** | | ₩ | 3,344,209 | (8,604,497) |
| **Profit (loss) attributable to:** | | | | |
| Owners of the parent | 25 | ₩ | 3,506,077 | (7,134,896) |
| Non-controlling interests | | | (27,472) | (760,451) |
| Profit (loss) for the year | | ₩ | 3,478,605 | (7,895,347) |
| **Total comprehensive income (loss) attributable to:** | | | | |
| Owners of the parent | | ₩ | 3,387,892 | (8,073,424) |
| Non-controlling interests | | | (43,683) | (531,073) |
| Total comprehensive income (loss) for the year | | ₩ | 3,344,209 | (8,604,497) |
| **Earnings (loss) per share:** | | | | |
| Basic and diluted earnings (loss) per share (in won) | 40 | ₩ | 743 | (1,593) |
| **Earnings (loss) per share from continuing operations:** | | | | |
| Basic and diluted earnings (loss) per share (in won) | 40 | ₩ | 238 | (1,526) |

*See accompanying notes to the consolidated financial statements.*

## Korea Development Bank and Subsidiaries

# Consolidated Statements of Changes in Equity

Years ended December 31, 2023 and 2022

| | Attributable to owners of the parent | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| *(In millions of won)* | **Issued capital** | **Capital surplus** | **Capital adjustment** | **Accumulated other comprehensive income** | **Retained earnings** | **Total** | **Non-controlling interests** | **Total equity** |
| **Balance at January 1, 2022** | ₩ 21,886,559 | 758,560 | 278,392 | 4,977,670 | 14,090,106 | 41,991,287 | 4,166,890 | 46,158,177 |
| **Changes in accounting policy** | - | - | - | 246 | 202,771 | 203,017 | 32,831 | 235,848 |
| **Restated balance at January 1, 2022** | 21,886,559 | 758,560 | 278,392 | 4,977,916 | 14,292,877 | 42,194,304 | 4,199,721 | 46,394,025 |
| Loss for the year | - | - | - | - | (7,134,896) | (7,134,896) | (760,451) | (7,895,347) |
| Net gain (loss) on securities measured at FVOCI | - | - | - | (3,019,549) | 196,606 | (2,822,943) | (99,670) | (2,922,613) |
| Share of other comprehensive income of associates | - | - | - | 649,162 | 3,615 | 652,777 | 2,270 | 655,047 |
| Exchange differences on translation of foreign operations | - | - | - | 269,298 | - | 269,298 | 132,137 | 401,435 |
| Valuation gain on cash flow hedge | - | - | - | 10,344 | - | 10,344 | 1,011 | 11,355 |
| Net loss on hedges of net investments in foreign operations | - | - | - | (50,090) | - | (50,090) | - | (50,090) |
| Remeasurements of defined benefit liabilities | - | - | - | 80,387 | - | 80,387 | 31,219 | 111,606 |
| Fair value changes on financial liabilities designated at fair value due to credit risk | - | - | - | 90,220 | - | 90,220 | - | 90,220 |
| Others | - | - | - | 831,479 | - | 831,479 | 162,411 | 993,890 |
| **Total comprehensive income (loss) for the year** | - | - | - | (1,138,749) | (6,934,675) | (8,073,424) | (531,073) | (8,604,497) |
| Dividends | - | - | - | - | (833,089) | (833,089) | - | (833,089) |
| Paid-in capital increase | 1,265,000 | (3,700) | - | - | - | 1,261,300 | - | 1,261,300 |
| Acquisition on / disposal of interest in subsidiaries while maintain control | - | 156,728 | (3,935) | - | - | 152,793 | (1,545,135) | (1,392,342) |
| **Transaction with owners** | 1,265,000 | 153,028 | (3,935) | - | (833,089) | 581,004 | (1,545,135) | (964,131) |
| **Balance at December 31, 2022** | ₩ 23,151,559 | 911,588 | 274,457 | 3,839,167 | 6,525,113 | 34,701,884 | 2,123,513 | 36,825,397 |
| **Balance at January 1, 2023** | ₩ 23,151,559 | 911,588 | 274,457 | 3,839,167 | 6,525,113 | 34,701,884 | 2,123,513 | 36,825,397 |
| Profit (loss) for the year | - | - | - | - | 3,506,077 | 3,506,077 | (27,472) | 3,478,605 |
| Net gain (loss) on securities measured at FVOCI | - | - | - | (225,305) | 777,768 | 552,463 | (7,456) | 545,007 |
| Share of other comprehensive loss of associates | - | - | - | (210,976) | (68,012) | (278,988) | - | (278,988) |
| Exchange differences on translation of foreign operations | - | - | - | 71,081 | - | 71,081 | 8,715 | 79,796 |
| Valuation gain (loss) on cash flow hedge | - | - | - | (2,920) | - | (2,920) | 5 | (2,915) |
| Net loss on hedges of net investments in foreign operations | - | - | - | (15,112) | - | (15,112) | - | (15,112) |
| Remeasurements of defined benefit liabilities | - | - | - | (15,140) | - | (15,140) | 1,789 | (13,351) |
| Fair value changes on financial liabilities designated at fair value due to credit risk | - | - | - | (17,722) | - | (17,722) | - | (17,722) |
| Others | - | - | - | (411,847) | - | (411,847) | (19,264) | (431,111) |
| **Total comprehensive income (loss) for the year** | - | - | - | (827,941) | 4,215,833 | 3,387,892 | (43,683) | 3,344,209 |
| Dividends | - | - | - | - | (164,743) | (164,743) | - | (164,743) |
| Paid-in capital increase | 775,000 | (6,595) | - | - | - | 768,405 | - | 768,405 |
| Acquisition on / disposal of interest in subsidiaries while maintain control | - | (12,620) | (59,975) | - | - | (72,595) | (1,791,289) | (1,863,884) |
| **Transaction with owners** | 775,000 | (19,215) | (59,975) | - | (164,743) | 531,067 | (1,791,289) | (1,260,222) |
| **Balance at December 31, 2023** | ₩ 23,926,559 | 892,373 | 214,482 | 3,011,226 | 10,576,203 | 38,620,843 | 288,541 | 38,909,384 |

*See accompanying notes to the consolidated financial statements.*

## Korea Development Bank and Subsidiaries

# Consolidated Statements of Cash Flows

Years ended December 31, 2023 and 2022

| *(In millions of won)* | | **2023** | **2022** |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit (loss) for the year | ₩ | 3,478,605 | (7,895,347) |
| Adjustments for: | | | |
| Income tax expenses (benefits) | | (695,650) | (2,355,072) |
| Interest income | | (12,831,835) | (8,080,595) |
| Interest expense | | 10,396,216 | 5,368,893 |
| Dividend income | | (316,017) | (485,826) |
| Gain on valuation of securities measured at FVTPL | | (747,950) | (65,155) |
| Loss (gain) on valuation of financial instruments designated at fair value through profit or loss | | 148,106 | (465,099) |
| Net loss on securities measured at FVOCI | | 12,857 | 72,828 |
| Net loss on securities measured at amortized cost | | 8,788 | 7,875 |
| Loss on valuation of loans measured at FVTPL | | 8,913 | 78,884 |
| Loss (gain) on valuation of derivatives | | (490,884) | 2,342,332 |
| Net loss (gain) on fair value hedged items | | 1,413,201 | (1,494,136) |
| Loss (gain) on foreign exchange translation | | (411,659) | 131,296 |
| Loss on disposal of investments in associates | | 265,915 | 70,631 |
| Impairment loss on investments in associates | | 174,768 | 3,788,103 |
| Share of loss of associates | | 526,787 | 6,126,637 |
| Provision for loan losses allowance | | 445,558 | 522,344 |
| Increase (reversal) of provision for due from banks | | 69 | (76) |
| Increase (reversal) of provision for payment guarantees | | (218,925) | 183,010 |
| Increase (reversal) of provision for unused commitments | | 58,059 | (64,310) |
| Increase (reversal) of provision for financial guarantee provision | | 7,840 | (13,588) |
| Reversal of lawsuit provision | | (193) | (1,550) |
| Reversal of provision for restoration | | (492) | (2,007) |
| Reversal of other provisions | | (137) | (44,111) |
| Increase (reversal) of provision for other assets | | 4,153 | (687,406) |
| Defined benefit costs | | 34,793 | 136,849 |
| Depreciation of property and equipment | | 126,644 | 101,199 |
| Net loss on property and equipment | | 890 | 60,394 |
| Depreciation of investment property | | 4,507 | 6,321 |
| Net gain on investment property | | - | (7,861) |
| Amortization of intangible assets | | 64,998 | 61,387 |
| Net loss (gain) on intangible assets | | (109) | 848 |
| Net loss (gain) on assets held for sale | | 294,153 | (3,147) |
| Net loss on share capital repayable on demand | | 36,651 | 265,582 |
| Loss on redemption of debentures | | 534 | - |
| | | (1,679,451) | 5,555,474 |
| Changes in operating assets and liabilities: | | | |
| Due from banks | | 1,536,518 | 320,096 |
| Securities measured at FVTPL | | (1,518,963) | 200,403 |
| Loans measured at FVTPL | | 45,274 | 22,909 |
| Loans measured at amortized cost | | (2,692,702) | (24,889,717) |
| Derivative financial instruments | | (876,864) | 427,269 |
| Other assets | | (4,433,844) | (2,622,887) |
| Financial liabilities designated at FVTPL | | 29,718 | (6,956) |
| Deposits | | (2,927,540) | 16,394,008 |
| Policy reserves | | 622,160 | 334,584 |
| Defined benefit liabilities | | (43,539) | 14,275 |
| Provisions | | 184,233 | (278,547) |
| Other liabilities | | 4,291,623 | (974,126) |
| | | (5,783,926) | (11,058,689) |
| Income taxes paid | | (53,690) | (309,024) |
| Interest received | | 12,460,622 | 7,264,911 |
| Interest paid | | (9,702,449) | (5,122,970) |
| Dividends received | | 781,261 | 804,659 |
| **Net cash used in operating activities** | ₩ | (499,028) | (10,760,986) |

*(Continued)*

Korea Development Bank and Subsidiaries

# Consolidated Statements of Cash Flows, Continued

Years ended December 31, 2023 and 2022

| *(In millions of won)* | | 2023 | 2022 |
|---|---|---|---|
| **Cash flows from investing activities** | | | |
| Net, increase in securities measured at FVTPL | ₩ | (1,738,239) | (2,866,923) |
| Disposal of securities measured at FVOCI | | 15,068,914 | 13,771,268 |
| Acquisition of securities measured at FVOCI | | (12,339,846) | (15,488,624) |
| Redemption of securities measured at amortized cost | | 4,311,410 | 1,933,660 |
| Acquisition of securities measured at amortized cost | | (5,730,442) | (4,933,576) |
| Disposal of property and equipment | | 3,045 | 7,718 |
| Acquisition of property and equipment | | (50,864) | (174,891) |
| Acquisition of investment property | | (45) | (70) |
| Disposal of intangible assets | | 3,100 | 2,301 |
| Acquisition of intangible assets | | (32,069) | (65,094) |
| Disposal of assets and liabilities held for sale | | - | 165,000 |
| Disposal of investment in associates | | 1,737,512 | 240,318 |
| Acquisition of investments in associates | | (1,958,847) | (820,423) |
| Net cash flows by the change of subsidiaries | | (204,939) | 669,547 |
| **Net cash used in investing activities** | | (931,310) | (7,559,789) |
| **Cash flows from financing activities** | | | |
| Increase in financial liabilities designated at FVTPL | | 266,200 | 125,000 |
| Decrease in financial liabilities designated at FVTPL | | (17,933) | (128,350) |
| Proceeds from borrowings | | 53,937,586 | 50,909,515 |
| Repayment of borrowings | | (50,797,451) | (47,618,865) |
| Proceeds from issuance of debentures | | 126,469,345 | 136,754,674 |
| Repayment of debentures | | (129,961,310) | (121,075,245) |
| Repayment of lease liabilities | | (44,892) | (65,199) |
| Paid-in capital increase | | 336,268 | 696,300 |
| Dividends paid | | (164,743) | (833,089) |
| Decrease of non-controlling interests | | (46,231) | 189,309 |
| **Net cash provided by (used in) financing activities** | | (23,161) | 18,954,050 |
| **Effects from changes in foreign currency exchange rate for cash and cash equivalents held** | | 80,276 | 159,429 |
| **Net increase (decrease) in cash and cash equivalents** | | (1,373,223) | 792,704 |
| **Cash and cash equivalents included in assets held for sale** | | 670,673 | 2,332,376 |
| **Cash and cash equivalents at beginning of the year** | | 13,303,018 | 10,177,938 |
| **Cash and cash equivalents at end of the year** | ₩ | 12,600,468 | 13,303,018 |

*See accompanying notes to the consolidated financial statements.*



Korea Development Bank and Subsidiaries

# Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

## 1. Reporting Entity

The accompanying consolidated financial statements comprise Korea Development Bank ("KDB" or the "Bank") and its subsidiaries (collectively the "Group"). General information of the Bank and its subsidiaries is stated below.

**(1) Controlling company**

KDB was established on April 1, 1954, in accordance with *the Korea Development Bank Act* to finance and manage major industrial projects, in order to expedite industrial development and enhance the national economy.

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 ₩23,926,559 million with 4,785,311,768 shares of issued and outstanding as of December 31, 2023 and the government of the Republic of Korea owns 100% of the Bank's shares.

The Bank's head office is located in 14, Eunhaeng-ro, Yeouido-dong, Yeongdeungpo-gu, Seoul and its service network as of December 31, 2023, is as follows:

| | Domestic | | Overseas | | | |
|---|---|---|---|---|---|---|
| | Head Office | Branches | Branches | Subsidiaries | Representative offices | Total |
| KDB | 1 | 60 | 11 | 7 | 7 | 86 |

**(2) Consolidated subsidiaries**

The Group's equity ownership in its consolidated direct and indirect subsidiaries as of December 31, 2023 and 2022 are summarized as follows:

| Investor | Investee | Country | Industry | Fiscal year end | Ownership (%) 2023 | Ownership (%) 2022 |
|---|---|---|---|---|---|---|
| | **Subsidiaries:** | | | | | |
| KDB | KDB Asia (HK) Ltd. | Hong Kong | Finance | December | 100.00 | 100.00 |
| | KDB Ireland Ltd. | Ireland | Finance | December | 100.00 | 100.00 |
| | KDB Bank Uzbekistan Ltd. | Uzbekistan | Finance | December | 86.32 | 86.32 |
| | KDB Bank Europe Ltd. | Hungary | Finance | December | 100.00 | 100.00 |
| | Banco KDB Do Brazil S. A. | Brazil | Finance | December | 100.00 | 100.00 |
| | PT KDB Tifa Finance Tbk | Indonesia | Finance | December | 84.65 | 84.65 |
| | KDB Silicon Valley LLC | USA | Finance | December | 100.00 | 100.00 |
| | KDB OCCASIO II, L.P. | Cayman Islands | Finance | December | 100.00 | 100.00 |
| | KDB Synergy, L.P. | Cayman Islands | Finance | December | 100.00 | 100.00 |
| | KDB Capital Corporation | Korea | Specialized Credit Finance | December | 99.92 | 99.92 |
| | KDB Biz Co., Ltd. | Korea | Service | December | 100.00 | 100.00 |
| | KDB Investment Co., Ltd. | Korea | Financial investment | December | 100.00 | 100.00 |
| | KDB Infrastructure Investment Asset Management Co., Ltd. | Korea | Asset management | December | 84.16 | 84.16 |
| | Hanwha Ocean Co., Ltd. (priorly known as Daewoo Shipbuilding & Marine Engineering Co., Ltd.) (*1) (*8) | Korea | Manufacturing | December | - | 55.68 |
| | Hanwha Ocean Ecotech Co.,Ltd. (priorly known Sam Woo Heavy Industries Co., Ltd.) (*1) (*8) | Korea | Ship parts manufacturing | December | - | 100.00 |

Korea Development Bank and Subsidiaries

# Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

**1. Reporting Entity, Continued**

| Investor | Investee | Country | Industry | Fiscal year end | Ownership (%) 2023 | Ownership (%) 2022 |
|---|---|---|---|---|---|---|
| KDB | Korea Education Fund (*2) | Korea | Financial investment | Half-yearly | 50.00 | 50.00 |
| | Korea BTL Fund I (*2) (*6) | Korea | Financial investment | Half-yearly | 41.67 | 41.67 |
| | Korea Railroad Fund I (*2) | Korea | Financial investment | Half-yearly | 50.00 | 50.00 |
| | Principals and interests guaranteed trusts (*3) | Korea | Financial investment | December | - | - |
| | Principals guaranteed trusts (*3) | Korea | Financial investment | December | - | - |
| | KDB Consus Value Private Equity Fund | Korea | Financial investment | December | 70.56 | 68.20 |
| | KDB Asia Private Equity Fund (*4) | Korea | Financial investment | December | 65.00 | 65.00 |
| | KDB-IAP OBOR Private Equity Fund (*4) (*6) | Korea | Financial investment | December | 44.69 | 44.69 |
| | KDB Small Medium Mezzanine PEF (*4) | Korea | Financial investment | December | 73.34 | 73.34 |
| | Green Initiative 2nd Private Equity Fund (*4) (*6) | Korea | Financial investment | December | 42.25 | 42.25 |
| | Corporate Liquidity Assistance Agency Co., Ltd. | Korea | Financial investment | December | 100.00 | 100.00 |
| | KDB ESG 7TH INC. and 13 others (*5) | Korea | Financial investment | December | - | - |
| | KIAMCO Road Investment Private Fund Special Asset Trust 2 and 17 beneficiary certificates | Korea | Financial investment | December | - | - |
| | **Sub-subsidiaries:** | | | | | |
| KDB Capital Corporation | Vietnam Int'l Leasing Co., Ltd. | Vietnam | Finance | December | 81.65 | 81.65 |
| | Special money trust of Apache Golf Bond with Warrant | Korea | Financial investment | December | 100.00 | 100.00 |
| | Tiger Alternative Specialized Investment Trust No.21 (*8) | Korea | Financial investment | December | - | 98.67 |
| | YK Bluesky No.1 (*8) | Korea | Financial investment | December | - | - |
| | KDBC Synergy Mezzanine New Tech Fund No.1 (*8) | Korea | Financial investment | December | - | 90.50 |
| | KDBC Co-investment Private Equity Fund (*4) | Korea | Financial investment | December | 95.00 | 95.00 |





Korea Development Bank and Subsidiaries

# Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

**1. Reporting Entity, Continued**

| Investor | Investee | Country | Industry | Fiscal year end | Ownership (%) 2023 | Ownership (%) 2022 |
|---|---|---|---|---|---|---|
| Hanwha Ocean Co., Ltd. (priorly known as Daewoo Shipbuilding & Marine Engineering Co., Ltd.) (*1) (*8) | DSME Shangdong Co., Ltd. | China | Parts of watercraft manufacturing | December | - | 100.00 |
| | Hanwha Ocean Ecotech Co.,Ltd. (priorly known Sam Woo Heavy Industries Co., Ltd.) (*4) | Korea | Parts of watercraft manufacturing | December | - | 100.00 |
| | DK Maritime S. A. | Panama | Shipping industry | December | - | 100.00 |
| | DSME Information Consulting Co., Ltd. | Korea | IT Service | December | - | 100.00 |
| | DSME Kazakhstan LLP | Kazakhstan | Ship repairing | December | - | 100.00 |
| KDB Consus Value Private Equity Fund | KDB Life Insurance Co., Ltd. (*7) | Korea | Finance | December | 95.66 | 92.73 |
| KDB Investment Co., Ltd. | KDB INVESTMENT PRIVATE EQUITY FUND NO.2 (*4) (*6) | Korea | Financial investment | December | 14.32 | 14.32 |
| | KDB Investment Global Healthcare Private Equity Fund I (*4) (*6) | Korea | Financial investment | December | 45.52 | 45.52 |
| Green Initiative 2nd Private Equity Fund | Green Eco 1st Limited. | Korea | Financial investment | December | 100.00 | 100.00 |
| | Greenstone No.2 Limited. | Korea | Financial investment | December | 100.00 | 100.00 |
| | Green Fuel 3rd Co., Ltd. | Korea | Financial investment | December | 100.00 | - |

Korea Development Bank and Subsidiaries

# Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

1. **Reporting Entity, Continued**

(*1) Daewoo Shipbuilding & Marine Engineering Co., Ltd. changed its name to Hanwha Ocean Co., Ltd. as Hanwha Group acquired the status of a majority shareholder through a third-party allotment capital increase on May 24, 2023. The Group changed the classification from a subsidiary to an associate due to the decrease in shareholding.
(*2) The investees are financed by the Bank and managed by KDB Infrastructure Investment Asset Management Co., Ltd. They are included in the scope of consolidation even though the Group holds less than half of the voting rights because the Group is exposed to variable returns, and has the ability to affect those returns through its power over the investee.
(*3) The trusts are included in the scope of consolidation because the Group has power over the trusts to control the financial and operating policies of the entity, and is exposed to variable returns through the contract for preservation of principal and interest or principal only.
(*4) Indirect ownership through subsidiaries is included.
(*5) The investees are established for the investor's business, or are structured entities that the investor has rights to obtain the majority of the benefits of the investee or retains the majority of the risks related to the investee. The investees are included in the scope of consolidation because the investor has power over the investees to control the financial and operating policies of the entity, exposure or rights to variable returns from its involvement with the investees and the ability to use its power over the investees to affect those returns.
(*6) Those entities have been consolidated even though the investor's ownership is not over 50%, because the investor, as an executive partner, has power over the investees to control the financial and operating policies of the entity, exposure or rights to variable returns from its involvement with the investees and the ability to use its power over the investees to affect those returns.
(*7) The parent company of the sub-subsidiary is a SPE, which is not separately disclosed in the consolidated financial statements.
(*8) The investee is excluded from the scope of consolidation as of December 31, 2023 due to liquidation.

**(3) Changes in subsidiaries**
Subsidiaries that are newly included in the consolidated financial statements and those that are excluded from the consolidated financial statements as of December 31, 2023 are as follows:

(i) Subsidiaries newly included in scope of consolidation as of December 31, 2023

| Reason | Subsidiaries |
|---|---|
| New investment | IBK Daejeon Enviro Fund |
| ABCP line of credit and purchase commitment | K-Five 10th Securitization Specialty Co., Ltd., SPKDB 1ST INC., KDB ESG 7TH, INC. |

(ii) Subsidiaries excluded from scope of consolidation as of December 31, 2023

| Reason | Subsidiaries |
|---|---|
| Liquidation | KDB OCEAN VALUE-UP FUND NO. 6, K-Five 9th Securitization Specialty Co., Ltd. |
| Classification to an associate | Hanwha Ocean Co., Ltd. (priorly known as Daewoo Shipbuilding & Marine Engineering Co., Ltd.) |
| Classification to securities measured at FVOCI | Hanwha Ocean Ecotech Co., Ltd. (priorly known Sam Woo Heavy Industries Co., Ltd.) |





Korea Development Bank and Subsidiaries

# Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

(In millions of won)

1. **Reporting Entity, Continued**

**(4) Financial information of subsidiaries**
Financial information of subsidiaries included in the consolidated financial statements as of and for the years ended December 31, 2023 and 2022 are as follows:

| | 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Assets | Liabilities | Equity | Operating revenue | Net profit (loss) | Total comprehensive income (loss) |
| KDB Asia (HK) Ltd. | ₩ 4,011,578 | 3,299,643 | 711,935 | 322,406 | 62,770 | 80,327 |
| KDB Ireland Ltd. | 1,182,367 | 1,042,978 | 139,389 | 85,944 | 10,194 | 15,241 |
| KDB Bank Uzbekistan Ltd. | 888,598 | 751,243 | 137,355 | 83,945 | 47,004 | 33,272 |
| KDB Bank Europe Ltd. | 1,379,518 | 1,238,011 | 141,507 | 137,648 | 8,454 | 30,487 |
| Banco KDB Do Brazil S. A. | 637,659 | 517,549 | 120,110 | 131,662 | 14,396 | 25,061 |
| PT KDB Tifa Finance Tbk | 150,511 | 54,424 | 96,087 | 14,843 | 4,480 | 7,332 |
| KDB Silicon Valley LLC | 132,634 | 1,839 | 130,795 | 8,254 | 3,574 | 5,711 |
| KDB OCCASIO II, L.P. | 155,351 | 90 | 155,261 | 18,225 | 15,257 | 14,228 |
| KDB Synergy, L.P. | 21,185 | 20 | 21,165 | 2,809 | 1,194 | 1,521 |
| KDB Capital Corporation | 9,776,950 | 8,227,089 | 1,549,861 | 744,953 | 207,287 | 205,033 |
| KDB Biz Co., Ltd. | 7,200 | 3,594 | 3,606 | 27,528 | 678 | (55) |
| KDB Investment Co., Ltd. | 131,258 | 1,366 | 129,892 | 10,104 | 3,118 | 3,153 |
| KDB Infrastructure Investment Asset Management Co., Ltd. | 73,868 | 10,563 | 63,305 | 40,431 | 19,402 | 19,202 |
| Korea Education Fund | 72,755 | 8 | 72,747 | 3,390 | (10,097) | (10,097) |
| Korea BTL Fund I | 279,733 | 192 | 279,541 | 15,888 | (4,753) | (4,753) |
| Korea Railroad Fund I | 150,436 | 11 | 150,425 | 9,840 | 9,446 | 9,446 |
| Principals and interests guaranteed trusts | 213,901 | 217,666 | (3,765) | 6,888 | (5,407) | (5,407) |
| Principals guaranteed trusts | 226,812 | 220,009 | 6,803 | 12,170 | 201 | 201 |
| KDB Consus Value Private Equity Fund | 17,496,596 | 17,116,238 | 380,358 | 1,491,269 | 11,790 | 1,614,265 |
| KDB Asia Private Equity Fund | 217,186 | 182 | 217,004 | 1 | (241) | 14,879 |
| KDB-IAP OBOR Private Equity Fund | 59,864 | 67,299 | (7,435) | - | (6,285) | (6,229) |
| KDB Small Medium Mezzanine PEF | 86,610 | 94 | 86,516 | 4,203 | 972 | 972 |
| Green Initiative 2nd Private Equity Fund | 822,461 | 378,517 | 443,944 | 18,478 | (7,613) | (8,251) |
| KDBC Co-investment Private Equity Fund | 40,232 | 80 | 40,152 | 2,737 | 2,479 | 2,479 |
| Corporate Liquidity Assistance Agency Co., Ltd. | 1,672,215 | 604,360 | 1,067,855 | 61,571 | 2,893 | 2,893 |
| KDB ESG 7TH INC. and 13 others | 1,297,484 | 1,455,944 | (158,460) | 60,636 | (27,406) | (28,256) |
| KIAMCO Road Investment Private Fund Special Asset Trust 2 and 17 beneficiary certificates | 2,040,029 | 1,286 | 2,038,744 | 172,397 | 150,495 | 148,023 |

Korea Development Bank and Subsidiaries

# Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

| *(In millions of won, except earnings per share information)* | Notes | | 2023 | 2022 |
|---|---|---|---|---|
| **Continuing operations:** | | | | |
| Interest income | 26 | ₩ | 12,831,835 | 8,080,595 |
| Interest expense | 26 | | (10,396,217) | (5,368,893) |
| **Net interest income** | | | 2,435,618 | 2,711,702 |
| Net fees and commission income | 27 | | 447,202 | 552,629 |
| Dividend income | 28 | | 316,017 | 485,826 |
| Net gain (loss) on securities measured at FVTPL | 29 | | 743,362 | (174,589) |
| Net gain (loss) on financial instruments designated at FVTPL | 30 | | (148,104) | 465,099 |
| Net loss on securities measured at FVOCI | 31 | | (12,857) | (72,828) |
| Net gain (loss) on securities measured at amortized cost | 32 | | (8,787) | 2,887 |
| Net loss on derivatives | 33 | | (495,585) | (526,157) |
| Net foreign currency transaction gain (loss) | 34 | | 431,131 | (116,037) |
| Other operating expense, net | 35 | | (964,399) | (834,335) |
| **Non-interest income, net** | | | 307,980 | (217,505) |
| **Provision for credit losses** | 36 | | 296,755 | 630,899 |
| **General and administrative expenses** | 37 | | 974,080 | 1,016,829 |
| **Operating income** | | | 1,472,763 | 846,469 |
| Net loss related to investments in associates | 11 | | (701,928) | (9,926,416) |
| Other non-operating income | 38 | | 25,910 | 21,155 |
| Other non-operating expense | 38 | | (342,406) | (52,521) |
| **Non-operating expense, net** | | | (1,018,424) | (9,957,782) |
| **Profit (loss) before income taxes** | | | 454,339 | (9,111,313) |
| **Income tax benefits** | 39 | | (696,147) | (2,286,389) |
| **Profit (loss) for the year from continuing operations** | | | 1,150,486 | (6,824,924) |
| **Discontinued operations:** | | | | |
| **Profit (loss) from discontinued operations** | 16 | | 2,328,119 | (1,070,423) |
| **Profit (loss) for the year** | 25 | ₩ | 3,478,605 | (7,895,347) |

(Profit (loss) for the year adjusted for regulatory reserve for credit losses: ₩3,623,248 million and ₩(7,877,116) million for the years ended December 31, 2023 and 2022, respectively)

*(Continued)*





Korea Development Bank and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

## 2. Basis of Preparation

**(1) Application of accounting standards**

These consolidated financial statements have been prepared in accordance with the Korean International Financial Reporting Standards (“K-IFRS”) enacted by the *Act on External Audit of Stock Companies*.

**(2) Changes and disclosures of accounting policies**

***(i) New and amended standards and interpretations adopted***

The Group newly applied the following amended and enacted standards for the annual period beginning on January 1, 2023. The nature and the impact of each new standard or amendment are described below:

*Amendments to Korean IFRS No.1001 Presentation of Financial Statements - Accounting Policy Disclosure*

The amendments require an entity to define and disclose their material accounting policy information The amendment does not have a significant impact on the consolidated financial statements.

*Amendments to Korean IFRS No.1008 Accounting Policies, Changes in Accounting Estimates and Errors*

The amendments introduce the definition of accounting estimates and clarify how to distinguish changes in accounting estimates from changes in accounting policies. The amendment does not have a significant impact on the consolidated financial statements.

*Amendments to Korean IFRS No.1012 Income Taxes - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*

The amendments narrow the scope of the deferred tax recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

*Amendments to Korean IFRS No.1001 Presentation of Financial Statements - Disclosure of gains or losses on valuation of financial liabilities subject to exercise price adjustment conditions*

The amendments require disclosures about gains or losses on valuation occurred for the reporting period (but are limited to those included in profit or loss) for the conversion options or warrants (or financial liabilities with warrants), if all or part of the financial instrument whose exercise price is adjusted due to the issuers' stock price fluctuations, are classified as financial liabilities according to paragraph 11 of Korean IFRS No.1032 Financial Instruments: Presentation. These amendments do not have a significant impact on the consolidated financial statements.

*Amendments to Korean IFRS No.1012 Income Taxes - International Tax Reform - Pillar Two Model Rules*

The amendments clarify that K-IFRS 1012 Income Taxes applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organization for Economic Co-operation and Development ("Pillar Two income taxes").

However, the amendments introduce a temporary exception to the requirements to recognize and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. The Group requires to disclose that it has applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes and disclose separately its current tax expense (income) related to Pillar Two income taxes.

The Group applies the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes and the related tax law is effective on January 1, 2024. There is no current income tax expense recognized in the consolidated statement of profit or loss for the year ended December 31, 2023 and the Group is still in the process of assessing the potential exposure to Pillar Two income taxes as at December 31, 2023.

Korea Development Bank and Subsidiaries

# Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

**2. Basis of Preparation, Continued**

*Amendments to Korean IFRS No.1117 Insurance Contracts*
The Group applied K-IFRS No.1117 for annual reporting periods beginning on or after January 1, 2023. K-IFRS No.1117 Insurance Contracts replaces K-IFRS No.1104 Insurance Contracts.

① Classification of insurance contracts and investment contracts
The Group determines whether to undertake significant insurance risk from the policyholder in consideration of substantial rights and obligations for all acquired contracts. As a result of the determination, if the Group undertakes significant insurance risk from the policyholder, the contract is classified as insurance contracts, but if there is no significant transfer of insurance risk, the contract is classified as investment contracts even if it takes the legal form of insurance contracts. Under the classification of contracts, for insurance contracts and investment contracts with discretionary participating features, K-IFRS No.1117, 'Insurance Contracts' is applied, while investment contracts with no discretionary participation features are accounted for following K-IFRS No.1109, 'Financial Instruments'. The Group classifies non-dividend retirement insurance and retirement pension products as investment contracts without discretionary participation features. As of December 31, 2023, none of the derivative elements embedded in insurance contracts held by the Group meet the requirements for separation.

② Level of aggregation
The Group divides insurance contracts into groups of insurance contracts and insurance contract portfolios based on the possibility of loss and risk similarity and level of management. The possibility of loss of an insurance contract is determined by the risk adjustment and the ratio of contractual service margin at the time of initial recognition of an insurance contract. The Group determines the group of insurance contracts as the minimum unit at initial recognition and does not subsequently reevaluate the composition of the group. But for exceptions according to the transition requirements at the time of conversion, the Group does not include insurance contracts issued more than one year apart in the same group.

③ Recognition
The Group recognizes a group of insurance contracts it issues from the earliest of the following: the beginning of the coverage period of the group of insurance contracts, the date when the first payment from a policyholder in the group becomes due, and for a group of onerous contracts, when the group becomes onerous about losses. If reinsurance contracts held provide proportionate coverage, the group of reinsurance contracts is recognized at the beginning of the coverage period of the group of reinsurance contracts held or at the initial recognition of any underlying insurance contract, whichever is the later; and in all other cases, the group of reinsurance contracts is recognized at the beginning of the coverage period of the group of reinsurance contracts held.

④ Boundary of a contract
The measurement of a group of insurance contracts includes all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the entity can compel the policyholder to pay the premiums or in which the entity has a substantive obligation to provide the policyholder with services. The boundary of an insurance contract is remeasured every reporting date.

The Group determines the boundary of a contract at the level of the insurance contract that integrates the main contract and the special contract. Therefore, the boundary of a contract is determined based on the maturity of the main contract, not the renewal time of the renewal-type special contract. The boundary of a reinsurance contract is determined according to the rights and obligations of the Group and reinsurer, and if both parties to the reinsurance contract have termination options at the same time, it is deemed to be cut off from the boundary of the reinsurance contract.



Korea Development Bank and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

**2. Basis of Preparation, Continued**

⑤ Measurement

i) Initial measurement

On initial recognition, the Group measures a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise estimates of future cash flows, an adjustment to reflect the time value of money and the financial risks related to the future cash flows, and a risk adjustment for non-financial risk.

The estimate of future cash flows is the expected value measured at the probability-weighted mean of the full range of possible outcomes using all reasonable and supportable information available without undue cost or effort. The estimate of future cash flows is current estimate for cash flows within the boundary of a contract, reflecting market variables and non-market variables.

The risk adjustment for non-financial risk is a liability that adjusts estimates of the present value of future cash flows to reflect the compensation required for bearing the non-financial risk arising from the uncertain amount and timing of the cash flows. When calculating the risk adjustment for non-financial risk, the target risk is the risk that the amount and timing of cash flows from the insurance liability held may differ from the best estimate. The risk adjustment is divided into death, longevity, disability, illness, termination, and project cost, calculated at a 75% confidence level for each item, and the impact level for each uncertainty factor is applied. The Group does not subdivide the changes in risk adjustment into insurance service factors and insurance finance factors, but discloses them as insurance service results.

The contractual service margin represents the unearned profit the entity will recognize as it provides insurance contract services in the future. If the fulfilment cash flow is a net inflow at the time of initial recognition of a group of insurance contracts, the contractual service margin is measured at an amount that results in no income or expenses arising from the initial recognition of the group of insurance contracts. On the other hand, if the fulfilment cash flow is a net outflow at the time of initial recognition of a group of insurance contracts, the group of insurance contracts is classified as a group of onerous contracts and the estimated net outflow is recognized in profit or loss and subsequently measured as a loss component.

To determine the discount rates at the date of initial recognition of a group of contracts, weighted-average discount rates over the period that contracts in the group are issued, which cannot exceed one year, may be used. The Group calculates deterministic and stochastic discount rates by referring to the monthly yield curve provided by the Financial Supervisory Service to the insurance company. The deterministic method uses a bottom-up approach by selecting treasury bond yields as a proxy for the risk-free interest rates among data observable in the market, while the stochastic method uses the Hull-White 1 Factor model.

ii) Subsequent measurement

The carrying amount of a group of insurance contracts at the end of reporting period is the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises the fulfilment cash flows related to future service allocated to the group and the contractual service margin of the group at that date. The liability for incurred claims consists of fulfillment cash flows for insurance claims and insurance expenses that have not yet been paid, and within the fulfillment cash flows, incurred but not reported losses and dividend reserves in accordance with supervisory regulations are included.

Korea Development Bank and Subsidiaries

# Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

**2. Basis of Preparation, Continued**

iii) Contracts applying the premium allocation approach

The Group applies the premium allocation approach to a group of contracts that meet one or more of the following conditions:
- It is reasonably expected that the results measured by the premium allocation approach will not be significantly different from those measured by the general model.
- The coverage period of each contract included in the group of insurance contracts held is one year or less.

iv) Reinsurance contracts

The Group applies the same accounting policies that apply to measuring groups of insurance contracts to measuring groups of reinsurance contracts, except for the following.

