

2024 ANNUAL REPORT

REDEFINING TOMORROW



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In addition, the report was printed with soy ink.



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Financial Highlights & KDB at a Glance

2024 ANNUAL REPORT

REDEFINING
TOMORROW

As Korea's leading policy finance institution, Korea Development Bank (KDB) has long stood as a steadfast pillar of the national economy and a catalyst for transformation, providing the essential capital to power industrial advancement while acting as a market stabilizer in times of crisis. In this capacity, KDB has grown in step with Korea's economic development.

As the world enters into a new era of transformation driven by shifting global dynamics, digitalization and decarbonization, KDB is leveraging its extensive financial expertise to support corporate innovation and lead the transition toward a new industrial paradigm.

Looking ahead, KDB will continue to strengthen its global competitiveness as it remains unwavering in its commitment to safeguard Korea's economic resilience. With a clear mission to foster the nation's next growth engines, KDB is committed to redefining tomorrow.



Financial Highlights

Summary Statement of Financial Position

(Unit: KRW billion, Consolidated basis)				
	2024	2023	Change	
			Amount	%
ASSETS	372,581.1	347,534.5	25,046.6	7.2%
Cash & due from banks	12,769.9	8,306.4	4,463.5	53.7%
Securities	81,436.2	79,742.1	1,694.1	2.1%
Loans	224,779.9	214,325.8	10,454.1	4.9%
Other assets	53,595.1	45,160.2	8,434.9	18.7%
LIABILITIES	328,571.4	308,106.9	20,464.5	6.6%
Deposits	67,035.0	67,571.6	(536.6)	(0.8%)
Borrowings	39,510.9	34,043.7	5,467.2	16.1%
Bonds	172,444.6	163,205.8	9,238.9	5.7%
Other liabilities	49,580.9	43,286.0	6,294.9	14.5%
EQUITY	44,009.7	39,427.5	4,582.2	11.6%
Issued capital	26,316.6	23,926.6	2,390.0	10.0%
Capital surplus	803.5	892.4	(88.9)	(10.0%)
Retained earnings	13,444.1	11,094.3	2,349.8	21.2%
Capital adjustments	213.6	214.5	(0.8)	(0.4%)
Accumulated other comprehensive income	2,763.1	3,011.2	(248.2)	(8.2%)
Non-controlling interests	468.9	288.5	180.3	62.5%

Summary Statement of Income

(Unit: KRW billion, Consolidated basis)				
	2024	2023	Change	
			Amount	%
Net operating revenue	3,010.6	2,743.6	267.0	9.7%
Net interest income	2,018.0	2,435.6	(417.6)	(17.1%)
Non-interest income	992.6	308.0	684.6	222.3%
Provision for(reversal of) credit losses	(269.0)	296.8	(565.8)	(190.6%)
G&A expenses	1,072.1	974.1	98.0	10.1%
Operating income	2,207.6	1,472.8	734.8	49.9%
Non-operating Income(expense) ⁽¹⁾	465.0	(314.4)	779.4	(247.9%)
Income tax expenses(benefits)	525.9	(510.3)	1,036.2	(203.1%)
Profit for the period from continuing operations	2,146.7	1,668.6	478.1	28.7%
Profit from discontinued operations	0.0	2,328.1	(2,328.1)	(100.0%)
Net profit ⁽¹⁾	2,146.7	3,996.7	(1,850.0)	(46.3%)

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

KDB at a Glance

Global Network



Credit Ratings



*Equivalent to the sovereign ratings of the Republic of Korea

Global Initiatives



UN Global Compact / Green Climate Fund / Equator Principles / International Development Finance Club

2024 ANNUAL REPORT

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Looking ahead, KDB will continue to strengthen its global competitiveness as it remains unwavering in its commitment to safeguard Korea's economic resilience. With a clear mission to foster the nation's next growth engines, KDB is committed to redefining tomorrow.



Message from the Chairman & CEO



Guided by our vision—Greater KDB: A Global Financial Leader Growing in Tandem with Korea—we remain committed to driving Korea's economic growth and innovation across industrial and financial sectors.

Dear valued clients and partners,

First and foremost, I extend my heartfelt gratitude for your continued trust and unwavering support for Korea Development Bank (KDB).

The year 2024 marked KDB's 70th anniversary, a significant milestone for our institution. However, it was also a year fraught with challenges, characterized by heightened geopolitical tensions, shifts in U.S. policies, and disruptions in global supply chains, posing considerable headwinds to the Korean economy. Despite these difficulties, KDB remained steadfast as a cornerstone of national economic stability, achieving meaningful outcomes in supporting high-tech strategic industries, advancing green finance, promoting balanced regional growth, and reinforcing our role in national industrial policy R&D.

Throughout 2024, KDB provided KRW 87.9 trillion in financing to actively support our industries and enterprises. We significantly expanded our Super Gap Industry Program to KRW 18 trillion and introduced the KRW 17 trillion Semiconductor CAPEX Special Program, reinforcing Korea's competitive edge in critical sectors such as semiconductors, artificial intelligence, and secondary batteries.

We continued our robust support for the growth of green industries and decarbonization efforts in traditional sectors. In alignment with Korea's Green Taxonomy (K-Taxonomy), KDB supplied KRW 22.9 trillion in green financing, significantly contributing to national sustainability objectives.

Efforts towards balanced regional growth were also intensified. Building upon our Southeastern Investment Banking Center, we established the Southern Region IB Headquarters and the Southwestern Investment Banking Center. These facilities, supported by tailored financial platforms, funds, and direct investments, created comprehensive regional financial ecosystems, fostering new growth drivers across the country.

Moreover, KDB launched the Next 100 Forum, positioning ourselves as a forward-thinking policy think tank, fostering dialogue on future industrial strategies and policy finance integration to guide Korea's economic trajectory for the next century.

Looking ahead, 2025 will bring significant challenges. Continued U.S.-China competition, increased protectionism, and global competition for AI leadership necessitate a strategic response. Domestically, productivity stagnation and weakening consumption pose further economic pressures. Against this backdrop, KDB will prioritize the following initiatives:

First, we will spearhead the execution of Korea's new industrial and financial policies.

Recognizing high-tech strategic industries as central to Korea's future growth, KDB will establish comprehensive financial support frameworks and actively cultivate emerging technologies. The cornerstone of these efforts is our Korea Rebound Program, providing KRW 100 trillion (KRW 90 trillion in loans, KRW 10 trillion in funds) over three years.

In addition, as Korea's National Climate Bank, we remain deeply committed to facilitating the nation's green transition. KDB aims to supply KRW 154 trillion in green finance by 2030, increasing the green finance share of our total lending portfolio to over 28%, thus driving Korea's transition towards a net-zero economy.

Furthermore, we will intensify efforts for balanced regional growth, addressing risks stemming from the concentration of resources in the capital region. By expanding policy finance for promising regional companies, managing the region-specific venture platform V:Launch, and providing direct investments and lending tailored to local enterprises, we will bolster regional competitiveness and vitality.

Second, we will lead Korea's financial markets towards greater sophistication and stability.

KDB will leverage its expertise in project finance, syndicated loans, trade finance, and derivatives to enhance our global and investment banking competitiveness. Our branches in New York, London, Singapore, and Hong Kong will anchor our global op-

erations, fostering robust revenue streams. Collaborations with global investment institutions, including sovereign wealth funds like Mubadala, will further support Korean corporates' international ventures.

In periods of financial instability, KDB stands ready to swiftly activate market stabilization programs. Currently managing a KRW 41.8 trillion stabilization fund, we will continue close coordination with governmental and regulatory entities to ensure timely and effective crisis responses.

Third, we will enhance operational capabilities in response to AI-driven paradigm shifts and strengthen financial and risk management to navigate growing uncertainties.

Advances in digital technology, notably AI and big data, are fundamentally transforming the financial sector. KDB will continue to drive innovation in operational processes by integrating advanced digital technologies, including the launch of KDB-GPT, an internal generative AI platform, and the implementation of bank-wide paperless workflows to enhance operational efficiency and bolster our competitive advantage.

Simultaneously, KDB will strengthen its financial and risk management frameworks to proactively address heightened external uncertainties. Strategic asset reallocation, rigorous monitoring of key forward-looking indicators—including delinquency rates, interest rates, and exchange rates—and enhanced provisioning practices will bolster our resilience against potential financial stresses.

Valued Clients,

Guided by our vision—Greater KDB: A Global Financial Leader Growing in Tandem with Korea—we remain committed to driving Korea's economic growth and innovation across industrial and financial sectors. Your continued trust and support are the foundation of our progress, and we sincerely ask for your ongoing trust in the road ahead.

Thank you.

Kang, Seoghoon

Chairman & CEO
Korea Development Bank

kang, seoghoon

Management Profiles

BOARD OF DIRECTORS



Kang, Seoghoon Chairman & CEO



Kim, Bock Kyu Vice Chairman & COO



Kim, Jae Shin Auditor



Kim, Bock Kyu Vice Chairman & COO **You, Sun Ki** Independent Director **Lee, Yong Hi** Independent Director **Kang, Seoghoon** Chairman & CEO **Kim, Hee Rak** Independent Director **Kim, Jae Shin** Auditor

(As of the end of 2025.1Q)

EXECUTIVE DIRECTORS



Paik, Jun Young
Regional Development Division



Shin, Hey Sook
Innovation & Growth Banking Division



Lee, Bong Hee
Corporate Banking Division



Yang, Seung Weon
Global Business Division



Seo, Dong Ho
Capital Market Division



Ahn, Seong Jin
Credit Review Division



Park, Chan Ho
Risk Management Division



Lee, Keun Hwan
Planning & Administration Division



Joo, Dong Bin
Financial Management Division

2024 Year in Review



February 6

Landmark USD 3 Billion Global Bond Issuance Under SSA-Style Strategy

On February 6, KDB successfully executed a USD 3 billion global bond issuance – its largest to date – by adopting a Sovereign, Supranational and Agency (SSA) – style issuance strategy for the first time in Korea.

The offering was structured in two tranches: USD 1.75 billion with a 3-year maturity and USD 1.25 billion with a 5-year maturity.

This transaction represents a strategic milestone in Korea's external funding landscape, establishing a new benchmark for Korean policy-based financial institutions. By leveraging the SSA issuance strategy – characterized by proactive investor engagement, precise market timing, and high transparency – KDB reinforced investor confidence and broadened access to high-quality global capital.

The Korea Development Bank

US\$1,750,000,000 4.625% Notes due 2027
US\$1,250,000,000 4.500% Notes due 2029

Our US\$1,750,000,000 aggregate principal amount of notes due 2027 (the "2027 Notes") will bear interest at a rate of 4.625% per annum and our US\$1,250,000,000 aggregate principal amount of notes due 2029 (the "2029 Notes," and together with the 2027 Notes, the "Notes") will bear interest at a rate of 4.500% per annum. Interest on the Notes is payable semi-annually on or around February 15 and August 15 of each year, beginning on August 15, 2024. The 2027 Notes will mature on February 15, 2027, and the 2029 Notes will mature on February 15, 2029.

KDB makes SSA push

Bonds South Korean lender attracts wide range of investors with new execution style



February 22

Launch of 'V:Launch 2024' – A Regional Venture Platform to Promote Local Innovation

On February 22, KDB held the 'V:Launch 2024 Opening', a region-focused venture platform designed to enhance access to finance for early-stage companies outside metropolitan areas.

This platform aims to strengthen regional innovation ecosystem by linking local venture companies with potential investors, thereby fostering entrepreneurship, job creation, and balanced regional development.



April 1

Commemoration of the 70th Anniversary of KDB's Founding

On April 1, KDB commemorated the 70th anniversary of its founding. Since its establishment on April 1, 1954, KDB has played a pivotal role as Korea's key policy financial institution, supporting the industrial transformation and sustainable economic growth across all stages of national development.

As KDB reflects on seven decades of dedicated service, it now sets a forward-looking vision for the next century – "100 years of KDB". Building on its legacy, KDB remains steadfast in its commitment to supporting Korea's sustainable growth and long-term economic resilience.



June 13

Successfully hosted 'NextRise 2024, Seoul'

From 13 to 14 June, KDB hosted 'NextRise 2024, Seoul', under the theme Bridge the Gap!.

The event showcased over 500 startups and 24 major corporations and institutions, fostering dialogue and collaboration across cutting-edge industries including AI, semi-conductors, and mobility.

With more than 60 expert-led sessions, NextRise 2024 reaffirmed KDB's commitment to supporting innovation ecosystem and entrepreneurship.



2024 Year in Review



July 31

Completion of Syndication for the 'US IPI Square Data Center Project'

On July 31, acting as the Lead arranger (CLA), KDB successfully closed the syndication of the USD 3.7 billion (loan amount USD 2.9 billion) IPI Square Data Center Project in the United States.

The transaction involved the placement of USD 1 billion to nine financial institutions, solidifying KDB's presence in the global project finance market and expanding cross-border financial collaboration.



July 19

Approval of the KDB-led Initiative to Foster Global Climate Tech Partnerships by the GCF Board

At the 39th Board Meeting of the Green Climate Fund (GCF) 15 to 18 July, Incheon Song-do), KDB secured approval for a USD 200 million program aimed at supporting the internationalization of Korean climate tech companies.

This initiative will promote cross-border collaboration in climate technology between Korea and five Southeast Asian countries - Vietnam, Indonesia, the Philippines, Cambodia, Laos -, and enhance global competitiveness of Korean climate tech firms through strategic partnerships in Southeast Asia.



October 10

'KDB Infrastructure Forum': Marking 30 Years of PF Financing in Korea

To commemorate the 30th anniversary of the adoption of project financing (PF) in Korea, KDB hosted the 'KDB Infrastructure Forum' on 10 October. The event convened over 250 global stakeholders under the themes of 'Digital Infrastructure' and 'Green Energy Transition', featuring participation from leading institutions such as Blackstone, CIP, and KEPCO.



November 19

Signing of Master Agreement for Joint Trade Finance with African International Financial Institutions

KDB became the first Korean institution to enter into a Master Participation Agreement on joint trade finance with the Africa Finance Corporation and Afreximbank, representing 43 African countries and 52 member states. This agreement lays the foundation for a commercial and sustainable financial cooperation framework between Korea and Africa, with a focus on promoting long-term commercial engagement and risk-sharing across nations.



October 14

Issuance of KRW 1 Trillion Social Bonds

On 14 October, KDB successfully issued KRW 1 trillion in social bonds aimed at enhancing financial inclusion and generating social value.

Proceeds from the issuance will be deployed to support job-creating enterprises, particularly those contributing to employment expansion and inclusive economic growth within Korea.



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.

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.

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.

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 Plans for 2025

MANAGEMENT GOALS

Greater KDB: All-in for Korea's Industrial Growth with A.I.

Strategic Pillar 1

Driving Korea's New Growth Engine Initiatives and Financial Policies

Key Initiative

- 1 Drive the development of high-tech strategic industries, including semiconductors and AI
- 2 Lead Korea's green transition as the nation's Climate Bank
- 3 Foster balanced regional growth by reinvigorating industries and businesses beyond the Seoul metropolitan area
- 4 Stimulate growth of ventures and startups by expanding the innovation ecosystem

Strategic Pillar 2

Advancing and Stabilizing Korea's Financial Markets

Key Initiative

- 5 Strengthen revenue base by exploring new markets and enhancing global and investment banking competitiveness
- 6 Bolster market stabilization functions for efficient and proactive crisis management

Strategic Pillar 3

Strengthening Internal Capabilities

Key Initiative

- 7 Serve as an R&D think tank for the government's new growth engine initiatives and financial policies
- 8 Drive process innovation by integrating digital technologies such as AI and big data
- 9 Strengthen financial and risk management to proactively respond to changing macroeconomic conditions

BUSINESS REVIEW

As Korea's premier corporate & investment bank, KDB has played a leading role in driving corporate growth and advancing the nation's financial markets, drawing on the decades of accumulated financial expertise. With corporate banking at its core, KDB brings strength across a wide spectrum of businesses—from project financing and on-lending to the derivatives and structured solutions.

Fueled by this legacy and driven by a clear sense of mission, KDB is committed to leading Korea through its next economic transformation.

Building on this foundation, KDB is also accelerating its global outreach. We are creating new partnerships and unlocking the future alongside a growing base of global clients, as what we call the "Greater KDB."

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- 046 Pensions & Trusts
- 048 Research

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.

2024 REVIEW

In 2024, the global economy entered a phase of low growth, with heightened uncertainties driven by major economies implementing interest rate cuts and reinforcing protectionist policies. Against this backdrop, KDB actively supported the transformation of Korea's industrial structure by providing not only large-scale facility financing but also tailored financial solutions—such as acquisition financing for corporate restructuring—to meet the specific needs of individual businesses.

Specifically, KDB expanded the Super Gap Industry Program and launched the Semiconductor CAPEX Special Program to facilitate capital expenditures in future growth sectors. Additionally, in response to growing societal demands, KDB continued to provide structured financial support for industrial transformation and green finance-related facility investments, playing a key role in driving the sustainable development of the Koran economy.

To support the stable growth of businesses in Korea's southern region, KDB has implemented a three-pillar strategy centered on platforms, funds, and direct investments to fos-

ter the venture ecosystem. Through its V:Launch platform, KDB hosted over 15 IR sessions, successfully attracting KRW 134.7 billion in investments. Additionally, to invest in promising regional innovation-driven enterprises, KDB initiated the Regional Innovation Indirect Investment Fund, establishing the KRW 101.1 billion Busan Future Growth Fund and the KRW 64.7 billion Gyeongnam-KDB Regional Innovation Venture Fund.

Furthermore, KDB launched the USD 1.4 billion KDB Smart Ocean Shipping Fund to support Korean shipping companies in building a greener and smarter fleet, strengthening their position in the advanced marine mobility market. Through this fund, KDB also introduced its first-ever ship leasing program, enabling mid-sized Korean shipping companies to acquire eco-friendly bulk carriers for long-term transportation contracts.

Looking ahead, KDB plans to enhance the functionality of its three-pillar strategy that is in place in the southern region of the country, ensuring tailored investment financing that is more comprehensive than before in supporting businesses at the various stages of their life cycle and scale.



Closing Ceremony (Aug. 2024)



Landmark Deals of 2024

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

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. At the same time, joint efforts carried out with industry leaders to develop reliable supply chains have contributed to enhancing Korea's mid- to long-term industrial competitiveness



Highlights

Industry (Beneficiary)	Details of Support	Industry (Beneficiary)	Details of Support
Secondary Batteries (Company L)	Secondary battery global CAPEX support • USD 5 billion (5-year) partnership • Mutual growth fund KRW 150 billion	Carbon Reduction Equipment (7 companies, including Company S)	Cement industry carbon neutrality initiative • KRW 1 trillion (5-year) partnership • Financially allied KRW 109.1 billion in 2024
Semiconductors (Company S)	M&As to capture global semiconductor market share • USD 3 billion (5-year) partnership Materials, parts, and equipment support • Establishment of a KRW 100 billion fund • Mutual growth fund KRW 60 billion	Submarine Cables f or Wind Energy (Company L)	Submarine cable industry growth for off-shore wind power generation • KRW 1 trillion (5-year) partnership • Financially allied KRW 25 billion in 2024
Green Energy (H Group)	Green energy (solar + hydrogen) industry growth • KRW 5 trillion (5-year) partnership • Financially allied KRW 673 billion in 2024	Secondary Battery Material (Company S)	Secondary battery and green material business improvement • KRW 1.5 trillion (5-year) partnership • Financially allied KRW 100 billion in 2024

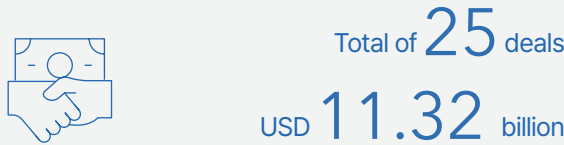
Landmark Deals of 2024

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



Beneficiary	Details of Support
A	Issuance Guarantee of Company E (USD 1.15 billion)
B	Acquisition of Company F (EUR 74 million)
C	Overseas CAPEX investments (EUR 125 million)
D	Overseas CAPEX investments (KRW 220 billion)

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



2025 PLANS

KDB will continue to provide comprehensive financial support to secure Korea's new growth engines while also driving industrial restructuring to strengthen national competitiveness. In close collaboration with related government ministries, KDB will ensure seamless policy finance support for crucial national strategic industries, such as semiconductors and AI, while actively supporting corporate and industrial restructuring to foster the growth of businesses that contribute to regional economies. Additionally, to ensure the long-term sustainable development of both the national economy and KDB itself, the Bank will strengthen its investment asset portfolio management, establish strategic investment directions aligned with government-led policy investments, and foster the continued growth of promising industrial sectors.

To counter global technological hegemony competition, KDB is set to launch the Korea Rebound Program, committing a total of KRW 100 trillion in investments over the next three years to reinforce Korea's leadership in high-tech strategic industries, including semiconductors, secondary batteries, and AI.

In 2025, KDB will further solidify its role as a control tower for aligning industrial strategies with policy finance, bolstering the effectiveness of financial support, and leading the advancement of Korea's industrial competitiveness.

KDB Financing Volume in 2024

Total Amount

KRW **87.9** trillion

SME & ME Financing

KRW **53.7** trillion

Innovation Growth

KRW **38.8** trillion

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.

2024 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.

Amid rising raw material costs and high interest rates, Taeyoung Engineering & Construction faced a liquidity crisis as a result of its deteriorating profitability. In response, KDB swiftly implemented a structured workout program to minimize stakeholder losses and prevent the crisis from escalating into broader financial instability within the real estate sector and the national economy. Since the initiation of the workout, KDB has been actively developing a corporate rehabilitation plan to ensure the company's sustainable recovery and long-term viability.



Additionally, KDB worked closely with the government and the Korea Trade Insurance Corporation to expand the issuance of refund guarantees (RG) for mid-sized shipbuilders, including Daehan Shipbuilding. This was done to support the efforts of these mid-sized shipbuilders to increase order intakes so that they could reinforce their financial resilience. Furthermore, KDB facilitated rapid restructuring and business normalization for 15 SMEs by expediting their workout programs.

2025 PLANS

In 2025, KDB will continue to play its role as a turnaround facilitator and market safety net, adhering to its long-held principles established over the 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 early and efficiently in its turnaround efforts to facilitate their successful recovery, which in turn will reinfuse vitality into the national economy.

Capital Markets

DEBT CAPITAL MARKET

As Korea's only bank licensed to underwrite corporate bonds, KDB has maintained its leadership in debt capital markets services by arranging and underwriting bond offerings both domestically and internationally. The Bank also provides comprehensive advisory services for structured finance transactions.

2024 REVIEW

KDB's Debt Capital Markets Department operates various capital market stabilization programs for proactive crisis management. As of 2024, total available funds under these programs had reached KRW 41.8 trillion.

Specifically, KDB operates a proprietary corporate bond and commercial paper (CP) purchase program totaling KRW 7.4 trillion. Additionally, in conjunction with the government and other related institutions, it manages KRW 20 trillion for the Bond Market Stabilization Fund, KRW 4.4 trillion for the Fast-Track Corporate Bond Purchase Scheme, and KRW 10 trillion for the Corporate Liquidity Support Vehicle. Since 2020, KDB has cumulatively deployed KRW 28.1 trillion and, as of 2024, had retained KRW 25.1 trillion in remaining capacity, contributing to the stability of the bond market.

KDB further expanded its policy-driven investment banking initiatives through structured finance. A notable achievement was facilitating the Korea Land & Housing Corporation's KRW 100 billion securitization of installment payment receivables to support the development of a high-tech industrial complex. This initiative promoted balanced regional growth and enhanced funding accessibility for companies operating in national high-tech strategic industries. In addition, the Department provided KRW 80 billion in structured financing to two regional national university hospitals, strengthening essential medical services in the region and contributing to the stabilization of the national healthcare system.

Furthermore, by executing the largest-ever issuance of a primary collateralized bond obligation (P-CBO) for high-tech strategic industries and ESG-focused companies, KDB expanded the scope of Korea's structured finance market.

In the international bonds segment, KDB maintained its leadership by successfully arranging major global bond issuances, including those for SK Hynix, Kraton Corporation, and the Ministry of Economy and Finance's Foreign Exchange Stabilization Bonds. These accomplishments propelled the Bank to 9th place in Bloomberg's Korea International Bonds League Table (Public Offering), reaffirming its position as Korea's leading investment bank. A standout achievement was the USD 1 billion global bond issuance for Kraton Corporation in July 2024—the largest Korean guaranteed bond issuance to date. This landmark transaction not only facilitated Kraton's overseas expansion but also supported its eco-friendly business initiatives.

2025 PLANS

Despite ongoing political and economic uncertainties at home and abroad, the Korean debt capital market is expected to be more favorable in 2025 compared to the previous year, due in part to the stabilizing inflation rate. However, risk factors persist, including potential tariff policies under the Trump administration and delayed domestic economic recovery.

In 2025, KDB will continue operating its bond market stabilization programs to actively support low-credit-rated firms facing funding challenges. By doing so, the Bank will reinforce financial market stability and mitigate risks in the event of potential crises.

In 2025, to further enhance financial accessibility for mid-sized enterprises (MEs), the Bank will launch the Qualified Institutional Buyers (QIB*) Bond Debut Program. Operating through the quasi-public QIB bond market, this initiative aims to expand financing channels for MEs, paving the way for their future stand-alone public bond issuances.

Landmark Deals of 2024

In July 2024, KDB successfully arranged the issuance of Kraton Corporation's USD 1 billion global bond, backed by its guarantee. Structured as a three-year, single-tranche instrument, the bond was twice oversubscribed, fully achieving its USD 1 billion target, despite being the largest Korean guaranteed bond issuance to date. Strong international investor demand enabled KDB to tighten the spread by 25 basis points from the initial price guidance, finalizing the issuance at a spread of +85 basis points.

By leveraging its strong credit rating, KDB's guarantee played a crucial role in ensuring the transaction's success. This landmark deal further reinforced KDB's position as Korea's premier policy-driven investment bank.

Deal Specifications

Issue Date	July 15, 2024
Size	USD 1 billion
Tenor	3years
Reoffer Spread/Yield	U.S. Treasury Yield (3Y) + 85bps / 5.257%
Coupon	5.000%
Guarantor	Korea Development Bank

In the international bond market, while the U.S. Federal Reserve's rate cuts toward the end of 2024 are expected to ease funding conditions, market volatility is likely to persist, driven by uncertainty surrounding the rate cut trajectory, U.S.-China tensions, and escalating geopolitical risks.

To navigate these challenges, KDB will enhance its organizational structure and strengthen its transaction execution capabilities to support the stable issuance of Korean international bonds. The Bank also plans to expand its presence in global and cross-border primary markets through targeted marketing initiatives aimed at non-resident corporate clients.

* The Qualified Institutional Buyers (QIB) bond market, introduced in May 2012, is a quasi-public market that facilitates trading exclusively among QIBs, designed to enhance capital market accessibility for SMEs and MEs. Compared to the public bond market, it features relaxed disclosure requirements and exemption from a book-building system.

M&A

Since launching its M&A services in 1996, KDB has provided comprehensive, end-to-end M&A advisory services that encompass target company sourcing, company analysis, deal structuring, due diligence support, and transaction execution for both domestic and international clients.

To facilitate seamless M&A transactions, KDB arranges optimal capital structure and coordinates timely acquisition financing.

Additionally, the Bank has established a dedicated M&A Desk in Hong Kong, the financial hub of Asia, to offer cross-border acquisition financing for APAC-based sponsors and advisory services for Korean companies pursuing cross-border M&A opportunities.

In recent years, KDB has further enhanced its M&A services by integrating pre-M&A consulting and post-merger integration (PMI) consulting through close collaboration with its M&A Consulting Department. This comprehensive package-based advisory service ensures clients receive strategic end-to-end solutions tailored to their unique transition requirements.



Landmark Deals of 2024

Supporting Global Scale-Up Initiatives:
Goodai Global's Acquisition of TIRTIR
and Laka Cosmetics

KDB provided comprehensive advisory and acquisition financing support for Goodai Global's dual acquisition of TIRTIR and Laka Cosmetics, two prominent skincare and cosmetics brands. The deal, valued at KRW 193.1 billion, was successfully closed with KDB's swift buy-side advisory services and timely arrangement of KRW 140 billion in acquisition financing.

Through this deal, KDB facilitated the Global Scale-Up initiative of two promising K-beauty SMEs, thereby bolstering their international competitiveness. Furthermore, this deal enabled KDB to expand its portfolio of high-quality assets while unlocking future opportunities for follow-on financing and strategic advisory services.

Strengthening Industrial Competitiveness:
Talim Paper's Acquisition of Jeonju Paper
and Jeonju One Power

KDB served as the exclusive buy-side advisor and lead arranger for another landmark deal, Taelim Paper's acquisition of Jeonju Paper and Jeonju One Power, which had a total transaction amount of KRW 512.7 billion. KDB also provided acquisition financing totaling KRW 400 billion, securing not only a significant fee income, but also enhancing its portfolio of quality assets.

This transaction was recognized for successfully restructuring the traditional manufacturing sector, as it achieved economies of scale and vertical integration through strategic industry consolidation. By enhancing supply chain efficiency within the corrugated cardboard industry, the acquisition is expected to boost operational synergies and contribute to the ongoing restructuring of Korea's traditional industries.

2024 REVIEW

The domestic M&A market has experienced a three-year consecutive decline since peaking at KRW 87 trillion in 2021, mainly as a result of persistent inflation and high interest rates.

In 2024, the domestic M&A market experienced a 26% year-on-year decline in total transaction amount and a 4% decrease in the number of closed deals. This downturn reflects the impact of slower-than-expected interest rate cuts, economic recession signals that dampened consumer spending, and sluggish performance in key industries such as semiconductors and secondary batteries.

In spite of ongoing market stagnation, KDB remained steadfast in its role as a policy-driven investment bank, advancing corporate innovation and growth through impactful M&A transactions. Indeed, the Bank facilitated several landmark deals, which included securing new growth drivers for mid-sized enterprises (MEs) through strategic M&A, supporting Korean companies in acquiring overseas distribution networks, and assisting large conglomerates with non-core asset divestments as part of their restructuring efforts.

In 2024 alone, KDB successfully closed M&A deals amounting to KRW 3.56 trillion, further reinforcing its leadership position as Korea's premier M&A advisor.

5-Year Trend of M&A Annual Transaction Amount

(Unit: KRW billion, number of closed deals, cumulative basis)

568 deals

KRW 50,278.4 billion

	2020	2021	2022	2023	2024
Transaction Amount(KRW billion)	48,425.5	87,147.7	84,633.7	67,757.8	50,278.4
Number of Deals	446	621	671	593	568



2025 PLANS

The outlook for recovery in the domestic and international M&A markets remains challenging amid the anticipated resurgence of protectionist policies under the second Trump administration and heightened concerns over a possible economic recession. Nevertheless, the structural transition towards a low-growth environment is likely to stimulate restructuring-driven M&A activity, including large conglomerates' carve-outs and distressed asset transactions. Moreover, strategic M&A investments aimed at enhancing core competitiveness through industry convergence and technology-driven growth will continue to shape the M&A market landscape.

Addressing these evolving market dynamics, KDB will strengthen its joint RM-PM marketing initiatives and foster cross-functional collaboration between the Bank's M&A Consulting Department and the Industry & Technology Research Center, delivering integrated advisory services aligned with clients' strategic objectives. At the same time, KDB will expand its M&A advisory offerings, with a focus on facilitating portfolio optimization through divestitures of non-core business units by large conglomerates and the acquisition of new growth drivers by MEs. Furthermore, KDB will draw on its Hong Kong M&A Desk and global advisory partnerships to support Korean companies in key national strategic industries pursuing overseas expansion while also facilitating strategic cross-border M&A transactions.

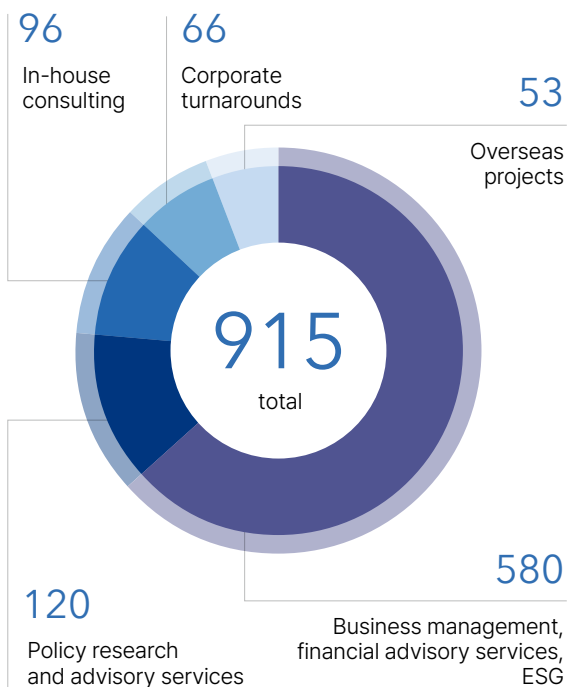
CONSULTING

Since the Bank launched its consulting service in 2003, KDB has carried out a total of 915 projects across diverse fields, including business management, finance, ESG, corporate turnarounds, in-house consulting tasks, public services and development, and overseas projects. Today, the Bank delivers a differentiated one-stop service by leveraging its extensive database on industries and businesses while collaborating with IB departments specializing in investment, private equity, acquisition finance, and project finance.

2024 REVIEW

In 2024, Korean companies faced significant challenges due to prolonged low growth, high inflation, a strong U.S. dollar, and elevated interest rates, further compounded by global political instability, including U.S.-China tensions and ongoing conflicts in Eastern Europe and the Middle East. To support companies in navigating these challenges, KDB drew on its accumulated consulting expertise and cross-functional collaborations to implement its consulting initiatives under two key pillars: 1) government policy support and 2) consulting capability upgrades.

Number of Projects Completed (2003-2024)



Under the government policy support initiative, KDB published its Investment Banking ESG Guidebook, commissioned by the Ministry of Environment, providing the investment industry with a systematic framework for ESG integration. The Bank also promoted the active utilization of the KDB ESG Consulting Platform, which was developed in line with the national economic policy direction aimed at enhancing the SMEs’ and MEs’ ability to respond to ESG requirements. Through the platform, KDB offered corporate clients complementary services such as ESG self-assessment tools and carbon emissions management systems.

As part of its consulting capability upgrade initiative, KDB provided Value-Up Consulting to a Korean SME while also advising on the formulation of an ESG business strategy for the formulation of an ESG business stratgy for end-of-life battery recycling. This comprehensive service encompassed end-to-end solutions, including fundraising support, M&A opportunity evaluation, and advisory services for overseas expansion, thereby strengthening the client’s ESG readiness.

2025 PLANS

In 2025, the global landscape is expected to experience intensified geopolitical shifts marked by strengthened protectionism, heightened competition in high-tech industries, increased focus on national security, and supply chain fragmentation. Domestically, structural ultra-low growth is anticipated due to a shrinking working-age population driven by low birth rates and aging demographics, alongside continued political instability and rising corporate insolvencies. These challenges necessitate a strategic and adaptive response.

To address these issues, KDB plans to expand its consulting role, with a focus on enhancing the competitiveness of Korean companies and promoting policy financing. Key initiatives include delivering integrated consulting services for pre- and post-M&A transactions; introducing new ESG consulting programs; upgrading the KDB ESG Consulting Platform; conducting project finance (PF) performance assessment to maintain Green Climate Fund (GCF) accreditation; and providing business and growth strategy consulting services for SMEs and startups.

Despite the weakening momentum of ESG initiatives amid the spread of anti-woke policies in the U.S., global carbon reduction efforts, green transition initiatives, and ESG-related regulations—such as ESG disclosure requirements, supply chain due diligence, and carbon border adjustment mechanisms—continue to gain traction, necessitating consistent and proactive responses.

To align with these global trends, KDB will leverage its expertise in ESG consulting to support conglomerates in decarbonizing their supply chains. Furthermore, KDB will prioritize consulting services for venture companies, SMEs, and MEs, with a focus on the development of ESG management systems, formulating ESG action plans, and establishing carbon emission management systems.

Through these initiatives, KDB aims to bolster the export competitiveness and ESG readiness of Korean companies, thus positioning itself as a leading driver of sustainable growth in Korea.



PRIVATE EQUITY

Launched in January 2005, KDB’s private equity fund (PE) initiative will mark its 20th anniversary in 2025. Over the past two decades, the Bank has established a total of 35 funds and, as of the end of 2024, was managing 12 active funds (excluding liquidated ones) with a combined committed fund amount of KRW 4 trillion. As a policy finance institution, KDB has not only served as a catalyst for developing Korea’s capital markets but has also accumulated a diverse range of investment experiences.

2024 REVIEW

In 2024, an unfavorable investment environment persisted due to the continued tightening policies in major advanced economies such as the U.S., Europe, and Japan, combined with intensified competition in Korea’s maturing PE market. Despite these challenges, KDB’s PE Department invested KRW 450 billion in three leading global companies. Notably, the Bank acquired the control rights of Korea’s third-largest vaccine manufacturer and made equity investments in both the world’s second-largest machine tool manufacturer and Korea’s top company in system middleware development.

In fulfilling its dual role as both a market-driven and policy-driven PE player, KDB completed a range of investments across a number of different sectors. These achievements—made by drawing on its long-accumulated PE investment expertise and extensive branch network—have contributed to advancing Korea’s cutting-edge industries and promoting balanced regional growth.

2025 PLANS

Although tightening finance policies in major advanced economies are expected to gradually ease with potential interest rate cuts in 2025, uncertainties in both capital markets and the real economy are anticipated to rise due to various geopolitical risks, such as the “America First” policies of the Trump administration, and ongoing war.

Meanwhile, many of Korea’s preeminent companies in sectors like semiconductors and secondary batteries have been expanding into global markets, invigorating both the domestic and global economies. In response, KDB’s PE Department intends to further strengthen support for high-tech industries, such as semiconductors and artificial intelligence.

To this end, KDB is planning to establish a new mezzanine investment fund of KRW 500 billion in 2025. This fund will be dedicated to making investments in the four major focus areas of the Bank’s Innovation Growth program.

Additionally, by actively leveraging its branch network, KDB will focus on nurturing high-quality SMEs and MEs located in regional areas, as they often face challenges in accessing quality capital markets due to a geographical disadvantage. At the same time, by attracting investments and providing IPO support, KDB aims not only to advance the nation’s key industries but also to enhance its own profitability.

5-Year Investment Performance of KDB’s PE Department

(Unit: KRW billion)

2024	451.5				
2023	242.6				
2022	390.4				
2021	184.6				
2020	86.8				
	2020	2021	2022	2023	2024
Annual Investment Amount	86.8	184.6	390.4	242.6	451.5
Fund Committed Amount	3,655.7	4,226.9	3,055.7	3,676.3	4,247.5

Innovative Growth

INNOVATION & GROWTH BANKING

KDB serves as the secretariat to the Innovative Growth Policy Council, a collaborative initiative among Korean government ministries and policy finance institutions aimed at establishing a multilateral support system for the country's innovation and growth. In this role, KDB provides managerial support and serves as the primary communication channel among member institutions.

To assist financial institutions in identifying innovative growth sectors, KDB has established and operates the Common Criteria for Innovative Growth, a comprehensive framework that integrates the latest technology trends, industry developments, and government policies. Additionally, KDB analyzes policy finance support outcomes and leverages these insights to inform future financial policy development. KDB also plays a central role in the Innovative Premier 1,000 Program (formerly known as Korea's 1,000 Innovative Companies Program), through which government ministries identify high-growth potential companies across various industries and provide them with tailored financial assistance. By spearheading these initiatives, KDB delivers targeted policy finance solutions to key industrial players, helping them scale and strengthen their competitive edge in the market.

2024 REVIEW

In 2024, the Common Criteria for Innovative Growth underwent its sixth revision to reflect the latest advancements in industries, technologies, and government policies supporting key national strategic and high-potential sectors. The previous structure of 9 themes, 46 sectors, and 284 items was reorganized into 9 themes, 31 sectors, and 240 items.

Specifically, the outdated classification system for themes and sectors was revamped, with new items introduced and existing ones restructured. In addition, the criteria were updated to align with four key government policy initiatives*

as well as the New Growth 4.0 Strategy**, a comprehensive national growth plan encompassing economic and industrial policies across various ministries.

KDB subsequently prioritized consultations and assigned policy finance institutions (policy FIs) to innovative companies with capital demands, facilitating a total of KRW 29.2 trillion in financial support for these enterprises.

At the end of 2024, similar ministry-policy FI collaborative programs were consolidated into the newly restructured Innovative Premier 1,000 Program. Set to launch in 2025, this program aims to enhance financial support from policy FIs for key industrial companies singled out by each ministry while also expanding non-financial support, such as investment attraction support.

*Four Key Government Policy Initiatives

- 01

Strengthening competencies and achieving an unparalleled competitive edge in key industries
- 02

Fostering and preempting the market for future-oriented high-tech industries
- 03

Realizing carbon neutrality and a green economy
- 04


Achieving industrial advancement and fundamental revamps


**New Growth 4.0 Strategy


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

Total Financial Support to Korea's 1,000 Innovative Companies Program (cuml. as of 2024)

(Units: companies, KRW billion)


179.3


27.6


12,763.5

	KDB	IBK	KEXIM	KCGF	KTFC	KGIC	Total
Support	179.3	255.5	72.3	284.7	357.1	34.4	1,183.3
Companies	27.6	58.0	10.6	47.0	46.7	17.5	207.4
Capital	12,763.5	3,557.4	6,075.4	3,390.8	2,196.3	1,190.3	29,173.8

2025 PLANS

With intensifying competition in key industries such as semi-conductors and growing uncertainty due to shifts in U.S. trade policies, Korea's economic growth rate is expected to decelerate in 2025. As a result, the role of policy finance in reinforcing national industrial competitiveness will become more critical than ever.

As the control tower of the Innovative Growth Policy Council, KDB will expand its collaboration efforts not only with government ministries but also with the private sector to drive the development of key national strategic industries. The Bank will also continue to nurture innovative and high-potential industries, ensuring the sustainable expansion of future growth engines.

To support this initiative, KDB will implement the updated Common Criteria for Innovative Growth, which reflects the latest advancements in industry, technology, and govern-

ment policies for high-potential sectors. This framework will ensure that policy finance is efficiently allocated in alignment with the national industrial strategy, thus contributing to the development of emerging industries. Additionally, KDB will publish a user manual for the Common Criteria for Innovative Growth, making it more accessible and user-friendly for financial institutions and businesses.

With the first full-scale implementation of the Innovative Premier 1,000 Program in 2025, comprehensive support will commence in the first half of the year once beneficiary companies have been chosen. To ensure effective execution, KDB will assign responsible financial institutions to address the capital needs of the selected companies while also providing non-financial support, such as investor relations (IR) opportunities, when needed. Furthermore, the Bank will introduce dedicated financial products and operational guidelines to ensure systematic and efficient management of the program.



INDIRECT INVESTMENT

KDB indirectly supports companies by providing them with funding customized to their particular stage 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.

2024 REVIEW

As of the end of 2024, KDB had pooled a total of KRW 57.8 trillion since launching its indirect investment operation in 2010. It is a major investor in Korea's fund market as a limited partner to 266 funds (with assets under management totaling KRW 8.3 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.

KDB actively establishes policy-driven funds to supply venture capital to cutting-edge industries, corporate restructuring, and balanced regional development. As of the end of 2024, the Bank had successfully formed policy-type funds totaling KRW 36.2 trillion and executed investments worth KRW 22.2 trillion, reinforcing its role as a key institutional investor in Korea's fund market and maintaining its alignment with government policy objectives.

In addition, to foster Korea's semiconductor industry and reduce the country's reliance on the external supply chain, KDB successfully launched a KRW 700 billion fund through its proprietary investment program.

2025 PLANS

From 2023 to 2027, KDB will be implementing a KRW 15 trillion Innovation Growth Fund to secure new growth drivers and nurture global unicorn firms. Following the success of the first two investment rounds in 2023 and 2024, the Bank has allocated an additional KRW 3 trillion for 2025, with KRW 1.5 trillion directed toward innovative industries, including

semiconductors, nuclear energy, and secondary batteries, as well as another KRW 1.5 trillion for unicorn startup support.

The fund is designed to maximize private sector autonomy while reflecting government industrial policies, ensuring venture capital investments serve as a catalyst to further strengthen Korea's economy.

To address regional economic disparities and population decline, KDB has established a KRW 1.5 trillion Regional Revitalization Investment Fund that will be operational from 2024 to 2028. In 2025, KRW 300 billion is earmarked for a master fund to further support economic development outside of the Seoul metropolitan area. Additionally, KDB will enhance its role as a policy finance institution by launching a variety of new funds, including the Venture Investment Exit Activation Fund, the Semiconductor Ecosystem Fund, and the AI Korea Fund, as well as promoting proprietary investment initiatives.

Through these and other related initiatives, KDB will strengthen its role as Korea's leading institutional investor, driving sustained venture capital supply and fostering economic growth momentum.

Indirect Investment AUM

(Unit: funds, KRW billion)

No. of Funds

266

Fund Size

45,661.1

KDB
Commitment

15,780.4

KDB
Capital
Contributions

11,077.8

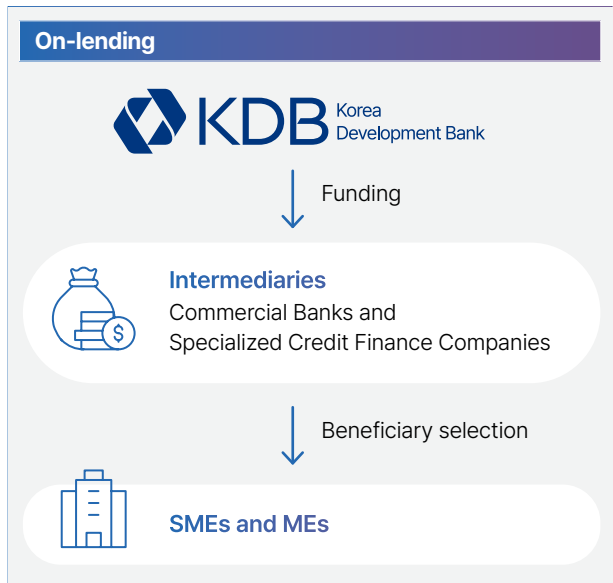
AUM

8,287.2

as of the end of 2024

ON-LENDING

On-lending is a market-friendly indirect policy finance mechanism that supplies long-term capital at favorable interest rates to underfinanced SMEs and MEs due to low credit ratings. KDB channels these funds through 25 commercial banks and specialized credit finance companies, which act as intermediary financial institutions. These intermediaries are responsible for beneficiary selection and loan execution.



2024 REVIEW

In 2024, KDB provided KRW 8.4 trillion in on-lending loans to 6,800 qualified SMEs and MEs, with a particular focus on underbanked businesses (SMEs 93%, regional companies 56%, businesses rated below BBB0 40%). This underscores KDB's unwavering commitment to fulfilling its role as a policy finance institution.

Specifically, KDB introduced its Korean Exporters Special On-lending Loan to align with the government's policy to enhance national export competitiveness. This program achieved a record-high supply of KRW 1.4 trillion, marking the highest performance among all exporter-focused on-lending programs. In addition, KDB raised the caps for the two special on-lending programs introduced in 2024: KRW 1.4 trillion for the Materials, Parts, and Equipment & Strategic High-tech Industries On-lending Loan and KRW 400 billion for the Carbon Net-Zero Support On-lending Loan, both of which helped accelerate SME innovation and advance the transition to carbon neutrality.

To further promote customer satisfaction and accessibility, KDB engaged in promotional activities as well, such as corporate finance website banners and briefings for intermediary financial institutions. The Bank also strengthened its On-lending Digital Platform by introducing the Intermediary Financial Institution Lounge tab to enhance customer accessibility to on-lending loans and featuring real-time inquiry tabs to improve information accessibility and timeliness.

2025 PLANS

In 2025, KDB plans to expand its Regional Development Special On-lending Program to address regional imbalances and counter the risk of regional economic decline. This initiative targets the concentration of core industries in the Seoul Metropolitan area and the weakening competitiveness of traditional regional industries. As part of this drive, KDB will reinforce its Regional Economic Revitalization and Regional Bank Preference Special On-lending Program by increasing funding and expanding eligibility criteria, thus supporting the growth of promising regional enterprises.

Furthermore, KDB will efficiently manage funding caps allocated to intermediary financial institutions to ensure that resources are directed toward those that most effectively advance the program's objectives.

As Korea's premier policy finance institution, KDB will continue leveraging its on-lending programs to provide steadfast support to SMEs and MEs, thereby driving balanced national development and boosting industrial competitiveness.



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 country's startup ecosystem. Since its inception in August 2016, the Bank's market-driven venture investment platform, KDB NextRound, has held 800 IR rounds. Additionally, the Bank successfully arranged offline rounds together with the NextRound Online Platform (www.nextround.kr), offering uninterrupted opportunities to startups looking for investment and acting as a market maker in Korea's start-up ecosystem. NextRise, an annual event launched in 2019, is the industry's largest start-up 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 also 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 virtuous financial support cycle for the development, transfer, and commercialization of leading technologies, while also engaging in start-up incubation and acceleration activities through the KDB NextONE program.

2024 REVIEW

Contributing to the start-up ecosystem through the market-driven KDB NextRound platform

KDB NextRound is a market-driven startup investment platform that connects startups seeking investments with investors searching for investment targets. The Bank and its partners, which range from VCs and accelerators to government research institutes, have discovered promising startups and arranged for them a total of 800 IR rounds since the platform's launch in 2016. Through these rounds, 3,009 startups have had the opportunity to make their pitch to the Bank and its partners, of which 889 have successfully raised a total of KRW 7.2 trillion.

In addition to the regular IR rounds, KDB NextRound also holds industry-specific special rounds for mobility, nuclear power, fintech, and other entities in diverse sectors to better meet the versatile demands of the market. In order to foster a successful start-up ecosystem outside the Seoul metropolitan area, KDB makes tours of other start-up hubs located across the country and holds IR rounds tailored to the strengths and needs of each regional hub. It also supports

the expansion of domestic startups beyond Korea's borders and the growth of the domestic start-up ecosystem by hosting global rounds in conjunction with VCs from overseas.