The Group includes the effects of all risks associated with the default of the issuer of reinsurance contracts when measuring groups of reinsurance contracts. The effect of default risk of reinsurers is remeasured at the end of each reporting period, and the effect of changes in default risk is recognized in profit or loss. The Group calculates risk adjustments for non-financial risks, reflecting the risk transferred to reinsurers.

⑥ Derecognition and modification of contracts
The Group derecognizes an insurance contract upon its extinguishment, which occurs when the obligations stipulated in the insurance contract either expire, are discharged, or are cancelled. In addition, if the contract terms are changed and the accounting would be significantly different if the new contract terms already existed, the contract is derecognized and a new contract is recognized. If the terms of a contract are changed but the contract is not derecognized, it is treated as a change in the estimate of the fulfillment cash flows.

⑦ Insurance service revenue
The Group recognizes insurance service revenue when it fulfills its obligation to provide insurance contract services for a group of insurance contracts or other services. Insurance service revenue related to insurance services provided during the reporting period represents changes in the liability for remaining coverage related to the consideration expected by the Group.

The amount of contractual service margin recognized as insurance service revenue during the reporting period is recognized as the amount allocated to the coverage units, after distributing the remaining contractual service margin at the end of the period before amortization for each group of insurance contracts in proportion to the coverage units provided during the reporting period and coverage units thereafter. The number of coverage units is a quantitative unit of insurance contract services provided by insurance contracts and is determined by considering the quantitative units and expected duration of insurance coverage services, investment income services, and investment-related services.

Insurance acquisition cash flows are allocated to each reporting period in a systematic way over time, and insurance service revenue and insurance service expenses for the current period are recognized at the same amount. The loss component is allocated to each reporting period in a systematic way as the ratio of the balance of the loss component to the sum of the present value of expected cash outflows and the risk adjustment for the non-financial risk at the beginning. For the current period of the loss component allocation, the same amount as insurance service revenue and insurance service expense is excluded from recognition.

⑧ Insurance finance income or expenses
Insurance finance income or expenses comprises the change in the carrying amount of the group of insurance contracts and the group of reinsurance contracts arising from the time value of money and the effect of financial risk. The Group determines whether to systematically allocate insurance finance income or expenses to profit and loss and other comprehensive income for each portfolio. Systematic allocation systematically allocates the expected total insurance finance income or expenses over the duration of the group of contracts, recognizing the current portion as profit or loss and the remaining portion as other comprehensive income.



Korea Development Bank and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

**2. Basis of Preparation, Continued**

⑨ Transition method
According to the transition requirements of K-IFRS No.1117, an insurance company shall identify, recognize, and measure a group of insurance contracts as if K-IFRS No.1117 had always applied even before the date of transition (full retrospective approach). If this is not practical, either the modified retrospective approach or the fair value approach may be applied.

The modified retrospective approach is an approach to achieve the closest outcome to retrospective application possible using reasonable and supportable information available without undue cost or effort. The fair value approach is an approach to evaluate a group of insurance contracts by utilizing the fair value appraisal in accordance with K-IFRS No.1113 'Fair Value Measurement'. When applying the fair value approach, the contractual service margin or loss component of the liability for remaining coverage at the transition date is determined as the difference between the fair value of a group of insurance contracts at that date and the fulfilment cash flows measured at that date. The Group calculated the transition amount by applying the fair value approach for the previous period to the group of insurance contracts issued before the transition date.

⑩ Implementation effect
The Group applied K-IFRS No.1117 on January 1, 2023 as the date of initial application, and retrospectively restated the previous financial statements.

The Group applied the fair value approach to all insurance contracts held at the time of transition and calculated the accumulated other comprehensive income at the time of transition as zero (0) by applying the discount rate at the time of transition in accordance with transition requirements. The effect of the application of this standard on the financial statements is as follows.

Korea Development Bank and Subsidiaries

# Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

## 2. Basis of Preparation, Continued

i) The effect on the retrospectively restated condensed consolidated statement of financial position due to the implementation of K-IFRS No.1117 as of each comparative point is as follows:

| (In millions of won) | | January 1, 2022 K-IFRS No.1104 | K-IFRS No.1117 | Changes |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and due from banks | ₩ | 12,006,708 | 12,046,711 | 40,003 |
| Securities measured at FVTPL | | 16,348,511 | 16,918,800 | 570,289 |
| Securities measured at FVOCI | | 46,544,822 | 46,544,822 | - |
| Securities measured at amortized cost | | 9,081,517 | 9,081,517 | - |
| Loans measured at FVTPL | | 645,151 | 645,151 | - |
| Loans measured at amortized cost | | 182,795,575 | 181,772,753 | (1,022,822) |
| Derivative financial assets | | 5,139,230 | 5,140,314 | 1,084 |
| Investments in associates | | 31,548,070 | 31,548,070 | - |
| Property and equipment, net | | 1,451,021 | 1,456,297 | 5,276 |
| Investment property, net | | 142,063 | 157,994 | 15,931 |
| Intangible assets, net | | 181,840 | 181,840 | - |
| Deferred tax assets | | 105,556 | 105,556 | - |
| Current tax assets | | 45,336 | 46,271 | 935 |
| Other assets | | 7,200,136 | 6,774,477 | (425,659) |
| Assets held for sale | | 20,618,858 | 20,617,009 | (1,849) |
| **Total assets** | ₩ | 333,854,394 | 333,037,582 | (816,812) |
| **Liabilities** | | | | |
| Financial liabilities measured at FVTPL | ₩ | 2,067,144 | 2,067,144 | - |
| Deposits | | 53,839,129 | 53,839,129 | - |
| Borrowings | | 28,596,452 | 28,739,036 | 142,584 |
| Debentures | | 150,488,145 | 150,528,246 | 40,101 |
| Derivative financial liabilities | | 4,835,075 | 4,843,734 | 8,659 |
| Insurance Contracts liabilities | | 17,742,226 | 17,420,637 | (321,589) |
| Defined benefit liabilities | | 26,028 | 26,028 | - |
| Provisions | | 670,460 | 670,460 | - |
| Deferred tax liabilities | | 6,453,156 | 6,686,454 | 233,298 |
| Current tax liabilities | | 316,231 | 316,231 | - |
| Other liabilities | | 9,243,945 | 8,137,337 | (1,106,608) |
| Liabilities held for sale | | 13,418,226 | 13,369,121 | (49,105) |
| **Total liabilities** | | 287,696,217 | 286,643,557 | (1,052,660) |
| **Total equity** | | 46,158,177 | 46,394,025 | 235,848 |
| **Total liabilities and equity** | ₩ | 333,854,394 | 333,037,582 | (816,812) |

(*) The changes are calculated by excluding the disposal group related to KDB Life Insurance Co., Ltd. from the assets and liabilities held for sale in order to analyze the effect on the consolidated balance sheet.





Korea Development Bank and Subsidiaries

# Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

## 2. Basis of Preparation, Continued

| (In millions of won) | | December 31, 2022 K-IFRS No.1104 | K-IFRS No.1117 | Changes |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and due from banks | ₩ | 11,437,022 | 11,477,085 | 40,063 |
| Securities measured at FVTPL | | 19,110,409 | 19,633,683 | 523,274 |
| Securities measured at FVOCI | | 46,980,682 | 46,980,682 | - |
| Securities measured at amortized cost | | 10,212,258 | 10,212,258 | - |
| Loans measured at FVTPL | | 542,619 | 542,619 | - |
| Loans measured at amortized cost | | 210,857,625 | 209,782,428 | (1,075,197) |
| Derivative financial assets | | 9,390,972 | 9,390,972 | - |
| Investments in associates | | 22,517,464 | 22,517,464 | - |
| Property and equipment, net | | 1,117,113 | 1,117,113 | - |
| Investment property, net | | 151,676 | 151,676 | - |
| Intangible assets, net | | 203,508 | 203,508 | - |
| Defined benefit assets | | 88,663 | 88,663 | - |
| Deferred tax assets | | 169,678 | 169,678 | - |
| Current tax assets | | 173,352 | 174,316 | 964 |
| Other assets | | 9,428,478 | 8,419,643 | (1,008,835) |
| Assets held for sale | | 11,743,608 | 11,743,608 | - |
| **Total assets** | ₩ | 354,125,127 | 352,605,396 | (1,519,731) |
| **Liabilities** | | | | |
| Financial liabilities measured at FVTPL | ₩ | 1,469,724 | 1,469,724 | - |
| Deposits | | 70,288,133 | 70,288,133 | - |
| Borrowings | | 30,131,079 | 30,695,509 | 564,430 |
| Debentures | | 164,460,858 | 164,460,858 | - |
| Derivative financial liabilities | | 11,409,250 | 11,409,250 | - |
| Insurance Contracts | | 18,076,811 | 15,718,370 | (2,358,441) |
| Reinsurance contract liabilities | | - | 26,184 | 26,184 |
| Investment contract liabilities | | - | 36 | 36 |
| Provisions | | 689,829 | 689,829 | - |
| Deferred tax liabilities | | 3,487,859 | 3,791,331 | 303,472 |
| Current tax liabilities | | 75,657 | 75,657 | - |
| Other liabilities | | 8,773,362 | 7,783,317 | (990,045) |
| Liabilities held for sale | | 9,371,801 | 9,371,801 | - |
| **Total liabilities** | | 318,234,363 | 315,779,999 | (2,454,364) |
| **Total equity** | | 35,890,764 | 36,825,397 | 934,633 |
| **Total liabilities and equity** | ₩ | 354,125,127 | 352,605,396 | (1,519,731) |

Korea Development Bank and Subsidiaries

# Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

**2. Basis of Preparation, Continued**

ii) The effect on the retrospectively restated condensed statement of comprehensive income (loss) and the condensed statement of cash flows due to the implementation of K-IFRS No.1117 for the year ended December 31, 2022, is as follows.

| *(In millions of won)* | | **K-IFRS No.1104** | **K-IFRS No.1117** | Changes |
|---|---|---|---|---|
| Interest income | ₩ | 8,128,647 | 8,080,595 | (48,052) |
| Interest expense | | (5,369,074) | (5,368,893) | 181 |
| **Net interest income** | | 2,759,573 | 2,711,702 | (47,871) |
| Net fees and commission income | | 583,309 | 552,629 | (30,680) |
| Dividend income | | 479,813 | 485,826 | 6,013 |
| Net loss on securities measured at FVTPL | | (81,647) | (174,589) | (92,942) |
| Net gain on financial instruments designated at FVTPL | | 465,099 | 465,099 | - |
| Net loss on securities measured at FVOCI | | (72,828) | (72,828) | - |
| Net gain on securities measured at amortized cost | | 2,887 | 2,887 | - |
| Net loss on derivatives | | (523,652) | (526,157) | (2,505) |
| Net foreign currency transaction loss | | (117,464) | (116,037) | 1,427 |
| Other operating income expense, net | | (1,204,103) | (834,335) | 369,768 |
| **Non-interest income, net** | | (468,586) | (217,505) | 251,081 |
| **Provision for (reversal of) credit losses** | | (60,027) | 630,899 | 690,926 |
| **General and administrative expenses** | | 1,016,829 | 1,016,829 | - |
| **Operating income** | | 1,334,185 | 846,469 | (487,716) |
| Net loss related to investments in associates | | (9,926,416) | (9,926,416) | - |
| Other non-operating income | | 21,155 | 21,155 | - |
| Other non-operating expense | | (33,258) | (52,521) | (19,263) |
| **Non-operating income (expense), net** | | (9,938,519) | (9,957,782) | (19,263) |
| **Loss before income taxes** | | (8,604,334) | (9,111,313) | (506,979) |
| **Income tax benefits** | | (2,050,174) | (2,286,389) | (236,215) |
| **Loss for the year from continuing operations** | | (6,554,160) | (6,824,924) | (270,764) |
| **Loss from discontinued operations** | | (1,070,423) | (1,070,423) | - |
| **Loss for the year** | | (7,624,583) | (7,895,347) | (270,764) |
| **Other comprehensive loss** | | (1,677,845) | (709,150) | 968,695 |
| **Total comprehensive loss for the year** | ₩ | (9,302,428) | (8,604,497) | 697,931 |

| *(In millions of won)* | | **K-IFRS No.1104** | **K-IFRS No.1117** | Changes |
|---|---|---|---|---|
| Cash flows from operating activities | ₩ | (10,647,343) | (10,760,986) | (113,643) |
| Cash flows from investing activities | | (7,559,789) | (7,559,789) | - |
| Cash flows from financing activities | | 18,954,050 | 18,954,050 | - |





Korea Development Bank and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

**2. Basis of Preparation, Continued**

***(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, 2023, and the Group has not early adopted them. The nature and the impact of each new standard, amendment and enactments are described below:

*Amendments to K-IFRS 1001 'Presentation of Financial Statements' - Classification of Liabilities as Current or Non-current*

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the management's expectations thereof. Also, the settlement of liability includes the transfer of the entity's own equity instruments; however, it would be excluded if an option to settle the liability by the transfer of the entity's own equity instruments is recognized separately from the liability as an equity component of a compound financial instrument. The amendments should be applied for annual periods beginning on or after January 1, 2024, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated 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 Company's liabilities, cash flows and exposure to liquidity risk. This amendment will be applied to the financial statements for the accounting year beginning on or after January 1, 2024. the Group expects that this amendment will not have a significant impact on the consolidated financial statements.

**(3) Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the consolidated statement of financial position:

- Derivative financial instruments measured at fair value
- Financial instruments measured at fair value through profit or loss
- Available-for-sale financial instruments measured at fair value
- 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**

In preparing the Group's consolidated financial statements, transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. The Group's consolidated financial statements are presented in Korean won, which is also the Group's functional currency. The following entities of the Group have different functional currency from the presentation currency:

| Functional currency | Subsidiaries |
|---|---|
| USD | KDB Asia(HK) Ltd. |
| | KDB Ireland Ltd. |
| | KDB Asia Private Equity Fund |
| | KDB-IAP OBOR Private Equity Fund |
| | Multi-Asset KDB Shipping Private Fund DA-3 |
| | KDB Silicon Valley LLC |
| | KDB Occasio II, L.P. |
| | KDB Synergy, L.P. |
| UZS | KDB Bank Uzbekistan Ltd. |
| HUF | KDB Bank Europe Ltd. |
| BRL | Banco KDB Do Brazil S. A. |
| IDR | PT KDB Tifa Finance Tbk |

Korea Development Bank and Subsidiaries

# Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

## 2. Basis of Preparation, Continued

**(5) Use of estimates and judgments**

The preparation of the consolidated 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 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 underlying assumptions are evaluated on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

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 resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

***(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 Group 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.

The pandemic of COVID-19 has a negative impact on the global economy despite of the Korean government's financial and economic stabilization packages. It may have a negative impact on the financial position and financial performance of the Group due to the increase of the expected credit losses on specific portfolios and the potential losses on financial assets.

Taking these circumstances into account comprehensively, the Bank recalculated the forward-looking information used to estimate the expected credit loss in accordance with K-IFRS 1109 'Financial Instruments' as of December 31, 2023. During the 12-month period since the previous year ended, there have been changes in forward-looking information that affect expected credit losses. It is predicted that major economic factors, such as the unemployment rate and economic growth rate, will deteriorate due to the impact of COVID-19. To reflect these changes, the Group recalculated the forward-looking information by means of increasing the probability of recession used in generating future economic scenarios and will continue to monitor the forward-looking information on a quarterly basis.





Korea Development Bank and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

2. Basis of Preparation, Continued

***(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 recognized 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 recognized deferred tax assets and liabilities.

***(iv) Defined benefit liabilities***

The Group operates a defined benefit plan. Defined benefit liability is calculated by annual actuarial valuations as of the reporting date. In order 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.

**(6) Approval date for the consolidated financial statements**

The consolidated financial statements were authorized for issue by the Board of Directors on March 27, 2024, which will be submitted for approval to the shareholders' meeting to be held on March 28, 2024.

## 3. Significant Accounting Policies

The significant accounting policies applied by the Group in preparation of its consolidated financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

**(1) Basis of consolidation**

***(i) Subsidiaries and business combinations***

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power of the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which controls ceases.

If a subsidiary of the Group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

For acquisitions meeting the definition of a business combination, the acquisition method of accounting is used. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any goodwill arising from initial consolidation is tested for impairment at least once a year and when a bargain purchase gain occurs, it is immediately recognized as the current profit. The acquisition-related costs are accounted for as expenses in the periods in which the costs are incurred and the services are received, with one exception. The costs to issue debt or equity securities shall be recognised in accordance with K-IFRS 1032 and K-IFRS 1109.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of the net assets acquired, the difference is recognized directly in the consolidated statement of comprehensive income.

Intra-group balances, income and expenses, unrealized gain and loss and dividends resulting from intra-group transactions are fully eliminated

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it recognizes any investment retained at fair value and any surplus or deficit in profit or loss.

Korea Development Bank and Subsidiaries

# Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

**3. Significant Accounting Policies, Continued**

***(ii) Investments in associates***

Associates are all entities over which the Group has significant influence but not control. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power. Investments in associates are accounted for by the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition. When the investors' share on the fair value of the associates' identifiable assets and liabilities exceeds acquisition cost of the associates' interest, the excess portion is recognized as the current profit for the year of acquisition.

The Group's share of its associates' post-acquisition profits or loss is recognized in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognized in reserves. When the Group's share of loss in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further loss, unless it has incurred obligations or made payments on behalf of the associates. The carrying amount of equity method investments and the long-term interest that partially consists of investors' net investment are included in interest in the associate.

Unrealized gain and loss on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

***(iii) Acquisitions from entities under common control***

The assets and liabilities acquired are recognized at the carrying amounts recognized previously in the Group controlling shareholder's consolidated financial statements. The difference between cash paid and acquired net assets are recorded in equity.

***(iv) Non-controlling interests***

Non-controlling interests in a subsidiary are accounted for separately from the parent's ownership interests in a subsidiary. Each component of net profit or loss and other comprehensive income is attributed to the owners of the parent and non-controlling interest holders, even when the allocation reduces the non-controlling interests balance below zero.

***(v) Changes in the parent company's ownership interest***

Changes in the parent company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. The difference between the consideration and the adjustments made to non-controlling interests is recognized directly in equity attributable to the owners of the parent company.

**(2) Operating segments**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Segment results that are reported to the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets (primarily the Group's headquarters), head office expenses, and income tax assets and liabilities. The Group recognizes the CEO as the chief operating decision maker.

**(3) Foreign exchange**

***(i) Foreign currency transactions***

Transactions in foreign currencies are translated to the functional currency of company entities at exchange rates at the dates of the 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. 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. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognized in profit or loss, except for differences arising on the translation of available for sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or in a qualifying cash flow hedge, which are recognized in other comprehensive income.





Korea Development Bank and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

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 is recognised in profit or loss.

***(ii) Foreign operations***

If the presentation currency of the Group 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.

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 moment 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 recognized as comprehensive income or loss in the consolidated financial statement, and re-categorized to profit or loss as of the disposal of the related net investment.

**(4) Recognition and measurement of financial instruments**

***(i) Initial recognition***

The Group recognizes a financial asset or a financial liability in its consolidated statement of financial position when the Group 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 Group 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 Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The Group 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.

Korea Development Bank and Subsidiaries

# Notes to the Consolidated Financial Statements

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*Fair value*
Fair values, which the Group 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.

The Group uses valuation models that are commonly used by market participants and customized for the Group 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 Group 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 Group 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 Group 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 Group has not retained control. If the Group neither transfers nor disposes of substantially all the risks and rewards of ownership of the financial assets, the Group continues to recognize the financial asset to the extent of its continuing involvement in the financial asset.

If the Group 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 Group 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 consolidated 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.





Korea Development Bank and Subsidiaries

Notes to the Consolidated Financial Statements

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**(5) Cash and cash equivalents**
Cash and cash equivalents comprise balances with original maturities of three months or less than three months' maturity 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.

**(6) 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 Group 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 Group 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 income as interest income or expense, 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.

Korea Development Bank and Subsidiaries

# Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

**3. Significant Accounting Policies, Continued**

**(7) Expected Credit Loss of Financial Assets**
The Group 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 Group 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 Group 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 Group'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 Group 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 Group uses forward-looking information, when it determines whether the credit risk has increased significantly since initial recognition and measures expected credit losses.

The Group 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.





Korea Development Bank and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

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 Group 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 Group 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 Group 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.

Korea Development Bank and Subsidiaries
# Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

3. **Significant Accounting Policies, Continued**

**(8) Derivative financial instruments including hedge accounting**
Derivative financial instruments are initially recognised at fair value upon agreement 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 stated 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 inception of the hedge relationship, the Group 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 Group 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 Group 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.

**(9) 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.





Korea Development Bank and Subsidiaries
Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

3. **Significant Accounting Policies, Continued**

**(10) Property and equipment**
The Group's property and equipment is recognized at the carrying amount as 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 recognized 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 Group and the costs can be measured reliably; the carrying amount of the replaced part is derecognized. 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 | 12 ~ 60 |
| Structure | 10 ~ 51 |
| Leasehold improvements | 4 |
| Vehicles | 4 |
| Equipment | 4 ~ 8 |
| Other properties | 2 ~ 40 |

Property and equipment are impaired when its carrying amount exceeds the recoverable amount. The Group assesses residual value and economic life of its assets at each reporting date and adjusts its useful life 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 recognized in non-operating income (expense) in the consolidated statement of comprehensive income.

Korea Development Bank and Subsidiaries

# Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

**3. Significant Accounting Policies, Continued**

**(11) Investment property**

The Group classifies property held for the purpose of 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 derecognized 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 recognized in the statement of comprehensive income in the period of de-recognition. Reclassification to or from 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 their estimated useful lives as follows:

| Type | Useful lives (years) |
|---|---|
| Buildings | 20 ~ 50 |
| Structure | 10 ~ 40 |

**(12) Intangible assets**

An intangible asset is recognized only when its cost can be measured reliably, and the probabilities future economic benefits from the asset will flow into the Group are high. Separately acquired intangible assets are recognized at the acquisition cost, and subsequently, the cost less accumulated depreciation and accumulated impairment is recognized as the carrying amount.

Intangible assets with finite lives are amortized over the 4-year to 30-year period of useful economic lives using the straight line method. At the end of each reporting period, the Group reviews intangible assets for any evidence that indicate impairment, and upon the presence of such evidence, the Group estimates the amount recoverable and recognizes the loss accordingly. Intangible assets are derecognized either when they have been disposed of or when the intangible assets are permanently withdrawn from use and no future economic benefit is expected from its disposal.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually. Furthermore, the Group reviews such intangible assets to determine whether it is appropriate to consider these assets to have indefinite useful lives. If in the case the Group concludes an asset is not qualified to be classified as non-finite, prospective measures are taken to consider such an asset as finite.

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in profit or loss as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Other development expenditures are recognized in profit or loss as incurred.





Korea Development Bank and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

3. Significant Accounting Policies, Continued

**(13) Leases**

***(i) Lessee accounting***

The Group 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 Group elected not to apply the requirements to the short-term leases and 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 Group uses the Group'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.

Lease liabilities are remeasured when the future lease payments are changed due to the following:
- Changes in an index or a rate;
- Changes in amounts expected to be payable by the lessee under residual value guarantees;
- Changes in the assessment of whether a purchase option or an option to renew is reasonably certain to be exercised; or
- Changes in the assessment of whether it is reasonably certain that an option to terminate the lease will not be exercised.

*Leases of low-value assets and short-term leases*

The Group applies the recognition exemption for leases of low-value assets and short-term leases (leases with a lease term of 12 months or less). In these cases, lease payments are charged to profit or loss on a straight-line basis over the period of lease.

Korea Development Bank and Subsidiaries

# Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

**3. Significant Accounting Policies, Continued**

***(ii) Lessor accounting***
The classification of leases is based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor.

*Finance lease*
Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases, and the Group presents them as a receivable at an amount equal to the net investment in the lease. Also, initial direct cost that includes directly and additionally incurred commission fee, legal expenses, and internal accrued costs are included in finance lease receivables. The Group accounts for lease payment by apportioning into finance lease receivables and interest revenue, and interest revenue is recognized using the EIR method on uncollected finance lease net investment.

*Operating lease*
A lease is classified as operating lease if it does not transfer substantially all the risks and rewards incidental to ownership, and the related asset is presented as acquisition cost less accumulated depreciation. Moreover, the minimum lease payment excluding guaranteed residual value is recognized as revenue on a straight line basis over the lease term. Initial direct costs incurred by lessors in negotiating and arranging an operating lease shall be added to the carrying amount of the leased asset and recognized as an expense over the lease term, and the depreciation policy for depreciable leased assets shall be consistent with the lessors' normal depreciation policy for similar assets.

**(14) Impairment of non-financial assets**
The Group 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 Group estimates the recoverable amount of each asset or a whole cash-generating unit unless it is possible to estimate the amount of the asset in that unit. The recoverable amount is the higher of the fair value less cost and value in use, of an asset. The Group recognizes the difference between the carrying amount and the recoverable amount of the asset as an impairment loss if the carrying amount exceeds the recoverable amount.

Any goodwill arising on the acquisition of a business is allocated to each cash-generating unit that is expected to gain the benefits of the synergy effect. Impairment on cash-generating unit deducts other assets in proportion to their carrying amounts after deducting the carrying amount of goodwill allocated in that unit. Impairment loss on goodwill cannot be reversed once it is recognized.

Except for impairment losses in respect of goodwill that 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 recognized for the asset in prior years.





Korea Development Bank and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

**3. Significant Accounting Policies, Continued**

**(15) Assets held for sale**
Non-current assets (or disposal groups) that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. In order to be classified as held for sale, the asset (or disposal groups) must be available for immediate sale in its present condition and its sale must be highly probable. The assets (or disposal groups) 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 Group recognizes an impairment loss for any initial or subsequent write-down of an asset (or disposal groups) 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).

**(16) Non-derivative financial liabilities**
The Group 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 Group recognizes these financial liabilities in the consolidated statement of financial position when the Group 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 in the current year 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 the purpose of repurchasing in the near future. 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 recognized 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 recognized as profit or loss.

Korea Development Bank and Subsidiaries

# Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

**3. Significant Accounting Policies, Continued**

***(ii) Financial liabilities measured at amortized cost***
Financial liabilities measured at amortized cost are recognized 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 recognized in the statement of comprehensive income over the periods of the liabilities using the EIR.

Fees paid on the establishment of a loan facility are recognized as transaction costs of the loan, if the probability that some or all of the facility will be drawn down is high. The amount is deferred until the financial liability would be withdrawn. If, however, there is not enough evidence to conclude a draw-down of some or all of 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.

***(iii) De-recognition of financial liabilities***
A financial liability is de-recognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

**(17) 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 reporting period in which the employees render the related service. When an employee has rendered service to the Group during an accounting period, the Group recognizes 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 Group pays fixed contributions into a separate fund. The Group 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 recognized as employee benefits. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, the Group recognizes 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 Group classifies all the pensions as defined benefit plans except defined contribution plans. The Group'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 similar to 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 recognized immediately in other comprehensive income.





Korea Development Bank and Subsidiaries

# Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

**3. Significant Accounting Policies, Continued**

**(18) Provisions**
Provisions are recognized when the Group has a present legal or constructive obligation as a result 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.

**(19) Financial guarantees**
Financial guarantee contracts are contracts that require the issuer (the Group) 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 Group'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'*.

**(20) 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 borrowings, and the related interest from these securities is recorded as interest expense.

**(21) Policy reserves for insurance contracts**
The main features of K-IFRS No.1117 are the measurement of current value of insurance liabilities, recognition of insurance revenue on an accrual basis, and separation of investment components from host insurance contract.

***i) Measurement of insurance liabilities***
Under K-IFRS No.1117, the Group estimates all cash flows from insurance contracts and measures the insurance liabilities using discount rate that reflects assumptions and risks at the reporting date. In details, the Group identifies a portfolio of insurance contracts that comprises contracts exposed to similar risks and managed together, then separates the contracts with similar profitability within the portfolio as groups of insurance contracts. The groups of insurance contracts are measured as the sum of the estimate of future cash flows (including cash flows related to policy loans and reflecting time value of money, etc.), risk adjustment, and the contractual service margin. With the adoption of K-IFRS No.1117, account of the contractual service margin will be introduced, which means unearned profit that would be recognized by providing insurance service in the future.

Meanwhile, reinsurance contracts mean insurance contracts issued by a reinsurance company to compensate claims arising from original insurance contracts issued by other insurance companies. The groups of insurance contracts also apply assumptions consistent with the groups of original insurance contracts when estimating the present value of future cash flows for the groups of insurance contracts ceded.

***ii) Recognition and measurement of financial performance***
Under K-IFRS No.1117, the Group recognizes insurance revenue on an accrual basis for services (insurance coverage) provided to the policyholder by each annual reporting period, excluding investment component (refunds due to termination and maturity) to be paid to the policyholder regardless of the insured event. In addition, net insurance income and net investment income are presented separately to enable users of the information to understand the sources of net income.

The Group also includes the time value of money, financial risk and effects of their fluctuations related to the group of insurance contracts and the Group should select accounting policy whether the insurance finance income or expenses for the periods are divided to profit or loss, or other comprehensive income.

Korea Development Bank and Subsidiaries

# Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

**3. Significant Accounting Policies, Continued**

***iii) Measurement of insurance liabilities***

Under K-IFRS No. 1117, the Group measures insurance liabilities at their present value using a discount rate that reflects assumptions and risks at current point in time (the reporting date) and the valuation models to be applied are as follows.

Generally, the general model is applied to general life insurance contracts and the variable fee approach is applied to insurance contracts with direct participation features. Also, the premium allocation approach is used for reinsurance contracts and others with a guaranteed period of one year or less at the initial recognition date.

The groups of insurance contracts are measured as the sum of the estimate of future cash flows (including cash flows related to policy loans and reflecting time value of money, etc.), risk adjustment, and the contractual service margin. The future cash flows consist of insurance premiums received, contractual benefits, surrender values, policy loans and project costs, and are calculated on an accrual basis. Also, the future cash flows are basically calculated based on the 'calculation method of insurance premium and surrender values' and are estimated by applying optimal assumptions, e.g. surrender rate, loss ratio, ratio of project cost, policy loans, early withdrawal and others.

The risk adjustment for non-financial risk is a liability that adjusts estimates of the present value of future cash flows to reflect the compensation required for bearing the non-financial risk arising from the uncertain amount and timing of the cash flows. When calculating the risk adjustment for non-financial risk, the target risk is the risk that the amount and timing of cash flows from the insurance liability held may differ from the best estimate. The risk adjustment is divided into death, longevity, disability, illness, termination, and project cost, calculated at a 75% confidence level for each item, and the impact level for each uncertainty factor is applied. The Group does not subdivide the changes in risk adjustment into insurance service factors and insurance finance factors, but discloses them as insurance service results.

The Group's insurance contracts, such as those with fixed interest rate, interest rate-linked or variable features, are judged in accordance with the contractual terms that specify the cash flows to be provided to policyholders, and the changes in future cash flows arising from the exercise of discretion is classified as the adjustments to the contractual service margin.

To determine the discount rates at the date of initial recognition of a group of contracts, weighted-average discount rates over the period that contracts in the group are issued, which cannot exceed one year, may be used. The Group calculates deterministic and stochastic discount rates by referring to the monthly yield curve provided by the Financial Supervisory Service to the insurance company. The deterministic method uses a bottom-up approach by selecting treasury bond yields as a proxy for the risk-free interest rates among data observable in the market, while the stochastic method uses the Hull-White 1 Factor model.





Korea Development Bank and Subsidiaries

# Notes to the Consolidated Financial Statements

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**3. Significant Accounting Policies, Continued**

**(22) Equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

When the Group repurchases its share capital, the amount of the consideration paid is recognized as a deduction from equity and classified as treasury shares. The profits or loss from the purchase, disposal, reissue, or retirement of treasury shares are not recognized as current profit or loss. If the Group acquires and retains treasury shares, the consideration paid or received is directly recognized in equity.

Non–controlling interests refer to equity in a subsidiary not attributable, directly or indirectly, to a parent. Non-controlling interests consist of the minority interest net income calculated under K-IFRS 1103 '*Business Combinations'* at the date of the initial combination, and minority interest of changes in equity after the business combination.

**(23) Government subsidy**

Government subsidy without repayment obligation, which is used for the acquisition of certain assets, is accounted for as a deduction from the acquisition cost of the acquired assets. Such subsidy amount is offset against the depreciation or amortization of the acquired assets during such assets' useful life.

**(24) 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 Group 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.

Korea Development Bank and Subsidiaries

# Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

**3. Significant Accounting Policies, Continued**

**(25) 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 1109 *'Financial Instrument'* 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.

**(26) Dividend income**
Dividend income is recognized upon the establishment of the Group's right to receive the payment.

**(27) 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.

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 Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Subsidiaries calculate income tax based on their tax laws and report the amount as current income tax liability.

The Group recognizes deferred income tax liabilities for all taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, except to the extent that the Group is able to 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 Group 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.

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 offset only if the Group has a legally enforceable right to offset 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.



Korea Development Bank and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

**3. Significant Accounting Policies, Continued**

**(28) Accounting for trust accounts**
The Group, for the purpose of financial reporting, differentiates trust assets from identifiable assets according to the *Financial Investment Services and Capital Markets Act*. Furthermore, the Group 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 Group fills in the remaining deficit in the trust account and appropriates such amounts for losses on trust accounts.

**(29) Regulatory reserve for credit losses**
When the total sum of allowance for possible credit losses under K-IFRS is lower than the amount prescribed in Article 29(1) of the *Regulations on Supervision of Banking Business*, the Group records the difference as a 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, a regulatory reserve for credit losses is saved from the time the undisposed deficit is disposed.

**(30) Earnings per share**
The Group represents its diluted and basic earnings per common share in the consolidated statement of comprehensive income. Basic earnings per share is calculated by dividing net profit attributable to shareholders of the Group 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 Group, considering dilution effects from all potential common shares, and the weighted average number of common shares outstanding.

**(31) Correction 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.

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# Notes to the Consolidated Financial Statements

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(In millions of won)

## 4. Cash and Due from Banks

(1) Cash and due from banks as of December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| Cash | ₩ | 629,829 | 730,429 |
| Due from banks in Korean won: | | | |
| Due from Bank of Korea | | 1,972,258 | 3,360,908 |
| Other due from banks in Korean won | | 529,655 | 1,081,362 |
| | | 2,501,913 | 4,442,270 |
| Due from banks in foreign currencies / off-shores | | 5,174,640 | 6,304,386 |
| | ₩ | 8,306,382 | 11,477,085 |

(2) Restricted due from banks as of December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| Reserve deposit | ₩ | 2,302,201 | 1,181,823 |
| Deposit of monetary stabilization account | | 150,000 | 2,470,000 |
| Others | | 336,500 | 444,768 |
| | ₩ | 2,788,701 | 4,096,591 |



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Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

(In millions of won)

## 5. Securities Measured at FVTPL

(1) Details of securities in financial assets at fair value through profit or loss as of December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | | |
|---|---|---|---|---|
| | | Face value | Acquisition cost | Fair value (Carrying amounts) |
| Securities denominated in Korean won: | | | | |
| Stocks | ₩ | - | 3,749,473 | 3,528,576 |
| Equity investments | | - | 2,179,296 | 2,393,409 |
| Beneficiary certificates | | - | 11,829,887 | 12,294,627 |
| Government and public bonds | | 1,832,538 | 1,781,272 | 1,916,495 |
| Financial bonds | | 944,735 | 940,435 | 934,026 |
| Corporate bonds | | 837,353 | 823,201 | 804,597 |
| Commercial papers | | 25,000 | 24,623 | 24,638 |
| Others | | 331,829 | 331,829 | 332,289 |
| | | 3,971,455 | 21,660,016 | 22,228,657 |
| Securities denominated in foreign currencies/off-shores: | | | | |
| Stocks | | - | 36,134 | 35,457 |
| Equity investments | | - | 444,823 | 518,879 |
| Beneficiary certificates | | - | 825,076 | 834,454 |
| Debt securities | | 216,760 | 196,188 | 152,617 |
| | | 216,760 | 1,502,221 | 1,541,407 |
| | ₩ | 4,188,215 | 23,162,237 | 23,770,064 |

| | | December 31, 2022 | | |
|---|---|---|---|---|
| | | Face value | Acquisition cost | Fair value (Carrying amounts) |
| Securities denominated in Korean won: | | | | |
| Stocks | ₩ | - | 3,232,649 | 2,936,936 |
| Equity investments | | - | 1,911,408 | 2,079,343 |
| Beneficiary certificates | | - | 10,283,289 | 10,470,144 |
| Government and public bonds | | 818,690 | 778,915 | 772,713 |
| Financial bonds | | 868,910 | 863,786 | 839,799 |
| Corporate bonds | | 859,914 | 857,102 | 815,074 |
| Commercial papers | | 29,999 | 29,422 | 29,836 |
| Others | | 262,784 | 262,784 | 259,292 |
| | | 2,840,297 | 18,219,355 | 18,203,137 |
| Securities denominated in foreign currencies/off-shores: | | | | |
| Stocks | | - | 21,784 | 22,168 |
| Equity investments | | - | 317,202 | 338,440 |
| Beneficiary certificates | | - | 998,678 | 947,353 |
| Debt securities | | 182,051 | 182,051 | 122,585 |
| | | 182,051 | 1,519,715 | 1,430,546 |
| | ₩ | 3,022,348 | 19,739,070 | 19,633,683 |

Korea Development Bank and Subsidiaries

# Notes to the Consolidated Financial Statements

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(In millions of won)

**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, 2023 and 2022 are as follows:

| Company | December 31, 2023 Number of shares | | Carrying amount | Restricted period |
|---|---|---|---|---|
| National Happiness Fund Co., Ltd. | 34,066 | W | 14,884 | Undecided |
| SEMITECH Co., Ltd. | 33,187 | | 368 | Undecided |
| Hongin Chemical Co., Ltd. | 5,060 | | - | Undecided |
| | 72,313 | ₩ | 15,252 | |

| Company | December 31, 2022 Number of shares | | Carrying amount | Restricted period |
|---|---|---|---|---|
| National Happiness Fund | 34,066 | ₩ | 28,873 | Undecided |





Korea Development Bank and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

(In millions of won)

**6. Securities Measured at FVOCI**

(1) Details of securities measured at FVOCI as of December 31, 2023 and 2022 are as follows:

| December 31, 2023 | | Face value | Acquisition cost | Fair value (Carrying amounts) |
|---|---|---|---|---|
| Securities denominated in Korean won: | | | | |
| Stocks and equity investments | ₩ | - | 11,294,751 | 11,713,261 |
| Government and public bonds | | 8,398,626 | 7,101,567 | 6,289,719 |
| Financial bonds | | 1,580,000 | 1,572,989 | 1,577,908 |
| Corporate bonds | | 7,414,160 | 7,425,337 | 7,187,322 |
| Others | | 1,425,680 | 1,432,299 | 3,844,935 |
| | | 18,818,466 | 28,826,943 | 30,613,145 |
| Securities denominated in foreign currencies/off-shores: | | | | |
| Stocks | | - | 19,080 | 20,059 |
| Debt securities | | 13,990,939 | 14,165,448 | 13,611,762 |
| | | 13,990,939 | 14,184,528 | 13,631,821 |
| Loaned securities: | | | | |
| Loaned securities | | 40,000 | 39,483 | 39,341 |
| | ₩ | 32,849,405 | 43,050,954 | 44,284,307 |

| December 31, 2022 | | Face value | Acquisition cost | Fair value (Carrying amounts) |
|---|---|---|---|---|
| Securities denominated in Korean won: | | | | |
| Stocks and equity investments | ₩ | - | 10,873,813 | 11,149,883 |
| Government and public bonds | | 9,259,848 | 7,958,772 | 6,575,782 |
| Financial bonds | | 2,870,000 | 2,853,251 | 2,824,496 |
| Corporate bonds | | 9,280,879 | 9,299,251 | 8,686,231 |
| Others | | 2,118,938 | 2,125,404 | 5,996,794 |
| | | 23,529,665 | 33,110,491 | 35,233,186 |
| Securities denominated in foreign currencies/off-shores: | | | | |
| Stocks | | - | 4,336 | 6,025 |
| Debt securities | | 10,907,828 | 12,726,708 | 11,741,471 |
| | | 10,907,828 | 12,731,044 | 11,747,496 |
| | ₩ | 34,437,493 | 45,841,535 | 46,980,682 |

Equity instruments that are held by acquisition due to conversion from debt instruments, investment in kind and investment in ventures and SMEs are designated as measured at FVOCI. The realized pre-tax income and loss on disposal of equity securities for the years ended December 31, 2023 and 2022 are the amount of ₩1,056,750 million of gain and ₩267,491 million of gain, respectively, which is directly recognized in retained earnings.