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

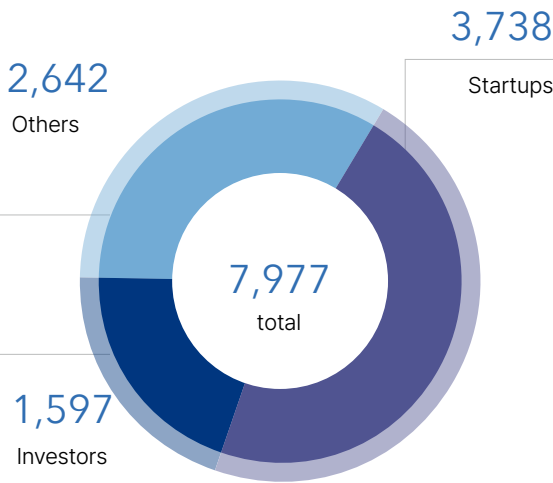
KDB's NextRound online platform was launched in April 2021 to overcome the limitations of having to host a physical event and to better cater to the diverse needs of the start-up ecosystem in Korea. The online platform allows startups to directly introduce their business and technologies and to upload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

NextRound Online Platform Overview in 2024

Startup-themed content

 **1,805** contents

Members by Type



 **7,977** members



Successful Completion of NextRise 2024, Seoul

KDB supported the Korean start-up ecosystem on multiple fronts through the 2024 iteration of NextRise, which was held from June 13 to June 14. 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—NextRise is the industry's largest start-up fair. The event consists of conferences, exhibition booths, and 1:1 meetups to bring together industry participants, including medium to large-sized businesses, VCs, startups, research institutions, and support institutions. The event continues to develop by holding a range of new programs as side events and attracting a greater number of participants each year.

More than 21,000 visitors came to the fair in 2024, which included participants from 506 local and overseas startups. Seven multinational companies, including LG Sciencepark, Amazon Web Services, and GS Energy, opened exhibition booths at the fair, as did many universities and several embassies based in Korea. Multinational companies such as NVIDIA and Hyundai Motor Company, startups like Fiscal-Note and Rebellions, as well as industry experts, conducted a total of 64 seminars. More than 3,400 business meetings took place among 889 startups, 113 medium and large-sized businesses, and 104 VCs. Survey results showed that 79% of participants at NextRise2024 were willing to re-engage the following year across all programs, as they saw significant business achievements that included successful fundraising efforts and cooperation with other businesses.

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 assistance to early-stage startups. From the 1st to the 9th KDB NextONE iterations, a total of 135 startups have been supported financially, with a number of these same startups having successfully completed their funding rounds, achieved tangible business results, and contributed to the creation of new jobs. In short, KDB NextONE has effectively pushed KDB's start-up support system to the next level.

Supporting startups through special purpose funds

KDB established and has been managing special-purpose funds to support the development of the Korean venture capital market and related companies. Since 2014, the Bank has set up a Global Partnership Fund Series (I to V) amounting to KRW 744.5 billion to help innovative Korean startups advance into global markets and attract overseas investment. 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. In addition, KDB had set up Open Innovation Funds totaling KRW 405.1 billion as of 2024 to expand investments in startups and support their ability to secure future growth engines through open innovation by spearheading technical/strategic collaboration efforts between medium and large-sized companies and startups.



Supporting the global expansion of promising K-startups through the KDB Global Venture Platform

In a bid to go further than merely supporting startups based mostly out of Korea, KDB established a VC subsidiary in Silicon Valley in 2021 and opened a venture desk at its Singapore and London branches to better connect the Korean start-up ecosystem with one of the most prominent global centers of technological innovation. As of the end of 2024, KDB Silicon Valley LLC had made both direct investments (4 local startups, USD 10 million) and indirect investments (4 funds, USD 20 million). This entity will serve as the foundation for KDB to develop industry connections within the global start-up ecosystem, through which the Bank will actively support Korean startups on their journey to global expansion and unicorn status.

2025 PLANS

KDB will continue its efforts in expanding and activating the Korean venture ecosystem to support the government's initiatives to foster the high-tech strategic industries. In 2025, KDB NextRound plans to host special rounds related to the high-tech strategic industries such as semiconductors and AI. Additionally, to encourage the growth of the venture ecosystem beyond the Seoul metropolitan area, the Bank plans to expand regional rounds to be held six times annually. Furthermore, by organizing global rounds in Silicon Valley and leveraging its existing overseas VC network, the Bank aims to support domestic startups in attracting foreign investment and expanding internationally.

In 2025, KDB also plans to establish special purpose funds such as Open Innovation Funds to support continuous overseas expansion of innovative startups and the qualitative growth of the domestic venture ecosystems.

NextRise 2025, Seoul, the fair's seventh annual iteration, is scheduled to take place from June 26 to June 27, 2025 at the COEX Convention & Exhibition Center in Seoul, with members of both the domestic and international venture ecosystems invited to the event.

NextRise 2025, Seoul will provide open innovation opportunities for various actors in the venture ecosystem from around the world to collaborate and grow together, while supporting the acceleration of innovation in a venture ecosystem centered on the high-tech strategic industries such as AI. Through this and related efforts, we hope to play an important role in aiding the Korean startup ecosystem to realize a stronger global impact.

As the foundation of the KDB Venture Platform, KDB NextONE will continue to leverage KDB's accumulated expertise and resources, including NextRound, NextRise, and its global network, to maximize its impact this year. In addition to helping startups navigate challenges during the investment downturn, KDB will actively identify and support promising startups in the high-tech-strategic technologies and other high-potential sectors, reinforcing its role in fostering Korea's future economic growth. By strengthening its support for the venture and startup ecosystem, KDB aims to solidify and promote its position as Korea's leading financial institution, 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 the venture ecosystem 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.

2024 REVIEW

KDB has been actively broadening its investment horizon by focusing on high-growth startups that will shape the future of the Korean industrial landscape. In 2024, the Bank invested a total of KRW 150 billion in 44 promising tech startups earmarked as being at the vanguard of high-tech 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. In 2024 alone, KDB invested more than KRW 60 billion in 21 early-stage startups in deep tech.

For the intensive development of high-tech strategic industries, the Bank assigned advanced equipment & parts and advanced chemical materials sectors to its two Venture Investment Banking Departments, thereby strengthening each department's sector-specific expertise and enabling a focused approach to investment reviews. Each department subsequently conducted comprehensive analyses of industry trends and technological developments within their respective sectors, leading to investments in 10 projects within the advanced equipment sector, including aerospace and robotics, as well as 4 projects in the advanced materials sector, such as secondary batteries and biotechnology.

In addition, the Bank continued to foster the growth of technology-driven companies. In 2024, 7 companies in sectors such as robotics and aerospace successfully completed their IPOs, establishing themselves as core market players.

To further advance its network for identifying promising ventures and enhance practical support for them, KDB entered into a series of MOUs in 2024 with the Korea Venture Business Association (KOVA), Korea's four major science & technology (S&T) institutes,* and Korea Electric Power Corporation (KEPCO), thus establishing a solid foundation for cross-sectoral collaboration.

*Korea's four major S&T institutes are, in alphabetical order, Daegu Gyeongbuk Institute of Science & Technology (DGIST), Gwangju Institute of Science & Technology (GIST), Korea Advanced Institute of Science & Technology (KAIST), and Ulsan National Institute of Science & Technology (UNIST)

KOVA (April 2024)

An MOU for reinforcing venture support (deal sourcing, investment attraction)

4 S&T Institutes (October 2024)

An MOU for expanding startup support and seed investments

KEPCO (November 2024)

An MOU for fostering the new energy sector (power grids, small modular reactors)

2025 PLANS

In 2025, KDB will continue strengthening collaborations with venture-related institutions to support the revitalization of the venture ecosystem and stimulate the venture market. By leveraging its domestic and international networks, including KDB NextRound and KDB Silicon Valley, the Bank will diversify its investment channels to actively identify promising venture companies with strong tech caliber.

In particular, the Bank plans to make preemptive investments in early-stage innovative startups that possess excellent technology and business models in order to secure future growth engines. Furthermore, in preparation for potential global supply chain disruptions, the Bank will expand investments in parts, materials, and equipment industries, while also supporting the localization of core industries and the pioneering of new global markets to secure a super gap in high-tech strategic industries, thereby serving as a reliable partner for startups.

SCALE-UP BANKING

As the domestic venture market stagnates and global competition in innovative technology sectors such as artificial intelligence intensifies, financial support that can dynamically adapt to the rapidly changing innovation ecosystem becomes increasingly vital.

In alignment with the government's proactive startup nurturing policies, KDB is dedicated to investing in and providing financial support to companies on a growth trajectory. Focusing on the identification of future growth engines in key industrial sectors such as semiconductors, mobility, biotechnology, and content production, the Bank has put in place a robust expert screening system and tailored support programs to help promising ventures secure both technological prowess and market competitiveness.

2024 REVIEW

In 2024, KDB financed 46 venture firms with over KRW 330 billion in investments and financial support, focusing on those with challenging financial conditions despite high growth potential. The screening criteria emphasized both technological competitiveness and market potential to ensure high investment efficiency, ultimately revitalizing the domestic venture ecosystem.

To further boost investment efficiency, KDB employed its sector classification system to manage venture firms in key growth areas, such as semiconductors & displays, electronics, communications & content production, mobility, and biotechnology, while also conducting in-depth analyses of market trends and technological developments. Based on these insights, the Bank executed 17 investments in core sectors, including an LLM-specialized fabless firm, a webtoon pro-

duction company, and an autonomous driving radar solutions firm, thus integrating KDB's accumulated sector expertise into refined assessments and tailored support.

Additionally, KDB organized seminars focusing on sectors with high market potential, such as AI, mobility, and biotechnology, in order to provide a forum for sharing the latest trends and technologies between industry experts and investors. This initiative facilitated the timely identification and investment in promising companies that align with each sector's distinct characteristics and pace of innovation, while close communication with the related ecosystem further bolstered startups' technological competitiveness and business viability.

2025 PLANS

In 2025, KDB will further enhance its sector-specific investment capabilities to support the industrialization of startups and strengthen assistance for their global expansion. The Bank plans to provide financial backing through a hybrid financing approach that spans the entire lifecycle of startups in the high-tech sectors, with the aim of nurturing "industrial champions" that will lead the future industry.

Moreover, KDB will focus on executing co-investments with existing investors for startups facing temporary funding challenges despite their potential to evolve into unicorns. By leveraging collaboration opportunities with both domestic and international networks, the Bank aims to augment the global competitiveness of domestic venture firms and support their expansion into overseas markets.



KDB Seminars by Sector
KDB Mobility Seminar (May 28, 2024) Trends and outlook of the global mobility industry
KDB AI Roundtable (June 14, 2024) Exploring AI industry trends and development strategies
KDB Biotechnology Seminar (October 7, 2024) Exploration of AI-based new drug development and advancements in biotechnology

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, KDB 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.

Domestic PF Arrangement Performance

(Unit: number of projects, KRW billion)

2024	32
2023	39
2022	41
2021	37

	2021	2022	2023	2024
Deals	37	41	39	32
Amount	8,265.3	8,926.2	8,573.8	4,758.0

2024 REVIEW

Since arranging the nation's first PF transaction in 1995, KDB's robust track record has grown to 874 domestic PF arrangements totaling KRW 169 trillion as of the end of 2024.

In 2024 alone, the Bank arranged financing for 32 projects domestically, including 6 SOC PFs and 26 regional development PFs, with a total deal volume of KRW 4.8 trillion.

To name a few of these deals, KDB arranged finance for several SOC mega deals, including the Pyeongtaek Tongbok Sewage Treatment Plant Facility Modernization Project (PPP) and the Seongnam Waste-to-Energy (WtE) Facility Project (PPP), both of which helped revitalize the domestic PF market. Furthermore, the Bank has reinforced its market-leading position through its leadership in next-generation green PF financing, as exemplified by its financial advisory and arrangement roles in projects like the Chungju Fuel Cell Project and the Taebaek Hasami Wind Farm Project.

Some notable regional development PF projects that KDB arranged financing for include the East Seoul Bus Terminal Complex Development Project and the Pyeongtaek High-Tech Complex Industrial Park. As a whole, the Bank arranged a total of KRW 4.1 trillion for regional development PF projects, serving as an anchor in the market and contributing to the revitalization of the regional economy.

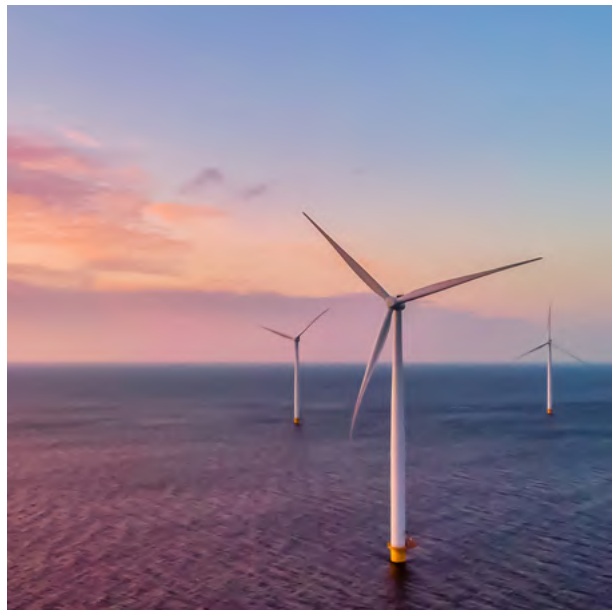


2025 PLANS

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 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.

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, high-tech industrial complexes, data centers, and other digital transformation assets that support government initiatives to vitalize Korea's economy.



OVERSEAS PROJECT FINANCE

Since its entry into the global PF market in 2003 with a dedicated team, KDB has built an international network supported by PF desks led by local talents in Singapore (2011), New York (2015), London (2016), and Sydney (2022).

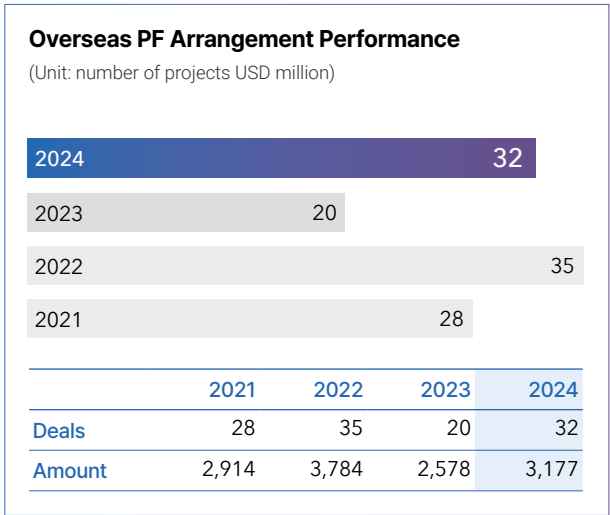
As of the end of 2024, the Bank had arranged 264 overseas PF deals totaling USD 25.7 billion. Additionally, KDB has been strengthening its overseas financial advisory capabilities since 2018 when it launched a dedicated team in London, which was followed by a second desk in Singapore in 2019. Through these two overseas desks, the Bank delivered three financial advisory engagements in 2024 alone, including overseas PF projects involving Korean companies.

2024 REVIEW

In 2024, KDB successfully closed 32 overseas PF deals worth USD 3.2 billion and 30 ship & aircraft finance deals totaling USD 4.5 billion.

Notably, as a co-lead arranger for IPI Partners' Project Square—an initiative to construct four new data centers in the U.S.—KDB has built an impressive track record in large-scale financial arrangements in the global PF market. Furthermore, in 2024, the Bank arranged placements totaling USD 1.4 billion for data center projects across key markets in North America, Europe, and Asia, further solidifying its position in the global data center market.

KDB also expanded its support for energy transition projects, such as the Aramco Gas Pipelines Refinancing Project in the Middle East, the Coastal Virginia Offshore Wind Farm Project in North America, and the Greater Changhua 4 Offshore



Wind Farm Project in Taiwan. In addition, KDB has enhanced its portfolio of prime assets through eco-friendly, high-value-added ship financing and portfolio financing for top-tier aircraft leasing clients.

Among the overseas PF projects in which KDB participated as an arranger in 2024, eight deals were selected as Deals of the Year by the global PF specialist PFI in its PFI Yearbook. It was particularly noteworthy that the Saudi Gas-Fired Combined-Cycle Power Project was recognized as the Global Power Deal of the Year, with KDB featured as the financial advisor.



2025 PLANS

In 2025, KDB will tailor its marketing efforts to key countries and growth sectors based on region-specific needs. At the same time, the Bank will actively pursue opportunities as a mandated lead arranger (initial MLA) on global landmark projects, expanding its transaction completions and supporting domestic companies' overseas expansion and investment attraction efforts in pursuit of establishing itself as a leading global PF house.

Furthermore, KDB will prioritize its marketing efforts in the digital infrastructure sector, which is booming on the back of strong technological innovation, and, as the national Climate Bank, KDB will also intensify its support for energy transition projects to secure a robust green finance track record. The Bank also intends to expand its asset portfolio of high-quality non-resident ship and aircraft assets, which offer both stability and profitability.

Landmark Deal of the Year

Domestic SOC PF Deal
Pyeongtaek Tongbok Sewage Treatment Plant Facility Modernization Project (PPP)
Under a public-private partnership (PPP) agreement between a private consortium and the City of Pyeongtaek, KDB entered into a financial arrangement on November 20, 2024, to develop a land site of 53,235 m² in Pyeongtaek, Gyeonggi-do, for a new sewage treatment facility. This agreement covers the financing necessary to relocate and operate the existing Pyeongtaek Tongbok Sewage Treatment Plant. Of the total project cost of KRW 323.2 billion, KRW 310.6 billion in financing was arranged for this eco-friendly green infrastructure deal, with KDB providing KRW 281.2 billion in PF financing. The deal not only catalyzed the domestic private investment market but also reinforced the Bank's leadership role in the SOC PF market.

Overseas PF Deal
Coastal Virginia 2,587MW Offshore Wind Farm Project, USA(CVOW Acquisition)
On November 4, 2024, KDB entered into a financial agreement for the construction and operation of a 2,587 MW offshore wind farm in the coastal waters near Virginia, USA. This project was executed through strategic collaboration efforts with world-renowned partners, including Stonepeak, a global infrastructure investment specialist; VEPCO, a public utility company in Virginia; and Siemens, the world's largest supplier of offshore wind turbines. With a total project cost of USD 9.8 billion, KDB enhanced its standing in the global PF market by providing USD 150 million in PF financing support to this global green infrastructure project.



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.

In 2021, KDB established a derivatives desk in London, commencing full-scale transactions with local British companies right away. In 2024, it resumed business in commodity derivatives that are not typically handled by Korean commercial banks, further solidifying its position as the leading derivatives house in Korea.

2024 REVIEW

In the volatile global economy of 2024, KDB leveraged its extensive experience and exceptional professional expertise to actively provide hedge products tailored to the needs of Korean corporate clients, while faithfully serving as a watchtower of the K-financial market while competing with worldwide foreign banks.

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.

Second, as a policy finance institution, KDB proactively supported the government's foreign exchange (FX) market restructuring policies. As such, its systems were upgraded to align with the newly extended FX trading hours (until 2 a.m.) and accompanied by subsequent measures such as carrying out liquidity injections and supporting the RFI registrations of overseas branches. Additionally, KDB provided FX risk hedging instruments to protect key national industries such as shipbuilding, shipping, and heavy industries from rising exchange rate volatility.

Third, KDB strengthened its business base by pioneering both the overseas markets and e-trade markets. Through its London derivatives desk, the Bank secured long-term interest rate swaps and inflation swaps from local utility companies, including airports and port operators in the UK, thus establishing an open channel for future trading prospects. Furthermore, the official launch of its e-trade platform KDB e-FX Pro expanded its business base and established an overnight trading infrastructure, significantly enhancing its digital competitiveness.

Additionally, KDB resumed its commodity derivatives operations to support Korean companies in their management of commodity price volatility risks. In response to the increasing volume of RMB trading, KDB actively worked to revitalize the direct RMB trading market in Seoul and supported liquidity in the spot FX market, thereby maintaining its position as a market maker in the FX arena. Moreover, as a market maker of the greenhouse gas emissions trading system (ETS), KDB has contributed to stabilizing emissions allowance prices.

2025 PLANS

Given the sluggish outlook for U.S. interest rate cuts, most countries—apart from the U.S.—are likely to face increased downside risks in their economies. On the domestic front, concerns are growing over deteriorating consumer and investment sentiment, along with weak exports due to rising political uncertainty.

To navigate these challenges, KDB is committed to empowering Korean businesses and financial institutions by delivering timely, need-based products and services.

First, KDB will strengthen its derivatives business competitiveness by diversifying its trading products and expanding its client base. While the newly launched commodity derivatives will be offered to airlines for hedging crude oil prices (WTI), the Bank will also expand its commodity derivatives portfolio with underlying assets such as non-ferrous metals, LNG, and other commodities. In addition, to invigorate electricity- and PF-related derivatives trading, KDB will expand its marketing efforts by offering hedge instruments for coal-

fired clean hydrogen power generation projects, support PF derivatives advisory and hedge transactions for offshore wind PF projects, and collaborate with the London PF desk to expand its role as a hedge coordinator.

Second, KDB will actively address the derivatives demand in key export industries such as shipbuilding (MRO) and power generation. This will start with the full-scale operation of its London derivatives desk to establish a 24-hour trading system that connects with the head office's night desk to fuel overnight trading. Furthermore, by fulfilling its role as an ETS market maker, the Bank will provide policy consultations and advisory services to stimulate the domestic ETS market.

Building on these initiatives, KDB will support the enhancement of domestic companies' risk management capabilities, provide foreign exchange risk advisory services, and support the stable operation of businesses. Looking ahead to 2025, KDB is determined to solidify its market position as a leading derivatives house, taking on a pivotal role as a derivatives trading center, while striving to expand its derivatives business footprint abroad.

MONEY MARKET & CAPITAL MARKET TRADING

KDB generates returns by investing 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 overseas branches and subsidiaries, 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.

2024 REVIEW

In 2024, KDB delivered stable returns through flexible investment strategies designed to counter an increasingly volatile financial environment. At the same time, it pursued new revenue sources and product diversification by investing in euro-denominated bonds, floating-rate bonds, and similar instruments. In addition, through its monthly Security Management Committee (SMC) meetings, the Bank has been able to meticulously moni-

tor the composition of its foreign currency securities portfolio—held by both its head office and overseas branches—ensuring a balanced distribution across countries, credit ratings, and sectors. Moreover, since introducing its in-house developed Daily Credit Watch system in January 2021, KDB has enhanced its risk management with precise detection of abnormal changes in the credit spreads of its held securities.

2025 PLANS

In 2025, the Bank plans to further refine the sophistication of its securities investment system while simultaneously reinforcing its risk management framework. It will respond flexibly to market fluctuations, expand stable operating returns—including carry yield—and actively capture capital gains by boosting regional expertise and enhancing its analytical capabilities for non-Korean credits, all while proactively managing risks. By complementing the existing Daily Credit Watch-based early warning system, the Bank will continue to strengthen its risk monitoring functions to improve the overall credit quality of its portfolio.

As Korea's leading house, KDB will also maintain active market participation to improve the conditions for smooth bond issuance by domestic companies and faithfully fulfill its role as the primary dealer for government bonds, allowing the Bank to continuously contribute to the advancement of the KTB market.



Global Business

GLOBAL EXPANSION AND NETWORK MANAGEMENT

As Korea's leading policy finance institution, KDB has played a pivotal role in spearheading the globalization of the country's financial services and expanding its global footprint. Drawing on its extensive overseas network, KDB underpins the coordinated expansion of Korean financial institutions and businesses abroad as part of the government's policy objectives.

Based on financial capability accumulated from its longstanding participation in the international financial market, and a strong credit rating (AA) on par with that of the Republic of Korea, KDB 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 will continue to offer diverse and comprehensive corporate banking services such as loans, arranging bond issuances, project finance, M&A, ship and aircraft finance, consulting, derivatives, and more. Based on this integrated financial platform, KDB will support the global expansion of Korean companies as it works toward its goal of becoming one of the top 20 global banks and emerging as a premier CIB house in Asia.



2024 REVIEW

KDB seeks to secure a stable funding base and new revenue sources in the global market while serving as a gateway for Korean businesses expanding globally. As of 2024, the Bank was operating 25 overseas networks across 18 countries, with 11 overseas branches, 7 local subsidiaries, and 7 representative offices, and this number is only expected to grow. To strengthen its global business presence, KDB is expanding its specialized operating assets, such as ship and aircraft finance, private equity, and venture capital investments from each of its overseas networks, as well as enhancing its asset portfolio in promising, high-growth sectors.

In a push to expand its global network and business collaborations, KDB actively engages with international organizations and financial institutions. In 2024, KDB arranged training sessions for public officials from the governments and central banks of emerging economies such as Indonesia and Myanmar to introduce KDB's business and develop mutual ties. KDB also shared insights and bolstered partnerships with leading global financial institutions by participating in annual meetings of key international organizations (including those of the IMF, WB, ADB, and EBRD).

Furthermore, to support the government's global policies and enhance international cooperation, the Bank joined meetings with the Uzbekistan economic delegation and roundtable discussions with Korean companies expanding into Polish markets. In June, it signed an MOU with Uzbekistan's Uzpromstroybank (focusing on trade finance, project finance, and related areas) to further boost collaborative efforts. In addition, through participation in various international financial institution associations' working-level councils and knowledge-sharing activities, the Bank has reinforced its external relationships with other institutions.

2025 PLANS

In 2025, KDB plans to set up new overseas business networks as a foundation for long-term growth. The first strategic move will be to open a new branch in Hanoi, Vietnam, to secure a foothold in the high-growth Southeast Asian market. On the other side of the globe, in Frankfurt, Germany, a new branch office will be established to serve as the continent's CIB financial hub.

Moreover, the Bank will pursue the scaling up and localization of its four major hubs—Singapore, London, Hong Kong, and New York—and expand local financial support for Korean companies venturing abroad, thereby reinforcing its role as a CIB financial hub and further expanding its overseas business assets.