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December 31, 2023 and 2022

(In millions of won)

**6. Securities Measured at FVOCI, Continued**

(2) Changes in securities measured at FVOCI for the years ended December 31, 2023 and 2022 are as follows:

| | | 2023 | 2022 |
|---|---|---|---|
| Beginning balance | ₩ | 46,980,682 | 39,064,390 |
| Acquisition | | 12,771,983 | 16,053,624 |
| Disposal | | (15,536,446) | (13,847,034) |
| Change due to amortization | | 17,447 | 35,264 |
| Change in fair value | | (237,597) | (4,536,586) |
| Reclassification (*1) | | - | 9,553,486 |
| Foreign exchange differences | | 254,208 | 644,033 |
| Others (*2) | | 34,030 | 13,505 |
| Ending balance | ₩ | 44,284,307 | 46,980,682 |

(*1) For the year ended December 31, 2022, the amount includes the reclassification from assets held for sale to securities measured at FVOCI related to KDB Life Insurance Co., Ltd.

(*2) For the year ended December 31, 2023, others represent the increase in securities measured at FVOCI including shares of ALT Co., Ltd., T'way Air Co., Ltd. and others acquired through exercise of conversion rights of the convertible bonds and 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. For the year ended December 31, 2022, others represent the increase in securities measured at FVOCI including shares of FADU Inc., TETOS Co., Ltd. and others acquired through exercise of conversion rights of the convertible bonds and shares of Boowon Industry Co., Ltd., EN Technologies Co., Ltd. and others acquired in accordance with the rehabilitation plan under the Debtor Rehabilitation and Bankruptcy Act.

(3) Equity securities with disposal restrictions in securities measured at FVOCI as of December 31, 2023 and 2022 are as follows:

| | 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.

| | December 31, 2022 | | | |
|---|---|---|---|---|
| Company | Number of shares | | Carrying amount | Restricted period |
| UAMCO., Ltd. | 113,050 | ₩ | 188,721 | Undecided |
| High Gain Antenna Co., Ltd. | 18,138 | | 270 | Undecided |
| Daehan Shipbuilding Co., Ltd. | 231,459 | | 2,871 | Until August 31, 2023 |
| Kumho Tire Co., Inc. | 21,339,320 | | 71,167 | Until July 6, 2023 (*) |
| | 21,701,967 | ₩ | 263,029 | |

(*) From July 6, 2021, 50% of the shares may be sold every year.



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(In millions of won)

**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, 2023 and 2022 are as follows:

| | | 2023 | | | |
|---|---|---|---|---|---|
| | | | Lifetime expected credit losses | | |
| | | 12-month expected credit loss | Non credit-impaired | Credit-impaired | Total |
| Beginning balance | ₩ | 10,856 | 2,547 | 73,694 | 87,097 |
| Transfer to 12-month expected credit loss | | 187 | (187) | - | - |
| Transfer to lifetime expected credit losses: | | | | | |
| Transfer to non credit-impaired debt securities | | - | - | - | - |
| Provision for (reversal of) loss allowance | | 4,920 | (219) | (48) | 4,653 |
| Disposal | | (369) | - | - | (369) |
| Foreign currency translation | | 351 | (5) | (157) | 189 |
| Others | | 437 | (870) | 528 | 95 |
| Ending balance | ₩ | 16,382 | 1,266 | 74,017 | 91,665 |

| | | 2022 | | | |
|---|---|---|---|---|---|
| | | | Lifetime expected credit losses | | |
| | | 12-month expected credit loss | Non credit-impaired | Credit-impaired | Total |
| Beginning balance | ₩ | 11,455 | 3,269 | 72,624 | 87,348 |
| Transfer to 12-month expected credit loss | | 157 | (157) | - | - |
| Transfer to lifetime expected credit losses: | | | | | |
| Transfer to non credit-impaired debt securities | | (1,127) | 1,127 | - | - |
| Provision for (reversal of) loss allowance | | (3,330) | 532 | (140) | (2,938) |
| Disposal | | (677) | - | - | (677) |
| Foreign currency translation | | 195 | (1) | 355 | 549 |
| Others | | 4,183 | (2,223) | 855 | 2,815 |
| Ending balance | ₩ | 10,856 | 2,547 | 73,694 | 87,097 |

Korea Development Bank and Subsidiaries

# Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

(In millions of won)

**7. Securities Measured at Amortized Cost**

(1) Securities measured at amortized cost as of December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | |
|---|---|---|---|
| | | Amortized cost | Fair value |
| Securities denominated in Korean won: | | | |
| Government and public bonds | ₩ | 3,841,102 | 3,841,102 |
| Financial bonds | | 2,475,264 | 2,474,931 |
| Corporate bonds | | 3,707,758 | 3,693,005 |
| Others | | 20,747 | 20,748 |
| | | 10,044,871 | 10,029,786 |
| Securities denominated in foreign currencies: | | | |
| Corporate bonds | | 1,658,822 | 1,462,134 |
| | | 11,703,693 | 11,491,920 |
| Less: | | | |
| Loss allowance | | (16,012) | |
| | ₩ | 11,687,681 | |

| | | December 31, 2022 | |
|---|---|---|---|
| | | Amortized cost | Fair value |
| Securities denominated in Korean won: | | | |
| Government and public bonds | ₩ | 2,964,285 | 2,964,285 |
| Financial bonds | | 2,961,886 | 2,961,788 |
| Corporate bonds | | 3,296,921 | 3,290,517 |
| Others | | 4,448 | 4,448 |
| | | 9,227,540 | 9,221,038 |
| Securities denominated in foreign currencies: | | | |
| Corporate bonds | | 991,810 | 779,605 |
| | | 10,219,350 | 10,000,643 |
| Less: | | | |
| Loss allowance | | (7,092) | |
| | ₩ | 10,212,258 | |

(2) Changes in securities measured at amortized cost for the years ended December 31, 2023 and 2022 are as follows:

| | | 2023 | 2022 |
|---|---|---|---|
| Beginning balance | ₩ | 10,212,258 | 6,203,858 |
| Acquisition | | 5,730,442 | 4,933,576 |
| Redemption | | (4,311,409) | (1,933,533) |
| Change due to amortization | | 39,123 | 13,109 |
| Reversal (recognition) of Impairment loss | | (8,789) | 2,524 |
| Foreign exchange differences | | 26,056 | 54,014 |
| Reclassification, etc. (*) | | - | 938,710 |
| Ending balance | ₩ | 11,687,681 | 10,212,258 |

(*) For the year ended December 31, 2022, the amount includes the reclassification from assets held for sale to securities measured at FVOCI related to KDB Life Insurance Co., Ltd.





Korea Development Bank and Subsidiaries

# Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

(In millions of won)

**8. Loans Measured at FVTPL**

(1) Loans measured at FVTPL as of December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | |
|---|---|---|---|
| | | Amortized cost | Fair value (Carrying amounts) |
| Loans in Korean won: | | | |
| Privately placed corporate bonds | ₩ | 422,724 | 488,432 |
| Loans in foreign currencies/off-shores: | | | |
| Privately placed corporate bonds | | 2,804 | - |
| | ₩ | 425,528 | 488,432 |

| | | December 31, 2022 | |
|---|---|---|---|
| | | Amortized cost | Fair value (Carrying amounts) |
| Loans in Korean won: | | | |
| Privately placed corporate bonds | ₩ | 459,931 | 542,619 |

(2) Gains (losses) related to loans measured at FVTPL for the years ended December 31, 2023 and 2022 are as follows:

| | | 2023 | 2022 |
|---|---|---|---|
| Transaction gains (losses) on loans measured at FVTPL | | | |
| Transaction gains | ₩ | 8,312 | 8,100 |
| Transaction losses | | (5,332) | (8,709) |
| | | 2,980 | (609) |
| Valuation gains (losses) on loans measured at FVTPL | | | |
| Valuation gains | | 7,381 | 9,364 |
| Valuation losses | | (16,294) | (88,248) |
| | | (8,913) | (78,884) |
| | ₩ | (5,933) | (79,493) |

Korea Development Bank and Subsidiaries

# Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

(In millions of won)

9. **Loans Measured at Amortized Cost**

(1) Loans measured at amortized cost and allowance for loan losses as of December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | |
|---|---|---|---|
| | | Amortized cost | Fair value |
| Loans in Korean won: | | | |
| Loans for working capital | ₩ | 71,415,730 | 70,268,232 |
| Loans for facility development | | 66,022,566 | 64,683,817 |
| Loans for households | | 238,232 | 235,443 |
| Inter-bank loans | | 2,971,744 | 2,807,208 |
| Others | | 5,933 | 5,933 |
| | | 140,654,205 | 138,000,633 |
| Loans in foreign currencies: | | | |
| Loans | | 33,069,517 | 32,958,276 |
| Inter-bank loans | | 3,484,365 | 3,469,931 |
| Off-shore loans | | 20,310,347 | 20,185,151 |
| | | 56,864,229 | 56,613,358 |
| Other loans: | | | |
| Bills bought in foreign currency | | 2,064,707 | 2,026,985 |
| Advances for customers on acceptances and guarantees | | 24,593 | 11,463 |
| Privately placed corporate bonds | | 4,362,051 | 4,268,470 |
| Credit card loans | | 103,542 | 103,098 |
| Others | | 13,122,822 | 13,072,060 |
| | | 19,677,715 | 19,482,076 |
| | | 217,196,149 | 214,096,067 |
| Less: | | | |
| Allowance for loan losses | | (3,353,142) | |
| Present value discount | | (11,053) | |
| Deferred loan origination costs and fees | | 5,393 | |
| | ₩ | 213,837,347 | |



Korea Development Bank and Subsidiaries

# Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

(In millions of won)

9. **Loans Measured at Amortized Cost, Continued**

| | | December 31, 2022 | |
|---|---|---|---|
| | | Amortized cost | Fair value |
| Loans in Korean won: | | | |
| Loans for working capital | ₩ | 71,196,966 | 67,708,096 |
| Loans for facility development | | 65,218,913 | 65,123,892 |
| Loans for households | | 297,767 | 263,365 |
| Inter-bank loans | | 3,043,216 | 2,752,261 |
| | | 139,756,862 | 135,847,614 |
| Loans in foreign currencies: | | | |
| Loans | | 30,274,562 | 29,935,380 |
| Inter-bank loans | | 3,906,439 | 3,892,376 |
| Off-shore loans | | 20,442,349 | 19,902,573 |
| | | 54,623,350 | 53,730,329 |
| Other loans: | | | |
| Bills bought in foreign currency | | 2,290,686 | 2,268,363 |
| Advances for customers on acceptances and guarantees | | 8,954 | 1,286 |
| Privately placed corporate bonds | | 4,134,081 | 4,097,734 |
| Credit card loans | | 117,958 | 117,456 |
| Others | | 12,144,298 | 12,053,078 |
| | | 18,695,977 | 18,537,917 |
| | | 213,076,189 | 208,115,860 |
| Less: | | | |
| Allowance for loan losses | | (3,278,492) | |
| Present value discount | | (10,621) | |
| Deferred loan origination costs and fees | | (4,648) | |
| | ₩ | 209,782,428 | |

(2) Changes in allowance for loan losses for the years ended December 31, 2023 and 2022 are as follows:

| | | 2023 | | | |
|---|---|---|---|---|---|
| | | | Lifetime expected credit losses | | |
| | | 12-month expected credit loss | Non credit-impaired | Credit-impaired | Total |
| Beginning balance | ₩ | 336,437 | 1,216,354 | 1,725,701 | 3,278,492 |
| Transfer to 12-month expected credit loss | | 63,640 | (49,882) | (13,758) | - |
| Transfer to lifetime expected credit losses: | | | | | |
| Transfer to non credit-impaired loans | | (94,937) | 112,954 | (18,017) | - |
| Transfer to credit-impaired loans | | (70,990) | (292,020) | 363,010 | - |
| Provision for (reversal of) loss allowance | | 395,092 | (675,554) | 726,020 | 445,558 |
| Write-offs | | - | - | (224,537) | (224,537) |
| Recovery | | - | - | 40,194 | 40,194 |
| Sale | | - | - | (189,439) | (189,439) |
| Debt-to-equity swap | | - | - | (134,919) | (134,919) |
| Foreign currency translation | | 8,239 | 12,614 | 2,480 | 23,333 |
| Other | | 4,049 | 2,557 | 107,854 | 114,460 |
| Ending balance | ₩ | 641,530 | 327,023 | 2,384,589 | 3,353,142 |

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(In millions of won)

**9. Loans Measured at Amortized Cost, Continued**

| | | 2022 | | | |
|---|---|---|---|---|---|
| | | | Lifetime expected credit losses | | |
| | | 12-month expected credit loss | Non credit-impaired | Credit-impaired | Total |
| Beginning balance | ₩ | 381,569 | 1,334,840 | 1,595,867 | 3,312,276 |
| Transfer to 12-month expected credit loss | | 23,976 | (13,013) | (10,963) | - |
| Transfer to lifetime expected credit losses: | | | | | |
| Transfer to non credit-impaired loans | | (185,237) | 205,833 | (20,596) | - |
| Transfer to credit-impaired loans | | (72,498) | (198,266) | 270,764 | - |
| Provision for (reversal of) loss allowance | | 183,415 | (120,955) | 460,358 | 522,818 |
| Write-offs | | - | - | (86,745) | (86,745) |
| Recovery | | - | - | 20,782 | 20,782 |
| Sale | | (136) | - | (148,285) | (148,421) |
| Debt-to-equity swap | | - | - | (355,903) | (355,903) |
| Foreign currency translation | | 3,094 | 41,416 | 10,722 | 55,232 |
| Other | | 2,254 | (33,501) | (10,300) | (41,547) |
| Ending balance | ₩ | 336,437 | 1,216,354 | 1,725,701 | 3,278,492 |

(3) Losses related to loans measured at amortized cost for the years ended December 31, 2023 and 2022 are as follows:

| | | 2023 | 2022 |
|---|---|---|---|
| Provision for loan losses | ₩ | (445,558) | (522,818) |
| Gains on disposal of loan | | 15,748 | 32,313 |
| | ₩ | (429,810) | (490,505) |

(4) Changes in net deferred loan origination costs and fees for the years ended December 31, 2023 and 2022 are as follows:

| | | 2023 | 2022 |
|---|---|---|---|
| Beginning balance | ₩ | (4,648) | 3,219 |
| New deferrals | | 2,158 | (6,737) |
| Amortization | | 7,883 | (1,130) |
| Ending balance | ₩ | 5,393 | (4,648) |



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**10. Derivative Financial Instruments**

The Group's derivative financial instruments consist of trading derivatives and hedging derivatives, depending on the nature of each transaction. The Group 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 Group 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. Trading derivative transactions include contracts with the Group's clients and its liquidation position.

For the purpose of hedging the exposure to the variability of fair values and future cash flows of funds in Korean won by changes in interest rate, the Group 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 Group mainly uses interest swaps or currency swaps.

The Group 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.

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**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, 2023 and 2022 are as follows:

| | | December 31, 2023 | | | |
|---|---|---|---|---|---|
| | | Notional amounts | | Carrying amounts | |
| | | Buy | Sell | Assets | Liabilities |
| Trading purpose derivative financial instruments: | | | | | |
| Interest rate | | | | | |
| Futures | ₩ | 10,000 | 180,329 | - | - |
| Forwards | | 150,000 | 960,000 | 19,805 | 61,903 |
| Swaps | | 327,519,863 | 327,531,113 | 1,170,166 | 1,569,236 |
| Options | | 7,060,912 | 14,242,205 | 363,225 | 477,698 |
| | | 334,740,775 | 342,913,647 | 1,553,196 | 2,108,837 |
| Currency | | | | | |
| Forwards | | 49,971,592 | 35,263,921 | 1,138,776 | 699,688 |
| Swaps | | 56,948,785 | 71,545,482 | 4,124,994 | 4,163,976 |
| Options | | 283,101 | 284,177 | 755 | 2,437 |
| | | 107,203,478 | 107,093,580 | 5,264,525 | 4,866,101 |
| Stock | | | | | |
| Futures | | - | 3,200 | - | - |
| Options | | 3,041 | 334,536 | 278 | 128 |
| | | 3,041 | 337,736 | 278 | 128 |
| Allowance and other adjustments | | - | - | (11,850) | (1,073) |
| | | 441,947,294 | 450,344,963 | 6,806,149 | 6,973,993 |
| Hedging purpose derivative financial instruments: | | | | | |
| Interest rate (*) | | | | | |
| Swaps | | 38,274,810 | 38,274,810 | 86,495 | 339,309 |
| Currency | | | | | |
| Forwards | | - | 1,532,174 | 16,673 | 36,740 |
| Swaps | | 10,411,160 | 11,115,290 | 473,818 | 429,581 |
| | | 10,411,160 | 12,647,464 | 490,491 | 466,321 |
| Allowance and other adjustments | | - | - | (217) | (3,282) |
| | | 48,685,970 | 50,922,274 | 576,769 | 802,348 |
| | ₩ | 490,633,264 | 501,267,237 | 7,382,918 | 7,776,341 |

(*) The expected maximum period for which derivative contracts, applied the cash flow hedge accounting, are exposed to risk of cash flow fluctuation is until August 28, 2029.





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**10. Derivative Financial Instruments, Continued**

| | | December 31, 2022 | | | |
|---|---|---|---|---|---|
| | | Notional amounts (*1) | | Carrying amounts (*1) | |
| | | Buy | Sell | Assets | Liabilities |
| Trading purpose derivative financial instruments: | | | | | |
| Interest rate | | | | | |
| Futures | ₩ | - | 1,232,323 | - | - |
| Forwards | | - | 50,000 | 1,384 | - |
| Swaps | | 293,780,901 | 293,397,190 | 1,570,043 | 2,054,643 |
| Options | | 7,881,911 | 14,728,387 | 473,586 | 536,364 |
| | | 301,662,812 | 309,407,900 | 2,045,013 | 2,591,007 |
| Currency | | | | | |
| Forwards | | 43,253,318 | 20,120,036 | 2,434,017 | 1,326,656 |
| Swaps | | 59,221,890 | 75,130,783 | 4,272,602 | 6,138,009 |
| Options | | 330,066 | 329,052 | 1,991 | 6,452 |
| | | 102,805,274 | 95,579,871 | 6,708,610 | 7,471,117 |
| Stock | | | | | |
| Options | | 48,904 | 493,689 | 12,762 | 6,003 |
| Allowance and other adjustments | | - | - | (14,647) | (1,447) |
| | | 404,516,990 | 405,481,460 | 8,751,738 | 10,066,680 |
| Hedging purpose derivative financial instruments: | | | | | |
| Interest rate (*2) | | | | | |
| Futures | | - | 87,951 | - | - |
| Swaps | | 31,358,989 | 31,358,989 | 50,214 | 542,258 |
| | | 31,358,989 | 31,446,940 | 50,214 | 542,258 |
| Currency | | | | | |
| Forwards | | - | 11,251,200 | 408,031 | 22,385 |
| Swaps | | 10,217,257 | 11,831,985 | 181,144 | 781,730 |
| | | 10,217,257 | 23,083,185 | 589,175 | 804,115 |
| Allowance and other adjustments | | - | - | (155) | (3,803) |
| | | 41,576,246 | 54,530,125 | 639,234 | 1,342,570 |
| | ₩ | 446,093,236 | 460,011,585 | 9,390,972 | 11,409,250 |

(*1) The notional amounts, derivative financial assets and liabilities of Daewoo Shipbuilding & Marine Engineering Co., Ltd. classified as assets and liabilities held for sale as of December 31, 2022, are excluded.

(*2) The expected maximum period for which derivative contracts, applied the cash flow hedge accounting, are exposed to risk of cash flow fluctuation is until August 28, 2029.

(2) The notional amounts outstanding for the hedging instruments by period as of December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | | | | | |
|---|---|---|---|---|---|---|---|
| | | Within 1 month | 1~3 months | 3~12 months | 1~5 years | Over 5 years | Total |
| Interest rate: | | | | | | | |
| Swaps | ₩ | 955,445 | 1,445,360 | 4,224,035 | 24,536,029 | 7,113,941 | 38,274,810 |
| Currency: | | | | | | | |
| Swaps | | 685,192 | 705,391 | 2,450,957 | 5,757,916 | 1,515,834 | 11,115,290 |

| | | December 31, 2022 | | | | | |
|---|---|---|---|---|---|---|---|
| | | Within 1 month | 1~3 months | 3~12 months | 1~5 years | Over 5 years | Total |
| Interest rate: | | | | | | | |
| Swaps | ₩ | 38,019 | 1,697,045 | 4,319,670 | 20,712,419 | 4,591,836 | 31,358,989 |
| Currency: | | | | | | | |
| Swaps | | 316,782 | 311,512 | 3,339,781 | 6,600,909 | 1,263,001 | 11,831,985 |

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**10. Derivative Financial Instruments, Continued**

(3) Details of the balances of the hedging instruments by risk type as of December 31, 2023 and 2022 are as follows:

| | | 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) |
| Currency risk | | | | | | |
| Forwards | | - | 72,586 | - | 4,924 | - |
| Swaps | | - | 175,733 | - | 10,965 | (11,093) |
| | | - | 248,319 | - | 15,889 | (11,093) |
| | | 90,258 | 338,577 | - | 15,889 | (14,315) |
| Fair value hedge accounting: | | | | | | |
| Interest rate risk | | | | | | |
| Swaps | | 38,184,552 | 38,184,552 | 86,495 | 339,309 | 687,990 |
| Currency risk | | | | | | |
| Forwards | | - | 1,459,588 | 16,673 | 31,816 | (363,087) |
| Swaps | | 10,411,160 | 10,939,557 | 473,818 | 418,616 | 403,688 |
| | | 10,411,160 | 12,399,145 | 490,491 | 450,432 | 40,601 |
| | | 48,595,712 | 50,583,697 | 576,986 | 789,741 | 728,591 |
| | ₩ | 48,685,970 | 50,922,274 | 576,986 | 805,630 | 714,276 |

| | | December 31, 2022 | | | | |
|---|---|---|---|---|---|---|
| | | Notional amounts | | Balances | | Changes in fair value for 2022 |
| | | Buy | Sell | Assets | Liabilities | |
| Cash flow hedge accounting: | | | | | | |
| Interest rate risk | | | | | | |
| Swaps | ₩ | 88,711 | 88,711 | - | - | 5,044 |
| Currency risk | | | | | | |
| Forwards | | - | 71,343 | - | 3,946 | (2,706) |
| Swaps | | - | 211,105 | 3,268 | 6,221 | 12,053 |
| | | - | 282,448 | 3,268 | 10,167 | 9,347 |
| | | 88,711 | 371,159 | 3,268 | 10,167 | 14,391 |
| Fair value hedge accounting: | | | | | | |
| Interest rate risk | | | | | | |
| Futures | | - | 87,951 | - | - | - |
| Swaps | | 31,270,278 | 31,270,278 | 50,214 | 542,258 | (1,586,513) |
| | | 31,270,278 | 31,358,229 | 50,214 | 542,258 | (1,586,513) |
| Currency risk | | | | | | |
| Forwards | | - | 11,179,857 | 408,031 | 18,439 | 404,381 |
| Swaps | | 10,217,257 | 11,620,880 | 177,876 | 775,509 | (635,435) |
| | | 10,217,257 | 22,800,737 | 585,907 | 793,948 | (231,054) |
| | | 41,487,535 | 54,158,966 | 636,121 | 1,336,206 | (1,817,567) |
| | ₩ | 41,576,246 | 54,530,125 | 639,389 | 1,346,373 | (1,803,176) |





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**10. Derivative Financial Instruments, Continued**

(4) Details of the balances of the hedged items by risk type as of December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | | | | | |
|---|---|---|---|---|---|---|---|
| | | Carrying amounts | | Adjustments from fair value hedge accounting | | Changes in fair value for 2023 | Other comprehensive income for cash flow hedge |
| | | Assets | Liabilities | Assets | Liabilities | | |
| Cash flow hedge accounting: | | | | | | | |
| Interest rate risk | | | | | | | |
| Debt debentures | ₩ | - | 90,258 | - | - | - | 4,034 |
| Currency risk | | | | | | | |
| Securities measured at FVOCI | | 126,922 | - | - | - | - | 5,457 |
| | | 126,922 | 90,258 | - | - | - | 9,491 |
| Fair value hedge accounting: | | | | | | | |
| Interest rate risk | | | | | | | |
| Securities measured at FVOCI | | 6,914,467 | - | 119,660 | - | 105,029 | - |
| Debt debentures | | - | 33,375,068 | - | (1,094,649) | (769,319) | - |
| Other liabilities (Deposits, etc.) | | - | 110,422 | - | (18,518) | (885) | - |
| | | 6,914,467 | 33,485,490 | 119,660 | (1,113,167) | (665,175) | - |
| Currency risk (*) | | | | | | | |
| Securities Measured at FVTPL | | 225,059 | - | 59 | - | 1,193 | - |
| Securities measured at FVOCI | | 658,732 | - | 38,970 | - | 22,030 | - |
| Securities Measured at Amortized Cost | | 725,459 | - | 40,454 | - | 16,896 | - |
| Loans | | 106,260 | - | (3,929) | - | (3,929) | - |
| Debt debentures | | - | 10,206,197 | - | 300,053 | (425,112) | - |
| | | 1,715,510 | 10,206,197 | 75,554 | 300,053 | (388,922) | - |
| | | 8,629,977 | 43,691,687 | 195,214 | (813,114) | (1,054,097) | - |
| | ₩ | 8,756,899 | 43,781,945 | 195,214 | (813,114) | (1,054,097) | 9,491 |

(*) Firm commitments, etc designated as hedged item are excluded.

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# Notes to the Consolidated Financial Statements

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## 10. Derivative Financial Instruments, Continued

| | | December 31, 2022 | | | | | |
|---|---|---|---|---|---|---|---|
| | | Carrying amounts | | Adjustments from fair value hedge accounting | | | |
| | | Assets | Liabilities | Assets | Liabilities | Changes in fair value for 2022 | Other comprehensive income for cash flow hedge |
| Cash flow hedge accounting: | | | | | | | |
| Interest rate risk | | | | | | | |
| Debt debentures | ₩ | - | 88,711 | - | - | - | 7,240 |
| Currency risk | | | | | | | |
| Securities measured at FVOCI | | 143,206 | - | - | - | - | 5,719 |
| | | 143,206 | 88,711 | - | - | - | 12,959 |
| Fair value hedge accounting: | | | | | | | |
| Interest rate risk | | | | | | | |
| Securities measured at FVOCI | | 4,610,088 | - | (334,845) | - | (347,090) | - |
| Debt debentures | | - | 25,497,582 | - | (1,900,489) | 1,890,055 | - |
| Other liabilities (Deposits, etc.) | | - | 107,660 | - | (19,070) | 22,323 | - |
| | | 4,610,088 | 25,605,242 | (334,845) | (1,919,559) | 1,565,288 | - |
| Currency risk (*) | | | | | | | |
| Securities Measured at FVTPL | | 339,525 | - | (7,726) | - | (8,787) | - |
| Securities measured at FVOCI | | 802,267 | - | 38,607 | - | 19,135 | - |
| Securities Measured at Amortized Cost | | 762,435 | - | 31,178 | - | 8,412 | - |
| Loans | | 104,321 | - | 2,203 | - | 2,203 | - |
| Debt debentures | | - | 9,816,395 | - | (89,179) | 611,221 | - |
| | | 2,008,548 | 9,816,395 | 64,262 | (89,179) | 632,184 | - |
| | | 6,618,636 | 35,421,637 | (270,583) | (2,008,738) | 2,197,472 | - |
| | ₩ | 6,761,842 | 35,510,348 | (270,583) | (2,008,738) | 2,197,472 | 12,959 |

(*) Firm commitments, etc designated as hedged item are excluded.





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10. Derivative Financial Instruments, Continued

(5) Details of hedge ineffectiveness recognized in profit or loss from derivatives for the years ended December 31, 2023 and 2022 are as follows:

| | | 2023 | 2022 |
|---|---|---|---|
| Interest rate risk | ₩ | 22,814 | (21,225) |
| Currency risk (*) | | 13,591 | 15,484 |
| | ₩ | 36,405 | (5,741) |

(*) Firm commitments, etc designated as hedged item are excluded.

(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, 2023 and 2022 is as follows:

| | | 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 and currency risk | ₩ | (13,914) | (401) | - |

(*) Recognized in gains or losses related to hedging purpose derivatives.

| | | 2022 | | |
|---|---|---|---|---|
| | | 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 and currency risk | ₩ | 14,280 | 111 | - |

(*) Recognized in gains or losses related to hedging purpose derivatives.

(7) Details of net investments in foreign operations for the years ended December 31, 2023 and 2022 are as follows:

| | | 2023 | |
|---|---|---|---|
| | | Changes in fair value | Other comprehensive income (loss) for hedges of a net investment in a foreign operation |
| Currency (foreign exchange risk) | ₩ | 20,402 | (117,276) |

| | | 2022 | |
|---|---|---|---|
| | | Changes in fair value | Other comprehensive income (loss) for hedges of a net investment in a foreign operation |
| Currency (foreign exchange risk) | ₩ | 67,754 | (96,874) |

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**10. Derivative Financial Instruments, Continued**

(8) Detail of hedging instruments in hedge of net investment in a foreign operation as of December 31, 2023 and 2022 is as follows:

| December 31, 2023 | | Book value | Changes in fair value for 2023 | Change in the value of the hedging instrument recognized in other comprehensive loss for 2023 | Hedge ineffectiveness recognized in profit or loss for 2023 |
|---|---|---|---|---|---|
| Debentures in foreign currencies | ₩ | 1,137,428 | (20,402) | (20,402) | - |

| December 31, 2022 | | Book value | Changes in fair value for 2022 | Change in the value of the hedging instrument recognized in other comprehensive income for 2022 | Hedge ineffectiveness recognized in profit or loss for 2022 |
|---|---|---|---|---|---|
| Debentures in foreign currencies | ₩ | 1,097,225 | (67,754) | (67,754) | - |





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**11. Investments in Associates**

(1) The market value of marketable investments in associates as of December 31, 2023 and 2022 are as follows:

| | | Market value | | Carrying amounts | |
|---|---|---|---|---|---|
| | | December 31, 2023 | December 31, 2022 | December 31, 2023 | December 31, 2022 |
| Korea Electric Power Co., Ltd. | ₩ | 3,992,346 | 4,604,929 | 11,794,643 | 13,341,271 |
| HMM Co., Ltd. | | 3,939,482 | 1,978,446 | - | 1,974,499 |
| Hanwha Ocean Co., Ltd. (*) | | 1,499,429 | - | 1,496,742 | - |
| HANJIN KAL | | 514,124 | 264,477 | 629,955 | 352,761 |
| Korean Air Lines Co., Ltd. | | 292,534 | 280,906 | 384,701 | 369,789 |

(*) For the year ended December 31, 2023, it was excluded from the consolidated subsidiaries and reclassified as investments in associates. (Note 16)

(2) Changes in investments in associates for the years ended December 31, 2023 and 2022 are as follows:

| 2023 | | January 1, 2023 | Acquisition / transfer | Disposal / transfer | Share of profit (loss) | Impairment loss (*1) | Share of other comprehensive income (loss) | Dividends | Others | December 31, 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| Korea Electric Power Co., Ltd. | ₩ | 13,341,271 | - | - | (1,586,838) | - | 49,789 | - | (9,579) | 11,794,643 |
| Korea Tourism Organization | | 270,613 | - | - | 2,671 | - | (6,166) | - | - | 267,118 |
| HMM Co., Ltd. (*2) | | 1,974,499 | 1,497,000 | (3,522,597) | 536,852 | (302,175) | 2,326 | (121,439) | (64,466) | - |
| Hanwha Ocean Co., Ltd. | | - | 1,848,898 | - | 41,251 | (114,150) | (37,860) | - | (241,397) | 1,496,742 |
| GM Korea Company | | - | - | - | 213,857 | - | - | - | - | 213,857 |
| Korea Infrastructure Fund II | | 219,262 | - | (293) | 20,233 | - | - | (9,087) | - | 230,115 |
| Korea Ocean Business Corporation | | 1,693,342 | - | - | (4,880) | - | 2,103 | - | (8,366) | 1,682,199 |
| HANJIN KAL | | 352,761 | - | - | 40,222 | 247,283 | (2,287) | (1,201) | (6,823) | 629,955 |
| Korean Air Lines Co., Ltd. | | 369,789 | - | - | 32,477 | - | (8,245) | (9,180) | (140) | 384,701 |
| Others | | 4,295,927 | 461,847 | (377,493) | 176,995 | (5,726) | (116,635) | (268,924) | 153,195 | 4,319,186 |
| | ₩ | 22,517,464 | 3,807,745 | (3,900,383) | (527,160) | (174,768) | (116,975) | (409,831) | (177,576) | 21,018,516 |

(*1) For the year ended December 31, 2023, the Group recognized a reversal of impairment losses amounting to ₩247,283 million due to 1. an increase in the recoverable value resulting from an increase in fair value of the shares for HANJIN KAL and impairment losses amounting to ₩302,175 million due to a decrease in recoverable amount resulting from the decrease in fair value of the shares held by the Group for HMM Co., Ltd. Group recognized impairment losses amounting to ₩114,150 million due to a decrease in recoverable amount resulting from the decrease in fair value of the shares held by the Group for Hanwha Ocean Co., Ltd. The Group recognized impairment losses amounting to ₩5,726 million, based on objective evidence of the impairment, such as a decrease in the recoverable amount due to a decrease in the fair value of assets held for Blue Ocean Corporate's Financial Stabilization Private Equity Fund No.1, and 7 other companies. Recoverable amount is ₩2,179,955 million as of December 31, 2023.

(*2) The Group 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 and the shares of HMM Co., Ltd. were classified as assets held for sale. (Note 16)

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## 11. Investments in Associates, Continued

| | 2022 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | January 1, 2022 | Acquisition / transfer | Disposal / transfer | Share of profit (loss) | Impairment loss (*) | Share of other comprehensive income (loss) | Dividends | Others | December 31, 2022 |
| Korea Electric Power Co., Ltd. | ₩ 20,982,893 | - | - | (8,050,704) | - | 402,401 | - | 6,681 | 13,341,271 |
| Korea Tourism Organization | 274,365 | - | - | (12,551) | - | 8,799 | - | - | 270,613 |
| HMM Co., Ltd. | 3,305,985 | - | - | 2,082,593 | (3,528,974) | 175,614 | (60,720) | 1 | 1,974,499 |
| Korea Infrastructure Fund II | 228,929 | - | (183) | 1,307 | - | - | (10,791) | - | 219,262 |
| Korea Ocean Business Corporation | 2,117,139 | - | - | (439,129) | - | 15,682 | - | (350) | 1,693,342 |
| HANJIN KAL | 509,168 | - | - | 72,186 | (247,283) | 18,680 | - | 10 | 352,761 |
| Korean Air Lines Co., Ltd. | - | 330,477 | - | 20,152 | - | 17,085 | - | 2,075 | 369,789 |
| Others | 4,129,591 | 612,483 | (452,198) | 187,833 | (11,846) | 24,481 | (247,216) | 52,799 | 4,295,927 |
| | ₩ 31,548,070 | 942,960 | (452,381) | (6,138,313) | (3,788,103) | 662,742 | (318,727) | 61,216 | 22,517,464 |

(*) For the year ended December 31, 2022, the Group recognized impairment losses amounting to ₩247,283 million due to a decrease in value in use resulting from the deterioration of operating cash flows for HANJIN KAL. The Group recognized impairment losses amounting to ₩3,528,974 million for HMM Co., Ltd. for the year ended December 31, 2022, due to a decrease in recoverable amount resulting from the decrease in fair value of the shares held by the Bank. The Group recognized impairment losses amounting to ₩11,846 million for the year ended December 31, 2022, based on objective evidence of impairment, such as a decrease in the net asset value due to a decrease in the fair value of assets held for Blue Ocean Corporate's Financial Stabilization Private Equity Fund No.1, and 14 other companies. The recoverable amount was ₩2,418,729 million as of December 31, 2022.





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11. Investments in Associates, Continued

(3) The key financial information of associates invested and ownership ratios as of and for the years ended December 31, 2023 and 2022 are as follows:

| | December 31, 2023 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Country | Fiscal year end | Industry | Assets | Liabilities | Equity | Operating revenue | Profit (loss) for the year | Total comprehensive income (loss) | Ownership (%) |
| 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 |
| HMM Co., Ltd. | Korea | December | Shipping | 25,713,363 | 4,272,550 | 21,440,813 | 8,400,969 | 968,560 | 1,323,878 | 29.20 |
| Hanwha Ocean Co., Ltd. (*) | Korea | December | Manufacturing | 13,944,773 | 9,632,616 | 4,312,157 | 7,408,312 | 159,886 | (10,004) | 19.50 |
| GM Korea Company (*) | Korea | December | Manufacturing | 8,040,972 | 4,673,023 | 3,367,949 | 13,829,398 | 1,642,204 | 1,642,204 | 17.02 |
| 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 | Financial investment | 12,445,716 | 4,765,386 | 7,680,330 | 382,768 | (579,708) | (371,921) | 20.80 |
| HANJIN KAL (*) | 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. (*) | Korea | December | Air passenger transportation | 30,391,776 | 20,576,568 | 9,815,208 | 16,111,796 | 1,061,165 | 814,521 | 3.32 |

(*) Equity method is applied to Hanwha Ocean Co., Ltd., GM Korea Company, HANJIN KAL and Korean Air Lines Co., Ltd. even though the Group's shareholding is less than 20%, because the Group is considered to have significant influence over Hanwha Ocean Co., Ltd., GM Korea Company, HANJIN KAL and Korean Air Lines Co., Ltd. by exercising rights to elect board of directors.

| | December 31, 2022 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Country | Fiscal year end | Industry | Assets | Liabilities | Equity | Operating revenue | Profit (loss) for the year | Total comprehensive income (loss) | Ownership (%) |
| Korea Electric Power Co., Ltd. | Korea | December | Electricity generation | ₩ 234,804,994 | 192,804,738 | 42,000,256 | 71,257,863 | (24,429,108) | (23,182,239) | 32.90 |
| Korea Tourism Organization | Korea | December | Culture and tourism administration | 1,201,900 | 393,608 | 808,292 | 737,973 | (28,798) | (8,610) | 43.58 |
| HMM Co., Ltd. | Korea | December | Shipping | 25,973,455 | 5,285,543 | 20,687,912 | 18,582,770 | 10,085,271 | 10,655,184 | 20.69 |
| GM Korea Company (*) | Korea | December | Manufacturing | 5,916,955 | 4,503,620 | 1,413,335 | 9,013,561 | 282,760 | 282,760 | 17.02 |
| Korea Infrastructure Fund II | Korea | December | Financial investment | 829,121 | 65,397 | 763,724 | 62,465 | 19,105 | 19,105 | 26.67 |
| Korea Ocean Business Corporation | Korea | December | Financial investment | 11,782,946 | 4,393,822 | 7,389,124 | 324,012 | (1,986,514) | (1,915,571) | 21.78 |
| HANJIN KAL (*) | Korea | December | Holding company | 3,915,078 | 1,339,021 | 2,576,057 | 200,336 | 659,568 | 851,925 | 10.58 |
| Korean Air Lines Co., Ltd. (*) | Korea | December | Air passenger transportation | 28,997,701 | 19,705,241 | 9,292,460 | 14,096,095 | 1,728,363 | 2,268,959 | 3.32 |

(*) Equity method is applied to GM Korea Company, HANJIN KAL and Korean Air Lines Co., Ltd. even though the Group's shareholding is less than 20%, because the Group is considered to have significant influence over GM Korea Company, HANJIN KAL and Korean Air Lines Co., Ltd. by exercising rights to elect board of directors.

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## 12. Property and Equipment

Changes in property and equipment for the years ended December 31, 2023 and 2022 are as follows:

| | | 2023 | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | January 1, 2023 | Acquisition/ depreciation | Disposal | Reclassifi- cation | Foreign exchange differences | Others | December 31, 2023 |
| Acquisition cost: | | | | | | | | |
| Land | ₩ | 441,445 | 292 | (2,497) | (89,436) | 2 | - | 349,806 |
| Buildings and structures | | 830,777 | 2,123 | (2,116) | (90,295) | (450) | 52 | 740,091 |
| Leasehold improvements | | 47,590 | 1,390 | (2,101) | 2,458 | 168 | (28) | 49,477 |
| Vehicles | | 5,648 | 2,286 | (826) | 12,006 | (15) | - | 19,099 |
| Equipment | | 144,321 | 9,678 | (4,619) | (12,534) | 345 | 21 | 137,212 |
| Construction in progress | | 2,339 | 9,485 | - | (6,245) | - | (74) | 5,505 |
| Right-of-use assets | | 193,699 | 49,040 | (49,704) | 1,183 | 1,276 | 160 | 195,654 |
| Others | | 205,890 | 15,654 | (1,785) | 5,903 | 236 | (38) | 225,860 |
| | | 1,871,709 | 89,948 | (63,648) | (176,960) | 1,562 | 93 | 1,722,704 |
| Accumulated depreciation: (*1) | | | | | | | | |
| Buildings and structures | | 314,507 | 20,309 | (887) | (45,903) | (163) | 1,083 | 288,946 |
| Leasehold improvements | | 38,298 | 3,135 | (2,101) | 451 | 14 | - | 39,797 |
| Vehicles | | 4,350 | 1,211 | (806) | 9,544 | (14) | 4 | 14,289 |
| Equipment | | 117,924 | 8,849 | (4,565) | (5,386) | 285 | (673) | 116,434 |
| Right-of-use assets | | 63,086 | 48,107 | (34,655) | (544) | (397) | 1,101 | 76,698 |
| Others | | 166,049 | 10,764 | (1,742) | 17,699 | 145 | 270 | 193,185 |
| | | 704,214 | 92,375 | (44,756) | (24,139) | (130) | 1,785 | 729,349 |
| Accumulated impairment losses: | | | | | | | | |
| Land | | 3,023 | - | - | - | - | - | 3,023 |
| Buildings and structures | | 36,297 | - | - | (33,410) | - | - | 2,887 |
| Vehicles | | 44 | - | - | (44) | - | - | - |
| Equipment | | 880 | - | (7) | (873) | - | - | - |
| Construction in progress | | - | - | - | 1,214 | - | - | 1,214 |
| Others | | 10,138 | - | - | (10,138) | - | - | - |
| | | 50,382 | - | (7) | (43,251) | - | - | 7,124 |
| | ₩ | 1,117,113 | (2,427) | (18,885) | (109,570) | 1,692 | (1,692) | 986,231 |

(*) The amounts include government grants.





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## 12. Property and Equipment, Continued

| | | 2022 | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | January 1, 2022 | Acquisition/ depreciation | Disposal | Reclassifi- cation (*2) | Foreign exchange differences | Others | December 31, 2022 |
| Acquisition cost: | | | | | | | | |
| Land | ₩ | 510,091 | 113 | (585) | (67,831) | (1) | (342) | 441,445 |
| Buildings and structures | | 998,802 | 1,181 | (1,979) | (167,603) | 97 | 279 | 830,777 |
| Leasehold improvements | | 42,689 | 4,409 | (2,159) | 2,726 | (79) | 4 | 47,590 |
| Vehicles | | 2,999 | 357 | (718) | 2,830 | 75 | 105 | 5,648 |
| Equipment | | 89,099 | 6,554 | (3,362) | 52,799 | (447) | (322) | 144,321 |
| Construction in progress | | 48,495 | 7,559 | (72) | (52,534) | - | (1,109) | 2,339 |
| Right-of-use assets | | 198,121 | 102,506 | (149,113) | 38,575 | 3,566 | 44 | 193,699 |
| Others | | 334,044 | 5,514 | (1,203) | (132,643) | (6) | 184 | 205,890 |
| | | 2,224,340 | 128,193 | (159,191) | (323,681) | 3,205 | (1,157) | 1,871,709 |
| Accumulated depreciation: (*1) | | | | | | | | |
| Buildings and structures | | 319,455 | 21,863 | - | (49,837) | 35 | 22,991 | 314,507 |
| Leasehold improvements | | 36,172 | 3,192 | (1,987) | 1,400 | (411) | (68) | 38,298 |
| Vehicles | | 5,156 | 264 | (714) | 2,323 | 53 | (2,732) | 4,350 |
| Equipment | | 72,474 | 9,341 | (2,804) | 48,265 | (221) | (9,131) | 117,924 |
| Construction in progress | | 2,810 | - | - | (2,810) | - | - | - |
| Right-of-use assets | | 67,015 | 44,223 | (71,458) | 18,137 | 1,130 | 4,039 | 63,086 |
| Others | | 252,050 | 15,508 | (863) | (94,621) | 70 | (6,095) | 166,049 |
| | | 755,132 | 94,391 | (77,826) | (77,143) | 656 | 9,004 | 704,214 |
| Accumulated impairment losses: | | | | | | | | |
| Land | | 3,023 | - | - | - | - | - | 3,023 |
| Buildings and structures | | 34,641 | 1,124 | - | 532 | - | - | 36,297 |
| Vehicles | | 39 | 5 | - | - | - | - | 44 |
| Equipment | | 905 | 94 | (119) | - | - | - | 880 |
| Others | | 9,953 | 272 | (87) | - | - | - | 10,138 |
| | | 48,561 | 1,495 | (206) | 532 | - | - | 50,382 |
| | ₩ | 1,420,647 | 32,307 | (81,159) | (247,070) | 2,549 | (10,161) | 1,117,113 |

(*1) The amounts include government grants.
(*2) The property and equipment of KDB Life Insurance Co., Ltd. are reclassified from assets held for sale and the property and equipment of Daehan Shipbuilding Co., Ltd. are reclassified to assets held for sale for the year ended December 31, 2022.

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## 13. Investment Property

Changes in investment property for the years ended December 31, 2023 and 2022 are as follows:

| 2023 | | January 1, 2023 | Acquisition/ depreciation/ impairment | Disposal | Reclassification (*) | December 31, 2023 |
|---|---|---|---|---|---|---|
| Acquisition cost: | | | | | | |
| Land | ₩ | 69,223 | - | - | 10,968 | 80,191 |
| Buildings and structures | | 155,021 | 45 | - | (3,697) | 151,369 |
| | | 224,244 | 45 | - | 7,271 | 231,560 |
| Accumulated depreciation: | | | | | | |
| Buildings and structures | | 67,728 | 4,507 | - | 4,093 | 76,328 |
| Accumulated impairment losses: | | | | | | |
| Land | | 1,197 | - | - | 7 | 1,204 |
| Buildings and structures | | 3,643 | - | - | 18 | 3,661 |
| | | 4,840 | - | - | 25 | 4,865 |
| | ₩ | 151,676 | (4,462) | - | 3,153 | 150,367 |

| 2022 | | January 1, 2022 | Acquisition/ depreciation/ impairment | Disposal | Reclassification (*) | December 31, 2022 |
|---|---|---|---|---|---|---|
| Acquisition cost: | | | | | | |
| Land | ₩ | 60,651 | - | - | 8,572 | 69,223 |
| Buildings and structures | | 59,356 | 70 | - | 95,595 | 155,021 |
| | | 120,007 | 70 | - | 104,167 | 224,244 |
| Accumulated depreciation: | | | | | | |
| Buildings and structures | | 33,397 | 4,382 | - | 29,949 | 67,728 |
| Accumulated impairment losses: | | | | | | |
| Land | | 1,197 | - | - | - | 1,197 |
| Buildings and structures | | 1,776 | - | - | 1,867 | 3,643 |
| | | 2,973 | - | - | 1,867 | 4,840 |
| | ₩ | 83,637 | (4,312) | - | 72,351 | 151,676 |

(*) The investment property of KDB Life Insurance Co., Ltd. are reclassified from assets held for sale as of December 31, 2022.

The fair value of the Group's investment property, as determined on the basis of valuation by an independent appraiser, amounts to ₩170,674 million and ₩171,447 million as of December 31, 2023 and 2022, respectively. Additionally, fair value of investment in property is classified as level 3 according to the fair value hierarchy in Note 49.





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## 14. Intangible Assets

Changes in intangible assets for the years ended December 31, 2023 and 2022 are as follows:

| 2023 | | January 1, 2023 | Acquisition | Disposal | Reclassification | Amortization | Impairment loss | Foreign exchange differences | Others | December 31, 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| Goodwill | ₩ | 39,395 | 253 | - | 194,443 | - | - | 407 | - | 234,498 |
| Customer-Related Intangible Assets | | - | - | - | 84,046 | - | - | - | - | 84,046 |
| Membership | | 14,283 | 3,022 | (313) | 1,582 | - | (12) | 20 | - | 18,582 |
| Others | | 149,830 | 27,545 | (2,129) | 446 | (64,966) | - | 181 | (26) | 110,881 |
| | ₩ | 203,508 | 30,820 | (2,442) | 280,517 | (64,966) | (12) | 608 | (26) | 448,007 |

| 2022 | | January 1, 2022 | Acquisition | Disposal | Reclassification (*) | Amortization | Impairment loss | Foreign exchange differences | Others | December 31, 2022 |
|---|---|---|---|---|---|---|---|---|---|---|
| Goodwill | ₩ | 12,541 | 27,272 | - | - | - | - | (418) | - | 39,395 |
| Membership | | 15,363 | 920 | (1,523) | (947) | - | - | 470 | - | 14,283 |
| Others | | 148,293 | 33,405 | (78) | 20,902 | (59,053) | (103) | (388) | 6,852 | 149,830 |
| | ₩ | 176,197 | 61,597 | (1,601) | 19,955 | (59,053) | (103) | (336) | 6,852 | 203,508 |

(*) The intangible assets of KDB Life Insurance Co., Ltd. are reclassified from assets held for sale and the intangible assets of Daehan Shipbuilding Co., Ltd. are reclassified to assets held for sale for the year ended December 31, 2022.

## 15. Other Assets

Other assets as of December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| Accounts receivable | ₩ | 6,718,392 | 2,790,528 |
| Domestic exchange receivables | | 1,938,307 | 3,745,979 |
| Accrued income | | 1,753,352 | 1,382,139 |
| Guarantee deposits | | 412,899 | 322,766 |
| Trade accounts receivables | | 76,963 | 28,135 |
| Inventories | | 47,436 | 8,337 |
| Prepaid expenses | | 52,208 | 78,082 |
| Advance payments | | 48,255 | 30,205 |
| Financial guarantee asset | | 47,005 | 25,826 |
| Reinsurance contract assets | | 12,833 | 92 |
| Others | | 66,294 | 92,782 |
| | | 11,173,944 | 8,504,871 |
| Allowance for credit losses | | (88,841) | (79,924) |
| Present value discount | | (7,409) | (5,304) |
| | ₩ | 11,077,694 | 8,419,643 |

(*) The carrying amounts of financial assets included in other assets above amounted to ₩10,946,918 million and ₩8,295,373 million as of December 31, 2023 and 2022, respectively, and their fair value amounted to ₩10,852,605 million and ₩8,223,905 million as of December 31, 2023 and 2022, respectively.

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**16. Assets and Liabilities Held for Sale**

(1) Daewoo Shipbuilding & Marine Engineering Co., Ltd., the Group's subsidiary, excluded from assets and liabilities held for sale

As the Group and Hyundai Heavy Industries Co., Ltd. ("Hyundai Heavy Industries") made the investment contract (hereinafter, "the contract") with an investment in kind on March 8, 2019 and proceeded with the sale for attracting investment in Daewoo Shipbuilding & Marine Engineering Co., Ltd. ("Daewoo Shipbuilding & Marine Engineering") of the Group's subsidiary, the Group classified the disposal group of Daewoo Shipbuilding & Marine Engineering as assets and liabilities held for sale and the gain or loss related to Daewoo Shipbuilding & Marine Engineering as profit from discontinued operations.

The European Commission did not approve the merger between Korea Shipbuilding & Marine Engineering Co., Ltd. and Daewoo Shipbuilding & Marine Engineering on January 13, 2022. As a result of the disapproval, the contract's precondition including governmental permission of different countries was not satisfied and the Group and Korea Shipbuilding & Marine Engineering Co., Ltd. cancelled this contract on March 8, 2022.

On September 26, 2022 Hanwha Aerospace Co., Ltd. and five other companies and Daewoo Shipbuilding & Marine Engineering entered into an investment agreement and based on the agreement, the Group classified the disposal group of Daewoo Shipbuilding & Marine Engineering as assets and liabilities held for sale and the gain or loss related to Daewoo Shipbuilding & Marine Engineering as profit (loss) from discontinued operations.

On December 16, 2022, Hanwha Aerospace Co., Ltd. and five other companies (*1) entered into a new share subscription agreement and on May 23, 2023, the Hanwha Group completed its paid-in capital increase in Daewoo Shipbuilding & Marine Engineering Co., Ltd. As a result, the disposal group of Daewoo Shipbuilding & Marine Engineering Co., Ltd. was excluded from assets and liabilities held for sale and the shares of Hanwha Ocean Co., Ltd. (*2) held by the Group were reclassified as investments in associates.
(*1) On January 12, 2023, the contract was amended to include Hanwha Aerospace Co., Ltd. and four other companies, altering the previous arrangement.
(*2) Daewoo Shipbuilding & Marine Engineering Co., Ltd. changed its name to Hanwha Ocean Co., Ltd.

(2) KDB Life Insurance Co., Ltd., the Group's subsidiary, excluded from assets and liabilities held for sale

Before the previous year, the Group selected JC Partners, local private equity firm, as the preferred bidder for the shares of KDB Life Insurance Co., Ltd. held by KDB Consus Value Private Equity Fund, the Group's subsidiary, and is conducting sale processes based on the agreement of purchase and sale of shares made on December 31, 2020. The Group classified a disposal group of KDB Life Insurance Co., Ltd. as assets and liabilities held for sale and profit or loss on KDB Life Insurance Co., Ltd. as profit or loss from discontinued operations.

For the year ended December 31, 2022, the Group cancelled the agreement of purchase and sale of shares with JC Partners due to the expiration of the transaction closing date. The disposal group of KDB Life Insurance Co., Ltd. were excluded from assets and liabilities held for sale. The gain or loss related to KDB Life Insurance Co., Ltd. was reclassified from profit from discontinued operations to profit from continuing operations and the statement of comprehensive income presented for comparative purpose was restated.

(3) Sale of Daewoo Engineering & Construction Co., Ltd., the Group's subsidiary, completed

The Group selected Jungheung consortium as the preferred bidder for the shares of Daewoo Engineering & Construction Co., Ltd. held by KDB Investment PEF No.1, the Group's subsidiary on July 5, 2021, and is conducting sale processes based on the agreement of purchase and sale of shares made on December 9, 2021. The Group classified a disposal group of Daewoo Engineering & Construction Co., Ltd. as assets and liabilities held for sale and profit or loss on Daewoo Engineering & Construction Co., Ltd. as profit or loss from discontinued operations.

For the year ended December 31, 2022, the sale of Daewoo Engineering & Construction Co., Ltd., the Group's sub-subsidiary, was completed and the carrying amount of KDB Investment PEF No.1 was liquidated. Accordingly Daewoo Engineering & Construction Co., Ltd. and KDB Investment PEF No.1 were excluded from the Group.





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**16. Assets and Liabilities Held for Sale, Continued**

(4) Classification of Daehan Shipbuilding Co., Ltd., the Group's subsidiary, as assets and liabilities held for sale
On May 20, 2022, Daehan Shipbuilding Co., Ltd. ("Daehan Shipbuilding") and KHI consortium entered into an investment contract (hereinafter, "the contract") to increase the paid-in capital for the purpose of allowing KHI consortium to acquire the status of a major shareholder of Daehan Shipbuilding. KHI consortium completed payment for the shares on August 31, 2022, and Daehan Shipbuilding was subsequently excluded from the Group.

(5) HMM Co., Ltd., the Group's associate, classified as assets held for sale

The Group selected the Pan Ocean-JKL consortium as the preferred bidder on December 18, 2023 for the shares of HMM Co., Ltd., an associate company, and the shares of HMM Co., Ltd. were classified as assets held for sale. Meanwhile, negotiations regarding the sale of shares with the Pan Ocean-JKL consortium broke down on February 7, 2024.

(6) Assets and liabilities held for sale as of December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| Assets held for sale | | | |
| Cash and cash equivalents | ₩ | - | 1,058,540 |
| Securities measured at FVTPL | | - | 31,809 |
| Securities measured at FVOCI | | - | 8,087 |
| Securities measured at amortized cost | | - | 16 |
| Investments in associates | | 3,228,444 | 3,759 |
| Property and equipment | | - | 3,858,306 |
| Intangible assets | | - | 1,532 |
| Other assets | | - | 6,781,559 |
| | | 3,228,444 | 11,743,608 |
| Liabilities held for sale | | | |
| Borrowings | | - | 2,449,239 |
| Debentures | | - | 121,954 |
| Derivative financial instruments | | - | 227,912 |
| Other liabilities | | - | 6,572,696 |
| | | - | 9,371,801 |
| Net assets | ₩ | 3,228,444 | 2,371,807 |

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**16. Assets and Liabilities Held for Sale, Continued**

(7) Other comprehensive income in relation to assets and liabilities held for sale as of December 31, 2022 are as follows:

| | | December 31, 2022 |
|---|---|---|
| Net gain (loss) on securities measured at FVOCI | ₩ | (12,095) |

(8) Details of profit and loss from discontinued operations and cash flows from discontinued operating activities for the years ended December 31, 2023 and 2022 are as follows:

| | | 2023 | 2022 |
|---|---|---|---|
| Profit (loss) from discontinued operations | | | |
| Profit (loss) before income taxes | ₩ | 2,328,616 | (1,139,106) |
| Income tax expense (benefits) | | 497 | (68,683) |
| Profit (loss) for the year | ₩ | 2,328,119 | (1,070,423) |
| Cash flows from discontinued operations | | | |
| Net cash flows from operating activities | ₩ | (730,783) | (1,167,642) |
| Net cash flows from investing activities | | 59,165 | 52,431 |
| Net cash flows from financing activities | | 186,774 | (70,221) |
| Effects from changes in foreign currency exchange rate for cash and cash equivalents held | | 2,163 | (10,169) |
| Net cash flows from discontinued operations | ₩ | (482,681) | (1,195,601) |



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**17. Financial Liabilities Designated at Fair Value Through Profit or Loss**

(1) Financial liabilities designated at fair value through profit or loss as of December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| Debentures | ₩ | 1,515,655 | 1,131,310 |
| Deposits | | 404,406 | 338,414 |
| | | 1,920,061 | 1,469,724 |

Changes in fair value of structured debentures and deposits which hedge accounting are applied, are recognized in profit or loss, but structured debentures with no hedge accounting applied to, are measured at amortized costs. Therefore, such structured debentures, not applied to hedge accounting, have been designated at FVTPL in order 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 designated at fair value through profit or loss as of December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| Carrying amount | ₩ | 1,920,061 | 1,469,724 |
| Contractual cash flow amount | | 2,380,244 | 2,101,133 |
| Difference amount | ₩ | (460,183) | (631,409) |

**18. Deposits**

Deposits as of December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|---|
| | | Amortized cost | Fair value | Amortized cost | Fair value |
| Deposits in Korean won: | | | | | |
| Demand deposits | ₩ | 155,082 | 155,082 | 122,609 | 122,609 |
| Time and savings deposits | | 51,159,187 | 51,202,792 | 53,970,194 | 53,909,816 |
| Certificates of deposit | | 74,363 | 74,080 | 757,471 | 758,937 |
| | | 51,388,632 | 51,431,954 | 54,850,274 | 54,791,362 |
| Deposits in foreign currencies: | | | | | |
| Demand deposits | | 1,335,732 | 1,335,732 | 2,457,886 | 2,457,935 |
| Time and savings deposits | | 6,084,109 | 6,079,718 | 4,441,503 | 4,435,613 |
| Certificates of deposit | | 7,858,730 | 7,873,402 | 6,937,265 | 6,944,840 |
| | | 15,278,571 | 15,288,852 | 13,836,654 | 13,838,388 |
| Off-shore deposits in foreign currencies: | | | | | |
| Demand deposits | | 904,364 | 904,364 | 835,904 | 835,904 |
| Certificates of deposit | | - | - | 765,301 | 765,794 |
| | | 904,364 | 904,364 | 1,601,205 | 1,601,698 |
| | ₩ | 67,571,567 | 67,625,170 | 70,288,133 | 70,231,448 |

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(In millions of won)

**19. Borrowings**

(1) Borrowings as of December 31, 2023 and 2022 are as follows:

| | December 31, 2023 | | | |
|---|---|---|---|---|
| | Minimum interest rate (%) | Maximum interest rate (%) | Amortized cost | Fair value |
| Borrowings in Korean won | 0.10 | 4.52 | ₩ 6,412,556 | 6,308,284 |
| Borrowings in foreign currencies | 0.14 | 7.38 | 18,326,968 | 18,160,556 |
| Off-shore borrowings in foreign currencies | 2.10 | 6.18 | 4,101,783 | 4,075,162 |
| Share capital repayable on demand | - | - | 1,907,988 | 1,804,551 |
| Others | - | 6.02 | 3,301,016 | 3,296,525 |
| | | | 34,050,311 | 33,645,078 |
| Present value discount | | | - | |
| Deferred borrowing costs | | | (6,648) | |
| | | | ₩ 34,043,663 | |

| | December 31, 2022 | | | |
|---|---|---|---|---|
| | Minimum interest rate (%) | Maximum interest rate (%) | Amortized cost | Fair value |
| Borrowings in Korean won | - | 6.35 | ₩ 7,701,465 | 7,914,770 |
| Borrowings in foreign currencies | - | 6.57 | 14,962,903 | 14,882,070 |
| Off-shore borrowings in foreign currencies | 0.16 | 9.40 | 5,118,598 | 5,069,938 |
| Share capital repayable on demand | - | - | 1,371,852 | 1,370,234 |
| Others | 0.05 | 4.88 | 1,541,165 | 1,160,218 |
| | | | 30,695,982 | 30,397,230 |
| Present value discount | | | - | |
| Deferred borrowing costs | | | (473) | |
| | | | ₩ 30,695,509 | |





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(In millions of won)

**19. Borrowings, Continued**

(2) Borrowings in Korean won before adjusting for deferred borrowing costs as of December 31, 2023 and 2022 are as follows:

| Lender | Classification | Annual interest rate (%) | December 31, 2023 | December 31, 2022 |
|---|---|---|---|---|
| The Bank of Korea | Borrowings from Bank of Korea | - | ₩ 418,866 | 375,350 |
| Ministry of Economy and Finance | Borrowings from government fund (*) | 3.23 ~ 3.31 | 77,629 | 93,155 |
| Korea SMEs and Startups Agency | Borrowings from small and medium enterprise promotion fund | 1.26 ~ 2.40 | 59,171 | 57,569 |
| Ministry of Culture, Sports and Tourism | Borrowings from tourism promotion fund | 1.48 ~ 2.73 | 3,080,914 | 3,182,920 |
| Korea Energy Agency | Borrowings from fund for rational use of energy | 1.00 ~ 1.75 | 256,472 | 268,659 |
| Local governments | Borrowings from local small and medium enterprise promotion fund | 0.50 ~ 3.41 | 22,620 | 27,167 |
| Others | Borrowings from petroleum enterprise fund | 0.10 ~ 4.52 | 2,496,884 | 3,696,645 |
| | | | ₩ 6,412,556 | 7,701,465 |

(*) Borrowings from government fund are subordinated borrowings.

(3) Borrowings and off-shore borrowings in foreign currencies before adjusting for deferred borrowing costs as of December 31, 2023 and 2022 are as follows:

| Lender | Classification | Annual interest rate (%) | December 31, 2023 | December 31, 2022 |
|---|---|---|---|---|
| Mizuho and others | Bank loans from foreign funds | 4.21 ~ 6.24 | ₩ 2,076,759 | 1,394,030 |
| Ministry of Economy and Finance | Exchange equalization fund borrowings in foreign currencies | 6.30 ~ 6.43 | 23,931 | 120,761 |
| Central Bank of the Republic Uzbekistan and others | Off-shore short-term borrowings | 2.10 ~ 5.80 | 2,276,109 | 3,594,780 |
| China Development Bank and others | Off-shore long-term borrowings | 2.42 ~ 6.18 | 1,825,674 | 1,523,818 |
| Others | Short-term borrowings in foreign currencies | 0.14 ~ 7.24 | 15,401,998 | 12,893,295 |
| | Long-term borrowings in foreign currencies | 0.41 ~ 7.38 | 824,280 | 554,817 |
| | | | ₩ 22,428,751 | 20,081,501 |

Korea Development Bank and Subsidiaries

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(In millions of won)

## 20. Debentures

Debentures as of December 31, 2023 and 2022 are as follows:

| | December 31, 2023 | | | |
|---|---|---|---|---|
| | Minimum interest rate (%) | Maximum interest rate (%) | Amortized cost | Fair value |
| Debentures in Korean won: | | | | |
| Debentures | 0.96 | 7.31 | ₩ 121,315,073 | 121,413,014 |
| Discount on debentures | | | (151,216) | |
| Valuation adjustment for fair value hedges | | | (226,273) | |
| | | | 120,937,584 | |
| Debentures in foreign currencies: | | | | |
| Debentures | 0.26 | 10.87 | 23,306,184 | 23,760,843 |
| Discount on debentures | | | (36,286) | |
| Premium on debentures | | | 47 | |
| Valuation adjustment for fair value hedges | | | (561,919) | |
| | | | 22,708,026 | |
| 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 | |
| | | | ₩ 163,205,745 | 164,533,665 |

| | December 31, 2022 | | | |
|---|---|---|---|---|
| | Minimum interest rate (%) | Maximum interest rate (%) | Amortized cost | Fair value |
| Debentures in Korean won: | | | | |
| Debentures | 0.82 | 6.60 | ₩ 127,075,533 | 124,521,358 |
| Discount on debentures | | | (337,875) | |
| Valuation adjustment for fair value hedges | | | (419,108) | |
| | | | 126,318,550 | |
| Debentures in foreign currencies: | | | | |
| Debentures | 0.05 | 10.87 | 20,939,433 | 21,100,328 |
| Discount on debentures | | | (37,730) | |
| Premium on debentures | | | 91 | |
| Valuation adjustment for fair value hedges | | | (1,000,456) | |
| | | | 19,901,338 | |
| Off-shore debentures: | | | | |
| Debentures | - | 11.15 | 18,859,840 | 18,272,508 |
| Discount on debentures | | | (48,784) | |
| Valuation adjustment for fair value hedges | | | (570,086) | |
| | | | 18,240,970 | |
| | | | ₩ 164,460,858 | 163,894,194 |





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December 31, 2023 and 2022

(In millions of won)

## 21. Insurance Liabilities

(1) Details of insurance contract liabilities (assets) and reinsurance contract assets (liabilities) by portfolio as of December 31, 2023 and 2022, are as follows:

| | Assets | | Liabilities | |
|---|---|---|---|---|
| Details | December 31, 2023 | December 31, 2022 | December 31, 2023 | December 31, 2022 |
| Insurance contract portfolio | | | | |
| Death | ₩ - | - | 3,421,303 | 2,883,769 |
| Health | - | - | 2,682,199 | 2,455,360 |
| Pension saving | - | - | 10,232,069 | 10,375,003 |
| Others | - | - | 3,602 | 4,238 |
| | - | - | 16,339,173 | 15,718,370 |
| Reinsurance contract portfolio | | | | |
| Death | 12,833 | 92 | - | 798 |
| Health | - | - | 27,577 | 25,386 |
| | ₩ 12,833 | 92 | 27,577 | 26,184 |

(2) Changes in insurance contract liabilities (assets) for the year ended December 31, 2023 and 2022 are as follows:

| | December 31, 2023 | | | |
|---|---|---|---|---|
| | Liability for remaining coverage | | Liability for incurred claims | Insurance contract liabilities (assets) |
| | Excluding loss component | Loss component | | |
| 1. Opening balance: | ₩ 14,725,029 | 4,274 | 989,067 | 15,718,370 |
| (1) Insurance contract assets | - | - | - | - |
| (2) Insurance contract liabilities | 14,725,029 | 4,274 | 989,067 | 15,718,370 |
| 2. Insurance revenue | (489,951) | - | - | (489,951) |
| 3. Insurance service expenses: | 43,993 | 20,066 | 358,086 | 422,145 |
| (1) Incurred claims and insurance service expenses | - | (1,492) | 376,296 | 374,804 |
| (2) Insurance acquisition cash flows | 43,993 | - | - | 43,993 |
| (3) Changes in fulfilment cash flows in the liability for incurred claims | - | - | (18,210) | (18,210) |
| (4) Losses and reversals of losses on onerous contracts | - | 21,558 | - | 21,558 |
| 4. Investment components | (2,112,319) | - | 2,112,319 | - |
| 5. Insurance service result | (2,558,276) | 20,066 | 2,470,405 | (67,805) |
| 6. Insurance finance income or expenses | 1,420,921 | 773 | 30,394 | 1,452,088 |
| 7. Cash flows: | 1,737,582 | - | (2,501,061) | (763,479) |
| (1) Premiums received | 1,962,025 | - | - | 1,962,025 |
| (2) Insurance acquisition cash flows | (224,443) | - | - | (224,443) |
| (3) incurred claims paid and other insurance service expenses paid | - | - | (2,501,061) | (2,501,061) |
| 8. Others | 21,202 | - | (21,202) | - |
| 9. Closing balance: | ₩ 15,346,457 | 25,113 | 967,603 | 16,339,173 |
| (1) Insurance contract assets | - | - | - | - |
| (2) Insurance contract liabilities | 15,346,457 | 25,113 | 967,603 | 16,339,173 |

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(In millions of won)

**21. Insurance Liabilities, Continued**

| | | December 31, 2022 | | | |
|---|---|---|---|---|---|
| | | Liability for remaining coverage | | Liability for incurred claims | Insurance contract liabilities (assets) |
| | | Excluding loss component | Loss component | | |
| 1. Opening balance: | ₩ | 16,400,551 | 451 | 985,021 | 17,386,023 |
| (1) Insurance contract assets | | - | - | - | - |
| (2) Insurance contract liabilities | | 16,400,551 | 451 | 985,021 | 17,386,023 |
| 2. Insurance revenue | | (429,567) | - | - | (429,567) |
| 3. Insurance service expenses: | | 311 | 3,547 | 330,228 | 334,086 |
| (1) Incurred claims and insurance service expenses | | - | (888) | 352,408 | 351,520 |
| (2) Insurance acquisition cash flows | | 311 | - | - | 311 |
| (3) Changes in fulfilment cash flows in the liability for incurred claims | | - | - | (22,180) | (22,180) |
| (4) Losses and reversals of losses on onerous contracts | | - | 4,435 | - | 4,435 |
| 4. Investment components | | (2,300,325) | - | 2,300,325 | - |
| 5. Insurance service result | | (2,729,580) | 3,547 | 2,630,552 | (95,481) |
| 6. Insurance finance income or expenses | | (1,467,585) | 276 | 29,750 | (1,437,559) |
| 7. Cash flows: | | 2,501,807 | - | (2,636,420) | (134,613) |
| (1) Premiums received | | 2,684,300 | - | - | 2,684,300 |
| (2) Insurance acquisition cash flows | | (182,493) | - | - | (182,493) |
| (3) incurred claims paid and other insurance service expenses paid | | - | - | (2,636,420) | (2,636,420) |
| 8. Others | | 19,837 | - | (19,837) | - |
| 9. Closing balance: | ₩ | 14,725,029 | 4,274 | 989,067 | 15,718,370 |
| (1) Insurance contract assets | | - | - | - | - |
| (2) Insurance contract liabilities | | 14,725,029 | 4,274 | 989,067 | 15,718,370 |





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December 31, 2023 and 2022

(In millions of won)