GLOBAL INVESTMENT COOPERATION

Under the Korea-UAE Investment and Financial Sector Cooperation Follow-Up Action Plan established in January 2023, KDB serves as the exclusive channel to facilitate systematic and efficient execution of UAE-led investments in Korea. One key mission is to present promising Korean investment projects to UAE investors via the Investment Proposal Platform, which is based on the Sovereign Investment Partnership (SIP) concluded with Mubadala, a prominent UAE sovereign wealth fund. Additionally, KDB functions as a public-private investment cooperation platform, supporting the Korean government's investment cooperation committees and organizing private investment networks. Recently, the Bank has broadened its scope of investment cooperation to include global investment institutions, actively engaging in activities such as scouting for prospective potential investment opportunities, organizing dialogues for cooperation with global investors, and coordinating governmental interactions.

2024 REVIEW

By successfully attracting investment from a UAE sovereign wealth fund into Korea in 2024, KDB set up a successful model for intergovernmental investment cooperation. With the Investment Protocol Platform activating robust deal pipelines, numerous investment proposals were delivered, resulting in several successful investment deals. The Bank's contributions to revitalizing investment cooperation were highly recognized by the leaders of both countries during the Korea-UAE summit in May 2024.

This led to high-level meetings between KDB and Mubadala the following month, which initiated discussions on establishing a Korea-UAE joint fund. Soon after, at the Korea-UAE Sovereign Partnerships Seminar in June, KDB shared insights on Korea's investment environment and prospects for promising sectors. Following up on these discussions, working-level meetings were held in September with Mubadala's working-level team regarding the establishment of a joint fund (Participation in the Innovative Growth Fund) and the review of the deal pipeline. In December, top executives from both institutions met to reaffirm their commitment to expanding investment cooperation.

In a bid to extend investment cooperation beyond the UAE, KDB not only engaged in discussions with a Qatari investment institution in January but also held working-level meetings with major Canadian pension funds and an Australian investment institution in June and November, respectively.

2025 PLANS

In 2025, KDB will continue to pursue investment cooperation with the UAE by further expanding its collaboration with UAE sovereign wealth funds and affiliated specialized investment institutions, including Mubadala, to achieve qualitative growth in Korea-UAE investment cooperation. At the same time, by enhancing investment cooperation with institutions in Qatar, Saudi Arabia, Canada, and other countries, the Bank aims to broaden the scope of its global investment cooperation efforts. Building on these and other initiatives, KDB will work tirelessly to attract foreign direct investment and support the overseas expansion of Korean companies, thereby proactively securing future growth engines.



Korea-UAE Sovereign Partnerships Seminar 2024



CROSS-BORDER FINANCE

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 Asia-Pacific and Europe oversee both investment-grade and non-investment-grade borrowers worldwide. In recent years, KDB has expanded its product offerings from plain vanilla loans to M&A financing and fund facilities, such as net asset value (NAV) financing and subscription line facilities.

2024 REVIEW

Leveraging its extensive network across the globe, KDB reported strong results despite the persistent high interest rate environment and volatile market conditions. KDB participated in financing various mega transactions in 2024, including a USD 1 billion syndicated loan to the African Export-Import Bank and a USD 1.2 billion syndicated loan to Woodside Energy Group.

2025 PLANS

In the coming years, KDB will continue to broaden its partnership with global financial institutions and corporations, with a focus on expanding its presence in Asia-Pacific, Europe, the Middle East and North Africa (MENA), and the Americas to deliver on its 2025 targets.

TRADE FINANCE

KDB offers a comprehensive spectrum of trade finance services to Korean companies with import/export financing needs.

Its import finance products include usance letters of credit (L/Cs) facilitated through its overseas branches and a global correspondent banking network, as well as import payment loans that finance the payment for imported goods under a post-shipment remittance method with repayment due within one year.

In the export finance sector, the Bank accelerates the receipt of payment for goods through post-shipment export financing via both L/C and non-L/C transactions (DA, DP, OA). Additionally, KDB's pre-shipment financing via domestic L/Cs to suppliers of export commodities helps prompt trade activity.

KDB also seeks various ways to enhance asset soundness and generate new revenue sources beyond traditional import/export trade finance. This includes interbank risk participation that is intermediated by global banks, and which constitutes an integral part of financial institution (FI) trade finance operations. Another important revenue source is extending credit lines to banks from emerging economy partners that are backed by international organization guarantees. Furthermore, KDB provides trade loans to these same banks, thereby reducing its reliance on interbank risk participation and diversifying the FI trade finance offerings to broaden its operational base.

2024 REVIEW

Exports increased year on year, propelled by strong demand for key national export items, such as ships and automobiles, as well as consumer goods. Meanwhile, imports remained steady at the previous year's levels, even as falling prices of natural gas and coal led to a decline in energy imports. Against this backdrop, KDB handled a total of USD 30.3 billion in trade finance in 2024.

Additionally, KDB expanded its core products by strengthening its relationships with global banks. This included interbank risk participation and trade loans that provide direct trade finance funds to banks in emerging markets. KDB also expanded its global trade finance asset base by offering a diverse range of offerings, such as collaborative transactions with international organizations and corporate risk participation, through which the Bank extended credit lines to corporations. In addition, the Bank sought to diversify its short-term foreign currency trade finance instruments to better manage its foreign currency liquidity and generate higher profits from these offerings.

2025 PLANS

The global economy is forecast to achieve a growth rate similar to that of 2024, driven by benchmark interest rate cuts in major economies and a gradual recovery in consumption and investment. The Korean economy is expected to continue growing on the back of stabilizing inflation and lower interest rates. However, export growth may be somewhat subdued due to decreased trade volumes amid slowing growth in key export markets.

In light of this, KDB plans to further expand support for import/export trade finance solutions by fostering close cooperation between its relationship managers and the Trade Finance Department, as well as by arranging more networking opportunities with its corporate clients.

In 2025, the Bank will continue to increase the transaction volume of its flagship products—trade loans and risk participation—by diversifying target banks and regions as well as product offerings. As Korea's premier policy finance institution, KDB also intends to broaden its collaboration with international organizations. Moreover, by supporting the activation of global trade finance operations through its overseas branches for Korean financial institutions and companies, the Bank will continue to strengthen the stable revenue base of its trade finance business while further diversifying its product portfolio.

Import/Export Trade Finance Supplied to Korean Companies by Year

(Unit: USD billion)

2024	14.8				
2023	11.1				
2022	17.6				
2021	19.8				
2020	18.2				
	2020	2021	2022	2023	2024
Exports	18.2	19.8	17.6	11.1	14.8
Imports	12.0	17.4	18.9	15.5	15.5
Total	30.2	37.2	36.5	26.6	30.3

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.

Korea's retirement pension market has experienced steep growth in recent years, reflecting widespread societal concern over post-retirement financial security amid an aging population and declining birthrates. This growth has been further buoyed by government policies aimed at promoting the private pension market as a complement to dwindling public pension funds. In line with these government directives, KDB—Korea's leading policy finance institution—has contributed to the stable expansion of the country's retirement pension market. In particular, the Bank leverages its strengths as a specialist in corporate finance to explore strategies for effectively addressing the corporate (defined benefit) retirement pension market while continuously enhancing its retirement pension business capabilities.



2024 REVIEW

In 2024, 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 grew by 1.6% year on year to reach KRW 8.7 trillion as of the end of 2024, ranking 13th among 43 Korean retirement pension operators in terms of AUM size.

2025 PLANS

Korea's retirement pension market is continuing to grow, driven by the government's active policies to boost private pensions and the increasing awareness among workers regarding retirement preparedness. However, there are still concerns that domestic and global economic uncertainties—and the resultant contraction in the real economy—may dampen this growth trend. In response, KDB will not only swiftly adapt to changes in retirement pension laws and systems in 2025, but also strive to enhance its business competitiveness by improving pension subscriber returns and customer service through strengthened marketing collaborations with branch relationship managers, an expanded lineup of high-performing products and improved IT infrastructure.

In a strategic dual-track marketing approach, KDB will draw on its extensive corporate client network to promote defined benefit (DB) plans while continuously enhancing its defined contribution/individual retirement pension (DC/IRP) services for retail customers through an expanded, high-performing product lineup and improved personal financial management services. Through these efforts, the Bank aims to continually increase retirement pension AUMs, and generate fee income, which would bolster KDB's revenue base and provide a source of funding for its policy finance programs.

Pension Assets under Management

(Unit: KRW billion)



TRUSTS

Beginning with monetary trust services and subsequently broadening its business activities 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.

2024 REVIEW

As of December 2024, the total assets under management (AUM) of trusts in Korea amounted to KRW 1,049 trillion, continuing its growth trajectory with a 2.8% year-on-year increase and backed by solid growth in both money trusts and property trusts. Money trust assets declined, despite increased demand for high-yield, cashable products driven by concerns over economic slowdown and expectations of interest rate cuts, primarily due to a sharp decrease in equity-linked trust sales following losses related to Hong Kong H-share index ELS products. Property trusts, which account for 71% of the domestic trust AUM, maintained steady growth over the previous year.

KDB's money trust product lineup focuses on assisting corporate clients in the efficient management of short-term surplus funds. Recently, the high-yield product lineup was

Total Trust AUM in Korea

(Unit: KRW trillion)

	2022	2023	2024
Money trusts	336	312	305
Property trusts	633	708	744
Total	969	1,020	1,049

* Source: Korea Financial Investment Association
(excluding retirement pensions)

strengthened with the addition of the Pension Fund Investment Pool MMF and Foreign Currency Sell & Buy Term Deposits, offering tailored solutions that meet the sophisticated needs of corporate clients for surplus fund management.

In the property trust segment, KDB incorporates its extensive expertise in corporate finance with property trusts and supports corporate clients' funding activities. In 2024, the Bank secured 18 new monetary receivables trusts, amassing KRW 6.4 trillion in AUM, enhancing corporate clients' ability to provide high-quality collateral, and diversifying their funding sources. Furthermore, by securing 9 new real estate-backed trusts totaling KRW 2.5 trillion, KDB facilitated corporate clients seeking to raise capital for their business.

In the custody segment, KDB actively collaborates in the formation and management of policy funds. As of the end of 2024, KDB had established 33 new funds totaling KRW 5.0 trillion, with the average custody balance reaching KRW 55.3 trillion, an increase of KRW 3.1 trillion year on year. Furthermore, by managing and operating the KRW 11 trillion currently held in the Bond Market Stabilization Fund, KDB also continued to ensure Korea's market stability.

KDB Trust AUM

(Unit: KRW trillion)

	2022	2023	2024
Money trusts (avg. balance)	2.0	2.5	3.7
Property trusts (outstanding balance)	19.5	21.5	19.8
Custody (avg. balance)	43.4	52.2	55.3

2025 PLANS

In 2025, interest rate cuts are expected to drive up the demand for specific money trusts and policy fund custody, while the economic slowdown is likely to drive greater demand for corporate financing. In response, KDB will continue to provide tailored monetary trust services, combined with corporate financing, for corporate clients who are seeking to optimize surplus cash and add flexibility to their property trust services, all in an effort to boost corporate clients' funding activities. Additionally, by leveraging its position as Korea's largest custodian bank for policy funds, including the Innovation Growth Fund, KDB will make full use of its long-standing expertise in stable asset management and will actively participate in new initiatives as it continues to empower the Korean economy through its trust services.

Research

INDUSTRIAL RESEARCH

The Industry & Technology Research Center conducts comprehensive industry analysis and technology assessments. The industry analysis covers industrial evaluation, market outlooks, capital investment plan surveys, and issue analysis. The technology assessment includes technology reviews of individual companies, Technology Credit Bureau (TCB)* assessments, and construction project management.

Internally, the center serves as a core reference for business strategy formulation, credit evaluation, and investment decisions by providing industry analysis and insights to the Bank's front-office departments. Externally, the center functions as a leading think tank in policy development and its implementation for areas such as Korea's super gap technologies and new growth industries, supply chain management, and carbon neutrality and digital innovation initiatives.

*TCB: a specialized credit bureau that evaluates companies' technological innovation and IP to determine credit risk.

2024 REVIEW

In response to the post-pandemic shift toward protectionism and significant industrial transformation, the center has conducted in-depth research on Korea's super gap technologies and new growth sectors, alongside the global value chain rewiring. More recently, the center has been providing extensive research on green and digital transition and measures to improve competitiveness of traditional industries.

The Bank established a task force to devise industrial development strategies for high-tech industries, such as semiconductors and AI. Specifically, its All in AI special research series proactively analyzed strategies for securing technological super gap in these areas. In addition, publication of the Three Major Strategic Industry Supply Chain Materials, Components & Equipment Research Report and the Korea-China Industrial Competition Report contributed to the Bank deriving and implementing timely measures and strategies responding to global value chain (GVC) rewiring.

Furthermore, the Digital Transformation Special Research II Report was compiled to analyze and assess key technologies in smart grids and smart infrastructure. Another notable

special research report was on decarbonization strategies for traditional backbone industries, such as steel and shipbuilding, and contributed to supporting policymakers and raising awareness on the latest trends reshaping industries. Additionally, the center launched its Tech Trio Trend series which allows front-office departments to leverage industry insights on semiconductors, secondary batteries, and displays, as tools to enhance marketing, credit evaluation, and risk management, and etc.

2025 PLANS

In 2025, the Industry & Technology Research Center will continue with its in-depth research to foster new growth industries and enhance industrial competitiveness. In addition, it will play a leading role in the successful implementation of government-led initiatives to support high-tech industries and supply chain stability.

As part of KDB's role as Korea's National Climate Bank, the center will continue research on decarbonization strategies for construction and shipbuilding industries, develop renewable energy promotion strategies to support greenhouse gas reduction targets, and conduct research on clean hydrogen to support the hydrogen economy.

In pursuit of strategies for strengthening Korea's global competitiveness, the center will also delve into comparative studies on Korea-China industrial competitiveness in semiconductors, secondary batteries, biotechnology, AI, petrochemicals, and steel industries while at the same time analyzing the impact of U.S. policy shifts on major Korean industries.

Moreover, the center will conduct special research on smart



SOC and support business restructuring for the modernization of traditional industries. The center will also publish an updated edition of its Supply Chain Report in 2025, further reinforcing its role as a think tank delivering high-quality research.

To strengthen its research expertise, the center will actively host and participate in domestic and international research seminars and continue operating R&D task forces focused on industrial and financial policy research, accumulating and sharing knowledge on emerging technologies.

While supplying the Bank's front-office divisions with market insights, policy updates, and key technology information on promising future sectors, the center will support credit operations through technology evaluations, TCB assessments, help desk services for project cost reviews and funding, as well as offer input at major credit consultation bodies within the Bank. More importantly, the center plans to publish a Bank-wide AI utilization guide to enhance workflow efficiency, drive innovation, and strengthen employee capabilities through digital transformation.

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 successive government policies to supply industrial capital and ensure financial market stability. With over seven decades of accumulated expertise, KDB continues to transfer its knowledge to the governments and financial institutions of developing countries. The Bank also actively conducts

research and analysis on development finance trends to expand its global business foundation and promote mutual growth. various processes.

2024 REVIEW

In 2024, KDB continued its initiatives to share development finance expertise with governments and financial institutions in developing countries. Notably, the Bank launched its Development Finance Dialogue (DFD), a new forum designed to facilitate engagement with development finance experts while enhancing the global recognition of KDB's research capabilities in the field. Furthermore, KDB deepened its expertise and strengthened its capabilities through a variety of research projects, one of which included joint studies with the Korea Development Institute (KDI).

2025 PLANS

In 2025, KDB aims to expand its development finance knowledge-sharing initiatives by enhancing its content offerings for partner countries. The DFD will be institutionalized as a recurring event, fostering closer collaboration with research institutions, government agencies, and international organizations. Through knowledge-sharing and the exploration of diverse cooperative projects, KDB will further solidify its position as a globally recognized, full-service financial institution.

SUSTAINABILITY REVIEW

KDB remains firmly committed to assisting businesses adapt to global shifts by supporting their green transition efforts and socially responsible management practices. As Korea's designated Climate Bank, KDB plays a central role in guiding the nation's long-term ESG transition by identifying structural challenges, setting a clear path forward, and mobilizing capital for carbon neutrality.

At the same time, KDB is advancing ESG innovation within its own operations. Through a Bank-wide digital transformation, including AI-driven initiatives and bank-wide paperless operations, along with impactful social contribution efforts, KDB is leading these changes as a forward-looking institution.

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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.

Market Yields on Benchmark Bonds by Maturity

(Unit: %, as of December 2024)

	1Y	3Y	5Y
1Y	2.994		
3Y	2.823		
5Y	2.982		
	1Y	3Y	5Y
Korea Treasury Bonds (KTB)	2.703	2.595	2.765
KDB Bonds	2.994	2.823	2.982
Bank Debentures (AAA)	3.036	2.943	3.089
Corporate Bonds (AA-)	3.231	3.279	3.463

Share of KDB Bonds in the Korean Bond Market

(Unit: KRW trillion)

	Treasury & Municipal Bonds	Public Corporation Bonds	Monetary Stabilization Bonds	Bank Debentures	KDB Bonds	Corporate Bonds	Other	Total
Newly Issued (Ratio)	162(17%)	91(10%)	88(9%)	219(23%)	51(5%)	144(15%)	243(26%)	947(100%)
Outstanding Balance (Ratio)	1,076(38%)	464(16%)	116(4%)	379(13%)	116(4%)	422(15%)	402(14%)	2,859(100%)

As of December 31, 2024

KRW-DENOMINATED

In 2024, Korea's base rate entered a full-fledged rate-cutting cycle, with the Bank of Korea lowering the base rate (which had been held at 3.50% for 13 consecutive meetings) twice in October and November by a total of 50 bps to 3.00%. This came amid a broader global trend of monetary policy easing by major central banks, including the U.S. Federal Reserve and the European Central Bank (ECB). Market volatility was further amplified by a range of domestic and international factors, including the confirmed inclusion of Korea Treasury Bonds (KTBs) in the World Government Bond Index (WGBI) and the outcome of the U.S. presidential election.

Despite challenging internal and external conditions, Korea Development Bank successfully issued new KDB bonds worth KRW 51.1 trillion, bringing the outstanding balance to KRW 115.7 trillion, funding the required resources for policy finance through a flexible and stable issuance of KDB bonds in 2024.

As a policy bank governed by the KDB Act, KDB benefits from a government solvency guarantee, which stipulates that the government is responsible for keeping KDB solvent and covering its annual net loss. 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.

KDB Bonds are classified as special bank debentures and, as of 2024, were the third-largest issued bonds in the Korean bond market, after KTBs and Monetary Stabilization Bonds (MSBs).



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

In 2025, KDB aims to improve funding efficiency through flexible maturity management, allowing it to proactively respond to increased bank capital supply, mitigate refinancing risks, and optimize funding costs. The Bank also plans to explore diverse KDB bond structures to minimize funding costs and diversify its investor base. By ensuring timely fundraising in compliance with internal and external regulatory requirements and closely monitoring financial market conditions, KDB will secure the stable resources required to fulfill its policy finance mandate and promote sustainable growth.

Landmark Deals of 2024

First Issuance of KRW 200 billion in KOFR FRNs

In July 2024, KDB successfully issued its first KRW 200 billion floating rate notes (FRNs) linked to the Korea Overnight Financing Repo Rate (KOFR).

KOFR, which is calculated based on overnight repurchase agreements (RPs) secured by KTBs and MSBs, was designed as a "critical benchmark" under the Act on the Management of Financial Benchmarks in September 2021. This aligns with the global trend of shifting from quote-based to transaction-based benchmark rates. As a policy finance institution, KDB has actively participated in the KOFR Activation Working Group alongside the Bank of Korea and other key stakeholders, striving to establish KOFR in Korea's cash market.

This bond issuance of FRNs is expected to enhance market participants' understanding of KOFR's interest calculation methodology and serve as a benchmark in the nascent KOFR-based bond market.

Moving forward, KDB plans to continue issuing KOFR-linked FRNs to further support the early-stage development of the KOFR cash market.

 KRW 200 billion

FOREIGN CURRENCY-DENOMINATED

Despite heightened domestic political uncertainties, the inauguration of President Donald Trump in the United States, and persistent interest rate volatility, KDB successfully issued a total of USD 9.1 billion in foreign currency-denominated bonds (FC bonds) in 2024 through meticulous market analysis and proactive issuance strategies. In fact, KDB became the first Korean issuer to adopt a sub-sovereign, supranational and agency (SSA) issuance strategy, issuing two global bonds targeting top-tier investors, thereby solidifying its role as a benchmark issuer for Korean FC bonds.

Additionally, KDB issued cross-currency public and private bonds, including some in GBP (British Pound Sterling) and some in BRL (Brazilian Real), to minimize funding costs and

diversify its funding sources. Notably, in October 2024, KDB successfully re-entered the GBP public bond market after a seven-year hiatus, attracting strong demand not only from high-end UK investors but also from SSA investors from the Middle East, reaffirming its standing as a leading SSA issuer.

Looking ahead to 2025, KDB—Korea’s premier policy finance institution—aims to strengthen the perception of Korean bonds as a safe-haven asset and establish a strong benchmark for Korean issuers. The Bank also plans to continue issuing SSA-style global bonds and multi-currency public and private bonds, further reinforcing global investors’ confidence in Korean bonds while expanding its investor base as a leading SSA issuer in Asia.

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 and reduce funding costs, with the ultimate goal of more effectively supporting the growth of the Korean economy.

2024 REVIEW

In 2024, falling market interest rates across banks, driven by the base rate cuts by the Federal Reserve in the U.S. and the Bank of Korea (BOK), drove investors to flock to alternative investment assets such as stocks and corporate bonds, intensifying competition among commercial banks for a shrinking pool of deposits.

In response to this volatile financial landscape, KDB maintained an optimal deposit balance and secured stable funding by strategically streamlining its deposit product lineup, enhancing the convenience of contactless transaction services and dynamically adjusting interest rate policies in line with market developments. The key performance results are summarized below:

2024 Key Performance Results Summary

Total KRW deposit balance as of 2024

KRW 48.2 trillion

KRW demand deposit balance as of 2024

KRW 17.4 trillion

Number of retail clients as of 2024

588,000 persons

- Enhanced customer convenience by strengthening the competitiveness of its deposit product lineup and establishing a paperless deposit service platform
- Solidified a foundation for greater customer retention (lock-in) by improving the convenience of digital channels



Deposit Balance Trend

(Unit: KRW trillion, 1,000 persons)

	2022	2023	2024
KRW Deposits	55.6	51.5	48.2
Corporate Deposits	42.1	38.1	34.9
Retail Deposits	13.5	13.4	13.3
Demand Deposits	21.9	19.0	17.4
Number of Retail Clients	629	592	588

Establishment of a Paperless Banking Service Platform

KDB has integrated e-documentation into its routine and repetitive procedures at deposit service counters, streamlining paperwork for customers and enhancing process efficiency. As a result, data errors and disruptions have been significantly reduced, while paper waste has been minimized, greatly enhancing financial operational efficiency.

New Digital Deposit Products and Enhanced Convenience

In 2024, KDB introduced a new digital foreign currency deposit product, KDB Hi Contactless Foreign Currency Demand Deposit, an online, on-demand foreign currency account that can also serve as a primary settlement account. Additionally, enhancements to its smartphone banking app, such as its financial product marketplace and a streamlined account opening process, have significantly improved the accessibility and convenience of KDB’s digital banking services.

2025 PLANS

Following the base rate cuts by the Fed and the BOK in the second half of 2024, further cuts are still possible in 2025. However, monetary policy adjustments will depend on inflationary trends, with a focus on ensuring price stability. Consequently, banks must prepare for a potential narrowing of net interest margins, making stable deposit acquisition increasingly critical for liquidity management. Competition for deposits among banks is therefore expected to intensify further.

To ensure a stable funding base for policy finance amid this landscape, KDB is implementing strategic deposit attraction measures targeted at key deposit clients:

First, the Bank will continue attracting corporate deposits by leveraging its corporate finance expertise. At the same time, it will expand deposit services tailored for SMEs and MEs to diversify its funding structure beyond a reliance on large corporate clients and align with financial policies aimed at supporting smaller businesses.

Second, the Bank will focus on securing low-cost funding through demand deposits by advancing its digital transaction infrastructure and improving customer convenience. It will also enhance its lineup of digital deposit products, particularly for corporate clients, and offer competitive services to adapt to the evolving digital financial landscape.

Risk Management

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

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.



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 supreme 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.