**21. Insurance Liabilities, Continued**

(3) Changes in reinsurance contract assets (liabilities) which an entity does not apply the premium allocation approach for the year ended December 31, 2023 and 2022 are as follows

| | | December 31, 2023 | | | |
|---|---|---|---|---|---|
| | | Liability for remaining coverage | | Liability for incurred claims | Reinsurance contract assets (liabilities) |
| | | Excluding loss recovery component | Loss recovery component | | |
| 1. Opening balance: | ₩ | (50,362) | 216 | 24,158 | (25,988) |
| (1) Reinsurance contract assets | | - | - | - | - |
| (2) Reinsurance contract liabilities | | (50,362) | 216 | 24,158 | (25,988) |
| 2. Reinsurance service expenses | | (28,094) | - | - | (28,094) |
| 3. Reinsurance revenue: | | - | 3,360 | 34,528 | 37,888 |
| (1) Possible recoveries on incurred claims and incurred reinsurance service expenses | | - | (209) | 37,250 | 37,041 |
| (2 Changes in fulfilment cash flows in the liability for incurred claims | | - | - | (2,722) | (2,722) |
| (3) Recognition and reversal of loss recovery component | | - | 3,569 | - | 3,569 |
| 4. Investment components | | (13,000) | - | 13,000 | - |
| 5. Reinsurance service result | | (41,094) | 3,360 | 47,528 | 9,794 |
| 6. Reinsurance finance income or expenses | | (1,163) | 126 | 273 | (764) |
| (1) The effect of changes in default risk of reinsurers | | 71 | - | (6) | 65 |
| (2) Profit or loss and Other comprehensive income | | (1,234) | 126 | 279 | (829) |
| 7. Cash flows: | | 48,603 | - | (46,541) | 2,062 |
| (1) Reinsurance premiums paid | | 48,603 | - | - | 48,603 |
| (2) Recoveries from reinsurance | | - | - | (46,541) | (46,541) |
| 8. Others | | - | - | - | - |
| 9. Closing balance: | ₩ | (44,016) | 3,701 | 25,419 | (14,896) |
| (1) Reinsurance contract assets | | (2,690) | 1,955 | 13,416 | 12,681 |
| (2) Reinsurance contract liabilities | | (41,326) | 1,746 | 12,003 | (27,577) |

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# Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

(In millions of won)

**21. Insurance Liabilities, Continued**

| | | December 31, 2022 | | | |
|---|---|---|---|---|---|
| | | Liability for remaining coverage | | | |
| | | Excluding loss recovery component | Loss recovery component | Liability for incurred claims | Reinsurance contract assets (liabilities) |
| 1. Opening balance: | ₩ | (52,547) | 22 | 18,138 | (34,387) |
| (1) Reinsurance contract assets | | - | - | - | - |
| (2) Reinsurance contract liabilities | | (52,547) | 22 | 18,138 | (34,387) |
| 2. Reinsurance service expenses | | (10,148) | - | - | (10,148) |
| 3. Reinsurance revenue: | | - | 193 | 15,860 | 16,053 |
| (1) Possible recoveries on incurred claims and incurred reinsurance service expenses | | - | (3) | 23,746 | 23,743 |
| (2 Changes in fulfilment cash flows in the liability for incurred claims | | - | - | (7,886) | (7,886) |
| (3) Recognition and reversal of loss recovery component | | - | 196 | - | 196 |
| 4. Investment components | | (13,120) | - | 13,120 | - |
| 5. Reinsurance service result | | (23,268) | 193 | 28,980 | 5,905 |
| 6. Reinsurance finance income or expenses | | 1,002 | 1 | 68 | 1,071 |
| (1) The effect of changes in default risk of reinsurers | | - | - | 4 | 4 |
| (2) Profit or loss and Other comprehensive income | | 1,002 | 1 | 64 | 1,067 |
| 7. Cash flows: | | 24,452 | - | (23,029) | 1,423 |
| (1) Reinsurance premiums paid | | 24,452 | - | - | 24,452 |
| (2) Recoveries from reinsurance | | - | - | (23,029) | (23,029) |
| 8. Others | | - | - | - | - |
| 9. Closing balance: | ₩ | (50,362) | 216 | 24,158 | (25,988) |
| (1) Reinsurance contract assets | | - | - | - | - |
| (2) Reinsurance contract liabilities | | (50,362) | 216 | 24,158 | (25,988) |





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**21. Insurance Liabilities, Continued**

(4) The total amount recognized as insurance finance income or expenses, the amount recognized as other comprehensive income among insurance finance income or expenses, and investment gains or losses on assets for the year ended December 31, 2023 and 2022, are as follows.

| | | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| 1. The gains (or losses) from the investments | ₩ | 1,322,526 | 99,780 |
| (1) Profit or loss | | 589,954 | 425,368 |
| 1) Interest income | | 509,278 | 347,077 |
| 2) Evaluation and transaction gains and losses | | 60,969 | (86,821) |
| 3) Other investment gains and losses | | 19,707 | 165,112 |
| (2) Other comprehensive income | | 732,572 | (325,588) |
| 2. Insurance finance income or expenses recognized in | | (1,452,087) | 1,437,559 |
| (1) Profit or loss | | (600,274) | (407,510) |
| (2) Other comprehensive income | | (851,813) | 1,845,069 |
| 3. Reinsurance finance income or expenses recognized in: | | (764) | 1,072 |
| (1) Profit or loss | | (716) | (693) |
| (2) Other comprehensive income | | (48) | 1,765 |
| 4. Total financial gains or losses | ₩ | (130,325) | 1,538,411 |

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## Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

(In millions of won)

**22. Defined Benefit Liabilities (Assets)**

(1) Details of defined benefit liabilities (assets) as of December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| Present value of defined benefit obligation | ₩ | 468,523 | 428,545 |
| Fair value of plan assets (*) | | (544,916) | (517,369) |
| Net defined benefit liabilities | | (76,393) | (88,824) |
| Liabilities for other long-term employment benefits | | 900 | 161 |
| | ₩ | (75,493) | (88,663) |

(*) The plan assets are in trusts with Kookmin Bank, Samsung Life Insurance Co., Ltd., etc.





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**22. Defined Benefit Liabilities (Assets), Continued**

(2) Changes in defined benefit liabilities (assets) for the years ended December 31, 2023 and 2022 are as follows:

| | | 2023 | | | |
|---|---|---|---|---|---|
| | | Present value of defined benefit obligation | Fair value of plan assets | Net defined benefit liabilities (assets) | Liabilities for other long-term employment benefits |
| Beginning balance | ₩ | 428,545 | (517,369) | (88,824) | 161 |
| Current service costs | | 35,258 | - | 35,258 | 58 |
| Past service costs | | - | - | - | - |
| Interest expense (income) | | 21,806 | (26,903) | (5,097) | 27 |
| Remeasurements of defined benefit liabilities: | | | | | |
| Demographic assumption | | (2,646) | - | (2,646) | - |
| Financial assumption | | 28,712 | 2,713 | 31,425 | - |
| Return on plan assets | | - | 211 | 211 | - |
| Experience adjustment | | (4,813) | 69 | (4,744) | - |
| | | 21,253 | 2,993 | 24,246 | - |
| Payments from the plan | | (42,593) | 34,573 | (8,020) | (146) |
| Reclassification (*) | | 3,367 | (5,493) | (2,126) | 203 |
| Contribution to the plan | | - | (31,176) | (31,176) | - |
| Others | | 887 | (1,541) | (654) | 597 |
| Ending balance | ₩ | 468,523 | (544,916) | (76,393) | 900 |

| | | 2022 | | | |
|---|---|---|---|---|---|
| | | Present value of defined benefit obligation | Fair value of plan assets | Net defined benefit liabilities (assets) | Liabilities for other long-term employment benefits |
| Beginning balance | ₩ | 440,643 | (431,562) | 9,081 | 165 |
| Current service costs | | 47,583 | - | 47,583 | - |
| Past service costs | | 34,363 | - | 34,363 | - |
| Interest expense (income) | | 13,747 | (13,758) | (11) | - |
| Remeasurements of defined benefit liabilities: | | | | | |
| Demographic assumption | | 9,167 | - | 9,167 | - |
| Financial assumption | | (97,924) | 7,812 | (90,112) | - |
| Return on plan assets | | - | 472 | 472 | - |
| Experience adjustment | | (1,991) | - | (1,991) | - |
| | | (90,748) | 8,284 | (82,464) | |
| Payments from the plan | | (48,924) | 32,971 | (15,953) | - |
| Reclassification (*) | | 32,763 | (33,535) | (772) | - |
| Contribution to the plan | | - | (80,864) | (80,864) | - |
| Others | | (882) | 1,095 | 213 | (4) |
| Ending balance | ₩ | 428,545 | (517,369) | (88,824) | 161 |

(*) For the year ended December 31, 2022, the amount includes the reclassification from assets held for sale related to KDB Life Insurance Co., Ltd.

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**22. Defined Benefit Liabilities (Assets), Continued**

(3) Fair value of plan assets for each type as of December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|---|
| | | Quoted market prices | Unquoted market prices | Quoted market prices | Unquoted market Prices |
| Equity securities | ₩ | - | - | 872 | - |
| Debt securities | | 30,353 | - | 23,720 | - |
| Due from banks | | - | 506,376 | 18,008 | 473,766 |
| Others | | 8,187 | - | 1,003 | - |
| | ₩ | 38,540 | 506,376 | 43,603 | 473,766 |

(4) Defined benefit costs recognized in profit or loss for the years ended December 31, 2023 and 2022 are as follows:

| | | 2023 | 2022 |
|---|---|---|---|
| Current service costs | ₩ | 35,258 | 47,583 |
| Past service costs | | - | 34,363 |
| Interest expense, net | | (5,097) | (11) |
| | ₩ | 30,161 | 81,935 |

(5) The principal actuarial assumptions used as of December 31, 2023 and 2022 are as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Discount rate (%) | 4.40 ~ 7.50 | 4.50 ~ 7.50 |
| Future salary increasing rate (%) | 4.10 ~ 5.50 | 2.00 ~ 5.50 |

(6) The present value sensitivity of defined benefit obligation as changes in principal actuarial assumptions as of December 31, 2023 is as follows:

| | Sensitivity | |
|---|---|---|
| | 1% increase in assumption | 1% decrease in assumption |
| Discount rate | 8.36% decrease | 9.70% increase |
| Future salary increasing rate | 9.52% increase | 8.37% decrease |



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(In millions of won)

**23. Provisions**

(1) Provisions as of December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| Provision for payment guarantees | ₩ | 592,102 | 457,215 |
| Provision for unused commitments | | 381,908 | 139,433 |
| Financial guarantee provision | | 50,489 | 42,650 |
| Lawsuit provision | | 319 | 491 |
| Provision for restoration | | 17,851 | 16,522 |
| Other provision | | 33,321 | 33,518 |
| | ₩ | 1,075,990 | 689,829 |

(2) Changes in provision for payment guarantees for the years ended December 31, 2023 and 2022 are as follows:

| 2023 | | | Lifetime expected credit losses | | |
|---|---|---|---|---|---|
| | | 12-month expected credit loss | Non credit-Impaired | Credit-impaired | Total |
| Beginning balance | ₩ | 3,403 | 287,785 | 166,027 | 457,215 |
| 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) | 65,432 | (52,850) | - |
| Transfer to credit-impaired exposures | | (23,162) | - | 23,162 | - |
| Provision for payment guarantees | | 170,441 | (145,906) | (243,459) | (218,924) |
| Foreign currency translation | | 81,612 | 109,834 | 162,365 | 353,811 |
| Others | | - | - | - | - |
| Ending balance | ₩ | 230,442 | 317,136 | 44,524 | 592,102 |

| 2022 | | | Lifetime expected credit losses | | |
|---|---|---|---|---|---|
| | | 12-month expected credit loss | Non credit-Impaired | Credit-impaired | Total |
| Beginning balance | ₩ | 67,348 | 14,047 | 133,993 | 215,388 |
| Transfer to 12-month expected credit loss | | 9,037 | (191) | (8,846) | - |
| Transfer to lifetime expected credit losses: | | | | | |
| Transfer to non credit-impaired exposures | | (129,944) | 131,290 | (1,346) | - |
| Transfer to credit-impaired exposures | | (164) | (2,667) | 2,831 | - |
| Provision for payment guarantees | | 53,620 | 111,457 | 17,933 | 183,010 |
| Foreign currency translation | | 3,506 | 219,496 | 21,462 | 244,464 |
| Others | | - | (185,647) | - | (185,647) |
| Ending balance | ₩ | 3,403 | 287,785 | 166,027 | 457,215 |

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**23. Provisions, Continued**

(3) Changes in provision for unused commitments for the years ended December 31, 2023 and 2022 are as follows:

**2023**

| | | | Lifetime expected credit losses | | |
|---|---|---|---|---|---|
| | | 12-month expected credit loss | Non credit-impaired | Credit-impaired | Total |
| Beginning balance | ₩ | 32,654 | 97,470 | 9,309 | 139,433 |
| Transfer to 12-month expected credit loss | | 1,278 | (987) | (291) | - |
| Transfer to lifetime expected credit losses: | | | | | |
| Transfer to non credit-impaired exposures | | (242,876) | 250,087 | (7,211) | - |
| Transfer to credit-impaired exposures | | (8,993) | (1,957) | 10,950 | - |
| Reversal of unused commitments | | 347,762 | (288,365) | (1,338) | 58,059 |
| Foreign currency translation | | 1,327 | 869 | - | 2,196 |
| Others | | 182,220 | - | - | 182,220 |
| Ending balance | ₩ | 313,372 | 57,117 | 11,419 | 381,908 |

**2022**

| | | | Lifetime expected credit losses | | |
|---|---|---|---|---|---|
| | | 12-month expected credit loss | Non credit-impaired | Credit-impaired | Total |
| Beginning balance | ₩ | 49,569 | 124,904 | 7,995 | 182,468 |
| Transfer to 12-month expected credit loss | | 45,756 | (45,756) | - | - |
| Transfer to lifetime expected credit losses: | | | | | |
| Transfer to non credit-impaired exposures | | (18,733) | 20,346 | (1,613) | - |
| Transfer to credit-impaired exposures | | (1,210) | (4,344) | 5,554 | - |
| Reversal of unused commitments | | (59,474) | (2,015) | (2,821) | (64,310) |
| Foreign currency translation | | 16,600 | 4,335 | 194 | 21,129 |
| Others | | 146 | - | - | 146 |
| Ending balance | ₩ | 32,654 | 97,470 | 9,309 | 139,433 |





Korea Development Bank and Subsidiaries

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**23. Provisions, Continued**

(4) Changes of financial guarantee provision for the years ended December 31, 2023 and 2022 are as follows:

**2023**

| | | | Lifetime expected credit losses | | |
|---|---|---|---|---|---|
| | | 12-month expected credit loss | Non credit-Impaired | Credit-impaired | Total |
| Beginning balance | ₩ | 663 | 36,667 | 5,320 | 42,650 |
| Transfer to 12-month expected credit loss | | 413 | (343) | (70) | - |
| 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 | 8,838 | (3,090) | 7,839 |
| Ending balance | ₩ | 3,125 | 42,043 | 5,321 | 50,489 |

**2022**

| | | | Lifetime expected credit losses | | |
|---|---|---|---|---|---|
| | | 12-month expected credit loss | Non credit-Impaired | Credit-impaired | Total |
| Beginning balance | ₩ | 2,723 | 15,321 | 38,194 | 56,238 |
| Transfer to 12-month expected credit loss | | - | - | - | - |
| Transfer to lifetime expected credit losses: | | | | | |
| Transfer to non credit-impaired exposures | | (282) | 1,494 | (1,212) | - |
| Transfer to credit-impaired exposures | | (97) | (243) | 340 | - |
| Provision for (reversal of) financial guarantee | | (1,681) | 20,095 | (32,002) | (13,588) |
| Ending balance | ₩ | 663 | 36,667 | 5,320 | 42,650 |

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**23. Provisions, Continued**

(5) Changes of lawsuit provision, restoration provision and other provision for the years ended December 31, 2023 and 2022 are as follows:

| | | 2023 | | |
|---|---|---|---|---|
| | | Lawsuit provision | Restoration provision | Other provision |
| Beginning balance | ₩ | 491 | 16,522 | 33,518 |
| Reversal of provision | | (193) | (492) | (137) |
| Provision used | | (26) | (250) | - |
| Foreign exchange differences | | 25 | 1 | 18 |
| Others | | 22 | 2,070 | (78) |
| Ending balance | ₩ | 319 | 17,851 | 33,321 |

| | | 2022 | | |
|---|---|---|---|---|
| | | Lawsuit provision | Restoration provision | Other provision |
| Beginning balance | ₩ | 2,028 | 16,187 | 173,020 |
| Reversal of provision | | (1,550) | (2,007) | (44,111) |
| Provision used | | - | (693) | (25) |
| Foreign exchange differences | | (20) | 2 | 8 |
| Reclassification (*) | | - | 1,415 | (91,317) |
| Others | | 33 | 1,618 | (4,057) |
| Ending balance | ₩ | 491 | 16,522 | 33,518 |

(*) For the year ended December 31, 2022, the amount includes the reclassification from liabilities held for sale related to KDB Life Insurance Co., Ltd.

(6) Provision for payment guarantees and financial guarantee

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 Group provides a provision for such off-statement of financial position items, applying a Credit Conversion Factor ('CCF') and provision rates under the Group'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 provision for financial guarantee.

(7) Provision for unused commitments

The Group 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 Group's expected credit loss model.





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Notes to the Consolidated Financial Statements

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23. Provisions, Continued

(8) Provision for possible losses from lawsuits

As of December 31, 2023, the Group is involved in 49 lawsuits as a plaintiff and 62 lawsuits as a defendant related to operating activities. The aggregate amounts of claims as a plaintiff and a defendant amounted to ₩195,077 million and ₩222,165 million, respectively. The Group provided a provision against contingent loss from pending lawsuits as of December 31, 2023 and additional losses may be incurred depending on the final result of pending lawsuits.

Major lawsuits in progress as of December 31, 2023 and 2022 are as follows:

| | 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 Group; 3rd trial in progress |
| Defendant: | | | | |
| Shinhan Bank and Woori Bank | Claim for damages | | 76,838 | 1st trial ruled in favor of the Group |
| 132 individuals | Claim for salaries | | 35,459 | 1st·2nd trial ruled in favor of the Group |
| Dongbu Corporation | Claim for nullity of table of rehabilitation creditor | | 33,997 | 1st trial ruled in favor of the Group; 2nd trial ruled against the Group; 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 or loss settlement | | 14,500 | 1st, 2nd trial ruled against the Group; 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 |

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# Notes to the Consolidated Financial Statements

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**23. Provisions, Continued**

| | December 31, 2022 | | | |
|---|---|---|---|---|
| | 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 Group; 3rd trial in progress |
| KAMCO 1st JV Securitization Specialty Co., Ltd. | Transfer of claim | | 8,792 | 1st, 2nd trial ruled partially in favor of the Group; 3rd trial in progress |
| Hana Bank and 6 others | Claim for undue benefit | | 1,647 | 1st trial ruled against the Group; 2nd trial in progress |
| e-RAP KOREA Co., Ltd. and one other | Claim for loans (participate in succession) | | 1,238 | 1st trial in progress |
| Defendant: | | | | |
| Shinhan Bank and one other | Claim for damages | | 58,474 | 1st trial in progress |
| 169 individuals | Claim for wage | | 36,573 | 1st trial ruled in favor of the Group; 2nd trial in progress |
| Dongbu Corporation | Claim for nullity of table of rehabilitation creditor | | 33,997 | 1st trial ruled in favor of the Group; 2nd trial ruled against the Group; 3rd trial in progress |
| Woori Bank | Claim for profit and loss settlement | | 21,246 | 1st, 2nd trial ruled against the Group |
| Dongbu Corporation | Claim for objection of request (participation to support) | | 19,658 | 1st trial in progress |
| Export-Import Bank of Korea | Claim for undue benefit, etc. | | 9,797 | 1st trial ruled in favor of the Group; 2nd trial in progress |
| KAMCO 1st JV Securitization Specialty Co., Ltd. | Claim for transaction amount (counterclaim) | | 7,000 | 1st, 2nd trial ruled partially in favor of the Group; 3rd trial in progress |

(9) Other provision

The Group recognized other provision as a reserve for other miscellaneous purpose.





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(In millions of won)

**24. Other Liabilities**

Other liabilities as of December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| Accounts payable | ₩ | 6,651,008 | 2,763,296 |
| Lease liabilities | | 149,706 | 221,508 |
| Accrued expense | | 2,797,271 | 2,103,505 |
| Domestic exchange payable | | 533,833 | 243,620 |
| Borrowing from trust accounts | | 957,017 | 714,648 |
| Advance receipts | | 5,955 | 41,813 |
| Guarantee money received | | 1,261,076 | 1,293,342 |
| Trade payable | | 13,599 | 8,926 |
| Unearned income | | 181,747 | 170,576 |
| Deposits withholding tax | | 64,313 | 49,949 |
| Foreign exchanges payable | | 19,088 | 30,231 |
| Financial guarantee liability | | 26,321 | 28,874 |
| Others | | 384,265 | 255,513 |
| | | 13,045,199 | 7,925,801 |
| Present value discount | | (100,896) | (142,484) |
| | ₩ | 12,944,303 | 7,783,317 |

The carrying amount of financial liabilities included in other liabilities above amounted to ₩12,394,114 million and ₩7,325,346 million as of December 31, 2023 and 2022, respectively, and their fair value amounted to ₩12,512,021 million and ₩7,394,492 million as of December 31, 2023 and 2022, respectively.

(2) Details of lease liabilities as of December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | | |
|---|---|---|---|---|
| | | Face value | Discount | Carrying amounts |
| Real estate | ₩ | 140,553 | (36,887) | 103,666 |
| Vehicles | | 8,383 | (215) | 8,168 |
| Others | | 770 | (67) | 703 |
| | ₩ | 149,706 | (37,169) | 112,537 |

| | | December 31, 2022 | | |
|---|---|---|---|---|
| | | Face value | Discount | Carrying amounts |
| Real estate | ₩ | 208,135 | (97,511) | 110,624 |
| Vehicles | | 12,502 | (1,037) | 11,465 |
| Others | | 871 | (82) | 789 |
| | ₩ | 221,508 | (98,630) | 122,878 |

Cash payments for the principal portion of the lease liabilities are ₩39,477 and ₩42,614 million for the years ended December 31, 2023 and 2022, respectively and cash payments for the interest portion of the lease liabilities are ₩4,010 and ₩2,365 million for the years ended December 31, 2023 and 2022, respectively.

Korea Development Bank and Subsidiaries

# Notes to the Consolidated Financial Statements

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**25. Equity**

(1) Issued capital

The Group is authorized to issue up to 6,000 million shares of common stock and has 4,785,311,768 shares and 4,630,311,768 shares issued as of December 31, 2023 and 2022, respectively, and outstanding with a total par value (₩ 5,000 of par value per share) of ₩23,926,559 million ₩23,151,559 million as of December 31, 2023 and 2022, respectively. Due to the Group's paid-capital increase, total number and par value of the shares increased in 2023.

(2) Capital surplus

Capital surplus as of December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| Paid-in capital in excess of par value | ₩ | 33,847 | 40,442 |
| Surplus from capital reduction | | 47,973 | 47,973 |
| Share of capital surplus of associates | | 122,810 | 122,810 |
| Other capital surplus | | 687,743 | 700,363 |
| | ₩ | 892,373 | 911,588 |

(3) Capital adjustments

Capital adjustments as of December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| Share of capital adjustment of associates | ₩ | 220,936 | 220,936 |
| Other capital adjustment | | (6,454) | 53,521 |
| | ₩ | 214,482 | 274,457 |





Korea Development Bank and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

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**25. Equity, Continued**

(4) Accumulated other comprehensive income

(i) Accumulated other comprehensive income as of December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| Net gain on securities measured at FVOCI: | | | |
| Valuation gain on securities measured at FVOCI (before tax) | ₩ | 1,542,473 | 1,885,099 |
| Loss allowance for securities measured at FVOCI (before tax) | | 91,665 | 87,097 |
| Income tax effect | | (411,511) | (524,264) |
| | | 1,222,627 | 1,447,932 |
| Share of other comprehensive income of associates: | | | |
| Share of other comprehensive income of associates (before tax) | | 1,431,251 | 1,416,661 |
| Income tax effect | | (230,396) | (4,830) |
| | | 1,200,855 | 1,411,831 |
| Exchange differences on translation of foreign operations: | | | |
| Exchange differences on translation of foreign operations (before tax) | | 63,157 | 24,614 |
| Income tax effect | | 28,775 | (3,763) |
| | | 91,932 | 20,851 |
| Valuation loss on cash flow hedge: | | | |
| Valuation loss on cash flow hedge (before tax) | | 9,491 | 12,960 |
| Income tax effect | | (2,803) | (3,352) |
| | | 6,688 | 9,608 |
| Net gain (loss) on hedges of net investments in foreign operations : | | | |
| Net gain (loss) on hedges of net investments in foreign operations (before tax) | | (117,276) | (96,874) |
| Income tax effect | | 30,961 | 25,671 |
| | | (86,315) | (71,203) |
| Remeasurements of defined benefit liabilities: | | | |
| Remeasurements of defined benefit liabilities (before tax) | | 107,167 | 130,748 |
| Income tax effect | | (26,719) | (35,160) |
| | | 80,448 | 95,588 |
| Fair value changes on financial liabilities designated at fair value due to credit risk: | | | |
| Valuation gain (loss) on financial liabilities designated at fair value due to credit risk (before tax) | | 99,151 | 123,397 |
| Income tax effect | | (26,176) | (32,700) |
| | | 72,975 | 90,697 |
| Others: | | | |
| Others (before tax) | | 570,099 | 1,141,880 |
| Income tax effect | | (148,083) | (308,017) |
| | | 422,016 | 833,863 |
| | ₩ | 3,011,226 | 3,839,167 |

Korea Development Bank and Subsidiaries

# Notes to the Consolidated Financial Statements

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(In millions of won)

**25. Equity, Continued**

(ii) Changes in accumulated other comprehensive income for the years ended December 31, 2023 and 2022 are as follows:

| | | 2023 | | | |
|---|---|---|---|---|---|
| | | January 1, 2023 | Increase (Decrease) | Tax Effect | December 31, 2023 |
| Valuation gain (loss) on securities measured at FVOCI | ₩ | 1,447,932 | (338,058) | 112,753 | 1,222,627 |
| Share of other comprehensive income of associates | | 1,411,831 | 14,590 | (225,566) | 1,200,855 |
| Exchange differences on translation of foreign operations | | 20,851 | 38,543 | 32,538 | 91,932 |
| Valuation gain (loss) on cash flow hedge | | 9,608 | (3,469) | 549 | 6,688 |
| Net gain (loss) on hedges of net investments in foreign operations | | (71,203) | (20,402) | 5,290 | (86,315) |
| Remeasurements of defined benefit liabilities | | 95,588 | (23,581) | 8,441 | 80,448 |
| Fair value changes on financial liabilities designated at fair value due to credit risk | | 90,697 | (24,246) | 6,524 | 72,975 |
| Others | | 833,863 | (571,781) | 159,934 | 422,016 |
| | ₩ | 3,839,167 | (928,404) | 100,463 | 3,011,226 |

| | | 2022 | | | |
|---|---|---|---|---|---|
| | | January 1, 2022 | Increase (Decrease) | Tax Effect | December 31, 2022 |
| Valuation gain (loss) on securities measured at FVOCI | ₩ | 4,467,481 | (4,190,086) | 1,170,537 | 1,447,932 |
| Share of other comprehensive income of associates | | 762,669 | 660,470 | (11,308) | 1,411,831 |
| Exchange differences on translation of foreign operations | | (248,447) | 396,480 | (127,182) | 20,851 |
| Valuation gain (loss) on cash flow hedge | | (736) | 14,114 | (3,770) | 9,608 |
| Net gain (loss) on hedges of net investments in foreign operations | | (21,113) | (67,753) | 17,663 | (71,203) |
| Remeasurements of defined benefit liabilities | | 15,201 | 106,975 | (26,588) | 95,588 |
| Fair value changes on financial liabilities designated at fair value due to credit risk | | 477 | 122,739 | (32,519) | 90,697 |
| Others | | 2,384 | 1,140,999 | (309,520) | 833,863 |
| | ₩ | 4,977,916 | (1,816,062) | 677,313 | 3,839,167 |





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25. Equity, Continued

(5) Retained earnings
In accordance with the *Korea Development Bank Act,* the Group 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 Group 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, 2023 and 2022 are as follows:

| | | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| Legal reserve | ₩ | 2,721,885 | 2,535,892 |
| Voluntary reserve | | | |
| Regulatory reserve for credit losses (*) | | 211,996 | 247,252 |
| Unappropriated retained earnings | | 7,642,322 | 3,741,969 |
| | ₩ | 10,576,203 | 6,525,113 |

(*) This amount is regulatory reserve for credit losses recognized by the Bank, controlling company, in the separate financial statements according to the Article 29(1) and (2) of the *Regulation on Supervision of Banking Business.*

(ii) Changes in legal reserve for the years ended December 31, 2023 and 2022 are as follows:

| | | 2023 | 2022 |
|---|---|---|---|
| Beginning balance | ₩ | 2,535,892 | 1,551,154 |
| Transfer from retained earnings | | 185,993 | 984,738 |
| Ending balance | ₩ | 2,721,885 | 2,535,892 |

(iii) Changes in unappropriated retained earnings for the years ended December 31, 2023 and 2022 are as follows:

| | | 2023 | 2022 |
|---|---|---|---|
| Beginning balance | ₩ | 3,741,969 | 12,056,067 |
| Changes in accounting policy | | - | 202,771 |
| Profit (loss) attributable to owners of the parent for the year | | 3,506,077 | (7,134,896) |
| Contribution to legal reserve | | (185,993) | (984,738) |
| Dividends | | (164,743) | (833,089) |
| Reclassification of valuation gain or loss on equity securities measured at FVOCI | | 777,768 | 196,606 |
| Transfer from regulatory reserve for credit losses | | 18,231 | 229,939 |
| Others | | (50,987) | 9,309 |
| Ending balance | ₩ | 7,642,322 | 3,741,969 |

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**25. Equity, Continued**

(6) Regulatory reserve for credit losses

The Group is required to provide regulatory reserve for credit losses in accordance with *Regulation 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, 2023 and 2022 are as follows:

| | | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| Beginning balance | ₩ | 254,574 | 272,805 |
| Planned reversal of regulatory reserve for credit losses | | (144,643) | (18,231) |
| Ending balance | ₩ | 109,931 | 254,574 |

(ii) Obligated amount of provision for regulatory reserve for loan losses and profit after adjusting regulatory reserve for loan losses for the years ended December 31, 2023 and 2022 are as follows:

| | | 2023 | 2022 |
|---|---|---|---|
| Profit (loss) for the year | ₩ | 3,478,605 | (7,895,347) |
| Obligated amount of reversal of regulatory reserve for loan losses | | 144,643 | 18,231 |
| Profit (loss) after adjusting regulatory reserve for loan losses | ₩ | 3,623,248 | (7,877,116) |
| Earnings (loss) per share after adjusting regulatory reserve for loan losses (in won) | ₩ | 768 | (1,759) |





Korea Development Bank and Subsidiaries

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**26. Net Interest Income**

Net interest income for the years ended December 31, 2023 and 2022 are as follows:

| | | 2023 | 2022 |
|---|---|---|---|
| Interest income: | | | |
| Due from banks | ₩ | 375,711 | 141,694 |
| Securities measured at FVTPL | | 120,696 | 233,540 |
| Securities measured at FVOCI | | 1,151,454 | 830,109 |
| Securities measured at amortized cost | | 354,907 | 215,377 |
| Loans measured at FVTPL | | 12,743 | 12,471 |
| Loans measured at amortized cost | | 10,816,324 | 6,647,404 |
| | | 12,831,835 | 8,080,595 |
| Interest expense: | | | |
| Financial liabilities measured at FVTPL | | (86,275) | (82,977) |
| Deposits | | (2,328,605) | (1,166,779) |
| Borrowings | | (1,702,423) | (671,079) |
| Debentures | | (6,278,914) | (3,448,058) |
| | | (10,396,217) | (5,368,893) |
| | ₩ | 2,435,618 | 2,711,702 |

**27. Net Fees and Commission Income**

Net fees and commission income for the years ended December 31, 2023 and 2022 are as follows:

| | | 2023 | 2022 |
|---|---|---|---|
| Fees and commission income: | | | |
| Loan commissions | ₩ | 148,958 | 131,168 |
| Underwriting and investment consulting commissions | | 99,202 | 131,200 |
| Brokerage and agency commissions | | 8,913 | 7,953 |
| Trust and retirement pension plan commissions | | 39,059 | 34,240 |
| Fees on asset management | | 8,403 | 7,614 |
| Other fees | | 205,874 | 320,826 |
| | | 510,409 | 633,001 |
| Fees and commission expenses: | | | |
| Brokerage and agency fees | | (14,051) | (11,021) |
| Other fees | | (49,156) | (69,351) |
| | | (63,207) | (80,372) |
| | ₩ | 447,202 | 552,629 |

Korea Development Bank and Subsidiaries

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## 28. Dividend Income

Dividend income for the years ended December 31, 2023 and 2022 are as follows:

| | | 2023 | 2022 |
|---|---|---|---|
| Securities measured at FVTPL | ₩ | 185,939 | 301,841 |
| Securities measured at FVOCI | | 130,078 | 183,985 |
| | ₩ | 316,017 | 485,826 |

## 29. Net Gain (Loss) on Securities Measured at FVTPL

Net gain (loss) related to securities measured at FVTPL for the years ended December 31, 2023 and 2022 are as follows:

| | | 2023 | 2022 |
|---|---|---|---|
| Gains on securities measured at FVTPL: | | | |
| Gains on redemption | ₩ | 14,389 | 10,119 |
| Gains on sale | | 225,538 | 285,638 |
| Gains on valuation | | 980,935 | 671,745 |
| | | 1,220,862 | 967,502 |
| Losses on securities measured at FVTPL: | | | |
| Losses on redemption | | (4) | (703) |
| Losses on sale | | (152,580) | (347,229) |
| Losses on valuation | | (324,898) | (793,835) |
| Purchase related expense | | (18) | (324) |
| | | (477,500) | (1,142,091) |
| | ₩ | 743,362 | (174,589) |

## 30. Net Gain (Loss) on Financial Liabilities Measured at FVTPL

Net gain (loss) related to financial liabilities measured at FVTPL for the years ended December 31, 2023 and 2022 are as follows:

| | | 2023 | 2022 |
|---|---|---|---|
| Gains on financial liabilities measured at FVTPL: | | | |
| Gains on redemption | ₩ | - | 5,438 |
| Gains on valuation | | 7,049 | 459,661 |
| | | 7,049 | 465,099 |
| Losses on financial liabilities measured at FVTPL: | | | |
| Losses on redemption | | (697) | - |
| Losses on valuation | | (154,456) | - |
| | | (155,153) | - |
| | ₩ | (148,104) | 465,099 |





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## 31. Net Loss on Securities Measured at FVOCI

Net loss related to securities measured at FVOCI for the years ended December 31, 2023 and 2022 are as follows:

| | | 2023 | 2022 |
|---|---|---|---|
| Gains on securities measured at FVOCI: | | | |
| Gains on redemption | ₩ | 1,309 | 149 |
| Gains on sale | | 9,863 | 11,448 |
| Reversal of impairment losses | | 710 | 5,228 |
| | | 11,882 | 16,825 |
| Losses on securities measured at FVOCI: | | | |
| Losses on redemption | | - | (701) |
| Losses on sale | | (19,376) | (86,662) |
| Impairment losses | | (5,363) | (2,290) |
| | | (24,739) | (89,653) |
| | ₩ | (12,857) | (72,828) |

## 32. Net Gain (Loss) on Securities Measured at Amortized Cost

Net gain (loss) related to securities measured at amortized cost for the years ended December 31, 2023 and 2022 are as follows:

| | | 2023 | 2022 |
|---|---|---|---|
| Gains on securities measured at amortized cost: | | | |
| Gains on redemption | ₩ | 1 | - |
| Gains on sale | | - | 363 |
| Reversal of impairment losses | | 428 | 2,573 |
| | | 429 | 2,936 |
| Losses on securities measured at amortized cost: | | | |
| Impairment losses | | (9,216) | (49) |
| | | (9,216) | (49) |
| | ₩ | (8,787) | 2,887 |

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## 33. Net Loss on Derivatives

Net loss on derivatives for the years ended December 31, 2023 and 2022 are as follows:

| | | 2023 | 2022 |
|---|---|---|---|
| Net gain on trading purpose derivatives: | | | |
| Gains on trading purpose derivatives: | | | |
| Interest rate | ₩ | 4,682,575 | 5,177,942 |
| Currency | | 12,378,870 | 16,382,254 |
| Stock | | 31,563 | 9,897 |
| Gains on adjustment of derivatives | | 65,222 | 32,404 |
| | | 17,158,230 | 21,602,497 |
| Losses on trading purpose derivatives: | | | |
| Interest rate | | (4,622,607) | (4,540,527) |
| Currency | | (12,222,444) | (16,247,782) |
| Stock | | (33,143) | (34,753) |
| Losses on adjustment of derivatives | | (100,288) | (49,306) |
| | | (16,978,482) | (20,872,368) |
| | | 179,748 | 730,129 |
| Net loss on hedging purpose derivatives: | | | |
| Gains on hedging purpose derivatives: | | | |
| Interest rate | | 893,974 | 356,634 |
| Currency | | 843,703 | 793,297 |
| Gains on adjustment of derivatives | | 109 | 309 |
| | | 1,737,786 | 1,150,240 |
| Losses on hedging purpose derivatives: | | | |
| Interest rate | | (145,559) | (1,977,057) |
| Currency | | (853,706) | (1,923,104) |
| Losses on adjustment of derivatives | | (653) | (501) |
| | | (999,918) | (3,900,662) |
| | | 737,868 | (2,750,422) |
| Net gain on fair value hedged items: | | | |
| Gains on fair value hedged items: | | | |
| Gains on valuation | | 155,743 | 2,264,372 |
| Gains on redemption | | 199,661 | 101,261 |
| | | 355,404 | 2,365,633 |
| Losses on fair value hedged items: | | | |
| Losses on valuation | | (1,365,295) | (475,082) |
| Losses on redemption | | (403,310) | (396,415) |
| | | (1,768,605) | (871,497) |
| | | (1,413,201) | 1,494,136 |
| | ₩ | (495,585) | (526,157) |

Related with cash flow hedge, the Group recognized ₩401 million of loss and ₩111 million of gain in the consolidated statement of comprehensive income as the ineffective portion for the years ended December 31, 2023 and 2022, respectively.





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## 34. Net Foreign Currency Transaction Gain (Loss)

Net foreign currency transaction gain (loss) for the years ended December 31, 2023 and 2022 are as follows:

| | | 2023 | 2022 |
|---|---|---|---|
| Net gain on foreign exchange transactions: | | | |
| Gains on foreign exchange transactions | ₩ | 994,230 | 1,098,663 |
| Losses on foreign exchange transactions | | (991,845) | (1,083,712) |
| | | 2,385 | 14,951 |
| Net gain (loss) on foreign exchange translations: | | | |
| Gains on foreign exchange translations | | 8,908,755 | 14,354,360 |
| Losses on foreign exchange translations | | (8,480,009) | (14,485,348) |
| | | 428,746 | (130,988) |
| | ₩ | 431,131 | (116,037) |

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**35. Other Operating Income (Expense), net**

Other operating income (expense) for the years ended December 31, 2023 and 2022 are as follows:

| | | 2023 | 2022 |
|---|---|---|---|
| Other operating income: | | | |
| Insurance income (*) | ₩ | 584,281 | 551,943 |
| Gains on sale of investments in associates | | 253,037 | 59,350 |
| Gains on sale of loans | | 33,118 | 41,477 |
| Gains on disposal of loans measured at FVTPL | | 8,312 | 8,100 |
| Gains on valuation of loans measured at FVTPL | | 7,381 | 9,364 |
| Gains on demand equity redemption | | 49,360 | 15,328 |
| Reversal of provisions | | 960 | 47,880 |
| Gains on bargain purchase | | - | 2,518 |
| Gains on redemption of debentures | | 2 | 4 |
| Others | | 390,678 | 232,528 |
| | | 1,327,129 | 968,492 |
| Other operating expense: | | | |
| Insurance losses (*) | | (1,226,192) | (965,272) |
| Losses on sale of investments in associates | | (518,952) | (129,980) |
| Losses on sale of loans | | (17,370) | (9,164) |
| Losses on disposal of loans measured at FVTPL | | (5,332) | (8,709) |
| Losses on valuation of loans measured at FVTPL | | (16,294) | (88,248) |
| Losses on demand equity redemption | | (86,011) | (132,393) |
| Increase of provisions | | (138) | (212) |
| Losses on redemption of debentures | | (537) | - |
| Others | | (420,702) | (468,849) |
| | | (2,291,528) | (1,802,827) |
| | ₩ | (964,399) | (834,335) |

(*) Insurance finance income or expenses were included. (Note 21)





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**36. Provision for Credit Losses**

Provision for credit losses for the years ended December 31, 2023 and 2022 are as follows:

| | | 2023 | 2022 |
|---|---|---|---|
| Provision for loss allowance | ₩ | 445,558 | 522,818 |
| Provision for other manufacturing-related assets | | 907 | - |
| Provision for other assets | | 3,246 | 3,045 |
| Provision for (reversal of) due from banks | | 70 | (76) |
| Provision for (reversal of) payment guarantees | | (218,924) | 183,010 |
| Provision for (reversal of) unused commitments | | 58,059 | (64,310) |
| Provision for (reversal of) financial guarantees | | 7,839 | (13,588) |
| | ₩ | 296,755 | 630,899 |

**37. General and Administrative Expenses**

General and administrative expenses for the years ended December 31, 2023 and 2022 are as follows:

| | | 2023 | 2022 |
|---|---|---|---|
| Payroll costs: | | | |
| Short-term employee benefits | ₩ | 474,870 | 473,921 |
| Defined benefit costs | | 25,203 | 73,368 |
| Defined contribution costs | | 8,622 | 10,041 |
| | | 508,695 | 557,330 |
| Depreciation and amortization: | | | |
| Depreciation of property and equipment | | 83,994 | 84,049 |
| Amortization of intangible assets | | 64,966 | 59,053 |
| | | 148,960 | 143,102 |
| Other: | | | |
| Employee welfare benefits | | 46,949 | 48,867 |
| Rent expenses | | 7,294 | 6,762 |
| Taxes and dues | | 42,411 | 50,784 |
| Advertising expenses | | 18,999 | 18,516 |
| Others | | 200,772 | 191,468 |
| | | 316,425 | 316,397 |
| | ₩ | 974,080 | 1,016,829 |

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## 38. Other Non-Operating Income and Expense

Other non-operating income and expense for the years ended December 31, 2023 and 2022 are as follows:

| | | 2023 | 2022 |
|---|---|---|---|
| Other non-operating income: | | | |
| Interest income of non-financial business | ₩ | 429 | 243 |
| Gain on disposal of property and equipment | | 5,730 | 2,682 |
| Gain on disposal of investment property | | 232 | - |
| Rental income on investment property | | 9,131 | 7,631 |
| Gain on disposal of intangible assets | | 121 | 768 |
| Others | | 10,267 | 9,831 |
| | | 25,910 | 21,155 |
| Other non-operating expense: | | | |
| Interest expense of non-financial business | | (22) | (30) |
| Loss on assets held for sale | | (294,153) | - |
| Loss on disposal of property and equipment | | (6,591) | (1,453) |
| Impairment loss of property and equipment | | - | (1,495) |
| Depreciation of investment property | | (4,507) | (4,382) |
| Loss on disposal of intangible assets | | - | (78) |
| Impairment loss of intangible assets | | (12) | (103) |
| Donations | | (8,685) | (5,825) |
| Others | | (28,436) | (39,155) |
| | | (342,406) | (52,521) |
| | ₩ | (316,496) | (31,366) |





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## 39. Income Tax Expenses (Benefits)

(1) Income tax expenses (benefits) for the years ended December 31, 2023 and 2022 are as follows:

| | | 2023 | 2022 |
|---|---|---|---|
| Current income tax | ₩ | 479,285 | 189,737 |
| Changes in income tax before the prior years | | - | (149,746) |
| Changes in deferred income taxes on temporary differences | | (1,020,751) | (2,959,245) |
| Income tax recognized directly to equity: | | | |
| Other comprehensive income (owners of the parent) | | 100,463 | 677,313 |
| Other comprehensive income (non-controlling interests) | | (61) | (37,185) |
| Retained earnings (including non-controlling interests) | | (254,586) | (75,946) |
| Income tax expenses (benefits): | ₩ | (695,650) | (2,355,072) |
| Continuing operations | | (696,147) | (2,286,389) |
| Discontinued operations | | 497 | (68,683) |

(2) Profit (loss) before income taxes and income tax expenses (benefits) for the years ended December 31, 2023 and 2022 are as follows:

| | | 2023 | 2022 |
|---|---|---|---|
| Profit (loss) before income taxes | ₩ | 454,339 | (9,111,313) |
| Income taxes calculated using enacted tax rates | | 945,065 | 418,329 |
| Adjustments: | | | |
| Non-deductible losses and tax-free gains | | (25,370) | (26,659) |
| Non-recognition effect of deferred income taxes | | (148,260) | 110,532 |
| Net adjustments for prior years | | 9,691 | (42,515) |
| Consolidation adjustments | | (1,232,298) | (2,410,945) |
| Others | | (244,975) | (335,131) |
| | | (1,641,212) | (2,704,718) |
| Income tax expenses (benefits) | ₩ | (696,147) | (2,286,389) |
| Effective tax rate (*) | | - | - |

(*) The Group did not calculate the average effective tax ratio because the Group has net loss for 2023 and 2022.

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## 39. Income Tax Expenses (Benefits), Continued

(3) Changes in deferred income taxes recognized directly to equity for the years ended December 31, 2023 and 2022 are as follows:

| | | 2023 | | | | |
|---|---|---|---|---|---|---|
| | | December 31, 2023 | | January 1, 2023 (*) | | |
| | | Amounts before tax | Tax effect | Amounts before tax | Tax effect | Changes in tax effect |
| Net gain (loss) on securities measured at FVOCI | ₩ | 1,634,138 | (411,511) | 1,972,196 | (524,264) | 112,753 |
| Share of other comprehensive income (loss) of associates | | 1,431,251 | (230,396) | 1,416,661 | (4,830) | (225,566) |
| Exchange differences on translation of foreign operations | | 63,157 | 28,775 | 24,614 | (3,763) | 32,538 |
| Gain (loss) on valuation of cash flow hedge | | 9,491 | (2,803) | 12,960 | (3,352) | 549 |
| Net gain (loss) on hedges of net investments in foreign operations | | (117,276) | 30,961 | (96,874) | 25,671 | 5,290 |
| Remeasurements of defined benefit liabilities | | 107,167 | (26,719) | 130,748 | (35,160) | 8,441 |
| Fair value changes on financial liabilities designated at fair value due to credit risk | | 99,151 | (26,176) | 123,397 | (32,700) | 6,524 |
| Others | | 570,099 | (148,083) | 1,141,880 | (308,017) | 159,934 |
| | ₩ | 3,797,178 | (785,952) | 4,725,582 | (886,415) | 100,463 |

(*) The effect of changes in accounting policy is included.

₩254,586 million of income tax benefits which is directly recognized in retained earnings consist of tax effects from ₩964,342 million of realized gain on disposal of equity securities measured at FVOCI.

| | | 2022 | | | | |
|---|---|---|---|---|---|---|
| | | December 31, 2022 | | January 1, 2022 (*) | | |
| | | Amounts before tax | Tax effect | Amounts before tax | Tax effect | Changes in tax effect |
| Net gain (loss) on securities measured at FVOCI | ₩ | 1,972,196 | (524,264) | 6,162,282 | (1,694,801) | 1,170,537 |
| Share of other comprehensive income (loss) of associates | | 1,416,661 | (4,830) | 756,191 | 6,478 | (11,308) |
| Exchange differences on translation of foreign operations | | 24,614 | (3,763) | (371,866) | 123,419 | (127,182) |
| Gain (loss) on valuation of cash flow hedge | | 12,960 | (3,352) | (1,154) | 418 | (3,770) |
| Net gain (loss) on hedges of net investments in foreign operations | | (96,874) | 25,671 | (29,121) | 8,008 | 17,663 |
| Remeasurements of defined benefit liabilities | | 130,748 | (35,160) | 23,773 | (8,572) | (26,588) |
| Fair value changes on financial liabilities designated at fair value due to credit risk | | 123,397 | (32,700) | 658 | (181) | (32,519) |
| Others | | 1,141,880 | (308,017) | 881 | 1,503 | (309,520) |
| | ₩ | 4,725,582 | (886,415) | 6,541,644 | (1,563,728) | 677,313 |

(*) The effect of changes in accounting policy is included.

₩75,946 million of income tax benefits which is directly recognized in retained earnings consist of tax effects from ₩276,167 million of realized gain on disposal of equity securities measured at FVOCI.





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39. Income Tax Expenses (Benefits), Continued

(4) Changes in temporary differences and deferred tax assets (liabilities) for the years ended December 31, 2023 and 2022 are as follows:

| | | 2023 | | | |
|---|---|---|---|---|---|
| | | January 1, 2023 | Increase/ decrease | December 31, 2023 | Deferred tax assets (liabilities) (*) |
| Temporary differences from recognized deferred tax assets and liabilities: | | | | | |
| Derivatives | ₩ | 1,200,766 | (1,492,035) | (291,269) | (76,961) |
| Investments in associates | | (8,082,818) | (276,905) | (8,359,723) | (2,788,699) |
| Securities measured at FVOCI | | (147,265) | 1,199 | (146,066) | 245 |
| Impairment losses on debt securities | | 65,933 | - | 65,933 | 17,406 |
| Impairment losses on equity securities | | 75,724 | 1,353 | 77,077 | 18,265 |
| Others | | (3,179,113) | 4,557,270 | 1,378,157 | 228,842 |
| | | (10,066,773) | 2,790,882 | (7,275,891) | (2,600,902) |
| Temporary differences from unrecognized deferred tax assets and liabilities: | | | | | |
| Investments in associates | | 2,812,587 | (559,439) | 2,253,148 | - |
| | ₩ | (12,879,360) | 3,350,321 | (9,529,039) | (2,600,902) |
| Undisposed accumulated deficit by deferred corporate taxes: | | | | | |
| Undisposed accumulated deficit | ₩ | 591,011 | (591,011) | - | - |

(*) The deferred tax assets (liabilities) classified as assets (liabilities) held for sale are not included.

| | | 2022 | | | |
|---|---|---|---|---|---|
| | | January 1, 2022 | Increase/ decrease | December 31, 2022 | Deferred tax assets (liabilities) (*) |
| Temporary differences from recognized deferred tax assets and liabilities: | | | | | |
| Derivatives | ₩ | (479,047) | 1,679,813 | 1,200,766 | 318,136 |
| Investments in associates | | (9,481,569) | 1,398,751 | (8,082,818) | (2,875,881) |
| Securities measured at FVOCI | | (147,306) | 41 | (147,265) | (31) |
| Impairment losses on debt securities | | 65,933 | - | 65,933 | 17,472 |
| Impairment losses on equity securities | | 114,603 | (38,879) | 75,724 | 17,961 |
| Others | | (11,127,315) | 7,948,202 | (3,179,113) | (1,255,929) |
| | | (21,054,701) | 10,987,928 | (10,066,773) | (3,778,272) |
| Temporary differences from unrecognized deferred tax assets and liabilities: | | | | | |
| Investments in associates | | 2,512,727 | 299,860 | 2,812,587 | - |
| | ₩ | (23,567,428) | 10,688,068 | (12,879,360) | (3,778,272) |
| Undisposed accumulated deficit by deferred corporate taxes: | | | | | |
| Undisposed accumulated deficit | ₩ | - | 591,011 | 591,011 | 156,619 |

(*) The deferred tax assets (liabilities) classified as assets (liabilities) held for sale are not included.

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## 39. Income Tax Expenses (Benefits), Continued

(5) Deferred income tax assets and liabilities are offset only if there is a legally enforceable right to offset the related current income tax liabilities and assets, and they relate to income tax levied by the same tax authority and they intend to settle current income tax liabilities and assets on a net basis.

## 40. Earnings (Loss) per Share

(1) Basic earnings (loss) per share
The Group's basic earnings per share for the years ended December 31, 2023 and 2022 are computed as follows:

(i) Basic earnings (loss) per share

| | | 2023 | 2022 |
|---|---|---|---|
| Profit (loss) for the year (in won) | ₩ | 3,478,605,333,788 | (7,895,346,505,464) |
| Loss attributable to non-controlling interests (in won) | | (27,472,154,700) | (760,450,988,964) |
| Profit (loss) attributable to ordinary shareholders of the Group (A) (in won) | | 3,506,077,488,488 | (7,134,895,516,500) |
| Profit (loss) from continuing operations (in won) | | 1,124,591,978,144 | (6,833,150,831,229) |
| Profit (loss) from discontinued operations (in won) | | 2,381,485,510,344 | (301,744,685,271) |
| Weighted-average number of ordinary shares outstanding (B) | | 4,720,569,302 | 4,477,598,343 |
| Basic earnings (loss) per share (A/B) (in won) | ₩ | 743 | (1,593) |
| Basic earnings (loss) per share - continuing operations (in won) | | 238 | (1,526) |
| Basic loss per share -discontinued operations (in won) | | 505 | (67) |

(ii) Weighted-average number of ordinary shares outstanding

| 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 |

| 2022 | Number of ordinary shares | Days | Cumulative shares |
|---|---|---|---|
| Number of ordinary shares outstanding at the beginning of the year (A) | 4,377,311,768 | 365 | 1,597,718,795,320 |
| Increased paid-in capital (B) | 78,400,000 | 318 | 24,931,200,000 |
| Increased paid-in capital (C) | 61,600,000 | 184 | 11,334,400,000 |
| Increased paid-in capital (D) | 113,000,000 | 3 | 339,000,000 |
| Cumulative shares (E = A+B+C+D) | | | 1,634,323,395,320 |
| Weighted-average number of ordinary shares outstanding (E/365) | | | 4,477,598,343 |

(2) Diluted earnings per share
Diluted and basic earnings per share for the years ended December 31, 2023 and 2022 are equal because there is no potential dilutive instrument.





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## 41. Pledged Assets

Assets pledged by the Group as collateral as of December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|---|
| | | Pledged assets | Related liabilities | Pledged assets | Related liabilities |
| Cash and due from banks (*1) | ₩ | 6,444 | 5,850 | 6,363 | - |
| Securities (*2) | | 19,300,442 | 448,961 | 7,338,978 | 432,969 |
| Others (*3) | | 8,090 | 7,923 | 269,500 | 186,883 |
| | ₩ | 19,314,976 | 462,734 | 7,614,841 | 619,852 |

(*1) Pledged as collateral for bidding deposits and others.
(*2) Pledged as collateral for bonds sold under repurchase agreements, BOK loans and back overdrafts.
(*3) Property and equipment, etc. are pledged as collateral for borrowings and new business.

## 42. Guarantees and Commitments

Guarantees and commitments as of December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| Confirmed acceptances and guarantees: | | | |
| Acceptances in foreign currency | ₩ | 184,769 | 224,255 |
| Guarantees for bond issuance | | 2,214,687 | 1,860,754 |
| Guarantees for loans | | 537,699 | 560,129 |
| Letter of guarantee | | 35,858 | 64,924 |
| Guarantees for on-lending debt | | 2,821 | 4,877 |
| Others | | 7,702,703 | 3,661,506 |
| | | 10,678,537 | 6,376,445 |
| Unconfirmed acceptances and guarantees: | | | |
| Letter of credit | | 2,261,318 | 1,875,325 |
| Others | | 5,349,455 | 3,169,784 |
| | | 7,610,773 | 5,045,109 |
| Commitments: | | | |
| Commitments on loans | | 53,883,761 | 44,947,184 |
| Securities Purchase Agreement | | 25,788 | - |
| Commitments on purchase of securities | | 2,762,397 | 3,155,025 |
| | | 56,671,946 | 48,102,209 |
| | ₩ | 74,961,256 | 59,523,763 |

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**43. Leases**

(1) Finance lease
Details of finance lease receivables of the Group as lessor as of December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | | |
|---|---|---|---|---|
| | | Finance lease receivables in Korean won | Finance lease receivables in foreign currency | Total |
| Within 1 year | ₩ | 530,547 | 150,971 | 681,518 |
| Over 1 year through 5 years | | 1,683,491 | 199,287 | 1,882,778 |
| Over 5 years | | 997 | - | 997 |
| Gross investment in the lease | | 2,215,035 | 350,258 | 2,565,293 |
| Unearned finance income | | (279,512) | (36,422) | (315,934) |
| Net investment in the lease (*) | ₩ | 1,935,523 | 313,836 | 2,249,359 |
| Contingent rent recognized in the current profit or loss | ₩ | - | - | - |

(*) Finance lease receivables are included in loans measured at amortized cost on the consolidated statements of financial position.

| | | December 31, 2022 | | |
|---|---|---|---|---|
| | | Finance lease receivables in Korean won | Finance lease receivables in foreign currency | Total |
| Within 1 year | ₩ | 458,931 | 114,167 | 573,098 |
| Over 1 year through 5 years | | 1,409,842 | 159,619 | 1,569,461 |
| Over 5 years | | 3,029 | - | 3,029 |
| Gross investment in the lease | | 1,871,802 | 273,786 | 2,145,588 |
| Unearned finance income | | (223,862) | (33,705) | (257,567) |
| Net investment in the lease (*) | ₩ | 1,647,940 | 240,081 | 1,888,021 |
| Contingent rent recognized in the current profit or loss | ₩ | - | - | - |

(*) Finance lease receivables are included in loans measured at amortized cost on the consolidated statements of financial position.



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**43. Leases, Continued**

(2) Operating lease
Future minimum lease receivables under non-cancellable operating leases as of December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| Within 1 year | ₩ | 4,537 | 3,361 |
| Over 1 year through 5 years | | 2,747 | 4,800 |
| | ₩ | 7,284 | 8,161 |
| Contingent rent recognized in the current loss | ₩ | - | - |

(3) Cancellable lease
Cancellable lease as of December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| Cancellable financial lease | ₩ | 4,175 | 4,563 |
| Allowance for credit losses | | (3,072) | (4,220) |
| | ₩ | 1,103 | 343 |

(4) Advanced payment for leased assets
The amount of capital paid for a new lease that the Group enters into before the commencement of lease term as of December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| Advanced payment for leased assets | ₩ | 9,753 | 26,161 |
| Allowance for credit losses | | - | - |
| | ₩ | 9,753 | 26,161 |

(5) Leasehold deposits
The Group withholds collateral money received from the lessees as of December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| Leasehold deposits | ₩ | 577,516 | 482,281 |

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**44. Trust Accounts**

(1) Trust accounts as of December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| Accrued trust fees | ₩ | 15,870 | 9,799 |
| Borrowings from trust accounts | | 801,266 | 492,256 |
| Accrued interest on deposits | | 2,257 | 511 |

(2) Transactions with trust accounts for the years ended December 31, 2023 and 2022 are as follows:

| | | 2023 | 2022 |
|---|---|---|---|
| Fees on trust accounts | ₩ | 33,295 | 28,824 |
| Interest expenses of borrowings from trust accounts | | 51,946 | 15,648 |

**45. Related Party Transactions**

(1) The Group's related parties as of December 31, 2023 are as follows:

| Classification | Corporate name |
|---|---|
| Associates | Korea Electric Power Co., Ltd., Korea Tourism Organization, Korea Appraisal Board, GM Korea Company, HMM Co., Ltd., HANJIN KAL, Korean Air Lines Co., Ltd., Hanwha Ocean Co., Ltd., Korea Ocean Business Corporation and 13 others, Keistone Value Investment 2nd Private Equity Fund and 97 others, Hana K-New Deal Unicorn Fund and 114 others |
| Others | Key management personnel |





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**45. Related Party Transactions, Continued**

(2) Significant outstanding balances with related parties as of December 31, 2023 and 2022 are as follows:

| | Account | | December 31, 2023 | December 31, 2022 |
|---|---|---|---|---|
| Associates: | | | | |
| Korea Electric Power Co., Ltd. | Securities | ₩ | 168,701 | 177,317 |
| | Loans | | 328,097 | 227,477 |
| | Allowances for loan losses | | (1,082) | (1,151) |
| | Derivative financial assets | | 84,826 | 92,381 |
| | Other assets | | 5,783 | 4,409 |
| | Deposits | | 371,020 | 23,196 |
| | Borrowings | | 1,801 | 2,253 |
| | Derivative financial liabilities | | 160,304 | 223,611 |
| | Other liabilities | | 46,449 | 57,487 |
| | Other provisions | | 85 | 59 |
| HMM Co., Ltd. | Securities | | 3,286,533 | 5,233,622 |
| | Loans | | 123,682 | 164,292 |
| | Allowances for loan losses | | (775) | (2,243) |
| | Other assets | | 4,280 | 7,123 |
| | Deposits | | 258,880 | 509,920 |
| | Other liabilities | | 17,292 | 10,468 |
| HANJIN KAL | Loans | | 447,774 | 373,445 |
| | Allowances for loan losses | | (3,142) | - |
| | Other assets | | 526 | 481 |
| | Deposits | | 2,000 | 70,000 |
| | Other liabilities | | 333 | 1,050 |
| Korean Air Lines Co., Ltd. | Securities | | 64,154 | - |
| | Loans | | 1,482,916 | 1,189,100 |
| | Allowances for loan losses | | (4,831) | (8,798) |
| | Derivative financial assets | | 8,790 | - |
| | Other assets | | 13,743 | 11,989 |
| | Deposits | | 1,605,661 | 1,716,833 |
| | Derivative financial liabilities | | 81,256 | 73,131 |
| | Other liabilities | | 47,542 | 23,075 |
| | Other provisions | | 561 | - |
| Korea Ocean Business Corporation | Securities | | 55,020 | - |
| | Other assets | | 401 | - |
| | Deposits | | 25,000 | 25,000 |
| | Other liabilities | | 713 | 386 |
| Hanwha Ocean Co., Ltd. (priorly known as Daewoo Shipbuilding & Marine Engineering Co., Ltd.) (*) | Securities | | 64 | - |
| | Loans | | 1,468,780 | - |
| | Allowances for loan losses | | (146,570) | - |
| | Derivative financial assets | | 328,988 | - |
| | Other assets | | 8,443 | - |
| | Deposits | | 156,336 | - |
| | Other liabilities | | 11,968 | - |
| | Other provisions | | 417,443 | - |

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**45. Related Party Transactions, Continued**

| | Account | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| Others | Securities | 26,345 | - |
| | Loans | 218,912 | 209,978 |
| | Allowances for loan losses | (546) | (480) |
| | Derivative financial assets | 19 | - |
| | Other assets | 8,068 | 6,472 |
| | Deposits | 397,953 | 323,333 |
| | Derivative financial liabilities | 1,174 | - |
| | Other liabilities | 2,671 | 2,215 |
| | Other provisions | 46 | 46 |

(*) For the year ended December 31, 2023, Hanwha Ocean Co., Ltd. (priorly known as Daewoo Shipbuilding & Marine Engineering Co., Ltd.) was reclassified as investments in associates due to the loss of control.





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**45. Related Party Transactions, Continued**

(3) Significant profit or loss from transactions with related parties for the years ended December 31, 2023 and 2022 are as follows:

| | Account | | 2023 | 2022 |
|---|---|---|---|---|
| Associates: | | | | |
| Korea Electric Power Co., Ltd. | Interest income | ₩ | 24,512 | 12,096 |
| | Reversal of allowance for loan losses | | - | 379 |
| | Fees and commission income, other income | | 121,605 | 136,288 |
| | Interest expenses | | (11,360) | (3,357) |
| | Provision for loan losses | | (1,082) | - |
| | Other operating expenses | | (221,506) | (208,915) |
| HMM Co., Ltd. | Interest income | | 38,998 | 42,406 |
| | Dividend income | | 121,439 | 60,720 |
| | Reversal of allowance for loan losses | | - | 28,372 |
| | Fees and commission income, other income | | 1,916 | 19,561 |
| | Interest expenses | | (44,123) | (7,724) |
| | Provision for loan losses | | (775) | - |
| | Other operating expenses | | (69,013) | (192,015) |
| HANJIN KAL | Interest income | | 11,735 | 6,713 |
| | Dividend income | | 1,201 | - |
| | Fees and commission income, other income | | 30 | 15 |
| | Interest expenses | | (841) | (1,184) |
| | Provision for loan losses | | (3,142) | - |
| | Other operating expenses | | (5,671) | (75,807) |
| Korean Air Lines Co., Ltd. | Interest income | | 72,984 | 44,609 |
| | Dividend income | | 9,180 | - |
| | Reversal of allowance for loan losses | | - | 13,348 |
| | Fees and commission income, other income | | 89,082 | 62,228 |
| | Interest expenses | | (66,766) | (41,878) |
| | Provision for loan losses | | (4,831) | - |
| | Other operating expenses | | (119,041) | (144,436) |
| Korea Ocean Business Corporation | Interest income | | 1,695 | 343 |
| | Reversal of allowance for loan losses | | - | 2 |
| | Fees and commission income, other income | | 2 | 2,907 |
| | Interest expenses | | (524) | (266) |
| | Other operating expenses | | (1,086) | - |
| Hanwha Ocean Co., Ltd. (priorly known as Daewoo Shipbuilding & Marine Engineering Co., Ltd.) (*) | Interest income | | 117,836 | - |
| | Fees and commission income, other income | | 462,472 | - |
| | Interest expenses | | (6,391) | - |
| | Provision for loan losses | | (146,570) | - |
| | Other operating expenses | | (481,806) | - |
| Others | Interest income | | 8,983 | 6,738 |
| | Dividend income | | 260,290 | 218,852 |
| | Reversal of allowance for loan losses | | - | 4 |
| | Fees and commission income, other income | | 7,315 | 5,639 |
| | Interest expenses | | (8,135) | (6,422) |
| | Provision for loan losses | | (546) | (129) |
| | Other operating expenses | | (2,465) | (329) |

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**45. Related Party Transactions, Continued**

(*) For the year ended December 31, 2023, Hanwha Ocean Co., Ltd. (priorly known as Daewoo Shipbuilding & Marine Engineering Co., Ltd.) was reclassified as investments in associates due to the loss of control.

(4) Details of guarantees and commitments to the related parties as of December 31, 2023 and 2022 are as follows:

| | Account | | December 31, 2023 | December 31, 2022 |
|---|---|---|---|---|
| Associates: | | | | |
| Korean Air Lines Co., Ltd. | Confirmed acceptances and guarantees | ₩ | 172,957 | 177,367 |
| | Loan commitments | | 30,000 | - |
| Hanwha Ocean Co., Ltd. (priorly known as Daewoo Shipbuilding & Marine Engineering Co., Ltd.) (*) | Confirmed acceptances and guarantees | | 3,529,955 | - |
| | Unconfirmed acceptances and guarantees | | 2,150,165 | - |
| | Loan commitments | | 1,836,929 | - |
| Others | Loan commitments | | 377,891 | 426,085 |
| | | ₩ | 8,097,897 | 603,452 |

(*) For the year ended December 31, 2023, Hanwha Ocean Co., Ltd. (priorly known as Daewoo Shipbuilding & Marine Engineering Co., Ltd.) was reclassified as investments in associates due to the loss of control.

(5) Details of compensation to key management personnel for the years ended December 31, 2023 and 2022 are as follows:

| | | 2023 | 2022 |
|---|---|---|---|
| Short-term employee benefits | ₩ | 4,853 | 6,453 |
| Post-employment benefits | | 387 | 766 |
| | ₩ | 5,240 | 7,219 |

(6) The Group is not pledged any assets as collaterals to the related parties and from the related parties as of December 31, 2023 and 2022.





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**46. Disclosure of Interests in Other Entities**

(1) Commitments of financial support for consolidated structured entities
The contractual commitments offered by the Group to the consolidated structured entities as of December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| **Associates:** | | | |
| Corporate Liquidity Assistance Agency Co.,Ltd. (*) | ₩ | 560,000 | 560,000 |
| Sinoker SF 4th Co., Ltd. (*) | | 45,000 | 5,625 |
| SPKDB 1ST INC. | | 19,500 | - |
| K-Five 10th Securitization Specialty Co., Ltd. (*) | | 20,000 | - |
| KKC 2ND INC. (*) | | 30,000 | - |
| KDB ESG 1ST INC. (*) | | 100,500 | - |
| KDB ESG 2ND INC. (*) | | 150,500 | - |
| KDB ESG 3RD INC. (*) | | 170,800 | - |
| KDB ESG 4TH INC. (*) | | 121,000 | - |
| KDB ESG 5TH INC. (*) | | 146,500 | - |
| KDB ESG 6TH INC. (*) | | 105,000 | - |
| KDB ESG 7TH INC. (*) | | 49,500 | - |
| PROPERTY KDB 1ST INC. (*) | | 30,000 | 30,000 |
| ENMKDB 1ST INC. (*) | | 50,000 | 50,000 |
| | ₩ | 1,598,300 | 645,625 |

(*) The Group made a commitment on loans for consolidated structured entities. According to the commitment, the Group guarantees loan to a subsidiary when the subsidiary has insufficient working capital.

(2) Nature and scope of interests in unconsolidated structured entities
Details of unconsolidated structured entities as of December 31, 2023 and 2022 are as follows:

| Type | Characteristics and objective | Financing method |
|---|---|---|
| Investment funds and investment trusts (*1) | Investment and distribution | Equity investment and fund operations, etc. |
| Real estate finance (*2) | Real estate development and infrastructure investment, etc. | Equity investment and credit reinforcement, etc. |
| Asset-backed securitization | Securitization of underlying assets | Issuance of ABL and ABCP, etc. |
| Shipping and acquisition finance | Providing funds for acquisition of corporate or ships | Equity investment and fund operations, etc. |

(*1) PEF, investment association, beneficiary certificate, etc.
(*2) SPC, PF, SOC, etc.

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**46. Disclosure of Interests in Other Entities, Continued**

(3) Nature of related risks

The carrying amount of and maximum exposure to loss from interests in unconsolidated structured entities as of December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | | | | | |
|---|---|---|---|---|---|---|---|
| | | Investment funds and investment trusts | Real estate finance | Asset-backed securitization | Shipping and acquisition finance | Others | Total |
| Assets: | | | | | | | |
| Securities | ₩ | 12,638,130 | 296,607 | - | - | 375 | 12,935,112 |
| Loans | | 2,106,221 | 8,721,256 | 839,059 | 1,846,438 | 3,846,349 | 17,359,323 |
| Derivatives | | 19,415 | - | 8,806 | - | - | 28,221 |
| Others | | 118,737 | 58,241 | 1,478 | 5,104 | 23,708 | 207,268 |
| | | 14,882,503 | 9,076,104 | 849,343 | 1,851,542 | 3,870,432 | 30,529,924 |
| Liabilities: | | | | | | | |
| Provisions | | 125 | 1,771 | 520 | 336 | 1,516 | 4,268 |
| Financial guarantees | | - | - | 749 | - | 3,203 | 3,952 |
| Derivatives | | 34,682 | 552 | 15,448 | - | 4,653 | 55,335 |
| Others | | 122,971 | 8,506 | 19 | 235 | 1,663 | 133,394 |
| | | 157,778 | 10,829 | 16,736 | 571 | 11,035 | 196,949 |
| Granting of credit and other commitments | | 106,321 | 1,145,655 | 437,914 | 140,734 | 729,947 | 2,560,571 |
| Maximum exposure to loss (*) | ₩ | 14,988,824 | 10,221,759 | 1,287,257 | 1,992,276 | 4,600,379 | 33,090,495 |

(*) Maximum exposure to loss is calculated by summarizing related assets (after adjusting impairment loss on securities, allowance for loan losses, etc.), granting of credit and other commitments.

| | | December 31, 2022 | | | | | |
|---|---|---|---|---|---|---|---|
| | | Investment funds and investment trusts | Real estate finance | Asset-backed securitization | Shipping and acquisition finance | Others | Total |
| Assets: | | | | | | | |
| Securities | ₩ | 11,195,851 | 314,300 | 54,307 | 2,114 | 375 | 11,566,947 |
| Loans | | 2,079,727 | 9,753,470 | 1,007,058 | 1,690,082 | 4,652,124 | 19,182,461 |
| Derivatives | | 42,471 | 520 | 11,187 | - | - | 54,178 |
| Others | | 63,162 | 45,108 | 1,882 | 5,355 | 24,525 | 140,032 |
| | | 13,381,211 | 10,113,398 | 1,074,434 | 1,697,551 | 4,677,024 | 30,943,618 |
| Liabilities: | | | | | | | |
| Provisions | | 215 | 1,611 | 153 | 72 | 594 | 2,645 |
| Financial guarantees | | - | - | 702 | - | 1,815 | 2,517 |
| Derivatives | | 51,593 | 1,641 | 17,474 | - | 7,653 | 78,361 |
| Others | | 9,450 | 10,456 | 1,285 | 275 | 4,080 | 25,546 |
| | | 61,258 | 13,708 | 19,614 | 347 | 14,142 | 109,069 |
| Granting of credit and other commitments | | 282,484 | 1,602,742 | 517,848 | 82,542 | 853,225 | 3,338,841 |
| Maximum exposure to loss (*) | ₩ | 13,663,695 | 11,716,140 | 1,592,282 | 1,780,093 | 5,530,249 | 34,282,459 |

(*) Maximum exposure to loss is calculated by summarizing related assets (after adjusting impairment loss on securities, allowance for loan losses, etc.), granting of credit and other commitments.