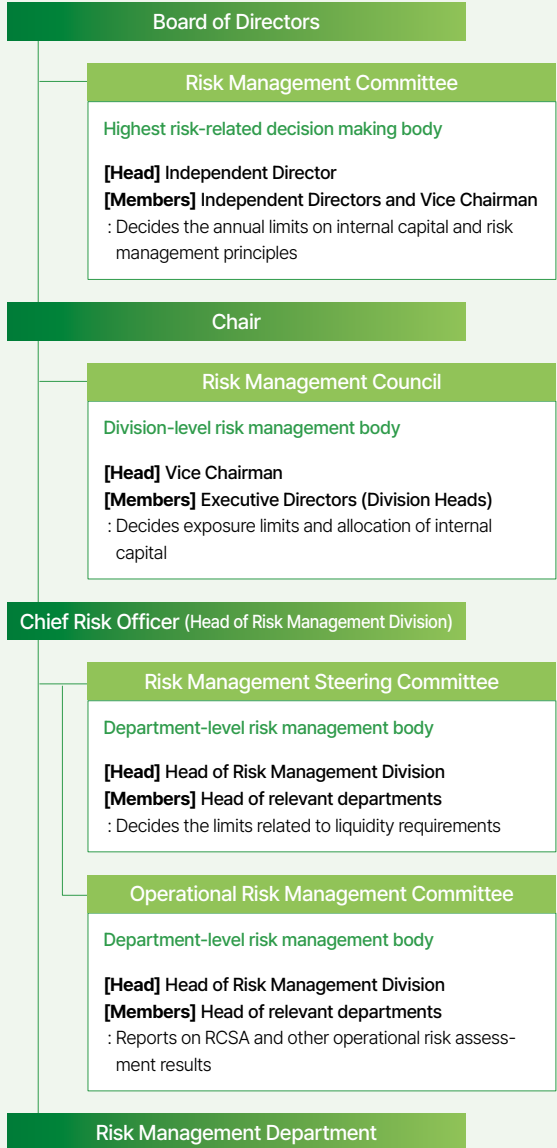
In 2024, 8 RMC meetings were held, during which a total of 21 agenda items were presented for discussion to the committee. Major resolutions included the risk management plans for 2024 and the country's exposure management plans. Additionally, important risk management issues were reported, such as the results of integrated stress tests for the first and second half of 2024 and verification results for BIS risk-weighted assets as of the end of 2023, which were also communicated 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 2024, the Council convened 6 times, discussing the establishment of 2024 credit portfolio limits and the distribution of internal capital limits for the year.

The Risk Management Steering Committee (Steering Committee) is comprised of the heads of relevant departments and was newly established in 2023 for effective risk management. The Steering Committee convened 6 times in 2024 to decide on, among other things, setting limits of operation under the Regulatory Liquidity Book for the management of liquidity.

The Operational Risk Management Council, consisting of the heads of relevant departments, was newly established in 2024 to ensure more focused management of the Bank's operational risk. The council convened 1 time in the second half of 2024 to report on RCSA and other operational risk assessment results.

Key Committees and Councils for Risk Management



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 fail-ure 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 sec-tors. To consider industry-specific risks, industry assessments are conducted every six months to provide industry ratings and directions for exposure management. Individual credit manage-ment involves monitoring the credit risk of individual companies through a credit review system consisting of credit officers, rela-tionship managers, and credit review committees as the evalua-tion and decision-making body.

MARKET RISK

Market risk refers to possible losses to the Bank's assets result-ing from a fluctuation in interest rates, stock prices, F/X rates, and/or other variables. The Bank measures and manages pos-sible 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, alert, and serious 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 in-dices 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 with-in 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 (IR-BBB), report-ing 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.

OPERATIONAL RISK

Operational risk refers to the potential for losses arising from internal processes, employees, systems, or external events. In 2024, KDB strengthened its operational risk management framework by adopting the Basel Principles for the Sound Management of Operational Risk (PSMOR). The Bank regularly evaluates residual operational risks through risk control self-assessments (RCSA). Following the adoption of PSMOR, new risk evaluation criteria, including third-party risk assessments, have been introduced and are now actively managed. To enhance resilience against potential business disruptions, KDB has established a Business Continuity Plan (BCP) for its core operations and conducts annual mock drills to ensure the timely resumption of critical functions during an unplanned event.

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 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.

2024 REVIEW

Throughout 2024, KDB consistently enhanced its risk management framework to ensure the effective execution of policy finance amid external challenges, such as prolonged high interest rates and sluggish economic growth.

To begin, the Bank established a robust regulatory compliance framework that reflects the unique capital fluctuations in its capital ratio. Notably, KDB's exemption from the Stress Capital Buffer Requirement has prevented a potential BIS ratio increase of up to 2.5%p, ensuring greater capital stability. Additionally, in response to the Basel III Revised PSMOR introduced in January 2024, KDB further strengthened its operational risk management framework by establishing a dedicated Operational Risk Management Council under its Risk Management Committee.

Overall, KDB has institutionalized stringent internal control standards that exceed regulatory requirements, reinforcing its ability to execute policy finance effectively in response to unforeseen economic conditions. By successfully meeting all key risk management targets, the Bank maintained financial stability throughout the year, demonstrating great resilience in a rapidly changing environment.

2025 PLANS

In 2025, KDB will continue to enhance its risk management capabilities by refining its risk management system to proactively respond to regulatory changes and external risk factors, ensuring the seamless execution of policy finance.

In addition to maintaining a stable BIS ratio—a prerequisite for the smooth execution of policy finance—KDB will reinforce its management of liquidity regulation ratios, including the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR). The Bank will also focus on strengthening asset soundness by closely monitoring indicators related to distressed companies and ensuring adequate loan loss provisions.

Aligned with anticipated interest rate cuts and KDB's unwavering commitment to supporting high-tech strategic industries, the Bank has set a management goal of allocating KRW 100 trillion to the Korea Rebound Program. To facilitate this initiative, KDB will proactively execute policy finance operations within a stable risk management framework.

With the scheduled integration of KDB Life as a new subsidiary in 2025, the Bank will realign its risk management system for financial subsidiaries while also strengthening collaboration and synergy efforts across its financial subsidiaries.

IT & Digitalization

2024 REVIEW

The surge of interest in generative AI, sparked by the release of ChatGPT at the end of 2022, rapidly spread across the financial sector, aligning with the accelerating pace of industry-wide digital transformation. As major financial institutions worldwide actively developed and launched generative AI-powered services, KDB pursued digital transformation with the overarching objective of digitally innovating its core banking operations through AI and other digital technologies. This initiative had three key strategic priorities: the development of AI-powered corporate banking services, process innovation through RPA expansion and enhancement, and Bank-wide digitalization.

First was the development of AI-powered corporate banking services.

KDB has developed an AI-powered search service that systematically collects, refines, and stores internal corporate banking documents, including regulations, credit-related manuals, and FAQs. This AI-driven system enables employees to efficiently retrieve essential information for their tasks.

Furthermore, KDB launched an AI Virtual Assistant, leveraging a lightweight yet high-performance open-source AI model. The assistant enhances operational efficiency by supporting document summarization, draft generation, translation, and general knowledge Q&A.

Another milestone was the introduction of an AI-driven news analysis service, which leverages generative AI to assess news sentiment, summarize content, and extract key themes from articles relevant to KDB and its corporate clients. As the first service applying generative AI to external data analysis, this initiative marked a significant step forward in the Bank's digital transformation journey.

Second was process innovation through RPA expansion and enhancement.

Since 2021, KDB has been automating processes through its Robotic Process Automation (RPA) initiatives. After completing two phases of RPA development, the Bank launched the third phase in 2024, automating 40 additional tasks, including automated notifications for loan and guarantee maturities.

KDB also enhanced its RPA management system by enabling real-time monitoring and immediate anomaly detection. At the same time, existing RPA applications were optimized to improve performance, leading to increased operational efficiency and user convenience.

Through these efforts, KDB has automated a total of 150 work processes, reducing the overall workload by 200,000 hours annually. Beyond RPA, KDB continues to integrate advanced digital technologies to drive ongoing process innovation.



Third was the Bank-wide digitalization of banking operations.

KDB has been advancing a paperless banking environment by establishing a Bank-wide digital transformation roadmap and setting guidelines for paperless implementation across core banking operations, including corporate lending and deposits.

With corporate lending, KDB has strengthened remote transaction capabilities by implementing a digital dashboard for loan operations and developing execution plans for remote services.

To enhance operational efficiency at branches, KDB introduced an automated interest rate estimation and proposal service. This system significantly reduces the need for repetitive data entry by automatically generating rate estimates and proposal documents. Additionally, the Bank developed a performance dashboard for branches, allowing for real-time tracking of branch sales and operational metrics, thereby minimizing manual data compilation and improving KPI management.

2025 PLANS

In 2025, financial markets will continue to undergo a series of rapid transformations driven by the adoption of generative AI and other digital technologies. The ability to analyze large volumes of data at an advanced level will become increasingly critical. As financial services evolve from a traditional, offline, single-product model to an online, platform-based, and integrated solution approach, KDB remains committed to staying at the forefront of this evolution.

To keep pace with the ever-evolving digital financial landscape, KDB will focus on the following initiatives in 2025:

Enhancing AI-powered banking services

The Bank will further refine its AI-powered services by incorporating the latest AI algorithms to enhance search speed and accuracy while expanding AI service coverage by systematically acquiring and structuring data.

Expanding process automation and AI-driven financial analysis

KDB will continue advancing its RPA initiatives and integrate AI-driven automation in financial analysis by leveraging external generative AI tools. It will also drive digital transformation in corporate banking workflows.

Accelerating enterprise-wide paperless operations

The Bank will develop a proprietary KDB paperless model by incorporating best practices from other domestic and international financial institutions while tailoring them to KDB's unique operational structure. Through seamless system integration, the Bank will also strengthen system integration to establish a seamless, end-to-end digital corporate banking ecosystem. This will be achieved by enhancing remote service capabilities within core corporate lending processes to accelerate Bank-wide digital transformation.

At KDB, we see digital transformation as a truly genuine transformation—a fundamental shift an organization must undertake to foster a customer-centric approach and enhance operational efficiency. Going forward, KDB will continue leading corporate banking digitalization, delivering world-class financial services, and driving Korea's economic growth.

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.

2024 REVIEW

Amidst heightened regulatory scrutiny by financial authorities at home and abroad, KDB proactively enhanced its internal control framework in 2024. The Internal Control Committee was elevated from the Chairman's oversight to a subcommittee within the Board of Directors, with an independent director appointed as its chair, thereby bolstering its internal control capabilities and independence. At the same time, KDB strengthened its compliance function by elevating the qualification criteria for the Compliance Officer to ensure a higher level of professional expertise.

To institutionalize accountability in internal control management, KDB introduced its Responsibility Map, which delineates executives' assigned responsibilities by role. Furthermore, the Responsibility Report System was established to systematically monitor and assess compliance with these responsibilities, fostering a corporate culture rooted in accountable management.

On the ethical management front, KDB successfully renewed its ISO 37001 certification, reaffirming its global anti-bribery management standards. The Bank also aligned with government initiatives to eradicate any potential for the abuse of power by reinforcing preventive measures and remedial procedures, which included establishing a Report Center for Abuse of Power at Work. Through these and other related efforts, KDB continues to fulfill its mandate as Korea's leading policy finance institution, upholding transparency, integrity, and social responsibility.

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, in response to tightening regulations, KDB has taken steps to reinforce its own AML monitoring framework to prevent financial crimes affecting public welfare. The Bank has strengthened blacklist screening protocols for financial transactions, particularly those in line with expanded sanctions against Russia, thus preventing money laundering and the financing of terrorism in a proactive manner. In addition, KDB supports employees in obtaining professional AML certifications and offers a comprehensive suite of internal control training programs tailored to practical AML operations.

To minimize sanctions-related risks, KDB became the first Korean financial institution to introduce a Sanctions Compliance Program (SCP) in 2022. The program was further enhanced in 2023 and, in 2024, the Bank focused on its stable and efficient operation. Given the tightening of U.S. sanctions on Russia and KDB's global expansion, the Bank extended its sanctions risk assessment framework to cover all domestic and overseas branches, thus bolstering a proactive risk management approach to economic sanctions compliance.



2025 PLANS

In 2025, KDB will prioritize the stable operation of its internal control framework, which is anchored in the Bank’s Responsibility Map, to reinforce a solid foundation for sustainable growth. It should be pointed out, however, that with financial misconduct incidents persisting across the industry, public expectations for enhanced ethical management—spanning anti-corruption, fair business practices, and integrity in operations—are set to rise.

To proactively mitigate any conflict of interest, bribery, and/or ethical violations, KDB will strengthen compliance with the Conflict of Interest Prevention Act, Anti-Graft Act, and Employee Code of Conduct. The Bank will also actively promote and enhance whistleblowing channels while expanding integrity training programs and awareness campaigns to solidify its commitment to anti-corruption and ethical governance.

With respect to human rights management, KDB will continue conducting human rights impact assessments while establishing a structured review process to assess the effectiveness of remediation procedures. The Bank will also intensify awareness campaigns to proactively prevent human rights infringements.

In AML operations, KDB will upgrade its AML system to adapt to the evolving financial landscape, particularly the rise of non-face-to-face transactions. These enhancements aim to minimize regulatory risks and optimize AML monitoring capabilities. Additionally, the Bank will revise AML standardization guidelines for overseas branches, ensuring a unified compliance framework across its global operations. Furthermore, through its SCP, KDB will continue to assess sanctions-related risks, provide advisory support, and strengthen employee training programs to mitigate sanctions compliance risks in the most effective way possible.

Major Compliance Management Programs	
Compliance Programs	Main Contents
Responsibilities Map	Distribute responsibilities by function to executives, Operate a responsibilities fulfillment reporting system (Inspection and Report)
Compliance monitoring	Conducts monitoring on compliance reports, self-inspection reports from branches, and monthly compliance training outcomes
Preliminary compliance review	Conducts compliance reviews on internal regulations, terms and conditions, product disclosures, BoD agenda items, etc.
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
Crypto-asset possession report system	Requires employees engaging in crypto-asset transactions to report their possession of crypto-asset biannually
Clean Report Center/ No Gift Campaign	Prohibits solicitation and acceptance of gifts exceeding specified amounts and establishes 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 Power Tripping at work	Builds a reporting system for unfair demands or treatment of fellow employees or people outside the Bank
Whistleblowing system	Operation of 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

Corporate Social Responsibility

SOCIAL RESPONSIBILITY

KDB is committed to fostering a more compassionate and inclusive society under the vision of what it calls “extending a helping hand for a warmer world.” To achieve this, KDB continuously carries out corporate social responsibility (CSR) initiatives across four key areas: love of neighbors, education, culture, and nation.

LOVE OF NEIGHBORS

Spring Blossom Festival of Love

KDB resumed its Spring Blossom Festival of Love, which had been suspended during the pandemic. In celebration of the Bank’s 70th anniversary. KDB invited over 250 participants, including residents and teachers from seven affiliated community welfare centers, to enjoy a variety of activities, food, and entertainment. This initiative provided underserved communities with valuable cultural experiences while fostering hope and encouragement.

KDB Helping Hands

KDB identifies and supports underprivileged groups in urgent need of financial assistance. In 2024, the Bank’s outreach programs included sponsorship for crime victims recommended by the National Policy Agency; support for social economy cooperative enterprises; funding for artistic and athletic talents among North Korean defector children; and patronage of disabled artists in welfare blind spots.

Kimchi Drive

Since 2008, KDB employees and executives’ spouses have teamed up with volunteers from Seoul Saemaul Association and other organizations as part of this initiative. Together, they prepare kimchi using locally sourced ingredients, distributing a total of 7,200 heads of kimchi to 2,000 underprivileged households and nine partnered community welfare centers across Seoul.



Blood Drive

KDB employees participated in the Employee Blood Drive and Charity Campaign to support children with leukemia and pediatric cancer. Donations included blood certificates and financial assistance for medical expenses. The campaign provided essential aid to young patients affected by post-pandemic blood supply instability.

Emergency Relief Kit Sponsorship

KDB sponsored the pre-manufacturing of emergency relief kits containing essential supplies (blankets, clothing, and hygiene products) to ensure their immediate availability in disaster-stricken areas. This proactive approach effectively provided critical aid to disaster victims, helping to increase their resilience during national crises.



Education

Committed to addressing the additional learning support needs of adolescents with borderline intellectual functioning (BIF) and raising social awareness of this issue, KDB provided financial support for the development and distribution of specialized economic/financial education materials. The Bank also sponsored academic conferences and symposiums aimed at advancing Korea's financial and economic sectors and promoting corporate responsibility.

Culture

KDB actively promotes arts and culture through mecenat (corporate patronage) activities, supporting traditional and under-represented art performances to foster cultural diversity. As part of its broader cultural initiatives aimed at enhancing social inclusion and building a more connected cultural community, the Bank sponsors the Eum Concert, a performance featuring artists with disabilities, and a public interest theater production focused on suicide prevention. These efforts underscore KDB's commitment to fostering an inclusive and diverse cultural landscape.



LOVE OF NATION

Net-Zero Plogging Campaign

To commemorate its 70th anniversary, KDB launched a Net-Zero Plogging volunteer campaign, in which 1,000 employees and their families participated in collecting litter around Yeouido Park and nearby areas to help reduce carbon emissions. The event also featured eco-friendly experience booths promoting sustainable lifestyles, such as cooking stations powered by renewable energy and refreshment areas where participants could sit down and catch their breath.

National Park Restoration Project

Launched in 2023, this two-year initiative aimed to restore degraded areas of National Park by rehabilitating terraced rice paddies and creating ecological wetlands using small streams. These efforts were designed to encourage the natural return of wildlife and enhance biodiversity. Completed in 2024, the project contributed to ecosystem restoration while aligning with KDB's ESG-driven CSR initiatives.

One Company, One Village Rural Support Program

Now in its 19th consecutive year, this initiative supports rural communities that face declining rice prices by purchasing local agricultural products and organizing fresh rice donation drives for affiliated community welfare centers. KDB also upholds a One Company, One Military Unit partnership, offering support and financial contributions to exemplary soldiers who contribute to both national defense and regional development.

Through these diverse efforts, KDB has been reinforcing its commitment to social responsibility for nearly two decades, making a meaningful impact on the communities it serves.



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.

Youth Start-up Support Project

The Youth Start-up Support Project and the Social Enterprise Support Project are making contributions to Korea's job market. The Youth Start-up Support Project, which consists of the KDB Start-up Program and the KDB Start-up Education Program, aims to build a start-up ecosystem for new growth industries by discovering and fostering young entrepreneurs. In 2024, a total of 687 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 start-up 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 816 students to date and serving as a catalyst for spreading an entrepreneurial mindset among college students and identifying new start-ups. Between 2013 and 2024, KDB identified 256 start-up teams through its Young Start-up Support Project, of which 256 have gone on to start a business of their own. As of December 2024, KDB's work had generated 3,045 jobs and KRW 316.2 billion in cumulative revenue. Furthermore, KDB has offered mid-to long-term follow-up support through its start-up platforms NextRound and NextONE, giving young entrepreneurs access to IR activities and incubation programs.

KDB Social Enterprise Support Project

The Bank supported a total of 20 social enterprises in 2024 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 business enhancement consulting and ESG manage strategy-building training to four companies with ESG-driven social missions and one company seeking to establish an ESG management framework.

A total of 158 social enterprises received KDB funds and mentorship support from 2015 to 2024, and in 2024 alone, partner enterprises contributed to the creation of 826 jobs for vulnerable worker groups, including physically disabled ones, while also driving increased revenue growth.



2024 ESG Review

Established with the primary mandate of promoting sustainable growth, as stipulated in Article 1 of the Korea Development Bank Act, KDB is dedicated to fostering Korea's sustainable growth and enhancing social value. In order to support the government's carbon neutrality and green growth initiatives while upholding its social responsibility as a public institution, the Bank has been actively implementing sustainable finance measures and strengthening sustainability governance and management systems through the KDB Sustainable Management Framework.

ESG STRATEGY

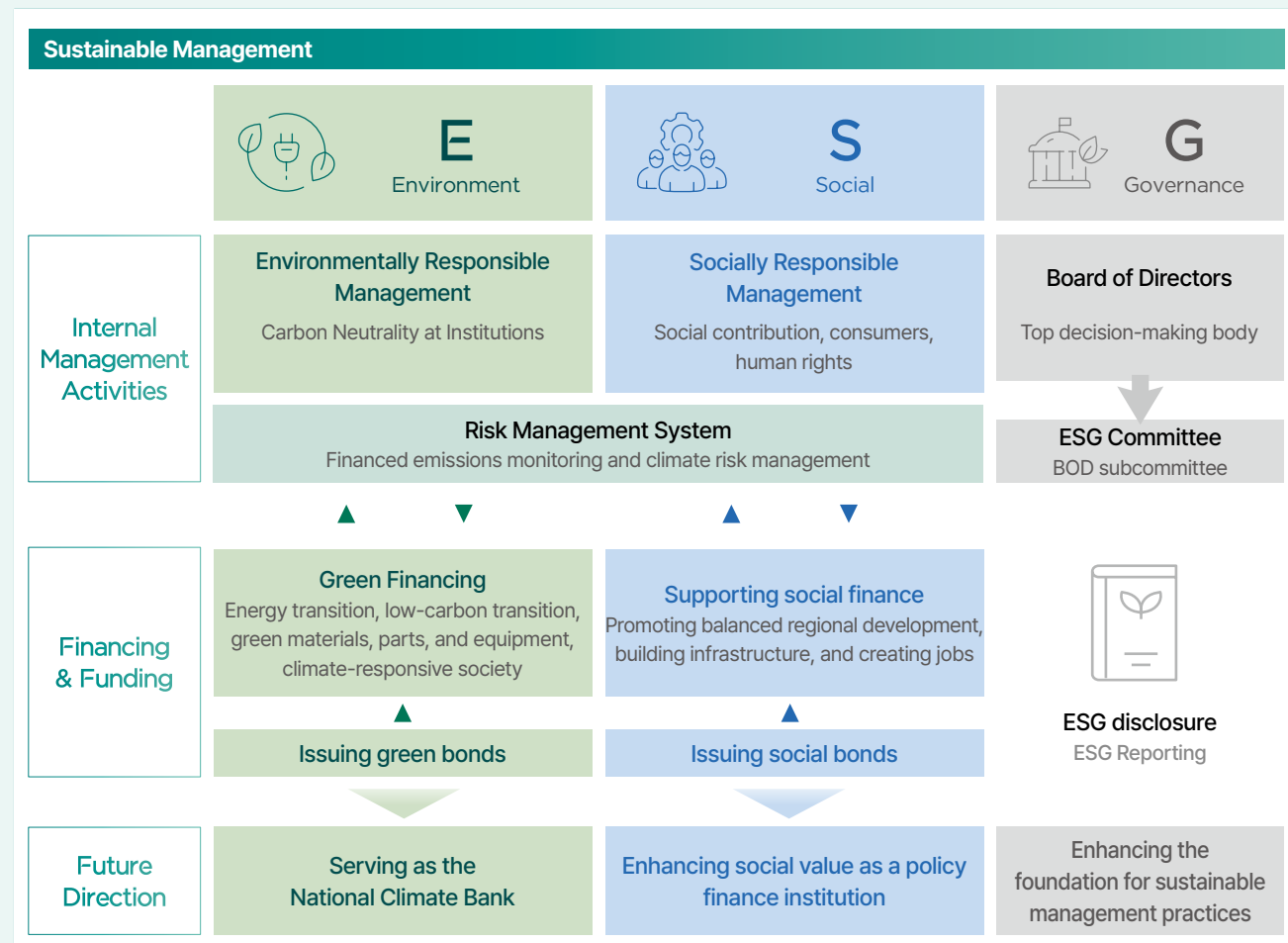
KDB plays a pivotal role in advancing sustainability across many different industries by offering diverse financial instruments and services regarding green and social finance to Korean companies in their transition to promote sustainability management and governance. As Korea's National Climate Bank, KDB is at the forefront of the country's climate crisis response, supplying venture capital funds and long-term, large-scale capital to foster Korea's promising green industries and drive the switch towards a low-carbon, resilient economy.



To develop and drive comprehensive sustainable management strategies across the Bank, KDB established its ESG Committee under the Board of Directors as a board-level decision-making body in 2023. As part of its commitment to environmental sustainability, the Bank has been transitioning all of its fossil fuel vehicles to EVs and expanding EV charging stations increasing green procurement, and investing in renewable energy facilities. Furthermore, KDB remains committed to social sustainability, including social contribution initiatives, consumer protection, human rights advocacy, and ethical compliance.

In 2024, KDB further reinforced its sustainability management by launching the ESG Steering Committee as a working-level council dedicated to pre-reviewing the ESG Committee's agenda items and enhancing cross-departmental collaboration. Within the ESG Steering Committee, four specialized subcommittees—Green Finance, Social Finance, Environmental & Social Responsibility Management, and ESG Disclosure—have been established to effectively set and execute ESG strategies.

In 2024, KDB supplied KRW 22.9 trillion in green finance to accelerate energy transition and foster climate technology companies. In addition, the Bank established a KRW 9 trillion Future Energy Fund to support Korea's renewable energy sector, particularly the solar and hydrogen industries. KDB's unwavering efforts for sustainable finance has been widely recognized by the Korean government, earning the Minister of Environment Award at the 2021 Outstanding Green Finance Company Awards and the Financial Services Commission Chairman's Award at the 2023 Korea Green Climate Awards, as well as a Minister of Trade, Industry, and Energy Commendation at the 2024 Hydrogen Day celebration for its contributions to the hydrogen ecosystem.



2024 Sustainable Finance Highlights

GREEN FINANCE

Promoting Green Finance as Korea's National Climate Bank

KDB is committed to fulfilling its role as Korea's National Climate Bank, leading the country's carbon neutrality and green growth initiatives. Pursuing its strategic direction in the industrial aspect, which is outlined in KDB's Green Finance Framework, the Bank aims to foster promising green industries and support the transition of traditional industries to low-carbon models. KDB follows its strategic direction in the financial aspect by absorbing early-stage risks and mobilizing green investments from the private sector through the provision of venture capital funds and long-term, large-scale capital.

In March 2024, in response to the government's climate finance policy, KDB set 2030 quantitative targets to supply KRW 154 trillion in green finance from 2024 to 2030, and to increase the proportion of green finance to 28% of its total financing by 2030. In 2024 alone, KDB provided KRW 22.9 trillion in green finance, marking a 17% year-on-year increase.