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**46. Disclosure of Interests in Other Entities, Continued**

(4) Significant non-controlling interests

Details of significant non-controlling interests and summary of financial information as of December 31, 2022 are as follows:

- Non-controlling interests:

| | December 31, 2022 | | | | |
|---|---|---|---|---|---|
| | Non-controlling interests ownership (%) | | Profit (loss) on non-controlling interests | Non-controlling interests | Dividend to non-controlling interests |
| Hanwha Ocean Co., Ltd. (priorly known as Daewoo Shipbuilding & Marine Engineering Co., Ltd.) | 44.32 | ₩ | (773,306) | 1,629,074 | - |

- Summary of financial information:

| | | December 31, 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Assets | Liabilities | Operating revenue | Profit (loss) for the year | Total comprehensive income (loss) | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities |
| Hanwha Ocean Co., Ltd. (priorly known as Daewoo Shipbuilding & Marine Engineering Co., Ltd.) | ₩ | 12,235,665 | 11,490,693 | 4,860,150 | (1,744,778) | (1,472,612) | (1,065,433) | 87,974 | (129,780) |

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## 47. Statements of Cash Flows

(1) Cash and cash equivalents in the consolidated statements of cash flows as of December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| Cash and due from banks: | | | |
| Cash and foreign currencies | ₩ | 629,829 | 730,429 |
| Due from banks in Korean won | | 2,501,913 | 4,442,270 |
| Due from banks in foreign currencies / off-shores | | 5,174,640 | 6,304,386 |
| | | 8,306,382 | 11,477,085 |
| Less: Restricted due from banks, others | | (1,461,228) | (2,957,972) |
| Add: Financial instruments reaching maturity within three months from date of acquisition | | | |
| Securities measured at FVTPL | | | |
| Government and public bonds | | 162,256 | 39,903 |
| Loans measured at amortized cost: | | | |
| Call loans | | 4,547,212 | 2,249,447 |
| Inter-bank loans | | 1,045,846 | 2,494,555 |
| | | 5,755,314 | 4,783,905 |
| Cash and cash equivalents | ₩ | 12,600,468 | 13,303,018 |

(2) Significant transactions not involving cash flows for the years ended December 31, 2023 and 2022 are as follows:

| | | 2023 | 2022 |
|---|---|---|---|
| Decrease in loans due to write-offs | ₩ | 224,537 | 86,785 |
| Increase in securities measured at FVOCI due to debt-to-equity swap and others | | 34,030 | 13,505 |
| Increase in securities measured at FVOCI due to in-kind equity | | 432,137 | 565,000 |
| Increase in investments in associates due to by the change of subsidiaries | | 1,848,898 | - |
| Increase in investments in associates due to debt-to-equity swap, etc | | 1,497,000 | - |
| Decrease in accumulated other comprehensive income due to securities valuation | | (352,401) | (4,322,313) |
| Transfer from investments in associates to securities measured at FVTPL | | 4,800 | - |
| Transfer from property and equipment to investment property | | 3,153 | 937 |
| Reclassification to assets held for sale | | 3,522,597 | (740,184) |
| Recognition of right-of-use assets and lease liabilities | | 49,040 | 102,506 |





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## 48. 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, 2023 and 2022 are as follows:

| | | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|---|
| 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 | ₩ | 1,447,767 | 30,095 | 2,373,401 | 68,894 |
| Loaned securities | | 39,341 | - | - | - |
| | ₩ | 1,487,108 | 30,095 | 2,373,401 | 68,894 |

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## 49. Fair Value of Financial Assets and Liabilities

The Group 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, 2023 and 2022 are as follows:

| | December 31, 2023 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets: | | | | |
| Securities measured at FVTPL | ₩ 2,722,486 | 1,508,289 | 19,539,289 | 23,770,064 |
| Securities measured at FVOCI | 6,948,327 | 22,436,644 | 14,899,336 | 44,284,307 |
| Loans measured at FVTPL | - | - | 488,432 | 488,432 |
| Derivative financial assets | 4 | 7,382,322 | 592 | 7,382,918 |
| | ₩ 9,670,817 | 31,327,255 | 34,927,649 | 75,925,721 |
| Financial liabilities: | | | | |
| Financial liabilities designated at FVTPL | ₩ - | 1,920,061 | - | 1,920,061 |
| Derivative financial liabilities | 5,126 | 7,727,498 | 43,717 | 7,776,341 |
| | ₩ 5,126 | 9,647,559 | 43,717 | 9,696,402 |

| | December 31, 2022 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets: | | | | |
| Securities measured at FVTPL | ₩ 955,703 | 1,513,800 | 17,164,180 | 19,633,683 |
| Securities measured at FVOCI | 7,024,255 | 23,691,362 | 16,265,065 | 46,980,682 |
| Loans measured at FVTPL | - | - | 542,619 | 542,619 |
| Derivative financial assets | 54 | 9,377,150 | 13,768 | 9,390,972 |
| | ₩ 7,980,012 | 34,582,312 | 33,985,632 | 76,547,956 |
| Financial liabilities: | | | | |
| Financial liabilities designated at FVTPL | ₩ - | 1,469,724 | - | 1,469,724 |
| Derivative financial liabilities | 34 | 11,360,382 | 48,834 | 11,409,250 |
| | ₩ 34 | 12,830,106 | 48,834 | 12,878,974 |





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## 49. 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, 2023 and 2022 are as follows:

| | 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| | January 1, 2023 | Profit or loss | Other comprehen-sive income (loss) | Acquisition / Issue | Sale/ Settlement | Others | December 31, 2023 |
| Financial assets: | | | | | | | |
| Securities measured at FVTPL | ₩ 17,164,180 | 452,161 | - | 3,063,666 | (1,098,556) | (42,162) | 19,539,289 |
| Securities measured at FVOCI | 16,265,065 | - | (1,306,553) | 845,999 | (683,942) | (221,233) | 14,899,336 |
| Loans measured at FVTPL | 542,619 | (8,913) | - | 6,804 | (52,078) | - | 488,432 |
| Derivatives financial assets | 13,768 | 555 | - | - | (13,731) | - | 592 |
| | ₩ 33,985,632 | 443,803 | (1,306,553) | 3,916,469 | (1,848,307) | (263,395) | 34,927,649 |
| Financial liabilities: | | | | | | | |
| Derivatives financial liabilities | ₩ 48,834 | 532 | - | - | (5,965) | 316 | 43,717 |

| | 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| | January 1, 2022 | Profit or loss | Other comprehen-sive income (loss) | Acquisition / Issue | Sale/ Settlement | Others | December 31, 2022 |
| Financial assets: | | | | | | | |
| Securities measured at FVTPL | ₩ 10,575,935 | (31,931) | - | 7,151,734 | (672,039) | 140,481 | 17,164,180 |
| Securities measured at FVOCI | 18,707,937 | - | (2,325,232) | 1,344,705 | (853,911) | (608,434) | 16,265,065 |
| Loans measured at FVTPL | 644,412 | (78,884) | - | 50,950 | (73,859) | - | 542,619 |
| Derivatives financial assets | 11,075 | 5,457 | 850 | - | (3,607) | (7) | 13,768 |
| | ₩ 29,939,359 | (105,358) | (2,324,382) | 8,547,389 | (1,603,416) | (467,960) | 33,985,632 |
| Financial liabilities: | | | | | | | |
| Derivatives financial liabilities | ₩ 17,104 | 31,952 | - | - | - | (222) | 48,834 |

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**49. Fair Value of Financial Assets and Liabilities, Continued**

(iii) Changes in deferred day one profit or loss for the years ended December 31, 2023 and 2022 are as follows:

| | | 2023 | 2022 |
|---|---|---|---|
| Beginning balance | ₩ | 3,604 | 3,989 |
| Amortization | | (385) | (385) |
| Ending balance | ₩ | 3,219 | 3,604 |

(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, 2023 and 2022 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<br>Currency forwards and swaps<br>Currency options<br>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 |





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**49. 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, 2023 and 2022 are as follows:

| | 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 | Discount rate | 7.04 ~ 17.0 |
| | | Rate of increase in liquidation value | - |
| | | Rate of increase in property disposal price | - |
| | | Volatility | 19.68 ~ 76.22 |
| Securities measured at FVOCI: | Discounted cash flow method, Relative value approach, Net asset value approach | Discount rate | 9.25 ~ 20.40 |
| Equity securities | | Growth rate | - |
| | | Volatility | 16.68 ~ 76.22 |
| | | Interest rate volatility | 0.51 ~ 0.86 |
| Loans measured at FVTPL | | | |
| Convertible bonds, etc. | LSCM, Binomial model | Volatility | 16.68 ~ 76.22 |
| Derivatives financial assets: | | | |
| Interest rate swaps | Hull-White Two-Factor model | Volatility | 0.51 ~ 1.06 |
| | | 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 |
| Securities measured at FVTPL: | | | |
| Equity securities | Discounted cash flow method, Relative value approach, Net asset value approach | Discount rate | 6.35 ~ 41.31 |
| | | Rate of increase in liquidation value | - |
| | | Rate of increase in property disposal price | - |
| | | Volatility | 16.89 ~ 44.54 |
| Securities measured at FVOCI: | Discounted cash flow method, Relative value approach, Net asset value approach | Discount rate | 9.08 ~ 18.51 |
| Equity securities | | Growth rate | - |
| | | Volatility | 16.52 ~ 46.53 |
| Loans measured at FVTPL | | | |
| Convertible bonds, etc. | LSCM, Binomial model | Volatility | 16.89 ~ 44.54 |
| Derivatives financial assets: | | | |
| Interest rate swaps | Hull-White Two-Factor model | Volatility | 0.56 ~ 1.27 |
| | | Correlation coefficient | (70) ~ 100 |
| Stock index options | Discounted cash flow method, Relative value approach, Net asset value approach, Binomial Tree(T-F) | Volatility | 21.98 ~ 46.53 |

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## 49. Fair Value of Financial Assets and Liabilities, Continued

(2) Fair value hierarchy of financial instruments disclosed by fair value

(i) The Group'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 Group 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 Group's Fair Value Evaluation System. However, for borrowings including call money whose contractual maturity is three months or less, the Group 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 Group'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 Group assumes the carrying amount as the fair value.

(ii) The fair value hierarchy of financial instruments measured at amortized costs as of December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | | | |
|---|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 | Total |
| Financial assets: | | | | | |
| Cash and due from banks (*) | ₩ | 6,845,154 | 1,461,228 | - | 8,306,382 |
| Securities measured at amortized cost | | 3,841,102 | 7,650,818 | - | 11,491,920 |
| Loans measured at amortized cost (*) | | - | 4,547,212 | 209,548,855 | 214,096,067 |
| Other financial assets (*) | | - | 8,432,806 | 2,419,799 | 10,852,605 |
| | ₩ | 10,686,256 | 22,092,064 | 211,968,654 | 244,746,974 |
| Financial liabilities: | | | | | |
| Deposits (*) | ₩ | - | 2,395,039 | 65,230,131 | 67,625,170 |
| Borrowings (*) | | - | 4,072,597 | 29,572,481 | 33,645,078 |
| Debentures | | - | 164,533,665 | - | 164,533,665 |
| Other financial liabilities (*) | | - | 7,027,956 | 5,484,065 | 12,512,021 |
| | ₩ | - | 178,029,257 | 100,286,677 | 278,315,934 |

(*) 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.





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49. Fair Value of Financial Assets and Liabilities, Continued

| | | December 31, 2022 | | | |
|---|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 | Total |
| Financial assets: | | | | | |
| Cash and due from banks (*) | ₩ | 8,519,113 | 2,957,972 | - | 11,477,085 |
| Securities measured at amortized cost | | 2,964,285 | 7,036,358 | - | 10,000,643 |
| Loans measured at amortized cost (*) | | - | 2,249,447 | 205,866,413 | 208,115,860 |
| Other financial assets (*) | | - | 6,343,473 | 1,880,432 | 8,223,905 |
| | ₩ | 11,483,398 | 18,587,250 | 207,746,845 | 237,817,493 |
| Financial liabilities: | | | | | |
| Deposits (*) | ₩ | - | 3,416,449 | 66,814,999 | 70,231,448 |
| Borrowings (*) | | - | 2,732,305 | 27,664,925 | 30,397,230 |
| Debentures | | - | 163,894,194 | - | 163,894,194 |
| Other financial liabilities (*) | | - | 2,837,612 | 4,556,880 | 7,394,492 |
| | ₩ | - | 172,880,560 | 99,036,804 | 271,917,364 |

(*) 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.

(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, 2023 and 2022 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 |

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## 50. Categories of Financial Assets and Liabilities

Categories of financial assets and liabilities as of December 31, 2023 and 2022 are as follows:

| | 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 | ₩ 6,845,154 | - | - | - | - | 1,461,228 | - | 8,306,382 |
| Securities measured at FVTPL | 162,256 | 23,607,808 | - | - | - | - | - | 23,770,064 |
| Securities measured at FVOCI | - | - | - | 28,706,052 | 15,578,255 | - | - | 44,284,307 |
| Securities measured at amortized cost | - | - | - | - | - | 11,687,681 | - | 11,687,681 |
| Loans measured at FVTPL | - | 488,432 | - | - | - | - | - | 488,432 |
| Loans measured at amortized cost | 5,593,058 | - | - | - | - | 208,244,289 | - | 213,837,347 |
| Derivative financial assets | - | 6,806,149 | - | - | - | - | 576,769 | 7,382,918 |
| Other financial assets | - | - | - | - | - | 10,946,918 | - | 10,946,918 |
| | ₩ 12,600,468 | 30,902,389 | - | 28,706,052 | 15,578,255 | 232,340,116 | 576,769 | 320,704,049 |
| Financial liabilities: | | | | | | | | |
| Financial liabilities measured at FVTPL | ₩ - | - | 1,920,061 | - | - | - | - | 1,920,061 |
| Deposits | - | - | - | - | - | 67,571,567 | - | 67,571,567 |
| Borrowings | - | - | - | - | - | 34,043,663 | - | 34,043,663 |
| Debentures | - | - | - | - | - | 163,205,745 | - | 163,205,745 |
| Derivative financial liabilities | - | 6,973,993 | - | - | - | - | 802,348 | 7,776,341 |
| Other financial liabilities | - | - | - | - | - | 12,394,114 | - | 12,394,114 |
| | ₩ - | 6,973,993 | 1,920,061 | - | - | 277,215,089 | 802,348 | 286,911,491 |
| Financial assets: | | | | | | | | |
| Cash and due from banks | ₩ 8,519,102 | - | - | - | - | 2,957,983 | - | 11,477,085 |
| Securities measured at FVTPL | 39,903 | 19,593,780 | - | - | - | - | - | 19,633,683 |
| Securities measured at FVOCI | - | - | - | 29,827,980 | 17,152,702 | - | - | 46,980,682 |
| Securities measured at amortized cost | - | - | - | - | - | 10,212,258 | - | 10,212,258 |
| Loans measured at FVTPL | - | 542,619 | - | - | - | - | - | 542,619 |
| Loans measured at amortized cost | 4,744,002 | - | - | - | - | 205,038,426 | - | 209,782,428 |
| Derivative financial assets | - | 8,751,738 | - | - | - | - | 639,234 | 9,390,972 |
| Other financial assets | - | - | - | - | - | 8,295,373 | - | 8,295,373 |
| | ₩ 13,303,007 | 28,888,137 | - | 29,827,980 | 17,152,702 | 226,504,040 | 639,234 | 316,315,100 |
| Financial liabilities: | | | | | | | | |
| Financial liabilities measured at FVTPL | ₩ - | - | 1,469,724 | - | - | - | - | 1,469,724 |
| Deposits | - | - | - | - | - | 70,288,133 | - | 70,288,133 |
| Borrowings | - | - | - | - | - | 30,695,509 | - | 30,695,509 |
| Debentures | - | - | - | - | - | 164,460,858 | - | 164,460,858 |
| Derivative financial liabilities | - | 10,066,680 | - | - | - | - | 1,342,570 | 11,409,250 |
| Other financial liabilities | - | - | - | - | - | 7,325,346 | - | 7,325,346 |
| | ₩ - | 10,066,680 | 1,469,724 | - | - | 272,769,846 | 1,342,570 | 285,648,820 |





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## 51. Offsetting of Financial Assets and Liabilities

Details of financial instruments subject to offsetting, enforceable master netting agreements or similar agreements as of December 31, 2023 and 2022 are as follows:

| | 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 (*) | ₩ 7,382,918 | - | 7,382,918 | 4,962,124 | 171,466 | 2,249,328 |
| Unsettled spot exchange receivables (*) | 6,494,499 | - | 6,494,499 | 6,493,455 | - | 1,044 |
| Unsettled domestic exchange receivables | 5,110,173 | 3,171,866 | 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 | 2,699,910 | - | 2,699,910 | 2,699,910 | - | - |
| Loaned securities | 39,341 | - | 39,341 | 39,341 | - | - |
| Receivables from securities transaction | 39,213 | - | 39,213 | 39,213 | - | - |
| | ₩ 23,213,821 | 3,171,866 | 20,041,955 | 14,264,138 | 171,466 | 5,606,351 |

| | 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 (*) | ₩ 7,776,341 | - | 7,776,341 | 4,382,679 | 207,813 | 3,185,849 |
| Unsettled spot exchange payables (*) | 6,494,123 | - | 6,494,123 | 6,493,455 | - | 668 |
| 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 | - | - |
| | ₩ 18,019,794 | 3,171,866 | 14,847,928 | 10,919,765 | 207,813 | 3,720,350 |

(*) 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.

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## 51. Offsetting of Financial Assets and Liabilities, Continued

| | December 31, 2022 | | | | | |
|---|---|---|---|---|---|---|
| | 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 | Related amounts not set off in the statement of financial position: Financial instruments | Related amounts not set off in the statement of financial position: Cash collateral received | Net amounts |
| Derivative financial assets (*) | ₩ 9,390,972 | - | 9,390,972 | 5,806,085 | 71,536 | 3,513,351 |
| Unsettled spot exchange receivables (*) | 2,597,494 | - | 2,597,494 | 2,593,577 | - | 3,917 |
| Unsettled domestic exchange receivables | 6,007,285 | 2,261,306 | 3,745,979 | - | - | 3,745,979 |
| Security pledged as collateral for repurchase agreements | 2,373,401 | - | 2,373,401 | 68,894 | - | 2,304,507 |
| Reverse repurchase agreements | 2,247,487 | - | 2,247,487 | 2,247,487 | - | - |
| Receivables from securities transaction | 11,940 | - | 11,940 | 11,940 | - | - |
| | ₩ 22,628,579 | 2,261,306 | 20,367,273 | 10,727,983 | 71,536 | 9,567,754 |

| | December 31, 2022 | | | | | |
|---|---|---|---|---|---|---|
| | 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 | Related amounts not set off in the statement of financial position: Financial instruments | Related amounts not set off in the statement of financial position: Cash collateral pledged | Net amounts |
| Derivative financial liabilities (*) | ₩ 11,409,250 | - | 11,409,250 | 5,544,291 | 501 | 5,864,458 |
| Unsettled spot exchange payables (*) | 2,593,992 | - | 2,593,992 | 2,593,577 | - | 415 |
| Unsettled domestic exchange payables | 2,504,926 | 2,261,306 | 243,620 | - | - | 243,620 |
| Repurchase agreements | 68,894 | - | 68,894 | 68,894 | - | - |
| Payables from securities transaction | 18,305 | - | 18,305 | 18,305 | - | - |
| | ₩ 16,595,367 | 2,261,306 | 14,334,061 | 8,225,067 | 501 | 6,108,493 |

(*) 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.



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## 52. Operating Segments

(1) The Group has seven reportable segments, as described below, which are the Group'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 Group's reportable segments:

| Segments | | General information |
|---|---|---|
| Bank industry | Corporate finance | Provides trading services 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 |
| Insurance | | Subsidiaries that conduct insurance business (KDB Life Insurance Co., Ltd.) |
| Overseas | | Subsidiaries located in foreign countries |
| Other subsidiaries | | Subsidiaries except for overseas subsidiaries and subsidiaries conducting insurance business |

(2) Operating income (loss) from external customers and among operating segments for the years ended December 31, 2023 and 2022 are as follows:

| | 2023 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Bank industry | | | | | | | | |
| | Corporate finance | Investment finance | Asset management | Others | Insurance | Overseas | Other subsidiaries | Adjustment | Total(*) |
| Operating income (loss) from external customers | ₩ 915,411 | 1,574,218 | 51,772 | (1,493,399) | 20,629 | (11,629) | 415,761 | - | 1,472,763 |
| Operating income (loss) from intersegment transactions | 1,669,364 | (1,001,982) | - | 1,281,472 | 21,016 | 195,905 | 2,136 | (2,167,911) | - |
| | ₩ 2,584,775 | 572,236 | 51,772 | (211,927) | 41,645 | 184,276 | 417,897 | (2,167,911) | 1,472,763 |

(*) Profit from discontinued operations is not included.

| | 2022 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Bank industry | | | | | | | | |
| | Corporate finance | Investment finance | Asset management | Others | Insurance | Overseas | Other subsidiaries | Adjustment | Total(*) |
| Operating income (loss) from external customers | ₩ 950,872 | (2,171,827) | 42,247 | 1,586,650 | (9,805) | 84,575 | 363,757 | - | 846,469 |
| Operating income (loss) from intersegment transactions | 1,035,920 | 2,407,248 | - | (2,093,411) | 2,330 | 45,409 | 131,651 | (1,529,147) | - |
| | ₩ 1,986,792 | 235,421 | 42,247 | (506,761) | (7,475) | 129,984 | 495,408 | (1,529,147) | 846,469 |

(*) Profit from discontinued operations is not included.

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## 52. Operating Segments, Continued

(3) Details of segment results for the Group's reportable segments for the years ended December 31, 2023 and 2022 are as follows:

| | | 2023 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Bank industry | | | | | | | | |
| | | Corporate finance | Investment finance | Asset management | Others | Insurance | Overseas | Other subsidiaries | Adjustment | Total(*3) |
| Net interest income (expense) | ₩ | 2,160,494 | (559,810) | 17,914 | (57,079) | 361,549 | 234,924 | 308,790 | (31,164) | 2,435,618 |
| Non-interest income (expense) | | | | | | | | | | |
| Income (expense) related to securities (*1) | | 7,580 | 317,949 | - | 174,849 | 69,797 | 25,334 | 142,691 | (16,478) | 721,722 |
| Other non-interest income (expense) | | 281,883 | 638,944 | 41,013 | (56,325) | (382,607) | 7,435 | 103,530 | (1,019,034) | (385,161) |
| | | 289,463 | 956,893 | 41,013 | 118,524 | (312,810) | 32,769 | 246,221 | (1,035,512) | 336,561 |
| Provision for loan losses and others (*2) | | 571,797 | 234,803 | - | 46,835 | (82) | (20,948) | (57,112) | (1,100,629) | (325,336) |
| General and administrative expenses | | (436,979) | (59,650) | (7,155) | (320,207) | (7,012) | (62,469) | (80,002) | (606) | (974,080) |
| Operating income (loss) | ₩ | 2,584,775 | 572,236 | 51,772 | (211,927) | 41,645 | 184,276 | 417,897 | (2,167,911) | 1,472,763 |

| | | 2022 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Bank industry | | | | | | | | |
| | | Corporate finance | Investment finance | Asset management | Others | Insurance | Overseas | Other subsidiaries | Adjustment | Total(*3) |
| Net interest income (expense) | ₩ | 2,030,189 | (429,610) | 13,837 | 129,399 | 488,756 | 176,374 | 358,206 | (55,449) | 2,711,702 |
| Non-interest income (expense) | | | | | | | | | | |
| Income (expense) related to securities (*1) | | (9,557) | (143,506) | - | 56,396 | (246,756) | 4,124 | 52,842 | 41,331 | (245,126) |
| Other non-interest income (expense) | | 465,438 | 1,139,509 | 36,051 | (311,878) | (247,849) | (3,270) | 170,159 | (1,158,422) | 89,738 |
| | | 455,881 | 996,003 | 36,051 | (255,482) | (494,605) | 854 | 223,001 | (1,117,091) | (155,388) |
| Provision for loan losses and others (*2) | | (43,000) | (265,453) | - | (33,745) | 499 | 9,594 | (4,843) | (356,068) | (693,016) |
| General and administrative expenses | | (456,278) | (65,519) | (7,641) | (346,933) | (2,125) | (56,838) | (80,956) | (539) | (1,016,829) |
| Operating income (loss) | ₩ | 1,986,792 | 235,421 | 42,247 | (506,761) | (7,475) | 129,984 | 495,408 | (1,529,147) | 846,469 |

(*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 provision for loan losses, provision for derivative credit risks, gains (losses) on sales of loans, and increase (reversal) of provision.
(*3) Profit from discontinued operations is not included.





Korea Development Bank and Subsidiaries

# Notes to the Consolidated Financial Statements

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(In millions of won)

## 52. Operating Segments, Continued

(4) Geographical revenue information for the years ended December 31, 2023 and 2022 and the geographical non-current asset information as of December 31, 2023 and 2022 are as follows:

| | | Revenues (*1) | | Non-current assets (*2) | |
|---|---|---|---|---|---|
| | | **2023** | **2022** | **December 31, 2023** | **December 31, 2022** |
| Domestic | ₩ | 42,501,560 | 49,260,054 | 22,453,695 | 23,879,595 |
| Overseas | | 3,371,413 | 2,699,481 | 149,426 | 110,166 |
| | ₩ | 45,872,973 | 51,959,535 | 22,603,121 | 23,989,761 |

(*1) Revenues consist of interest income, fees and commission income, dividend income, income related to securities, foreign currency transaction gain, gain on derivative, other operating income and provision for loan losses.
(*2) Non-current assets consist of investments in associates, property and equipment, investment properties and intangible assets.

Korea Development Bank and Subsidiaries

## Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

**53. Risk Management**

**(1) Introduction**

***(i) Objectives and principles***

The Group's risk management aims to maintain financial soundness and effectively manage various risks pertinent to the nature of the Group's business. The Group has set up and fulfilled policies to manage risks timely and effectively. Pursuant to the policies, the Group'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 Group'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 Group's management, and seeks to change from its previously adaptive and limited role to more leading and comprehensive role.

Furthermore, the Group focuses on consistent communication among different departments in order to establish a progressive consensus on risk management.

***(iii) Risk management governance***

*Risk Management Committee*

The Group's Risk Management Committee (the "Committee") is composed of the President of the committee (an outside director), and three other commissioners including the CEO of the Bank. The Committee functions to establish policies of risk management, evaluate the capital adequacy of the Group, 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 in order to sustain efficiency and internal control. The head of the Risk Management Segment is responsible for supervising the overall administration of the Group's risk management business and providing risk-related information to members of the board of directors and the Group's management.

*Risk Management Policy Committee*

The Group'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 Group's portfolio including allocating internal capital limits by segment and setting exposure limits by industry within the scope that Risk Management Committee regulated.





Korea Development Bank and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

**53. 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, 2023, the key activities of the Risk Management Committee are as follows:

- Major decision
  - ・Risk management plan for 2023
  - ・Contingency funding plan for 2023
  - ・Setting and managing exposure limits by country for 2023
  - ・Changing in the calculation method of default rate for loan loss allowance
  - ・Adjustment of limit of credit portfolio and exposure limits by country
- Major reporting
  - ・Resolution of Credit Committee for the fourth quarter of 2022
  - ・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 2023
  - ・Allocation of internal capital limits of 2023
  - ・Resolution of Credit Committee for the first quarter of 2023
  - ・Adjustment of limit of credit portfolio (industry policy)
  - ・Adjustment of exposure limits by country
  - ・Result of validation of changing in the calculation method of default rate for loan loss allowance
  - ・Result of integrated crisis analysis for the first half of 2023
  - ・Resolution of Credit Committee for the second quarter of 2023
  - ・Verification of risk-weighted assets for BIS ratio as of March 31, 2023
  - ・Result of operation of corporate credit rating system in 2023
  - ・Resolution of Credit Committee for the third quarter of 2023
  - ・Result of BCP training for 2023
  - ・Result of integrated crisis analysis for the second half of 2023
  - ・Result of assessment of suitability for internal capital for 2023

***(v) Improvement of risk management system***

For the continuous improvement of risk management, financial soundness and capital adequacy, the Group 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 to the global IB level
  - ・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

Korea Development Bank and Subsidiaries

# Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

## 53. Risk Management, Continued

***(vi) Risk management reporting and measuring system***

The Group 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 Group 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 and internal capital based on FRTB SA<br>Stress Test |
| 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, management of loss events, etc |
| BIS Capital Ratio Calculation/Credit Risk Measurement System | Fermat<br>RaY | Sep. 2006<br>Dec. 2013 | Calculate equity, credit risk-weighted assets and credit risk, etc. |
| Loan Loss Allowance Calculation System | IFRS<br>IFRS 9 | Jan. 2011<br>Mar. 2017 | Incurred loss model<br>Expected loss model |

***(vii) Response to Basel***

The Korean financial authorities have implemented Basel II since January 2008, and adopted the Standardized Approach and the Foundation Internal Ratings-Based Approach.

In conformity with the implementation roadmap of Basel II, the Group 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 Group applies the Standardized Approach on market risks and operational risks.

The Group 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 requirement of the financial authorities, the Group recognizes interest rate risk, liquidity risk, credit bias risk and reputational risk as well as Pillar I risks (credit risk, market risk and operational risk). Since 2015, the Group has responded to Pillar II regulations including additional capital requirements based on comprehensive assessment on bank risk management level. In addition, from the end of 2015, the Group has applied the uniform standards for the public announcement of financial business for Basel compliance.

The Group 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 Group 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 Group has completed IT consulting and system development related to Market Risk Regulation (Fundamental Review of the Trading Book , FRTB) and Operational Risk Regulation under Basel III during the second half of 2022.





Korea Development Bank and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

53. Risk Management, Continued

***(viii) Internal capital adequacy assessment process***

Internal capital adequacy assessment process is defined as the process that the Group 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 Group 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 Group 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 Group 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 Group 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 Group'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 Group's business plan or risk operation strategy, the Group adjusts the allocations elastically.

- Composition of internal capital

  Internal capital comprises all the significant risks of the Group and is composed of quantifiable and non-quantifiable risks. Quantifiable risks are composed of credit risk, market risk, interest rate risk, operational 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.

Korea Development Bank and Subsidiaries

# Notes to the Consolidated Financial Statements

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(In millions of won)

**53. Risk Management, Continued**

***(ii) Approach to credit risk management***

*Summary of credit risk management*

The Group regards credit risk as the most significant risk area in its business operations, and accordingly, closely monitors its credit risk exposure. The Group manages both credit risks at portfolio level and at individual credit level. At portfolio level, the Group 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 Group manages credit limits by client, group, and industry. The Group 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 Group 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 Group 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 Group, 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 in order to provision 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 Group has established standards and guidelines on the classification of asset soundness, according to the Forward-Looking Criteria (FLC), which reflects not only the borrower's past records of repayment but also their future debt repayment capability.

In conformity with these standards, the Group 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, 2023 and 2022 are as follows:

< Corporate >

| | | **December 31, 2023** | | | |
|---|---|---|---|---|---|
| | | | 12-month | Lifetime expected credit losses | |
| | | Carrying amounts | expected credit loss | Non credit-impaired loans | Credit-impaired loans |
| AAA ~ BBB1 | ₩ | 182,461,931 | 164,081,832 | 18,368,019 | 12,080 |
| BBB2 ~ CCC | | 32,392,681 | 14,034,216 | 17,134,338 | 1,224,127 |
| Below CC | | 1,477,637 | 51,591 | 1,160 | 1,424,886 |
| | ₩ | 216,332,249 | 178,167,639 | 35,503,517 | 2,661,093 |





Korea Development Bank and Subsidiaries

# Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

(In millions of won)

**53. Risk Management, Continued**

| | | **December 31, 2022** | | | |
|---|---|---|---|---|---|
| | | | 12-month | Lifetime expected credit losses | |
| | | Carrying amounts | expected credit loss | Non credit-impaired loans | Credit-impaired loans |
| AAA ~ BBB1 | ₩ | 178,632,353 | 158,993,464 | 19,624,515 | 14,374 |
| BBB2 ~ CCC | | 32,336,052 | 11,439,106 | 18,811,401 | 2,085,545 |
| Below CC | | 1,184,059 | 97,515 | 59,528 | 1,027,016 |
| | ₩ | 212,152,464 | 170,530,085 | 38,495,444 | 3,126,935 |

< Non-corporate >

| | | **December 31, 2023** | | | |
|---|---|---|---|---|---|
| | | | | Lifetime expected credit losses | |
| | | Carrying amounts | 12-month expected credit loss | Non credit-impaired loans | Credit-impaired loans |
| Grade 1~ Grade 6 | ₩ | 847,196 | 838,491 | 8,195 | 510 |
| Grade 7~ Grade 8 | | 4,023 | 475 | 2,691 | 857 |
| Grade 9~ Grade 10 | | 12,681 | 65 | 851 | 11,765 |
| | ₩ | 863,900 | 839,031 | 11,737 | 13,132 |

| | | **December 31, 2022** | | | |
|---|---|---|---|---|---|
| | | | | Lifetime expected credit losses | |
| | | Carrying amounts | 12-month expected credit loss | Non credit-impaired loans | Credit-impaired loans |
| Grade 1~ Grade 6 | ₩ | 902,132 | 891,490 | 9,703 | 939 |
| Grade 7~ Grade 8 | | 8,403 | 4,387 | 3,915 | 101 |
| Grade 9~ Grade 10 | | 13,189 | 264 | 833 | 12,092 |
| | ₩ | 923,724 | 896,141 | 14,451 | 13,132 |

Details of payment guarantees (including financial guarantees) and unused commitments by credit rating as of December 31, 2023 and 2022 are as follows:

< Corporate >

| | | **December 31, 2023** | | | |
|---|---|---|---|---|---|
| | | | | Lifetime expected credit losses | |
| | | Exposures | 12-month expected credit loss | Non credit-impaired exposures | Credit-impaired exposures |
| Unused commitments: | | | | | |
| AAA ~ BBB1 | ₩ | 47,880,762 | 44,065,923 | 3,814,839 | - |
| BBB2 ~ CCC | | 5,927,979 | 2,390,696 | 3,476,487 | 60,796 |
| Below CC | | 1 | 1 | - | - |
| | ₩ | 53,808,742 | 46,456,620 | 7,291,326 | 60,796 |
| Payment guarantees (including financial guarantees): | | | | | |
| AAA ~ BBB1 | ₩ | 7,668,816 | 6,851,573 | 817,243 | - |
| BBB2 ~ CCC | | 10,551,687 | 4,648,588 | 5,885,145 | 17,954 |
| Below CC | | 68,808 | - | 86 | 68,722 |
| | ₩ | 18,289,311 | 11,500,161 | 6,702,474 | 86,676 |

Korea Development Bank and Subsidiaries

# Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

(In millions of won)

**53. Risk Management, Continued**

| December 31, 2022 | | Exposures | 12-month expected credit loss | Lifetime expected credit losses: Non credit-impaired exposures | Lifetime expected credit losses: Credit-impaired exposures |
|---|---|---|---|---|---|
| Unused commitments: | | | | | |
| AAA ~ BBB1 | ₩ | 42,037,907 | 38,248,653 | 3,789,254 | - |
| BBB2 ~ CCC | | 2,823,624 | 1,272,304 | 1,499,090 | 52,230 |
| Below CC | | 25,396 | 25,396 | - | - |
| | ₩ | 44,886,927 | 39,546,353 | 5,288,344 | 52,230 |
| Payment guarantees (including financial guarantees): | | | | | |
| AAA ~ BBB1 | ₩ | 6,981,777 | 6,068,393 | 913,384 | - |
| BBB2 ~ CCC | | 4,433,552 | 1,927,550 | 1,157,938 | 1,348,064 |
| Below CC | | 6,225 | - | 154 | 6,071 |
| | ₩ | 11,421,554 | 7,995,943 | 2,071,476 | 1,354,135 |

< Non-corporate >

| December 31, 2023 | | Exposures | 12-month expected credit loss | Lifetime expected credit losses: Non credit-impaired exposures | Lifetime expected credit losses: Credit-impaired exposures |
|---|---|---|---|---|---|
| Unused commitments: | | | | | |
| Grade 1~ Grade 6 | ₩ | 75,019 | 74,442 | 577 | - |
| Grade 7~ Grade 8 | | - | - | - | - |
| Grade 9~ Grade 10 | | - | - | - | - |
| | ₩ | 75,019 | 74,442 | 577 | - |

| December 31, 2022 | | Exposures | 12-month expected credit loss | Lifetime expected credit losses: Non credit-impaired exposures | Lifetime expected credit losses: Credit-impaired exposures |
|---|---|---|---|---|---|
| Unused commitments: | | | | | |
| Grade 1~ Grade 6 | ₩ | 60,224 | 59,773 | 451 | - |
| Grade 7~ Grade 8 | | 20 | - | 20 | - |
| Grade 9~ Grade 10 | | 13 | 13 | - | - |
| | ₩ | 60,257 | 59,786 | 471 | - |



Korea Development Bank and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

**53. Risk Management, Continued**

***(iii) Measurement methodology of credit risk***

Pursuant to Basel III, the Group 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 Investors Service Co., Ltd., NICE Investors Services Co., Ltd. and the Korea Ratings Co., Ltd. are designated as domestic ECAI.

The Group 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.

Korea Development Bank and Subsidiaries

# Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

**53. 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 Group gained approval from the FSS to use the Foundation Internal Ratings-Based Approach in July 2008. The Group has calculated credit risk-weighted assets using the approach since late June 2008.

*Measurement method of credit risk-weighted asset*
The Group calculates credit risk-weighted assets of corporate exposures and asset securitization exposures using the Foundation Internal Ratings-Based Approach as of December 31, 2023.

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 and equity |
| | SA | - Overseas subsidiaries and branches, and other assets, retail, residential mortgage, commercial properties |
| Foundation Internal Ratings-Based Approach | | - Corporate, small and medium enterprises and 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 Group calculates the credit risk-weighted assets using the capital adequacy ratio.

Upon the calculation of credit risk-weighted assets for derivatives, the Group takes into consideration the set-off effects of transactions under legally enforceable rights to set-off to calculate exposures.





Korea Development Bank and Subsidiaries

Notes to the Consolidated Financial Statements

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(In millions of won)

**53. 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 Group's internal credit rating model, the Group classifies debtors' credit rating into 14 grades (AAA~D). To distinguish the difference between credits in the same grade, the Group uses 20 stages as auxiliaries to 14 grades.

The Group'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 Group 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 rating process are approved by the Board of Directors and are regularly monitored by the Bank's top management.

The Group 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 Group evaluates the value of the collateral, performing ability and legal validity of the guarantee at the initial acquisition. The Group re-evaluates the provided collateral and guarantees regularly for them to be reasonably preserved.

For guarantees, the Group 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, 2023 and 2022 are as follows:

| | | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| Securities measured at FVTPL | ₩ | 1,108 | 268 |
| Securities measured at FVOCI | | 73,063 | 72,739 |
| Loans measured at amortized cost | | 2,682,306 | 3,109,764 |
| Other assets | | 13,481 | 14,221 |

Korea Development Bank and Subsidiaries

# Notes to the Consolidated Financial Statements

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(In millions of won)

## 53. Risk Management, Continued

### (iv) *Credit exposure*

Geographical information of credit exposure as of December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Korea | Hong Kong | Ireland | Uzbekistan | Brazil | Hungary | UK | US | Others | Total |
| Due from banks (excluding due from BOK) | ₩ | 711,110 | 73,006 | 243 | 67 | 796 | 412,773 | 258,461 | 2,793,067 | 1,369,534 | 5,619,057 |
| Securities measured at FVOCI: | | | | | | | | | | | |
| Bonds (excluding government bonds) | | 14,420,383 | 324,444 | - | - | - | 116,781 | 427,728 | 5,881,564 | 3,647,003 | 24,817,903 |
| Securities measured at amortized cost: | | | | | | | | | | | |
| Bonds (excluding government bonds) | | 5,031,332 | - | - | - | 51,723 | - | 257,756 | 371,784 | 44,920 | 5,757,515 |
| Loans | | 171,085,488 | 2,787,794 | 1,107,430 | 768,916 | 585,199 | 1,160,878 | 1,674,461 | 7,457,782 | 47,805,757 | 234,433,705 |
| Derivative financial assets | | 224,259 | 9,763 | - | - | - | 18 | 49,559 | 813 | 295,104 | 579,516 |
| Other financial assets | | 6,615,647 | 36,528 | 196 | 960 | 21,621 | 16,767 | 2,389 | 3,858 | 6,665,962 | 13,363,928 |
| | | 198,088,219 | 3,231,535 | 1,107,869 | 769,943 | 659,339 | 1,707,217 | 2,670,354 | 16,508,868 | 59,828,280 | 284,571,624 |
| Guarantees | | 17,390,748 | - | - | 50,746 | - | 55,604 | - | 743,963 | 48,250 | 18,289,311 |
| Commitments | | 45,107,694 | 230,318 | 125,267 | 21,699 | 25,788 | 3,501 | 329,977 | 4,268,195 | 3,771,322 | 53,883,761 |
| | | 62,498,442 | 230,318 | 125,267 | 72,445 | 25,788 | 59,105 | 329,977 | 5,012,158 | 3,819,572 | 72,173,072 |
| | ₩ | 260,586,661 | 3,461,853 | 1,233,136 | 842,388 | 685,127 | 1,766,322 | 3,000,331 | 21,521,026 | 63,647,852 | 356,744,696 |

| | | December 31, 2022 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Korea | Hong Kong | Ireland | Uzbekistan | Brazil | Hungary | UK | US | Others | Total |
| Due from banks (excluding due from BOK) | ₩ | 2,087,746 | 92,873 | 144 | 3,183 | 1 | 225,639 | 547,703 | 3,340,017 | 1,238,801 | 7,536,107 |
| Securities measured at FVOCI: | | | | | | | | | | | |
| Bonds (excluding government bonds) | | 17,178,625 | 344,049 | 25,095 | - | - | 135,325 | 366,557 | 5,170,151 | 3,045,917 | 26,265,719 |
| Securities measured at amortized cost: | | | | | | | | | | | |
| Bonds (excluding government bonds) | | 3,769,472 | - | - | - | 39,676 | - | - | - | 42,779 | 3,851,927 |
| Loans | | 172,479,352 | 2,997,928 | 801,457 | 912,348 | 168,821 | 1,097,670 | 1,602,886 | 5,800,712 | 46,100,079 | 231,961,253 |
| Derivative financial assets | | 145,811 | 3,572 | - | - | 156 | 54 | 8,681 | 18,656 | 47,800 | 224,730 |
| Other financial assets | | 4,962,827 | 7,013 | 394 | 1,705 | 18,400 | 11,723 | 24,254 | 2,433 | 6,534,690 | 11,563,439 |
| | | 200,623,833 | 3,445,435 | 827,090 | 917,236 | 227,054 | 1,470,411 | 2,550,081 | 14,331,969 | 57,010,066 | 281,403,175 |
| Guarantees | | 10,880,998 | - | - | 53,518 | - | 54,564 | 312 | 241,660 | 190,502 | 11,421,554 |
| Commitments | | 39,417,548 | 279,222 | 110,971 | 25,475 | 126,730 | 22,529 | 422,246 | 2,422,676 | 2,119,787 | 44,947,184 |
| | | 50,298,546 | 279,222 | 110,971 | 78,993 | 126,730 | 77,093 | 422,558 | 2,664,336 | 2,310,289 | 56,368,738 |
| | ₩ | 250,922,379 | 3,724,657 | 938,061 | 996,229 | 353,784 | 1,547,504 | 2,972,639 | 16,996,305 | 59,320,355 | 337,771,913 |





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53. Risk Management, Continued

Industry information of credit exposure as of December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | | | |
|---|---|---|---|---|---|
| | | Manufacturing | Service | Others | Total |
| Due from banks (excluding due from BOK) | ₩ | 53,687 | 4,554,963 | 1,010,407 | 5,619,057 |
| Securities measured at FVOCI: | | | | | |
| Bonds (excluding government bonds) | | 3,471,508 | 16,218,488 | 5,127,907 | 24,817,903 |
| Securities measured at amortized cost: | | | | | |
| Bonds (excluding government bonds) | | 369,654 | 2,494,359 | 2,893,502 | 5,757,515 |
| Loans | | 88,337,253 | 120,886,695 | 25,209,757 | 234,433,705 |
| Derivative financial assets | | 4 | 579,434 | 78 | 579,516 |
| Other financial assets | | 408,491 | 998,937 | 11,956,500 | 13,363,928 |
| | | 92,640,597 | 145,732,876 | 46,198,151 | 284,571,624 |
| Guarantees | | 16,060,076 | 2,126,496 | 102,739 | 18,289,311 |
| Commitments | | 26,211,656 | 24,791,900 | 2,880,205 | 53,883,761 |
| | | 42,271,732 | 26,918,396 | 2,982,944 | 72,173,072 |
| | ₩ | 134,912,329 | 172,651,272 | 49,181,095 | 356,744,696 |

| | | December 31, 2022 | | | |
|---|---|---|---|---|---|
| | | Manufacturing | Service | Others | Total |
| Due from banks (excluding due from BOK) | ₩ | 12,373 | 6,621,518 | 902,216 | 7,536,107 |
| Securities measured at FVOCI: | | | | | |
| Bonds (excluding government bonds) | | 3,707,485 | 18,214,945 | 4,343,289 | 26,265,719 |
| Securities measured at amortized cost: | | | | | |
| Bonds (excluding government bonds) | | 2,464 | 923,664 | 2,925,799 | 3,851,927 |
| Loans | | 86,302,780 | 120,393,062 | 25,265,411 | 231,961,253 |
| Derivative financial assets | | - | 223,505 | 1,225 | 224,730 |
| Other financial assets | | 276,553 | 1,954,268 | 9,332,618 | 11,563,439 |
| | | 90,301,655 | 148,330,962 | 42,770,558 | 281,403,175 |
| Guarantees | | 8,904,746 | 2,116,966 | 399,842 | 11,421,554 |
| Commitments | | 20,578,500 | 23,527,141 | 841,543 | 44,947,184 |
| | | 29,483,246 | 25,644,107 | 1,241,385 | 56,368,738 |
| | ₩ | 119,784,901 | 173,975,069 | 44,011,943 | 337,771,913 |

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**53. Risk Management, Continued**

Credit exposures of debt securities by credit rating as of December 31, 2023 and 2022 are as follows:

| | December 31, 2023 | | | |
|---|---|---|---|---|
| | | 12-month | Lifetime expected credit losses | |
| | Carrying amounts | expected credit loss | Non credit-impaired | Credit-impaired |
| AAA ~ BBB1 | ₩ 39,891,157 | 39,551,912 | 339,245 | - |
| BBB2 ~ CCC | 518,589 | 435,788 | 82,801 | - |
| Below CC | - | - | - | - |
| | ₩ 40,409,746 | 39,987,700 | 422,046 | - |

| | December 31, 2022 | | | |
|---|---|---|---|---|
| | | 12-month | Lifetime expected credit losses | |
| | Carrying amounts | expected credit loss | Non credit-impaired | Credit-impaired |
| AAA ~ BBB1 | ₩ 39,624,719 | 39,280,297 | 344,422 | - |
| BBB2 ~ CCC | 385,256 | 362,821 | 22,435 | - |
| Below CC | 37,354 | 37,354 | - | - |
| | ₩ 40,047,329 | 39,680,472 | 366,857 | - |

**(3) Capital management activities**

***(i) Capital adequacy***

The FSS approved the Group's use of the Foundation Internal Ratings-Based Approach in July 2008. The Group 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 2013, the regulatory capital is divided into the following two categories.

*Tier 1 capital (Common Equity Tier 1 + Additional Tier 1 capital)*

- Common Equity Tier 1

Regulatory capital that represents the most subordinated claim in liquidation of the Group, 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.

*Tier 2 capital (Supplementary Tier 2 capital)*

Regulatory capital that fulfils 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.



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53. Risk Management, Continued

The BIS capital adequacy ratio and capital in accordance to Basel III standards as of December 31, 2023 and 2022 are as follows:

*BIS capital adequacy ratio*

| | | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| Equity capital based on BIS (A): | | | |
| Tier 1 capital: | | | |
| Common Equity Tier 1 | ₩ | 37,417,288 | 35,125,348 |
| Additional Tier 1 capital | | - | - |
| | | 37,417,288 | 35,125,348 |
| Tier 2 capital | | 3,854,806 | 3,197,936 |
| | ₩ | 41,272,094 | 38,323,284 |
| Risk-weighted assets (B): | | | |
| Credit risk-weighted assets | ₩ | 285,177,131 | 277,265,026 |
| Market risk-weighted assets | | 2,895,790 | 1,329,603 |
| Operational risk-weighted assets | | 13,164,005 | 7,458,674 |
| | ₩ | 301,236,926 | 286,053,303 |
| BIS capital adequacy ratio (A/B): | | 13.70% | 13.40% |
| Tier 1 capital ratio: | | 12.42% | 12.28% |
| Common Equity Tier 1 ratio | | 12.42% | 12.28% |
| Additional Tier 1 capital ratio | | - | - |
| Tier 2 capital ratio | | 1.28% | 1.12% |

*Equity capital based on BIS*

| | | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| Tier 1 capital (A=C+D): | | | |
| Common Equity Tier 1 (C) | | | |
| Capital stock | ₩ | 23,926,559 | 23,151,559 |
| Capital surplus | | 1,435,780 | 748,121 |
| Retained earnings | | 9,900,499 | 7,355,027 |
| Accumulated other comprehensive income | | 3,148,441 | 4,185,537 |
| Common stock deductibles | | (993,991) | (314,896) |
| | | 37,417,288 | 35,125,348 |
| Additional Tier 1 capital (D) | | | |
| Non-controlling interests | | - | - |
| | | 37,417,288 | 35,125,348 |
| Tier 2 capital (B): | | | |
| Allowance for doubtful accounts, etc. | | 955,241 | 972,578 |
| Qualified capital securities | | 3,176,000 | 2,244,000 |
| Non-qualified capital securities | | - | - |
| Additional stock deductibles | | (276,435) | (18,642) |
| | | 3,854,806 | 3,197,936 |
| Equity capital (A+B) | ₩ | 41,272,094 | 38,323,284 |

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**53. 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 Group 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 Group 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 Group 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 Group's capital requirements for market risk as of December 31, 2023 are as follows:

| | | December 31, 2023 |
|---|---|---|
| Sensitivity risk: | ₩ | |
| General interest rate | | 113,912 |
| Credit spread | | 88,014 |
| Equity | | 997 |
| Foreign exchange (FX) | | 14,233 |
| Commodity | | 120 |
| | | 217,276 |
| Default risk | | |
| Residual risk | | 10,486 |
| | | 3,901 |
| | ₩ | 231,663 |

The year ended December 31, 2022 were prior to the adoption of Basel III and therefore there is no comparable Basel III market risk required equity calculation for the current period.

For reference, the market risk capital under Basel 2.5 is as follows:

| | | December 31, 2022 |
|---|---|---|
| Interest rate | ₩ | 73,860 |
| Stock | | 148 |
| Foreign exchange (FX) | | 21,112 |
| Option | | 11,248 |
| | ₩ | 106,368 |





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**53. 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 Group'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 Group'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 Group's non-trading positions as of December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| △EVE | ₩ | 1,760,432 | 1,344,581 |
| △NII | | 622,795 | 355,645 |

Korea Development Bank and Subsidiaries

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**53. Risk Management, Continued**

**(iv) *Foreign currency risk***

Outstanding balances by currency with significant exposure as of December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | | | | | |
|---|---|---|---|---|---|---|---|
| | | USD | EUR | JPY | GBP | Others | Total |
| Financial assets: | | | | | | | |
| Cash and due from banks | ₩ | 4,692,785 | 205,931 | 89,276 | 32,903 | 748,327 | 5,769,222 |
| Securities measured at FVTPL | | 1,386,954 | 105,255 | 2,116 | 22,660 | 24,422 | 1,541,407 |
| Securities measured at FVOCI | | 11,377,120 | 399,238 | 499,704 | - | 1,355,760 | 13,631,822 |
| Securities measured at amortized cost | | 1,410,259 | 195,325 | - | - | 53,238 | 1,658,822 |
| Loans | | 56,839,868 | 5,155,773 | 2,110,396 | 1,065,245 | 2,965,656 | 68,136,938 |
| Derivative financial assets | | 2,002,649 | 63,241 | 15,177 | 216,238 | 47,904 | 2,345,209 |
| Other financial assets | | 3,051,445 | 58,684 | 34,958 | 2,315 | 1,239,520 | 4,386,922 |
| | | 80,761,080 | 6,183,447 | 2,751,627 | 1,339,361 | 6,434,827 | 97,470,342 |
| Financial liabilities: | | | | | | | |
| Financial liabilities designated at FVTPL | | 260,576 | - | - | - | - | 260,576 |
| Deposits | | 14,627,712 | 395,298 | 408,713 | 1,157 | 750,055 | 16,182,935 |
| Borrowings | | 22,268,671 | 670,283 | 1,610,659 | 17,876 | 1,685,338 | 26,252,827 |
| Debentures | | 31,415,276 | 3,206,528 | 180,755 | 97,197 | 7,368,404 | 42,268,160 |
| Derivative financial liabilities | | 2,526,619 | 91,411 | 7,236 | 212,812 | 75,617 | 2,913,695 |
| Other financial liabilities | | 3,406,118 | 65,192 | 35,832 | 1,676 | 1,432,194 | 4,941,012 |
| | | 74,504,972 | 4,428,712 | 2,243,195 | 330,718 | 11,311,608 | 92,819,205 |
| Net financial position | ₩ | 6,256,108 | 1,754,735 | 508,432 | 1,008,643 | (4,876,781) | 4,651,137 |

| | | December 31, 2022 | | | | | |
|---|---|---|---|---|---|---|---|
| | | USD | EUR | JPY | GBP | Others | Total |
| Financial assets: | | | | | | | |
| Cash and due from banks | ₩ | 6,240,654 | 68,209 | 52,243 | 15,169 | 609,085 | 6,985,360 |
| Securities measured at FVTPL | | 1,257,625 | 96,881 | 2,218 | 13,654 | 60,168 | 1,430,546 |
| Securities measured at FVOCI | | 9,631,280 | 287,606 | 376,526 | - | 1,452,085 | 11,747,497 |
| Securities measured at amortized cost | | 766,561 | 185,114 | - | - | 40,135 | 991,810 |
| Loans | | 54,647,365 | 4,252,704 | 1,698,597 | 1,069,062 | 2,841,923 | 64,509,651 |
| Derivative financial assets | | 2,778,263 | 69,802 | 22,321 | 175,821 | 64,288 | 3,110,495 |
| Other financial assets | | 2,428,644 | 55,005 | 51,078 | 16,876 | 70,121 | 2,621,724 |
| | | 77,750,392 | 5,015,321 | 2,202,983 | 1,290,582 | 5,137,805 | 91,397,083 |
| Financial liabilities: | | | | | | | |
| Financial liabilities designated at FVTPL | | 180,007 | - | - | - | - | 180,007 |
| Deposits | | 13,944,916 | 462,440 | 464,052 | 1,091 | 565,360 | 15,437,859 |
| Borrowings | | 20,282,874 | 359,462 | 1,101,061 | 15,240 | 1,487,583 | 23,246,220 |
| Debentures | | 27,684,924 | 2,752,363 | 209,550 | 97,197 | 7,398,273 | 38,142,307 |
| Derivative financial liabilities | | 3,181,849 | 122,539 | 8,662 | 218,257 | 76,772 | 3,608,079 |
| Other financial liabilities | | 2,211,288 | 36,898 | 31,422 | 16,993 | 230,500 | 2,527,101 |
| | | 67,485,858 | 3,733,702 | 1,814,747 | 348,778 | 9,758,488 | 83,141,573 |
| Net financial position | ₩ | 10,264,534 | 1,281,619 | 388,236 | 941,804 | (4,620,683) | 8,255,510 |





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**53. Risk Management, Continued**

**(v) *Interest rate risk management***

The Group is closely monitoring the outputs prepared by the industrial working groups which is managing the transition to alternative benchmark rates and the markets related the rates. The outputs include the information published by regulatory authorities related to IBORs. The authorities have made it clear that after the end of 2021, they will no longer persuade or force banks to submit IBORs. Responding the transition, the Group organized a task force led by the head of the risk management division and the task force has established the LIBOR transition plan that consists of work flows such as alternative interest rate determination, application development, customer communication management, risk management, taxation, finance, legal, and accounting system establishment. The important progress of the plan is reported to the management and may also be reported to the board of directors if necessary. The purpose of the task force is to review where exposure to IBOR occurs within the Group's business, and to develop and implement the plan to transit to the alternative benchmark rates. As of December 30, 2023, we have finalized the introduction of conversion and replacement rates for the majority of our U.S. dollar-denominated contracts. However, we aim to complete the conversion of certain unconverted contracts with maturities after December 2023 by the first interest rate rebalancing date that occurs.

The financial instruments that have yet to transition to alternative benchmark rates as of December 31, 2023 and 2022 are as follows. The amounts of the non-derivative financial instruments are the carrying amounts and the amounts of the derivatives, the commitments and the guarantees are the nominal amounts.

| | | December 31, 2023 | | |
|---|---|---|---|---|
| | | USD | Others | Total |
| Non-derivative financial assets: | | | | |
| Financial assets measured at amortized cost | ₩ | 2,275,021 | 821,387 | 3,096,408 |
| Non-derivative financial liabilities: | | | | |
| Financial liabilities measured at amortized cost | | - | 240,000 | 240,000 |
| Derivative: | | | | |
| Trading purpose | | | | |
| Interest rate | | 477,504 | - | 477,504 |

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(In millions of won)

**53. Risk Management, Continued**

| | | December 31, 2022 | | |
|---|---|---|---|---|
| | | USD | Others | Total |
| Non-derivative financial assets: | | | | |
| Financial assets measured at FVOCI | ₩ | 6,342 | - | 6,342 |
| Financial assets measured at amortized cost | | 13,724,781 | 935,582 | 14,660,363 |
| Privately placed corporate bonds | | - | 45,153 | 45,153 |
| | | 13,731,123 | 980,735 | 14,711,858 |
| Non-derivative financial liabilities: | | | | |
| Financial liabilities measured at amortized cost | | 781,924 | 150,000 | 931,924 |
| Derivative: | | | | |
| Trading purpose | | | | |
| Interest rate | | 76,158,628 | - | 76,158,628 |
| Currency | | 42,670,815 | - | 42,670,815 |
| Hedging purpose | | | | |
| Interest rate | | 16,209,017 | - | 16,209,017 |
| Currency | | 5,025,604 | - | 5,025,604 |
| | | 140,064,064 | - | 140,064,064 |
| Commitments and guarantees | | 75,022 | - | 75,022 |





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**53. 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 Group 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*

In order to identify prematurely and cope with worsening liquidity risk trends, the Group has set up 16 indexes such as the “Foreign Exchange Stabilization Bond CDS Premium,” and measures the trend monthly, weekly and daily as a means for establishing the allowable liquidity risk limit complementary measures.

*Stress-Test analysis and contingency plan*

- The Group evaluates the effects on the liquidity risk and identifies the inherent flaws. In the case where an unpredictable and significant liquidity crisis occurs, the Group executes risk situation analysis quarterly based on crisis specific to the Group, market risk and complex emergency, and reports to the Risk Management Committee for the purpose of the Group’s solvency securitization.
- The Group established detailed contingency plan to manage the liquidity risks at every risk situations.

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**53. Risk Management, Continued**

***(iii) Analysis on remaining contractual maturity of financial instruments***

Remaining contractual maturity analysis for non-derivative financial instruments as of December 31, 2023 and 2022 are as follows:

| 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 | ₩ | 6,465,528 | 455,964 | 843,571 | 539,488 | 4 | 8,304,555 |
| Securities measured at FVTPL | | 1,540,993 | 226,912 | 1,568,328 | 3,918,284 | 16,529,125 | 23,783,642 |
| Securities measured at FVOCI | | 1,340,244 | 1,145,645 | 5,512,537 | 12,778,289 | 21,071,606 | 41,848,321 |
| Securities measured at amortized cost | | 385,809 | 1,162,035 | 4,446,546 | 4,863,856 | 843,099 | 11,701,345 |
| Loans | | 14,918,152 | 19,446,744 | 73,676,419 | 85,470,080 | 19,636,329 | 213,147,724 |
| Other financial assets | | 8,983,605 | 84,866 | 68,600 | 137,434 | 1,978,741 | 11,253,246 |
| | ₩ | 33,634,331 | 22,522,166 | 86,116,001 | 107,707,431 | 60,058,904 | 310,038,833 |
| Financial liabilities: | | | | | | | |
| Financial liabilities designated at FVTPL | ₩ | 472,317 | 156,783 | 447,317 | 583,068 | 260,576 | 1,920,061 |
| Deposits | | 27,365,585 | 11,483,912 | 21,191,010 | 7,072,906 | 473,472 | 67,586,885 |
| Borrowings | | 5,018,461 | 6,235,421 | 13,205,768 | 6,598,420 | 860,458 | 31,918,528 |
| Debentures | | 5,889,292 | 9,314,033 | 50,821,591 | 89,509,639 | 8,204,478 | 163,739,033 |
| Other financial liabilities | | 7,952,140 | 2,519,743 | 96,356 | 606,236 | 5,295,405 | 16,469,880 |
| | ₩ | 46,697,795 | 29,709,892 | 85,762,042 | 104,370,269 | 15,094,389 | 281,634,387 |

| December 31, 2022 | | Within 1 month | 1~3 months | 3~12 months | 1~5 Years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|
| Financial assets: | | | | | | | |
| Cash and due from banks | ₩ | 10,625,918 | 653,607 | 1,111,496 | 936,053 | 33 | 13,327,107 |
| Securities measured at FVTPL | | 2,271,567 | 129,876 | 365,188 | 3,767,596 | 13,984,207 | 20,518,434 |
| Securities measured at FVOCI | | 191,002 | 1,370,709 | 4,843,649 | 15,932,002 | 20,520,154 | 42,857,516 |
| Securities measured at amortized cost | | 249,997 | 534,893 | 2,980,984 | 5,515,048 | 895,390 | 10,176,312 |
| Loans | | 15,273,019 | 22,994,734 | 71,073,424 | 86,856,028 | 17,245,164 | 213,442,369 |
| Other financial assets | | 6,592,424 | 66,022 | 64,076 | 397,116 | 1,642,050 | 8,761,688 |
| | ₩ | 35,203,927 | 25,749,841 | 80,438,817 | 113,403,843 | 54,286,998 | 309,083,426 |
| Financial liabilities: | | | | | | | |
| Financial liabilities designated at FVTPL | ₩ | 60,946 | 123,270 | 388,313 | 290,403 | 88,371 | 951,303 |
| Deposits | | 30,947,918 | 13,079,140 | 21,342,095 | 5,248,876 | 511,107 | 71,129,136 |
| Borrowings | | 3,644,481 | 7,054,362 | 13,762,492 | 4,988,536 | 995,319 | 30,445,190 |
| Debentures | | 5,063,003 | 11,958,019 | 56,583,088 | 86,690,246 | 4,589,279 | 164,883,635 |
| Other financial liabilities | | 4,109,690 | 2,147,134 | 84,784 | 584,447 | 997,768 | 7,923,823 |
| | ₩ | 43,826,038 | 34,361,925 | 92,160,772 | 97,802,508 | 7,181,844 | 275,333,087 |





Korea Development Bank and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

(In millions of won)

53. Risk Management, Continued

Remaining contractual maturity analysis for derivative financial instruments as of December 31, 2023 and 2022 are as follows:

*Net settlement of derivative financial instruments*

| December 31, 2023 | | Within 1 month | 1~3 months | 3~12 months | 1~5 Years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|
| Trading purpose derivatives: | | | | | | | |
| Currency | ₩ | 301 | 10,307 | 42 | - | - | 10,650 |
| Interest rate | | (2,006) | (28,352) | (276,596) | (367,029) | 826,714 | 152,731 |
| Stock | | (1) | - | - | - | - | (1) |
| Hedging purpose derivatives: | | | | | | | |
| Interest rate | | 43,722 | 144,662 | 543,394 | 1,595,618 | 1,336,540 | 3,663,936 |
| | ₩ | 42,016 | 126,617 | 266,840 | 1,228,589 | 2,163,254 | 3,827,316 |

| December 31, 2022 | | Within 1 month | 1~3 months | 3~12 months | 1~5 Years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|
| Trading purpose derivatives: | | | | | | | |
| Currency | ₩ | 15,373 | 6,555 | 217 | - | - | 22,145 |
| Interest rate | | 14,379 | 56,438 | 122,389 | (239,828) | 329,021 | 282,399 |
| Stock | | 1 | - | - | - | - | 1 |
| Hedging purpose derivatives: | | | | | | | |
| Interest rate | | (43,682) | (20,611) | 265,185 | 907,552 | 912,990 | 2,021,434 |
| | ₩ | (13,929) | 42,382 | 387,791 | 667,724 | 1,242,011 | 2,325,979 |

Korea Development Bank and Subsidiaries

# Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

(In millions of won)

**53. Risk Management, Continued**

*Gross settlement of derivative financial instruments*

| December 31, 2023 | | Within 1 month | 1~3 months | 3~12 months | 1~5 Years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|
| Trading purpose derivatives: | | | | | | | |
| Currency | | | | | | | |
| Inflow | ₩ | 45,355,117 | 27,478,545 | 57,382,731 | 87,467,138 | 5,566,523 | 223,250,054 |
| Outflow | | 45,476,392 | 27,330,617 | 57,004,645 | 86,723,581 | 5,583,058 | 222,118,293 |
| Interest | | | | | | | |
| Inflow | | - | - | - | - | - | - |
| Outflow | | - | - | - | - | - | - |
| Hedging purpose derivatives: | | | | | | | |
| Currency | | | | | | | |
| Inflow | | 1,585,268 | 714,265 | 5,627,197 | 17,507,351 | 4,659,116 | 30,093,197 |
| Outflow | | 1,828,931 | 1,237,310 | 5,744,106 | 17,098,837 | 4,438,252 | 30,347,436 |
| Total inflow | ₩ | 46,940,385 | 28,192,810 | 63,009,928 | 104,974,489 | 10,225,639 | 253,343,251 |
| Total outflow | ₩ | 47,305,323 | 28,567,927 | 62,748,751 | 103,822,418 | 10,021,310 | 252,465,729 |

| December 31, 2022 | | Within 1 month | 1~3 months | 3~12 months | 1~5 Years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|
| Trading purpose derivatives: | | | | | | | |
| Currency | | | | | | | |
| Inflow | ₩ | 52,376,416 | 31,340,410 | 63,562,432 | 77,238,222 | 7,031,148 | 231,548,628 |
| Outflow | | 52,275,177 | 31,419,674 | 63,702,102 | 76,565,253 | 6,968,341 | 230,930,547 |
| Interest | | | | | | | |
| Inflow | | - | - | 20,280 | 29,798 | - | 50,078 |
| Outflow | | - | - | 20,280 | 28,887 | - | 49,167 |
| Hedging purpose derivatives: | | | | | | | |
| Currency | | | | | | | |
| Inflow | | 382,471 | 331,797 | 8,713,900 | 15,749,336 | 3,656,288 | 28,833,792 |
| Outflow | | 725,128 | 497,526 | 8,797,007 | 16,576,149 | 3,577,128 | 30,172,938 |
| Total inflow | ₩ | 52,758,887 | 31,672,207 | 72,296,612 | 93,017,356 | 10,687,436 | 260,432,498 |
| Total outflow | ₩ | 53,000,305 | 31,917,200 | 72,519,389 | 93,170,289 | 10,545,469 | 261,152,652 |





Korea Development Bank and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

(In millions of won)

53. Risk Management, Continued

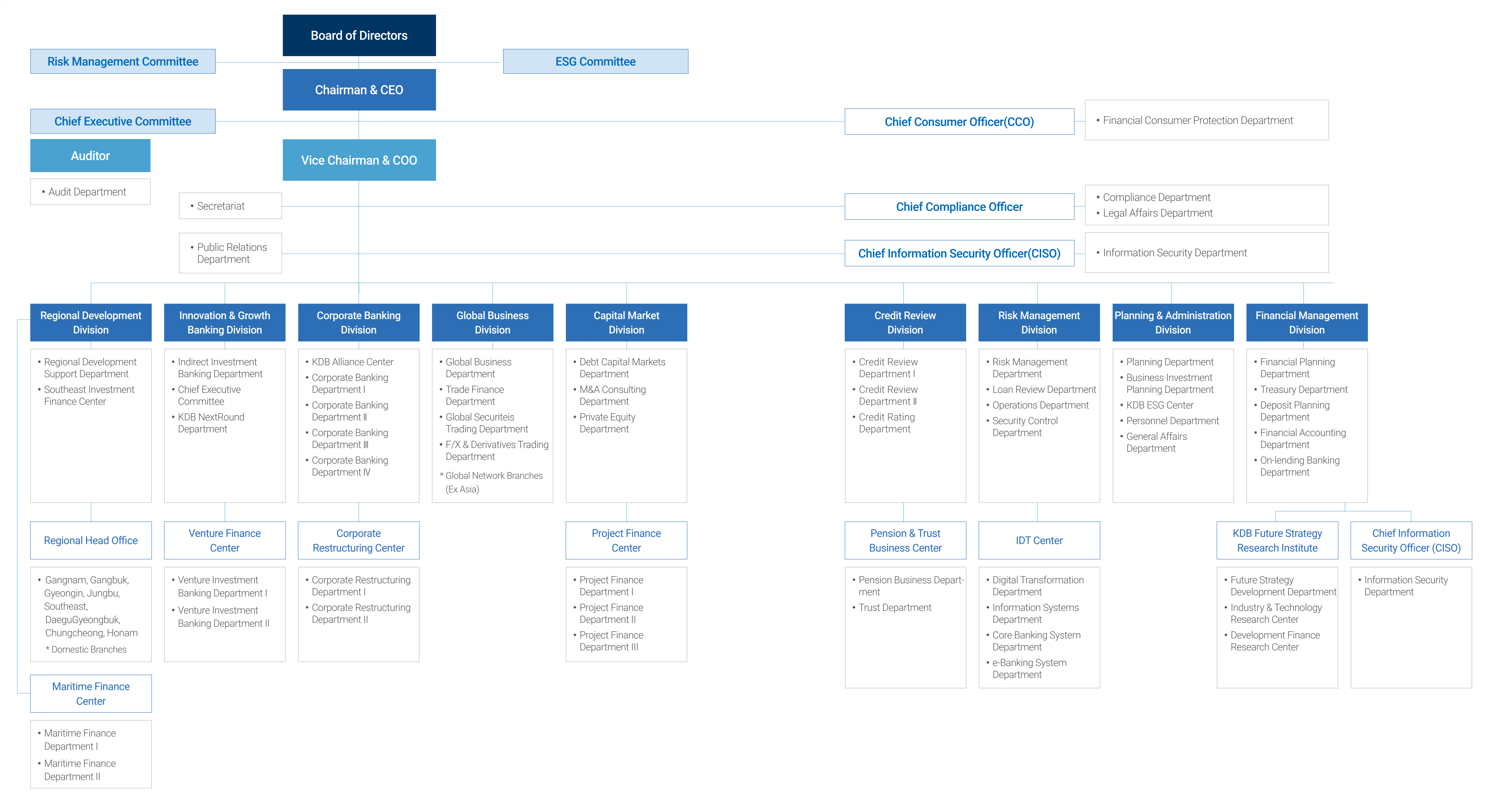
Remaining contractual maturity analysis for guarantees and commitments as of December 31, 2023 and 2022 are as follows:

| December 31, 2023 | | Within 1 month | 1~3 months | 3~12 months | 1~5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|
| Guarantees | ₩ | 1,219,970 | 2,228,017 | 5,081,508 | 9,263,023 | 496,793 | 18,289,311 |
| Commitments | | 624,038 | 123,242 | 1,264,593 | 1,991,206 | 52,668,867 | 56,671,946 |
| | ₩ | 1,844,008 | 2,351,259 | 6,346,101 | 11,254,229 | 53,165,660 | 74,961,257 |

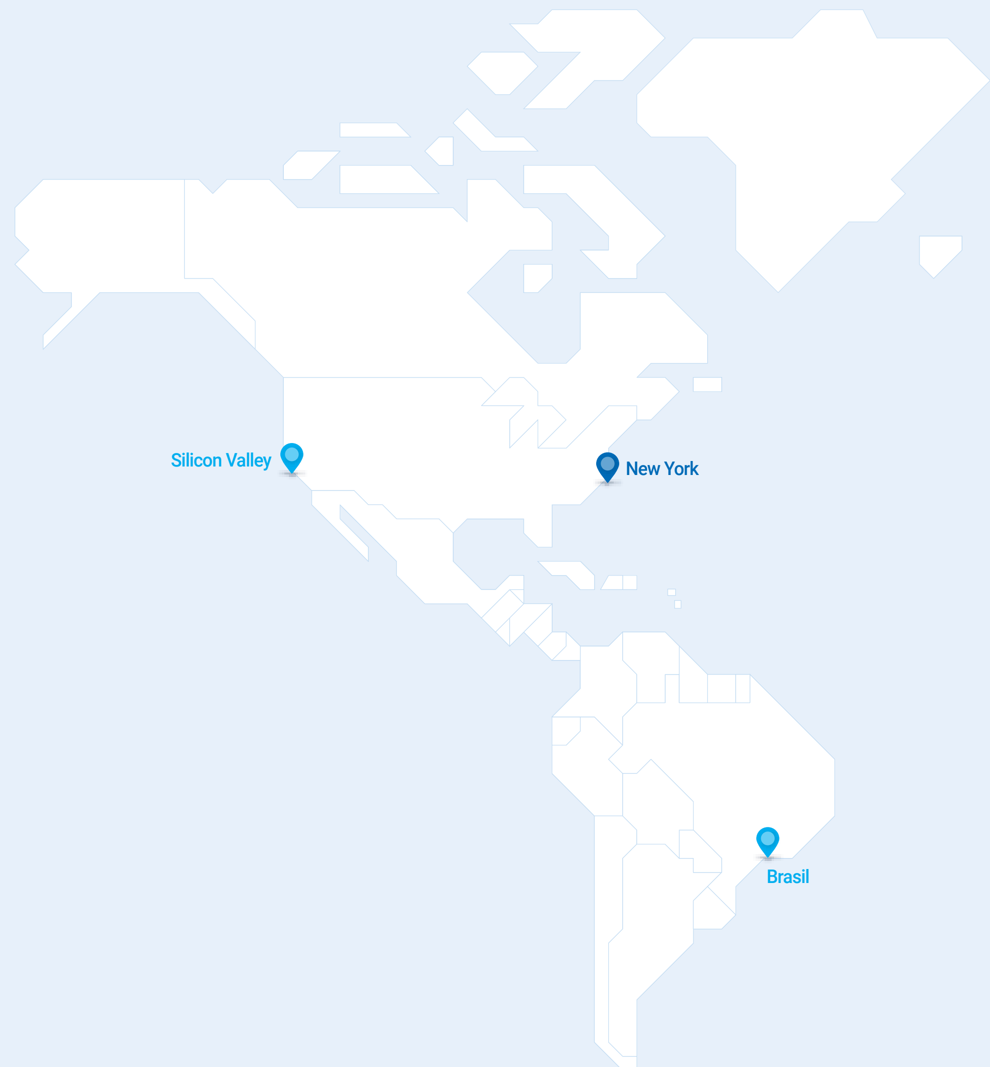
| December 31, 2022 | | Within 1 month | 1~3 months | 3~12 months | 1~5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|
| Guarantees | ₩ | 994,382 | 1,284,030 | 2,713,574 | 6,009,532 | 420,036 | 11,421,554 |
| Commitments | | 410,918 | 82,369 | 833,354 | 2,226,910 | 44,548,658 | 48,102,209 |
| | ₩ | 1,405,300 | 1,366,399 | 3,546,928 | 8,236,442 | 44,968,694 | 59,523,763 |

# Organization

9 Division | 7 Center | 9 Regional Head Office | 59 Department



# Global Network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- REPRESENTATIVE OFFICES
- SUBSIDIARIES

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