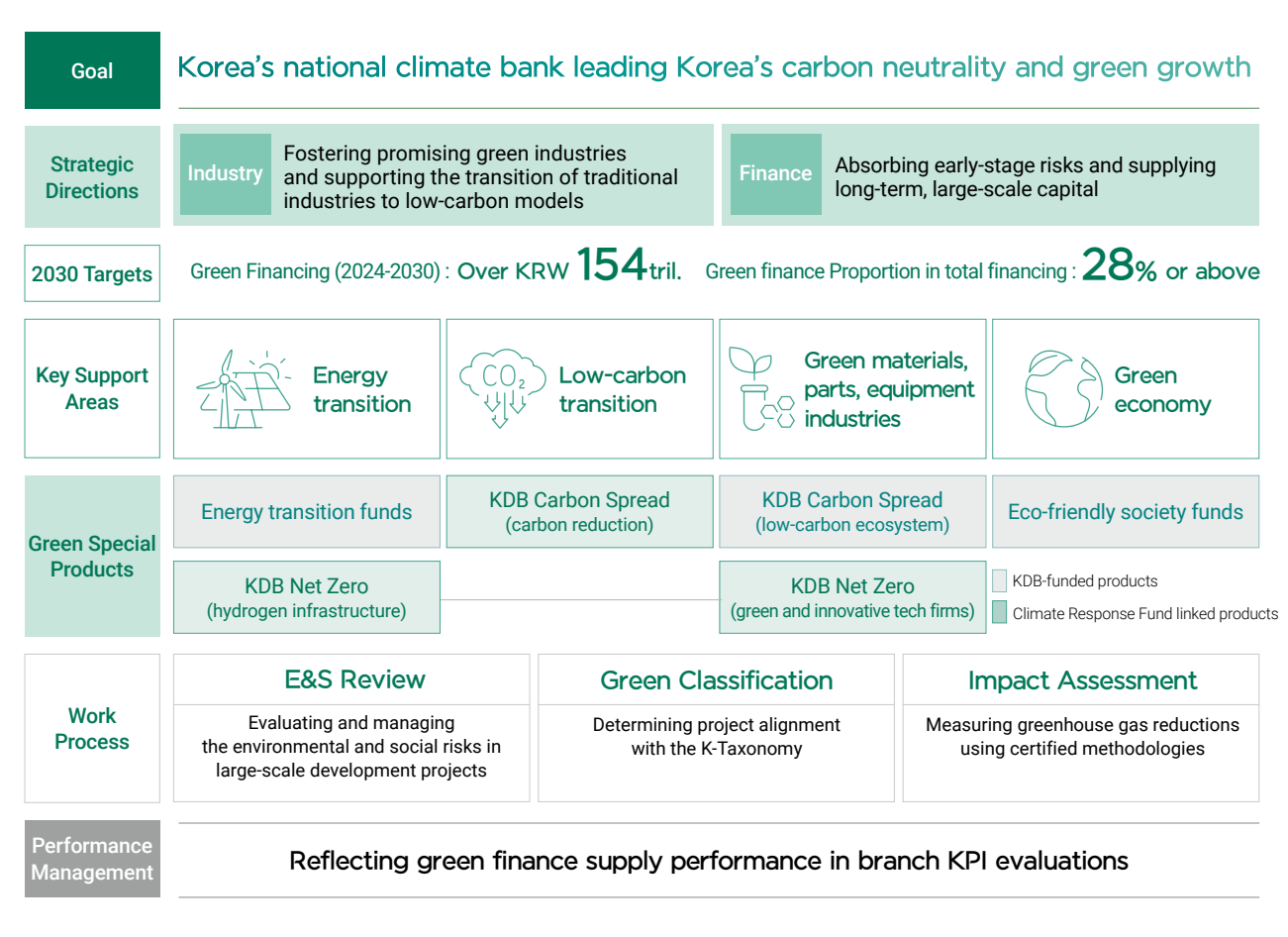
To maximize its potential impact, KDB has identified four key support areas for green financing: ① energy transition; ② low-carbon transition; ③ green materials, parts & equipment; and ④ a green economy.

To drive progress in these areas, KDB operates five green-specialized financial products, totaling KRW 6.5 trillion. Among them, blended finance products, such as KDB Carbon Spread and KDB Carbon Net Zero, were structured using funds from the government's Climate Response Fund and KDB's own resources. These products provide subordinated loans and venture capital funds to support early-stage green projects, the expansion of carbon-neutral infrastructure, and the development of green technologies.

Additionally, in 2024, KDB established a KRW 9 trillion Future Energy Fund, creating a venture capital fund to support Korea's renewable energy sector. To further accelerate discussion in the area of carbon-neutral technologies, the Bank hosted a seminar in celebration of its 70th anniversary titled "Driving Industrial Transformation through Scaling Up Climate Technology."



KDB Green Finance Framework



Green Finance Product Highlights

Blended Finance Products Comprising Government’s Climate Response Funds and the Bank’s Own Resources

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.

Balance in 2024

KRW 2.5 trillion

KDB Carbon Net Zero

This venture capital product is tailored to support green businesses in their early stages, particularly those with significant greenhouse gas reduction potential and a massive economic impact. Given that early-stage green projects tend to experience financing gaps when relying solely on the private sector, this product was introduced to bridge such gaps through policy finance. By drawing on both the government’s Climate Response Fund and KDB’s own resources, the KDB Carbon Net Zero Fund invests in green innovation technologies, companies, and hydrogen infrastructure, in the form of subordinated loans.

Fund Size in 2024

KRW 121 billion

Advancing Green Finance Processes to Prevent Greenwashing

KDB promotes the integrity of green finance and prevents greenwashing through a range of environmental and social (E&S) assessment and green eligibility assessment systems.

Since adopting the Equator Principles (EPs) in 2017, KDB has conducted E&S reviews to mitigate environmental and social risks in large-scale development projects. In accordance with the review process outlined below, KDB had conducted a cumulative total of 283 E&S reviews as of the end of 2024. The Bank continues to publish its Report on Equator Principles Implementation annually for all assessed projects. Furthermore, as the EP Asia-Oceania Regional Representative, KDB engages in various activities to enhance its E&S reviewing expertise and ensure its compliance with the EPs by actively participating in regional meetings and coordinating with financial institutions in Korea.

Since the adoption of K-Taxonomy at the end of 2021, KDB has been determining project alignment with the K-Taxonomy since 2022. As of the end of 2024, the Bank had assessed a total of 324 projects about whether they align well with the K-Taxonomy. Additionally, KDB publishes an annual casebook containing the best practices which are applicable to the Bank’s services and hosts seminars regarding green financing in order to streamline the work process of its operations and improve expertise regarding green financing.



At the same time, KDB continues to scale up its methodology to measure carbon reduction as a result of its green financing activities (“green finance impact”), with the aim of systematically managing its green financing performance. In 2024, in collaboration with the Korea Environmental Industry & Technology Institute (KEITI), KDB developed 56 assessment tools. The Bank plans to expand the scope of carbon reduction measurement by applying these tools to applicable projects, collecting relevant data, and conducting pilot projects.

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

- Advised and arranged financing for a 17.6 MW onshore wind farm project (May 2024)
- Provided PF advisory services for a 99 MW offshore wind farm project with community participation (Dec. 2024)

Low-Carbon Transition



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

- Supported energy efficiency upgrades for a solar power material manufacturing plant (July 2024)
- Financed facility investments for expanded use of alternative fuels in the cement industry (Dec. 2024)

Hydrogen Economy



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

- Provided financing for a 39.6 MW hydrogen fuel cell power plant (Oct. 2024)
- Supported the construction and operation of an LNG cogeneration power plant incorporating hydrogen co-firing technology (Nov. 2024)

Secondary Batteries



Pioneering support for the Korean secondary batteries industry ecosystem

- Financed construction of a new cathode material manufacturing plant (Mar. 2024)
- Provided support for purchasing manufacturing equipment for the battery electrode process (Aug. 2024)

Waste Recycling



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

- Financed construction of an aircraft engine remanufacturing facility (July 2024)
- Provided capital for relocation and expansion of a public wastewater treatment plant under a private investment initiative (Oct. 2024)



Enhancing External Collaboration Efforts for Green Finance

KDB is actively strengthening external partnerships to promote green financing and foster a green ecosystem by participating in government-led green financing initiatives and signing memorandums of understanding (MOUs) with relevant institutions.

In 2024, KDB joined the Climate Finance Task Force, which operates under the Financial Services Commission (FSC), contributing to discussions on improving the green bond framework and establishing ESG disclosure regulations tailored for policy finance institutions. Additionally, the Bank signed an MOU for the Net Zero Challenge X Program, a public-private initiative aimed at fostering climate technology innovation, further solidifying its collaborative partnerships with relevant institutions.

Moreover, KDB signed an MOU with KEITI to promote green finance, thereby contributing to the revision of the Korean Guidelines for Green Bonds.

SOCIAL FINANCE

Promoting Social Finance to Heighten Social Value

KDB fulfills its social responsibility as a policy finance institution through a diverse range of social finance offerings and services.

Benchmarking international best practices, including the International Capital Market Association (ICMA) Social Bond Principles, United Nations Sustainable Development Goals (SDGs), and KDB's own strategic directions, the Bank has identified five key areas for social financing: ① basic infrastructure; ② basic services; ③ job creation; ④ socioeconomic development & shared growth; and ⑤ balanced regional development.

The Bank systematically tracks its performance in each of these areas, with KRW 16.9 trillion in cumulative support having been administered as of the end of 2023.

Going forward, once Korea's national classification system for social finance is firmly established, KDB will align its social financing framework with the new standards and boost its commitments related to social finance initiatives.

2024 Sustainable Management Highlights

ESG Committee in Full Operation

To develop and drive comprehensive sustainable management strategies across the Bank, KDB launched the ESG Committee in November 2023 under the Board of Directors. In March 2024, the ESG Steering Committee was set up as a working group to facilitate the pre-review of the ESG Committee's agenda items and enhance cross-departmental collaboration.

Under the ESG Steering Committee, KDB formed four specialized subcommittees dedicated to: ① green finance; ② social finance; ③ environmental & social responsibility management; and ④ ESG disclosure. These subcommittees serve as the foundation for advancing the Bank's sustainability management efforts.

Throughout 2024, the ESG Committee convened three meetings to review five key agenda items, while the ESG Steering Committee held three meetings to discuss eight agenda items. In addition, the four ESG subcommittees held ad hoc meetings as needed to ensure meaningful progress in sustainability management.

To enhance transparency and share its ESG achievements, KDB also publishes an annual KDB ESG Summary, detailing its sustainable finance and sustainability management performance.

GCF-funded Global Climate Change Response Project

As the first accredited entity in Korea to become a part of the Green Climate Fund (GCF), KDB is leveraging its globally recognized capabilities and systems to solidify its role as the National Climate Bank. Through GCF-funded global climate change response projects, the Bank is actively supporting Korean industries in securing a foothold in the climate markets of developing countries and helping to expand their overall business operations. Globally, the Bank is also playing a pivotal role in advancing the Korean government's international climate cooperation efforts.

During the 38th and 39th GCF board meetings in 2024, GCF board members, representing 24 different countries, unanimously approved KDB's Cambodia Climate Finance Facility and Collaborative R&DB Programme for Promoting the Innovation of Climate Technopreneurship. In fact, the board highly commended KDB's proposed sustainable climate finance model for its innovative and impactful approach.



Additionally, KDB successfully executed its first approved GCF project: Supporting Innovative Mechanisms for Industrial Energy Efficiency Financing in Indonesia with Lessons for Replication in Other ASEAN Member States. As the first financial institution to provide guarantees for an energy efficiency project in Indonesia, KDB demonstrated it could effectively address local climate finance needs. This initiative not only showcased KDB's advanced expertise in climate finance but also significantly contributed to the expanding of Korean financial institutions in Indonesia's green business sector.

In 2025, KDB will continue to engage with international governments and stakeholders to ensure the successful execution of GCF projects while also uncovering new climate finance opportunities. As KDB promotes its GCF projects in countries like Vietnam, Indonesia, the Philippines, Cambodia, and Laos, these initiatives are expected to facilitate greater participation of Korean institutions in the ASEAN climate finance market, further strengthening their operational footprint in the region.

Eco-Friendly & Carbon-Neutral Management for Direct Emissions Reduction

To proactively support Korea's goal of achieving carbon neutrality by 2050, KDB has aligned its operations with government policies such as the *Guidelines for the Operation of Greenhouse Gas Target Management in the Public Sector* to implement carbon-neutral practices at an institutional level.

To this end, KDB's Internal Energy Conservation Committee is actively engaging in initiatives such as energy-saving campaigns and establishing plans to reduce energy consumption. In addition, to reinforce KDB's commitment to environmental sustainability, KDB Hanam Digital Square and KDB Academy have been installing and operating solar power systems.

Furthermore, KDB aims to fully transition its fleet of official fossil fuel vehicles to green vehicles (electric and hydrogen vehicles) by 2025, while also expanding charging stations. As of 2024, 199 out of 212 fossil fuel vehicles (93.9%) had been converted to eco-friendly models, with 62 charging stations in place (30 at headquarters, 9 at KDB Hanam Digital Square, and 23 at branch offices). Moving forward, KDB plans to expand the number of charging facilities at self-owned branches to further enhance zero-emission vehicle usage.

- 1. Meeting with Cambodia's Minister of Environment to discuss details about the implementation of the Cambodia Climate Finance Facility
- 2. Approval of the Collaborative R&DB Programme for Promoting the Innovation of Climate Technopreneurship at the 39th GCF board meeting (July 2024)



- 1. Solar power systems on the rooftops of KDB Hanam Digital Square
- 2. EV charging stations at KDB HQ



ESG Funding

Issuance of KRW-denominated Green Bonds

In 2024, KDB issued a total of KRW 1.5 trillion in ESG bonds. Of this, KRW 500 billion was raised in KRW-denominated green bonds, marking the largest issuance volume in the Korean banking sector under the K-Taxonomy guidelines set by the Ministry of Environment. The issuance not only strengthened KDB's external credit standing but also established institutional measures to prevent greenwashing in the green bond market. The proceeds have been fully allocated to environmentally sustainable projects, including the construction of organic solvent production facilities for secondary batteries, improvement of eco-friendly boiler power generation systems, the establishment of recycling plants for waste batteries, and the adoption of electric vehicles for leasing and rental services.

Additionally, KDB issued KRW 1 trillion in social bonds, providing funding to 112 companies, including 81 SMEs, to support job creation.

To enhance transparency and foster the qualitative growth of Korea's ESG bond market, KDB publicly discloses detailed investor reports and third-party-audited assessments, including information on the allocation of ESG bond proceeds, through its official website and the Korea Exchange's ESG Bond Information Platform.

Allocation of Proceeds from 2024 ESG Bonds

(Unit: KRW billion)

Green Bonds (code : KR310206GE55)

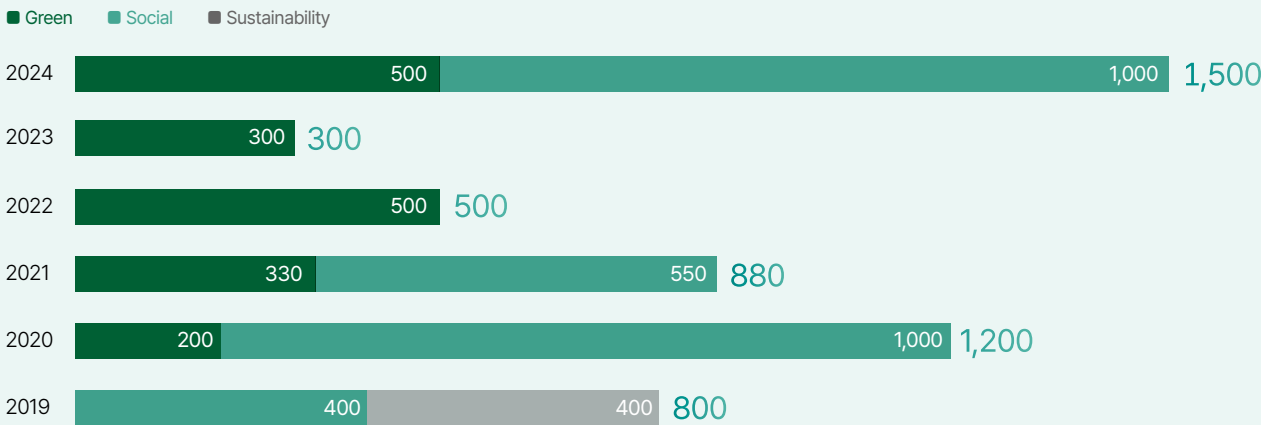
Areas	Issuance	Allocation
Secondary Battery Organic Solvent Production Facilities	176	500
Eco-Friendly Boiler Power Generation Improvement	130	
Waste Battery Recycling Plant Construction	124	
EV Transition in Lease and Rental Services	70	
Total	500	500

Social Bonds

Areas	Code	Issuance	Allocation
Job Creation Companies	KR310204AE95	300.0	300.0
	KR310205AE94	200.0	200.0
	KR310202AEA7	350.0	350.0
	KR310202AEA5	150.0	150.0
Total		1,000	1,000

KRW ESG Bond Issuance Track Record

(Unit: KRW billion)



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.

In 2024, KDB expanded its green bond market presence by issuing BRL 250 million in green bonds, targeting local investors in Latin America. This issuance contributed to the broader development of the Korea's sustainable finance market.

Funding by Foreign Currency Green Loans

To diversify its ESG funding portfolio, KDB introduced its first USD 100 million green loan in September 2022. The Bank secured an additional EUR 100 million and USD 100 million green loan in 2023 and 2024, respectively, reinforcing its commitment to sustainable financing.

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	2.64%	
	Apr. 2022	CHF	225	241	0.94%	
	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%	
	Oct. 2024	BRL	250	44	10.385%	
Green Loan	Sep. 2022	USD	100	100	SOFR+0.72%	
	Dec. 2023	EUR	100	111	Euribor+0.30%	
	Dec. 2024	USD	100	100	SOFR+0.49%	
Total	-	-	-	3,211	-	

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Management’s Discussion and Analysis

The 2024 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 2024 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.

2024 REVIEW

In 2024, the global economy achieved moderate growth, making further progress in absorbing the prolonged dislocations caused by the COVID-19 pandemic and Russia’s invasion of Ukraine and the downward pressure of the sustained high interest rates. Inflation has continued to decline from its peak after a period of globally synchronized monetary tightening. Receding inflation paved the way for major central banks to pivot toward a monetary easing cycle. By contrast, in countries with inflationary pressures, central banks raised rates, which resulted in divergences of monetary policies between countries and the prospect of larger interest rate differentials and pressures on currencies. Economic activities remained resilient, suggesting that the ongoing normalization of both the supply and demand side of the labor markets contributed to the disinflationary trend. While still relatively tight, global financial conditions eased and the financial markets remained resilient, reflecting expectations of a soft landing. Political uncertainty escalated with electoral turmoil, as well as political instability in some European and Asian countries. Heightened geopolitical conflicts, such as in in Russia-Ukraine and the Middle East, and the increase in tensions such as between the U.S. and China continued to fuel global fragmentation.

With divergence, fragmentation and uncertainty being the “new normal” in the global environment, the Korean economy again demonstrated modest growth in 2024. Growth was supported by exports, especially by the semiconductor sector despite relatively weak domestic demand. During the year, Korea continued to experience stable inflation trends, and the Bank of Korea (BOK) has pivoted its monetary policy, ending 3 years of monetary tightening. Financial stability risks have been manageable despite the prolonged high interest rates. Notably, FX market reform was successfully implemented, accelerating the development of Korea’s capital markets and financial sectors by raising international investors’ FX market accessibility. Moreover, the financial authorities’ well-orchestrated and timely efforts ensured that the political turmoil has not spilled over into financial market instability. Stable economic conditions and the rapid recovery of

the financial markets underscored Korea’s strong fundamentals and resilience to navigate political uncertainty.

In 2024, KDB proudly marked its 70th anniversary as Korea’s leading financial arm. As we reflect this milestone, despite the mounting uncertainties, including ongoing geopolitical risks, economic fragmentation, and downward pressure on global and domestic growth momentum, KDB has remained faithful in its mission to mobilize its financing to safeguard the Korean economy and foster sustainable growth. In pursuit of mandate, KDB established a comprehensive framework aimed at strengthening the foundations for economic growth across all sectors of the national economy, enhancing industrial ecosystem competitiveness, and reinforcing its policy finance capabilities for future readiness.

To strengthen the foundations for economic growth across all sectors of the national economy, KDB actively supported the advancement of key future industries and high-tech strategic industries through targeted investment and policy support. KDB has intensified its efforts to enhance the nation’s global competitiveness in strategic high-tech industries such as semiconductors and artificial intelligence. More specifically, our commitment was evidenced by the significant expansion of its Super Gap Industry Program to KRW 17 trillion, and the launch of Semiconductor CAPEX Special Program. Recognizing the importance of balanced regional development as a pillar of national sustainability, KDB established dedicated regional financial hubs in the southern and southwestern region. These hubs will ensure that innovative companies across the country have equitable access to capital and growth opportunities, thus laying the groundwork for Korea’s next phase of inclusive, balanced economic growth. Furthermore, KDB aimed to safeguard market stability and assist corporate restructuring and normalization processes, thereby enhancing the resilience of the Korean economy. In particular, KDB facilitated the prompt and orderly restructuring of construction companies, advancing the integration of national carriers, and supporting the recovery of public funds deployed for stabilization efforts.

In enhancing industrial competitiveness, KDB scaled up its financing for SMEs and medium-sized businesses with a focus on strengthening economic fundamentals. Throughout 2024, KDB mobilized 61.1% of its total financing of for SMEs and medium-sized businesses. Moreover, Moreover, as the national climate bank, KDB played a central role in promoting the green transformation of existing industries. In close alignment with the government’s K-Taxonomy, KDB supplied KRW 22.9 trillion in green finance, reinforcing our pledge to advance Korea’s transition to a sustainable, low-carbon economy. Furthermore, by strengthening value chains and fostering collaboration among key industry players such as semiconductor materials, parts, and equipment, KDB has facilitated a more interconnected and resilient industrial structure.

In order to reinforce policy capabilities for future readiness, KDB enhanced its Sustainability Management Framework to embed

responsible management practices across its operations. To better respond to global market dynamics, we aimed to expand our international presence and strengthen investment banking capabilities to support new market entry. The Bank’s continued focus on sound risk management, financial stability, and operational efficiency ensured that KDB remains as reliable and future-ready partner in Korea’s long-term economic development. Moreover, as a national policy think tank, KDB has broadened its role in guiding long-term economic development, as we deeply engaged in international cooperation and discussions with key stakeholders to ensure financial market stability and reinforce Korea’s position in the global economy. Reflecting its longstanding and critical policy role, supplemented by the government’s 100% direct ownership and de facto solvency guarantee, KDB’s credit ratings are equalized with those of the government, affirmed Aa2 from Moody’s, AA from S&P, and AA- from Fitch, and its BIS capital ratio stood at 13.9% as of year-end 2024.

2025 OUTLOOK

The year 2025 is anticipated to bring moderate growth for the global economy, according to the January 2025 IMF World Economic Outlook (WEO). However, the outlook has significantly deteriorated recently. The recent unpredictable trade policy escalations and fiscal policy shifts are fueling a high level of uncertainty across economies and weighing on economic sentiment. Frequent changes to announced policies have made it harder for business to plan and invest and consumer spending is declining. Interest rate differentials are expected to widen and policy rate trajectories are to become more ambiguous. With widened interest rate differentials, currencies in some countries may be pressured and disrupt financial stability. Economies that are supported by large domestic demand and high production capacity, may gradually absorb the impact of such uncertainty and volatility. However, countries with weaker growth momentum or high export dependency, could face potential economic shocks and financial spillover effects.

Entering 2025, the Korean economy is projected to grow at a moderate pace, with the support of the nation’s competitive exporters and steady domestic demand. However, growth will likely fall short of the previously projected path, as domestic demand recovery and export growth are likely to be lower than expected as geopolitical tensions and deteriorating trading conditions cloud the outlook for exporters and consumers. Monetary policy decisions are anticipated to become more complicated and financial markets more vol-

atile, in part because of the future U.S. policy rate path and currency pressures linked to interest rate differentials. The growth of the Korean economy in the near-term will strongly be influenced by the effectiveness of policymaking and the timing of the uncertainty around the global and domestic environment subsiding. In the long-term, given the global challenges on multiple fronts ranging from intensified technology competition, green transition, global trade fragmentation and revamping of the global supply chains, promoting sustainable and resilient growth through structural reforms has gained particular urgency.

Facing these challenges, KDB stands ready to fulfill its mission as a trusted policy finance institution – acting as a reliable partner in securing economic resilience and nurturing new engines of sustainable growth. In line with our vision, “Greater KDB- Global Financial Leader Growing in Tandem with Korea,” we will continue to mobilize our resources and expertise to advance Korea’s journey toward a more innovative, inclusive, and sustainable economy. In pursuit of this vision, KDB structured three strategic pillars - driving Korea’s new growth engine initiatives and financial policies, advancing and stabilizing Korea’s financial markets, and strengthening internal capabilities.

In 2025, KDB will continue to be the key financial arm implementing Korea’s new growth engine initiatives and financial policies. To strengthen technological sovereignty and maintain international competitiveness amid the intensifying competition for technology supremacy, KDB will actively mobilize

government-led initiatives and also boost its support for high-tech strategic industries and key future industries including semiconductors, artificial intelligence, secondary batteries, display, and bio-health. As the national climate bank, KDB will continue delivering sustainable impact via its financing and borrowing activities to accelerate Korea's successful transition to a net-zero carbon economy. KDB will also play a leading role in fostering balanced growth by reinvigorating regions beyond the metropolitan area. Lastly, KDB will play a leading role in expanding the innovation ecosystem across the country, which will help to fund the scale-up of Korean ventures and startups.

With regard to the second strategic pillar, advancing and stabilizing Korea's financial markets, KDB has prioritized the expansion of global operations and the advancement of investment banking capabilities, and reinforce its market stabilizing function by strengthening its preemptive market stabilizing programs. KDB plans to expand its overseas business portfolio by leveraging its global footprint through key financial hubs such as New York, London, Singapore, and

Hong Kong. In addition, by capitalizing on its proven project finance expertise, KDB will continue to play a leading role in advancing the global project finance market. To proactively respond to potential market disruptions, KDB will activate its market stabilization framework to safeguard financial stability and ensure resilience of Korea's corporate sector.

KDB's priorities aligned with the last strategic pillar, strengthening internal capabilities, is to serve as an R&D think tank for the government's new industrial and financial policies. In addition, KDB plans to integrate artificial intelligence and big data to streamline business processes, provide more tailored customer services, and ensure a more robust banking system. Moreover, in an increasingly complex global environment, KDB will remain committed to reinforcing its financial resilience, which will in turn enhance the Bank's financial soundness and safeguard the stability of the Korean economy. Through these multifaceted initiatives under the three pillars, KDB will continue to uphold its mandate to secure a sustainable and resilient growth path for the Korean economy and cement its position as a leading financial arm of Korea.

INCOME ANALYSIS

Summary Statement of Income

(Unit: KRW billion)

	2024	2023	Change	
			Amount	%
Net operating revenue	3,010.6	2,743.6	267.0	9.7%
Net interest income	2,018.0	2,435.6	(417.6)	(17.1%)
Non-interest income	992.6	308.0	684.6	222.3%
Provision for(reverse of) credit losses	(269.0)	296.8	(565.8)	(190.6%)
G&A expenses	1,072.1	974.1	98.0	10.1%
Operating income	2,207.6	1,472.8	734.8	49.9%
Non-operating Income(expense) ⁽¹⁾	465.0	(314.4)	779.4	(247.9%)
Income tax expenses(benefits)	525.9	(510.3)	1,036.2	(203.1%)
Profit for the period from continuing operations	2,146.7	1,668.6	478.1	28.7%
Profit from discontinued operations	0.0	2,328.1	(2,328.1)	(100.0%)
Net profit ⁽¹⁾	2,146.7	3,996.7	(1,850.0)	(46.3%)

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

KDB recorded a net profit of KRW 2,146.7 billion in 2024, KRW 1,850.0 billion less than that in the previous year. This was mainly due to a decrease of 2,328.1 billion in profit from discontinued operations, due to reclassification of the shares of DSME owned by us from asset and liabilities held for sale to investment in an associate.

Net operating revenue increased by KRW 267.0 billion year-on-year. Despite a decrease of 17.1% in net interest income compared to the previous year due to a deterioration of NIM, non-interest income increased compared to the previous year, primarily due to an increase in net foreign currency transaction gain and an increase in dividend income.

Interest Income and NIM

(Unit: KRW billion)

	2024	2023	Change	
			Amount	%
Interest-earning assets (Annual average balance)	243,669	237,805	+5,864	+2.47%p
Yield rate (%)	4.88	4.73		+0.15%p
Interest-bearing liabilities (Annual average balance)	260,237	249,145	+11,092	+4.45%p
Cost rate (%)	4.26	4.03		+0.23%p
NIM (%)	0.33	0.51		(0.18%p)

* Non-consolidated basis

Interest-earning assets and interest-bearing liabilities increased by 2.47% and 4.45% respectively to KRW 243,669 billion and KRW 260,237 billion, while yield rate and cost rate increased by 0.15%p and 0.23%p to stand at 4.88% and 4.26%, respectively. As a result, the net interest margin for the year decreased by 0.18%p to 0.33%.

FINANCIAL STATEMENT

Summarized Statement of Financial Position

(Unit: KRW billion)

	2024	2023	Change	
			Amount	%
Assets	372,581.1	347,534.5	25,046.6	7.2%
Cash & due from banks	12,769.9	8,306.4	4,463.5	53.7%
Securities	81,436.2	79,742.1	1,694.1	2.1%
Loans	224,779.9	214,325.8	10,454.1	4.9%
Other assets	53,595.1	45,160.2	8,434.9	18.7%
Liabilities	328,571.4	308,106.9	20,464.5	6.6%
Deposits	67,035.0	67,571.6	(536.6)	(0.8%)
Borrowings	39,510.9	34,043.7	5,467.2	16.1%
Bonds	172,444.6	163,205.8	9,238.9	5.7%
Other liabilities	49,580.9	43,286.0	6,294.9	14.5%
Equity	44,009.7	39,427.5	4,582.2	11.6%
Issued capital	26,316.6	23,926.6	2,390.0	10.0%
Capital surplus	803.5	892.4	(88.9)	(10.0%)
Retained earnings	13,444.1	11,094.3	2,349.8	21.2%
Capital adjustments	213.6	214.5	(0.8)	(0.4%)
Accumulated other comprehensive income	2,763.1	3,011.2	(248.2)	(8.2%)
Non-controlling interests	468.9	288.5	180.3	62.5%

As of end of 2024, KDB's assets amounted to KRW 372,581.1 billion, increased by 7.2% compared to the previous year. This was mainly attributable to an increase in loan volumes and securities. The increase reflected the Bank's effort to provide more liquidity to the economy through various programs, including high-tech strategic support program.

KDB's liabilities increased by 6.6% year-on-year to record KRW 328,571.4 billion, mainly attributable to increases in debts. The borrowings outstanding amounted to KRW 39,510.9 billion, increased by 16.1% compared to 2023 and bond outstanding amount stood at KRW 172,444.6 billion at year-end, up 5.7% year-on-year. Borrowings were increased as part of efforts to diversify stable funding sources. Also, KDB issued more bonds during the year to enhance liquidity support for business growth and address a sudden liquidity crunch.

KDB's total equity stood at KRW 44,009.7 billion, increased 11.6% compared to the previous year. During the year, the government has made capital contributions of KRW 2 trillion in the form of shares of common stock of Korea Land and Housing Corporation and KRW 390 billion in cash to support stable policy financing, including the establishment of the Innovative Growth Fund and the KDB Carbon Net Zero Fund.

Accumulated other comprehensive income stood at KRW 2,763.1 billion, a decrease of 8.2% compared to the previous year. The decrease is primarily due to reclassification of valuation gains or losses on equity securities measured at FVOCI.

Loans

(Unit: KRW billion)

	2024	2023	Change	
			Amount	%
Corporate loans	192,330	181,321	11,009	6.1%
Large enterprises	167,847	153,966	13,881	9.0%
SMEs	24,483	27,355	(2,872)	(10.5%)
Household loans	148	179	(31)	(17.4%)
Public and others	1,924	1,475	449	30.5%
Total loans	194,402	182,975	11,427	6.2%

* Non-consolidated basis

Total loans in 2024 recorded KRW 194,402 billion, up 6.2% from the previous year. Corporate loans, which accounted for the largest proportion of the total volume, rose by 6.1% year-on-year to KRW 192,330 billion, mainly attributable to a 9.0% increase in loans to large enterprises.

Funding

(Unit: KRW billion)

	2024	2023	Change	
			Amount	%
Deposits	67,035	67,572	(536.6)	(0.8%)
Borrowings	39,511	34,044	5,467.2	16.1%
Bonds	172,445	163,206	9,238.9	5.7%

Compared to last year, the deposits decreased slightly by 0.8% year-on-year, while borrowings increased by 16.1%. Bond outstanding amounted to KRW 172,445 billion, a 5.7 % increase from the previous year.

ASSET QUALITY

(Unit: KRW billion)

	2024	2023	Change	
			Amount	%
Total credit	194,402	182,975	11,427.0	6.2%
Normal	192,665	181,077	11,588.0	6.4%
Precautionary	573	422	151.0	35.8%
Sub-standard	607	663	(56.0)	(8.4%)
Doubtful	177	167	10.0	6.0%
Estimated loss	380	646	(266.0)	(41.2%)
Sub-standard and below loans (NPL)	1,164	1,476	(312.0)	(21.1%)
NPL Ratio	0.60%	0.81%	(0.21%p)	(25.9%)
Loan loss reserve	3,205	3,495	(290.0)	(8.3%)
NPL coverage ratio	275.43%	236.70%		38.73%p

* Non-consolidated basis

Total credit exposure as of the end of 2024 amounted to KRW 194,402 billion, up by KRW 11,427.0 billion or 6.2% year-on-year. As NPLs decreased by 21.1% from the previous year, NPL Ratio decreased to 0.60% in 2024 from 0.81% in 2023. Due to these effects, the NPL coverage ratio rose by 38.73%p.

CAPITAL MANAGEMENT

Capital Adequacy Ratio and Tier 1 Ratio

(Unit: %)

	2024	2023	Change (%p)
Capital adequacy ratio	13.90	14.07	(0.17%p)
Tier 1 ratio	12.89	12.75	+0.14%p

* The BIS capital adequacy ratio of KDB is well maintained above the minimum requirement of 11.5%.

KDB's BIS capital adequacy and Tier 1 ratios are calculated in accordance with BASEL III standards. As of end of 2024, the corresponding ratios stood at 13.90% and 12.89%, down 0.17%p and up 0.14%p from the previous year, respectively.

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, 2024 and 2023, 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, 2024 and 2023, 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, 2025



This report is effective as of March 28, 2025, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying 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, 2024 and 2023

	Notes	December 31, 2024	December 31, 2023
<i>(In millions of won)</i>			
Assets			
Cash and due from banks	4,41,49,50,53	₩ 12,769,938	8,306,382
Securities measured at FVTPL	5,49,50,53	26,872,342	23,770,064
Securities measured at FVOCI	6,41,49,50,53	43,856,932	44,284,307
Securities measured at amortized cost	7,41,49,50,53	10,706,942	11,687,681
Loans measured at FVTPL	8,49,50,53	419,773	488,432
Loans measured at amortized cost	9,43,49,50,53	224,360,150	213,837,347
Derivative financial assets	10,49,50,51,53	13,879,682	7,382,918
Investments in associates	2,11,52	28,549,878	24,950,956
Property and equipment, net	12,52	1,055,257	986,231
Investment property, net	13,52	150,108	150,367
Intangible assets, net	14,52	664,051	448,007
Defined benefit assets	22	21,530	75,493
Deferred tax assets	39	23,064	26,162
Current tax assets		69,413	62,418
Other assets	15,49,50,53	9,182,074	11,077,694
Assets held for sale	2,16	-	-
Total assets		₩ 372,581,134	347,534,459
Liabilities			
Financial liabilities measured at FVTPL	17,49,50,53	₩ 2,389,246	1,920,061
Deposits	18,49,50,53	67,034,983	67,571,567
Borrowings	19,49,50,53	39,510,875	34,043,663
Debentures	20,49,50,53	172,444,643	163,205,745
Derivative financial liabilities	10,49,50,51,53	15,064,833	7,776,341
Insurance contracts	21	16,838,420	16,339,173
Reinsurance contract liabilities	21	10,301	27,577
Investment contract liabilities	21	-	-
Provisions	23	845,705	1,075,990
Deferred tax liabilities	2,39	3,168,761	2,812,919
Current tax liabilities		315,102	389,595
Other liabilities	24,49,50,53	10,948,540	12,944,303
Liabilities held for sale	16	-	-
Total liabilities		₩ 328,571,409	308,106,934
Equity			
Issued capital	25	₩ 26,316,559	23,926,559
Capital surplus	25	803,459	892,373
Capital adjustment	25	213,644	214,482
Accumulated other comprehensive income	25	2,763,097	3,011,226
Retained earnings	2,25	13,444,106	11,094,344
(Regulatory reserve for credit losses of ₩109,931 million and ₩254,574 million as of December 31, 2024 and 2023, respectively)			
(Required provision for (reversal of) regulatory reserve for credit losses of ₩12,290 million and ₩(144,643) million as of December 31, 2024 and 2023, respectively)			
(Planned provision for (reversal of) regulatory reserve for credit losses of ₩12,290 million and ₩(144,643) million as of December 31, 2024 and 2023, respectively)			
Total equity attributable to owners of the parent		43,540,865	39,138,984
Non-controlling interests	46	468,860	288,541
Total equity		44,009,725	39,427,525
Total liabilities and equity		₩ 372,581,134	347,534,459

(Continued)

Korea Development Bank and Subsidiaries

Consolidated Statements of Comprehensive Income

Years ended December 31, 2024 and 2023

<i>(In millions of won, except earnings per share information)</i>	Notes	2024	2023
Continuing operations:			
Interest income	26 ₩	13,555,804	12,831,835
Interest expense	26	(11,537,782)	(10,396,217)
Net interest income		2,018,022	2,435,618
Net fees and commission income	27	522,558	447,202
Dividend income	28	449,834	316,017
Net gain on securities measured at FVTPL	29	760,048	743,362
Net loss on financial instruments designated at FVTPL	30	(51,047)	(148,104)
Net gain (loss) on securities measured at FVOCI	31	4,255	(12,857)
Net gain (loss) on securities measured at amortized cost	32	3,488	(8,787)
Net loss on derivatives	33	(1,119,296)	(495,585)
Net foreign currency transaction gain	34	1,128,160	431,131
Other operating expense, net	35	(705,361)	(964,399)
Non-interest income, net		992,639	307,980
Provision for (reversal of) credit losses	36	(269,038)	296,755
General and administrative expenses	37	1,072,054	974,080
Operating income		2,207,645	1,472,763
Net gain (loss) related to investments in associates	11	486,886	(292,085)
Other non-operating income	38	30,533	25,910
Other non-operating expense	2,38	(52,433)	(48,253)
Non-operating income (expense), net		464,986	(314,428)
Profit before income taxes		2,672,631	1,158,335
Income tax expense (benefits)	2,39	525,922	(510,293)
Profit for the year from continuing operations		2,146,709	1,668,628
Discontinued operations:			
Profit from discontinued operations	16	-	2,328,119
Profit for the year	2,25 ₩	2,146,709	3,996,747
<i>(Profit for the year adjusted for regulatory reserve for credit losses: ₩2,134,419 million and ₩4,141,390 million for the years ended December 31, 2024 and 2023, respectively)</i>			

(Continued)

Korea Development Bank and Subsidiaries

Consolidated Statements of Comprehensive Income, Continued

Years ended December 31, 2024 and 2023

<i>(In millions of won, except earnings per share information)</i>	Notes	2024	2023
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 on securities measured at FVOCI	₩	301,288	773,146
Share of other comprehensive income of associates		837,841	(225,793)
Exchange differences on translation of foreign operations		398,909	79,796
Valuation loss on cash flow hedge		(2,685)	(2,915)
Net loss on hedges of net investments in foreign operations		(122,706)	(15,112)
Others		(533,481)	(431,111)
		<u>879,166</u>	<u>178,011</u>
Items will not be reclassified to profit or loss:			
Remeasurements of defined benefit liabilities		(25,177)	(13,351)
Fair value changes on financial liabilities designated at fair value due to credit risk		(15,116)	(17,722)
Net loss on securities measured at FVOCI		(232,761)	(228,140)
Share of other comprehensive income (loss) of associates		233,506	(53,195)
		<u>(39,548)</u>	<u>(312,408)</u>
		<u>839,618</u>	<u>(134,397)</u>
Total comprehensive income for the year	₩	<u><u>2,986,327</u></u>	<u><u>3,862,350</u></u>
Profit (loss) attributable to:			
Owners of the parent	25 ₩	2,119,100	4,024,219
Non-controlling interests		27,609	(27,472)
Profit for the year	₩	<u>2,146,709</u>	<u>3,996,747</u>
Total comprehensive income (loss) attributable to:			
Owners of the parent	₩	2,979,758	3,906,033
Non-controlling interests		6,569	(43,683)
Total comprehensive income for the year	2 ₩	<u>2,986,327</u>	<u>3,862,350</u>
Earnings per share:			
Basic and diluted earnings per share (in won)	40 ₩	<u>413</u>	<u>852</u>
Earnings per share from continuing operations:			
Basic and diluted earnings per share (in won)	40 ₩	<u>413</u>	<u>348</u>

See accompanying notes to the consolidated financial statements.

Korea Development Bank and Subsidiaries

Consolidated Statements of Changes in Equity

Years ended December 31, 2024 and 2023

(In millions of won)	Attributable to owners of the parent						Non-controlling interests	Total equity
	Issued capital	Capital surplus	Capital adjustment	Accumulated other comprehensive income	Retained earnings	Total		
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	-	-	-	-	4,024,219	4,024,219	(27,472)	3,996,747
Net gain (loss) on securities measured at FVOCI	-	-	-	(225,305)	777,767	552,462	(7,456)	545,006
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)	4,733,974	3,906,033	(43,683)	3,862,350
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	11,094,344	39,138,984	288,541	39,427,525
Balance at January 1, 2024	₩ 23,926,559	892,373	214,482	3,011,226	11,094,344	39,138,984	288,541	39,427,525
Profit for the year	-	-	-	-	2,119,100	2,119,100	27,609	2,146,709
Net gain (loss) on securities measured at FVOCI	-	-	-	(838,426)	906,229	67,803	724	68,527
Share of other comprehensive income of associates	-	-	-	868,789	202,558	1,071,347	-	1,071,347
Exchange differences on translation of foreign operations	-	-	-	394,573	-	394,573	4,336	398,909
Valuation gain (loss) on cash flow hedge	-	-	-	(2,693)	-	(2,693)	8	(2,685)
Net loss on hedges of net investments in foreign operations	-	-	-	(122,706)	-	(122,706)	-	(122,706)
Remeasurements of defined benefit liabilities	-	-	-	(23,402)	-	(23,402)	(1,775)	(25,177)
Fair value changes on financial liabilities designated at fair value due to credit risk	-	-	-	(15,116)	-	(15,116)	-	(15,116)
Others	-	-	-	(509,148)	-	(509,148)	(24,333)	(533,481)
Total comprehensive income (loss) for the year	-	-	-	(248,129)	3,227,887	2,979,758	6,569	2,986,327
Dividends	-	-	-	-	(878,125)	(878,125)	-	(878,125)
Paid-in capital increase	2,390,000	(11,709)	-	-	-	2,378,291	-	2,378,291
Acquisition on / disposal of interest in subsidiaries while maintain control	-	(77,205)	(838)	-	-	(78,043)	173,750	95,707
Transaction with owners	2,390,000	(88,914)	(838)	-	(878,125)	1,422,123	173,750	1,595,873
Balance at December 31, 2024	₩ 26,316,559	803,459	213,644	2,763,097	13,444,106	43,540,865	468,860	44,009,725

See accompanying notes to the consolidated financial statements.

Korea Development Bank and Subsidiaries

Consolidated Statements of Cash Flows

Years ended December 31, 2024 and 2023

(In millions of won)	2024	2023
Cash flows from operating activities		
Profit for the year	₩ 2,146,709	3,996,747
Adjustments for:		
Income tax expenses (benefits)	525,922	(510,293)
Interest income	(13,555,804)	(12,831,835)
Interest expense	11,537,782	10,396,216
Dividend income	(449,834)	(316,017)
Gain on valuation of securities measured at FVTPL	(748,832)	(747,950)
Loss on valuation of financial instruments designated at fair value through profit or loss	51,047	148,106
Net loss (gain) on securities measured at FVOCI	(4,255)	12,857
Net loss (gain) on securities measured at amortized cost	(3,488)	8,788
Loss on valuation of loans measured at FVTPL	24,106	8,913
Loss (gain) on valuation of derivatives	638,317	(490,884)
Net loss on fair value hedged items	815,077	1,413,201
Gain on foreign exchange translation	(1,096,426)	(411,659)
Loss on disposal of investments in associates	51,951	265,915
Impairment loss on investments in associates	3,517,538	174,768
Share of loss (gain) of associates	(4,004,425)	116,944
Provision for loan losses allowance	53,909	445,558
Increase (reversal) of provision for due from banks	(93)	69
Reversal of provision for payment guarantees	(210,334)	(218,925)
Increase (reversal) of provision for unused commitments	(65,757)	58,059
Increase (reversal) of provision for financial guarantee provision	(43,053)	7,840
Increase (reversal) of lawsuit provision	21,356	(193)
Reversal of provision for restoration	(388)	(492)
Reversal of other provisions	(125)	(137)
Increase (reversal) of provision for other assets	(3,710)	4,153
Defined benefit costs	34,249	34,793
Depreciation of property and equipment	106,281	126,644
Net loss on property and equipment	2,065	890
Depreciation of investment property	4,782	4,507
Amortization of intangible assets	67,778	64,998
Net loss (gain) on intangible assets	325	(109)
Net loss on share capital repayable on demand	138,572	36,651
Loss on redemption of debentures	641	534
	(2,594,826)	(2,198,090)
Changes in operating assets and liabilities:		
Due from banks	499,784	1,536,518
Securities measured at FVTPL	(2,888,856)	(1,518,963)
Loans measured at FVTPL	44,553	45,274
Loans measured at amortized cost	(4,899,224)	(2,692,702)
Derivative financial instruments	(16,960)	(876,864)
Other assets	1,704,327	(4,433,347)
Financial liabilities designated at FVTPL	140,952	29,718
Deposits	(2,187,225)	(2,927,540)
Policy reserves	481,971	622,160
Defined benefit liabilities	(50,774)	(43,539)
Provisions	3,131	184,233
Other liabilities	(2,646,674)	4,291,623
	(9,814,995)	(5,783,429)
Income taxes paid	(487,867)	(53,690)
Interest received	13,494,632	12,460,622
Interest paid	(11,186,501)	(9,702,449)
Dividends received	976,488	781,261
Net cash used in operating activities	₩ (7,466,360)	(499,028)

(Continued)

Korea Development Bank and Subsidiaries

Consolidated Statements of Cash Flows, Continued

Years ended December 31, 2024 and 2023

(In millions of won)	2024	2023
Cash flows from investing activities		
Net, decrease (increase) in securities measured at FVTPL	₩ 376,441	(1,738,239)
Disposal of securities measured at FVOCI	13,674,523	15,068,914
Acquisition of securities measured at FVOCI	(10,975,374)	(12,339,846)
Redemption of securities measured at amortized cost	6,292,689	4,311,410
Acquisition of securities measured at amortized cost	(5,133,344)	(5,730,442)
Disposal of property and equipment	6,252	3,045
Acquisition of property and equipment	(51,324)	(50,864)
Acquisition of investment property	-	(45)
Disposal of intangible assets	2,918	3,100
Acquisition of intangible assets	(155,874)	(32,069)
Disposal of investment in associates	420,840	1,737,512
Acquisition of investments in associates	(850,428)	(1,958,847)
Net cash flows by the change of subsidiaries	19,123	(204,939)
Net cash provided by (used in) investing activities	3,626,442	(931,310)
Cash flows from financing activities		
Increase in financial liabilities designated at FVTPL	380,000	266,200
Decrease in financial liabilities designated at FVTPL	(123,351)	(17,933)
Proceeds from borrowings	61,981,012	53,937,586
Repayment of borrowings	(59,113,426)	(50,797,451)
Proceeds from issuance of debentures	118,601,817	126,469,345
Repayment of debentures	(114,361,425)	(129,961,310)
Repayment of lease liabilities	(49,401)	(44,892)
Paid-in capital increase	378,511	336,268
Dividends paid	(878,125)	(164,743)
Decrease of non-controlling interests	(109,285)	(46,231)
Net cash provided by (used in) financing activities	6,706,327	(23,161)
Effects from changes in foreign currency exchange rate for cash and cash equivalents held	582,575	80,276
Net increase (decrease) in cash and cash equivalents	3,448,984	(1,373,223)
Cash and cash equivalents included in assets held for sale	-	670,673
Cash and cash equivalents at beginning of the year	12,600,468	13,303,018
Cash and cash equivalents at end of the year	₩ 16,049,452	12,600,468

See accompanying notes to the consolidated financial statements.

Korea Development Bank and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2024 and 2023

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 ₩26,316,559 million with 5,263,311,768 shares of issued and outstanding as of December 31, 2024 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, 2024, is as follows:

	Domestic		Overseas		Representative offices	Total
	Head Office	Branches	Branches	Subsidiaries		
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, 2024 and 2023 are summarized as follows:

Investor	Investee	Country	Industry	Fiscal year end	Ownership (%)	
					2024	2023
KDB	Subsidiaries:					
	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. (*3)	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

Korea Development Bank and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2024 and 2023

1. Reporting Entity, Continued

Investor	Investee	Country	Industry	Fiscal year end	Ownership (%)	
					2024	2023
KDB	Korea Education Fund (*1)	Korea	Financial investment	Half-yearly	50.00	50.00
	Korea BTL Fund I (*1)		Financial investment	Half-yearly	41.67	41.67
	Korea Railroad Fund I (*1)	Korea	Financial investment	Half-yearly	50.00	50.00
	Principals and interests guaranteed trusts (*2)		Financial investment	December	-	-
	Principals guaranteed trusts (*2)	Korea	Financial investment	December	-	-
	KDB Consus Value Private Equity Fund		Financial investment	December	75.95	70.56
	KDB Asia Private Equity Fund (*3)	Korea	Financial investment	December	65.00	65.00
	KDB-IAP OBOR Private Equity Fund (*3) (*5)		Financial investment	December	44.69	44.69
	KDB Small Medium Mezzanine PEF (*3)	Korea	Financial investment	December	73.34	73.34
	Green Initiative 2nd Private Equity Fund (*3) (*5)		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 11 others (*4)		Financial investment	December	-	-
	KIAMCO Road Investment Private Fund Special Asset Trust 2 and 21 beneficiary certificates	Korea	Financial investment	December	-	-
KDB Capital Corporation	Sub-subsidiaries:					
	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
KDB Consus Value Private Equity Fund	KDBC Co-investment Private Equity Fund (*3)	Korea	Financial investment	December	95.00	95.00
	KDB Life Insurance Co., Ltd. (*6)	Korea	Finance	December	98.26	95.66
KDB Investment Co., Ltd.	KDB INVESTMENT PRIVATE EQUITY FUND NO.2 (*3) (*5)		Financial investment	December	14.32	14.32
	KDB Investment Global Healthcare Private Equity Fund I (*3) (*5)	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	100.00
	Green Bio 4th Limited	Korea	Financial investment	December	100.00	-

Korea Development Bank and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2024 and 2023

1. Reporting Entity, Continued

- (*1) 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.
- (*2) 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.
- (*3) Indirect ownership through subsidiaries is included.
- (*4) 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.
- (*5) 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.
- (*6) The parent company of the sub-subsidiary is a SPE, which is not separately disclosed in the consolidated financial statements.

(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, 2024 are as follows:

- (i) Subsidiaries newly included in scope of consolidation as of December 31, 2024

Reason	Subsidiaries
New investment	KIAMCO Regional Revitalization General Private Fund 1, KIAMCO Dongbu Underground Roads Private Special Asset Investment Fund(General), KIAMCO Infrastructure Development Private Equity Fund 1, KIAMCO SEONGNAM GREEN ENERGY FUND, KIAMCO PYEONGTAEK ENVIRO FUND
ABCP line of credit and purchase commitment	KDB CUTTING-EDGE STRATEGY ESG 8TH INC., Payletter KDB 1st Inc., KDB Advanced Strategy ESG Jegucha Co., Ltd.

- (ii) Subsidiaries excluded from scope of consolidation as of December 31, 2024

Reason	Subsidiaries
Liquidation	KDB SHIPPING FUND DA-3, Shinoko SF 4th Inc., KKC 2ND INC., KDBESG 1ST INC., KDBESG 2ND INC., KDBESG 3RD INC.

Korea Development Bank and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2024 and 2023

(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, 2024 and 2023 are as follows:

	2024					
	Assets	Liabilities	Equity	Operating revenue	Net profit (loss)	Total comprehensive income (loss)
KDB Asia (HK) Ltd.	₩ 4,772,302	3,861,411	910,891	398,397	86,776	198,956
KDB Ireland Ltd.	1,451,315	1,274,047	177,268	104,690	13,336	37,879
KDB Bank Uzbekistan Ltd.	1,119,216	909,683	209,533	107,884	58,442	72,178
KDB Bank Europe Ltd.	1,576,690	1,428,151	148,539	124,478	10,345	7,833
Banco KDB Do Brazil S. A.	768,583	651,551	117,032	112,929	10,355	(3,077)
PT KDB Tifa Finance Tbk	187,549	76,978	110,571	15,676	5,542	14,484
KDB Silicon Valley LLC	154,757	2,318	152,439	5,950	1,022	21,644
KDB OCCASIO II, L.P.	216,086	19,201	196,885	19,917	18,443	41,624
KDB Synergy, L.P.	158,602	14,632	143,970	6,229	2,079	16,085
KDB Capital Corporation	10,817,227	9,131,904	1,685,323	887,013	228,977	227,595
KDB Biz Co., Ltd.	7,823	4,344	3,479	29,648	415	(128)
KDB Investment Co., Ltd.	95,332	4,281	91,051	9,975	3,797	3,759
KDB Infrastructure Investment Asset Management Co., Ltd.	81,990	15,033	66,957	43,136	20,295	20,152
Korea Education Fund	62,670	9	62,661	3,389	2,676	2,676
Korea BTL Fund I	244,602	168	244,434	14,769	10,165	10,165
Korea Railroad Fund I	138,295	6	138,289	7,677	5,400	5,400
Principals and interests guaranteed trusts	213,656	207,219	6,437	17,455	10,202	10,202
Principals guaranteed trusts	216,867	209,998	6,869	9,863	67	67
KDB Consus Value Private Equity Fund	17,763,900	17,705,401	58,499	1,772,177	4,576	(621,923)
KDB Asia Private Equity Fund	239,159	198	238,961	1	3,572	30,175
KDB-IAP OBOR Private Equity Fund	68,249	77,936	(9,687)	-	(1,123)	(2,251)
KDB Small Medium Mezzanine PEF	63,454	75	63,379	2,320	(23,138)	(23,138)
Green Initiative 2nd Private Equity Fund	1,331,309	641,097	690,212	620,498	(14,598)	(14,642)
KDBC Co-investment Private Equity Fund	52,964	111	52,853	49,841	38,074	38,074
Corporate Liquidity Assistance Agency Co., Ltd.	1,082,696	-	1,082,696	32,897	14,841	14,841
KDB ESG 7TH INC. and 11 others	1,267,556	1,416,507	(148,951)	53,596	9,729	9,729
KIAMCO Road Investment Private Fund Special Asset Trust 2 and 21 beneficiary certificates	2,195,916	1,437	2,194,479	149,061	130,294	130,297

Korea Development Bank and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2024 and 2023

(In millions of won)

1. Reporting Entity, Continued

	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 16 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, 2024 and 2023

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, 2024. The nature and the impact of each new standard or amendment are described below:

Amendment of Korean IFRS No.1001 "Presentation of Financial Statements" - Classification of Liabilities into Current and Non-Current and Non-current Liabilities with Covenants

Liabilities are classified as current or non-current based on their substantive rights existing at the end of the reporting period, without considering the possibility of exercising the right to delay the payment or management's expectations. Also, if the transfer of equity instruments is included in the payment of liabilities, it is excluded if the option to pay with equity instruments is recognized separately from the liability in a compound financial instrument and meets the definition of equity instruments. These amendments do not have a significant impact on the 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 Group’s liabilities, cash flows and exposure to liquidity risk. These amendments do not have a significant impact on the consolidated financial statements.

Amendment of Korean IFRS No.1116 “Leases” - Lease Liability in a Sale and Leaseback

The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. These amendments do not have a significant impact on the consolidated financial statements.

Amendment of Korean IFRS No.1001 "Presentation of Financial Statements" – Disclosure of Virtual Asset

The amendments require additional disclosure for virtual assets held by the Group, virtual assets entrusted by customers to the Group, and the issuance and transfer of virtual assets. These amendments do not have a significant impact on the consolidated financial statements.

Korea Development Bank and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2024 and 2023

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, 2024, and the Group has not early adopted them. The nature and the impact of each new standard, amendment and enactments are described below:

Amendment of Korean IFRS No.1021 "The Effects of Changes in Foreign Exchange Rates” and Korean IFRS No.1101 “First-time Adoption of International Financial Reporting Standards” - Lack of exchangeability

The amendments require the Group to determine a spot exchange rate when exchangeability is lacking, and to disclose information on the nature and financial effects of the currency not being exchangeable into the other currency, the spot exchange rate(s) used, the estimation process, and the risks to which the Group is exposed. This amendment will be applied to the financial statements for the accounting year beginning on or after January 1, 2025. These amendments do not have a significant impact on the consolidated financial statements.

Amendment of Korean IFRS No.1109 "Financial Instruments” and No.1107 “Financial Instruments: Disclosures”

The amendments address practical concerns and introduce new requirements, such as permitting the deeming of financial liabilities as settled (derecognized) through an electronic payment system if certain criteria are met before the payment date. It also includes additional disclosures for equity instruments designated as financial assets measured at fair value through other comprehensive income. This amendment will be effective for annual reporting periods beginning on or after January 1, 2026. The Group is currently reviewing the impact of these amendments on its consolidated financial statements.

Korean IFRS Accounting Standards Annual Improvements Volume 11

Korean IFRS Accounting Standards Annual Improvements Volume 11 will be effective for annual reporting periods beginning on or after January 1, 2026. These amendments do not have a significant impact on the consolidated financial statements.

- Korean IFRS No.1101 “First-time adoption of International Financial Reporting Standards”: Hedge accounting by a first-time adopter
- Korean IFRS No.1107 “Financial Instruments: Disclosures”: Gain or loss on derecognition, Application guidance
- Korean IFRS No.1109 “Financial Instruments”: Derecognition of lease liabilities, Definition of transaction price
- Korean IFRS No.1110 “Consolidated Financial Statements”: Determination of a ‘de facto agent’
- Korean IFRS No.1007 “Statement of Cash Flows”: Cost method

Korea Development Bank and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2024 and 2023

2. Basis of Preparation, Continued

(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 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, 2024 and 2023

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.

Korea Development Bank and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2024 and 2023

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) Restatement of prior year financial statements for comparative presentation

In order to proceed with the sale of its shares in HMM Co., Ltd., the Group selected the Pan Ocean-JKL consortium as the preferred bidder on December 18, 2023, and classified the shares as assets held for sale. However, as negotiations with the preferred bidder broke down on February 7, 2024, the shares were retrospectively reclassified as investments in associates from the date they were initially classified as assets held for sale. Accordingly, the comparative consolidated statement of financial position as of December 31, 2023 and the consolidated statement of comprehensive income for the year ended December 31, 2023 have been restated.

The major adjustments to each item resulting from the reclassification are as follows.

<Consolidated statement of financial position>

		December 31, 2023		
		As previously reported	Restated	Changes
Investments in associates	₩	21,018,516	24,951,956	3,932,440
Assets held for sale		3,228,444	-	(3,228,444)
Deferred tax liabilities		2,627,064	2,812,919	185,855
Retained earnings		10,576,203	11,094,344	518,141

<Consolidated statement of comprehensive income>

		2023		
		As previously reported	Restated	Changes
Reversal of impairment loss on investments in associates	₩	2,605,902	3,015,745	409,843
Other non-operating expense		294,153	-	(294,153)
Income tax expense (benefits)		(696,147)	(510,292)	185,855
Profit for the year		3,478,605	3,996,746	518,141

(7) Approval date for the consolidated financial statements

The consolidated financial statements were authorized for issue by the Board of Directors on March 27, 2025, which will be submitted for approval to the shareholders’ meeting to be held on March 28, 2025.

Korea Development Bank and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2024 and 2023

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, 2024 and 2023

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.

Korea Development Bank and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2024 and 2023

3. Significant Accounting Policies, Continued

(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.

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.

Korea Development Bank and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2024 and 2023

3. Significant Accounting Policies, Continued

(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.

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.

Korea Development Bank and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2024 and 2023

3. Significant Accounting Policies, Continued

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.

(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.

Korea Development Bank and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2024 and 2023

3. Significant Accounting Policies, Continued

(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, 2024 and 2023

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, 2024 and 2023

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, 2024 and 2023

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 reclassified 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, 2024 and 2023

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, 2024 and 2023

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, 2024 and 2023

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.

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, 2024 and 2023

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, 2024 and 2023

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, 2024 and 2023

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, 2024 and 2023

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 No. 1109 ‘Financial Instruments’ and
- The initial amount recognized, less, when appropriate, cumulative amortization recognized in accordance with K-IFRS No. 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, 2024 and 2023

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

December 31, 2024 and 2023

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, 2024 and 2023

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, 2024 and 2023

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.

Korea Development Bank and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2024 and 2023

(In millions of won)

4. Cash and Due from Banks

(1) Cash and due from banks as of December 31, 2024 and 2023 are as follows:

	December 31, 2024	December 31, 2023
Cash	₩ 736,430	629,829
Due from banks in Korean won:		
Due from Bank of Korea	1,236,493	1,972,258
Other due from banks in Korean won	1,162,121	529,655
	2,398,614	2,501,913
Due from banks in foreign currencies / off-shores	9,634,894	5,174,640
	₩ 12,769,938	8,306,382

(2) Restricted due from banks as of December 31, 2024 and 2023 are as follows:

	December 31, 2024	December 31, 2023
Reserve deposit	₩ 2,664,190	2,302,201
Deposit of monetary stabilization account	-	150,000
Others	383,121	336,500
	₩ 3,047,311	2,788,701

Korea Development Bank and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2024 and 2023

(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, 2024 and 2023 are as follows:

December 31, 2024			
	Face value	Acquisition cost	Fair value (Carrying amounts)
Securities denominated in Korean won:			
Stocks	₩ -	3,875,627	3,708,902
Equity investments	-	2,473,495	2,729,361
Beneficiary certificates	-	13,029,201	13,706,908
Government and public bonds	2,784,934	2,756,375	2,993,743
Financial bonds	511,935	511,403	505,632
Corporate bonds	1,000,525	996,834	977,800
Commercial papers	5,000	4,830	4,833
Others	192,082	192,082	196,549
	4,494,476	23,839,847	24,823,728
Securities denominated in foreign currencies/off-shores:			
Stocks	-	35,256	40,449
Equity investments	-	765,057	842,693
Beneficiary certificates	-	877,496	1,020,281
Debt securities	182,677	179,696	145,191
	182,677	1,857,505	2,048,614
₩	4,677,153	25,697,352	26,872,342

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

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5. Securities Measured at FVTPL, Continued

(2) Equity securities with disposal restrictions in financial assets at fair value through profit or loss as of December 31, 2024 and 2023 are as follows:

December 31, 2024			
Company	Number of shares	Carrying amount	Restricted period
TnJ Co.,Ltd.	167,989	₩ 1,862	Undecided
National Happiness Fund Co., Ltd.	34,066	-	Undecided
SEMITECH Co., Ltd.	33,187	368	Undecided
Hongin Chemical Co., Ltd.	5,060	-	Undecided
ROKIT HEALTHCARE Inc.	288,459	3,657	For one month from the listing date
	528,761	₩ 5,887	

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

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6. Securities Measured at FVOCI

(1) Details of securities measured at FVOCI as of December 31, 2024 and 2023 are as follows:

		December 31, 2024		
		Face value	Acquisition cost	Fair value (Carrying amounts)
Securities denominated in Korean won:				
Stocks and equity investments	₩	-	13,476,004	13,846,785
Government and public bonds		6,620,700	5,307,535	4,872,711
Financial bonds		2,350,000	2,356,146	2,365,364
Corporate bonds		5,637,529	5,632,848	5,550,866
Others		390,000	396,619	1,301,822
		14,998,229	27,169,152	27,937,548
Securities denominated in foreign currencies/off-shores:				
Stocks		-	31,794	37,009
Debt securities		16,025,164	16,182,393	15,841,966
		16,025,164	16,214,187	15,878,975
Loaned securities:				
Loaned securities		40,000	39,965	40,409
	₩	31,063,393	43,423,304	43,856,932
		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

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, 2024 and 2023 are the amount of ₩1,231,289 million of gain and ₩1,056,750 million of gain, respectively, which is directly recognized in retained earnings.

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6. Securities Measured at FVOCI, Continued

(2) Changes in securities measured at FVOCI for the years ended December 31, 2024 and 2023 are as follows:

		2024	2023
Beginning balance	₩	44,284,307	46,980,682
Acquisition		12,975,154	12,771,983
Disposal		(12,425,574)	(15,536,446)
Change due to amortization		62,094	17,447
Change in fair value		(1,153,974)	(237,597)
Reclassification		(1,694,454)	-
Foreign exchange differences		1,767,811	254,208
Others (*)		41,568	34,030
Ending balance	₩	43,856,932	44,284,307

(*) For the year ended December 31, 2024, others represent the increase in securities measured at FVOCI including the shares of BLUEMTEC Co., Ltd., Inhwa Precision Co., Ltd., KODACO Co., Ltd. and others acquired through exercise of conversion rights of the convertible bonds, the shares of DPECO Co., Ltd. and others acquired in accordance with the rehabilitation plan under the Debtor Rehabilitation and Bankruptcy Act, the shares of Aero Space Technology Of Korea Inc. and others acquired in accordance with the changes in creditor rights as resolved by the Financial Creditors' Council and others. For the year ended December 31, 2023, others represent the increase in securities measured at FVOCI including the shares of ALT Co., Ltd., T'way Air Co., Ltd. and others acquired through exercise of conversion rights of the convertible bonds and the shares of Dae Young Metal Co., Ltd., CHEW YOUNG ROO CO., LTD. and others acquired in accordance with the rehabilitation plan under the Debtor Rehabilitation and Bankruptcy Act.

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6. Securities Measured at FVOCI, Continued

(3) Equity securities with disposal restrictions in securities measured at FVOCI as of December 31, 2024 and 2023 are as follows:

Company	December 31, 2024		
	Number of shares	Carrying amount	Restricted period
UAMCO., Ltd.	113,050	₩ 208,996	Undecided
High Gain Antenna Co., Ltd.	18,138	448	Undecided
Aero Space Technology Of Korea Inc.	27,912,000	14,068	Until April 8, 2025
KODACO Co., Ltd.	2,183,376	2	Until March 26, 2025
ISTE Co.,Ltd.	761,904	6,248	For one month from the listing date
FineOne Co., Ltd.	548,245	3,255	For one to three month from the listing date
3billion Inc.	234,330	1,567	For two month from the listing date
3ALogics. Inc.	889,184	8,718	For one to two month from the listing date
Onconic Therapeutics Inc.	702,850	9,999	For one month from the listing date
Knowmerce Corp.	335,940	7,830	For two to three month from the listing date
	33,699,017	₩ 261,131	

Company	December 31, 2023		
	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.

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6. Securities Measured at FVOCI, Continued

(4) Changes in the loss allowance in relation to securities measured at FVOCI for the years ended December 31, 2024 and 2023 are as follows:

	2024			
	12-month expected credit loss	Lifetime expected credit losses		Total
Beginning balance	₩ 16,382	1,266	74,017	91,665
Transfer to 12-month expected credit loss	-	-	-	-
Transfer to lifetime expected credit losses:				
Transfer to non credit-impaired debt securities	(406)	406	-	-
Provision for (reversal of) loss allowance	(1,787)	219	143	(1,425)
Disposal	(968)	-	-	(968)
Foreign currency translation	1,053	5	1,759	2,817
Others	4,708	25	508	5,241
Ending balance	₩ 18,982	1,921	76,427	97,330

	2023			
	12-month expected credit loss	Lifetime expected credit losses		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

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7. Securities Measured at Amortized Cost

(1) Securities measured at amortized cost as of December 31, 2024 and 2023 are as follows:

		December 31, 2024	
		Amortized cost	Fair value
Securities denominated in Korean won:			
Government and public bonds	₩	3,492,235	3,492,235
Financial bonds		2,015,084	2,014,623
Corporate bonds		2,823,742	2,813,025
Others		5,523	5,523
		8,336,584	8,325,406
Securities denominated in foreign currencies:			
Corporate bonds		2,382,782	2,106,662
		10,719,366	10,432,068
Less:			
Loss allowance		(12,424)	
	₩	10,706,942	
		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	

(2) Changes in securities measured at amortized cost for the years ended December 31, 2024 and 2023 are as follows:

	2024	2023
Beginning balance	₩ 11,687,681	10,212,258
Acquisition	5,133,344	5,730,442
Redemption	(6,292,667)	(4,311,409)
Change due to amortization	23,194	39,123
Reversal (recognition) of impairment loss	3,466	(8,789)
Foreign exchange differences	193,824	26,056
Reclassification, etc.	(41,900)	-
Ending balance	₩ 10,706,942	11,687,681

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December 31, 2024 and 2023

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8. Loans Measured at FVTPL

(1) Loans measured at FVTPL as of December 31, 2024 and 2023 are as follows:

		December 31, 2024	
		Amortized cost	Fair value (Carrying amounts)
Loans in Korean won:			
Privately placed corporate bonds	₩	378,250	419,773
Loans in foreign currencies/off-shores:			
Privately placed corporate bonds		3,400	-
	₩	381,650	419,773
		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

(2) Gains (losses) related to loans measured at FVTPL for the years ended December 31, 2024 and 2023 are as follows:

	2024	2023
Transaction gains (losses) on loans measured at FVTPL		
Transaction gains	₩ 4,126	8,312
Transaction losses	(6,796)	(5,332)
	(2,670)	2,980
Valuation gains (losses) on loans measured at FVTPL		
Valuation gains	2,534	7,381
Valuation losses	(26,639)	(16,294)
	(24,105)	(8,913)
	₩ (26,775)	(5,933)

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9. Loans Measured at Amortized Cost

(1) Loans measured at amortized cost and allowance for loan losses as of December 31, 2024 and 2023 are as follows:

	December 31, 2024	
	Amortized cost	Fair value
Loans in Korean won:		
Loans for working capital	₩ 70,723,977	69,919,488
Loans for facility development	67,342,346	66,344,939
Loans for households	190,524	186,445
Inter-bank loans	2,877,322	2,703,920
Others	31,525	31,519
	141,165,694	139,186,311
Loans in foreign currencies:		
Loans	38,940,927	38,842,891
Inter-bank loans	6,535,358	6,512,248
Off-shore loans	23,023,191	22,838,878
	68,499,476	68,194,017
Other loans:		
Bills bought in foreign currency	2,821,174	2,723,534
Advances for customers on acceptances and guarantees	16,592	2,278
Privately placed corporate bonds	4,130,659	4,115,590
Credit card loans	106,715	106,400
Others	10,712,799	10,596,732
	17,787,939	17,544,534
	227,453,109	224,924,862
Less:		
Allowance for loan losses	(3,105,555)	
Present value discount	(9,729)	
Deferred loan origination costs and fees	21,929	
Valuation adjustment for fair value hedges	396	
	₩ 224,360,150	

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9. Loans Measured at Amortized Cost, Continued

	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	

(2) Changes in allowance for loan losses for the years ended December 31, 2024 and 2023 are as follows:

	2024			
	12-month expected credit loss	Lifetime expected credit losses		Total
		Non credit- impaired	Credit- Impaired	
Beginning balance	₩ 641,530	1,255,023	1,456,589	3,353,142
Transfer to 12-month expected credit loss	36,993	(36,863)	(130)	-
Transfer to lifetime expected credit losses:				
Transfer to non credit-impaired loans	(178,715)	193,006	(14,291)	-
Transfer to credit-impaired loans	(54,736)	(90,228)	144,964	-
Provision for (reversal of) loss allowance	232,550	(201,184)	22,543	53,909
Write-offs	-	-	(51,004)	(51,004)
Recovery	-	-	52,255	52,255
Sale	(406)	(14,142)	(254,565)	(269,113)
Debt-to-equity swap	-	-	(48,175)	(48,175)
Foreign currency translation	23,486	6,189	19,813	49,488
Other	59,383	(25,148)	(69,182)	(34,947)
Ending balance	₩ 760,085	1,086,653	1,258,817	3,105,555

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9. Loans Measured at Amortized Cost, Continued

		2023		
		12-month expected credit loss	Lifetime expected credit losses	
			Non credit- impaired	Credit- impaired
				Total
Beginning balance	₩	336,437	1,216,354	1,725,701
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	252,446	(201,980)
Write-offs		-	-	(224,537)
Recovery		-	-	40,194
Sale		-	-	(189,439)
Debt-to-equity swap		-	-	(134,919)
Foreign currency translation		8,239	12,614	2,480
Other		4,049	2,557	107,854
Ending balance	₩	641,530	1,255,023	1,456,589

(3) Losses related to loans measured at amortized cost for the years ended December 31, 2024 and 2023 are as follows:

		2024	2023
Provision for loan losses	₩	(53,909)	(445,558)
Gains (losses) on disposal of loan		(8,937)	15,748
	₩	(62,846)	(429,810)

(4) Changes in net deferred loan origination costs and fees for the years ended December 31, 2024 and 2023 are as follows:

		2024	2023
Beginning balance	₩	5,393	(4,648)
New deferrals		16,085	2,158
Amortization		451	7,883
Ending balance	₩	21,929	5,393

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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, 2024 and 2023 are as follows:

	December 31, 2024			
	Notional amounts		Carrying amounts	
	Buy	Sell	Assets	Liabilities
Trading purpose derivative financial instruments:				
Interest rate				
Futures	₩ 140,000	262,112	-	-
Forwards	70,000	1,050,000	694	101,248
Swaps	387,459,594	387,462,295	1,164,115	1,796,545
Options	6,107,544	17,571,540	279,721	543,144
	393,777,138	406,345,947	1,444,530	2,440,937
Currency				
Futures	-	19,826	-	-
Forwards	64,483,953	47,222,525	4,056,500	1,954,621
Swaps	83,498,886	99,766,844	8,094,275	9,319,180
Options	262,474	250,213	8,736	3,184
	148,245,313	147,259,408	12,159,511	11,276,985
Stock				
Futures	-	2,686	-	-
Options	3,084	48	259	-
	3,084	2,734	259	-
Allowance and other adjustments	-	-	(12,781)	(1,804)
	542,025,535	553,608,089	13,591,519	13,716,118
Hedging purpose derivative financial instruments:				
Interest rate (*)				
Swaps	48,593,914	48,545,883	127,621	236,291
Currency				
Forwards	-	1,698,495	-	135,052
Swaps	11,609,881	12,602,623	160,577	980,338
	11,609,881	14,301,118	160,577	1,115,390
Allowance and other adjustments	-	-	(35)	(2,966)
	60,203,795	62,847,001	288,163	1,348,715
	₩ 602,229,330	616,455,090	13,879,682	15,064,833

(*) 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, 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

(2) The notional amounts outstanding for the hedging instruments by period as of December 31, 2024 and 2023 are as follows:

		December 31, 2024					
		Within 1 month	1~3 months	3~12 months	1~5 years	Over 5 years	Total
Interest rate: Swaps	₩	307,230	4,944,736	10,136,648	25,236,324	7,968,976	48,593,914
Currency: Swaps		614,988	585,370	1,508,132	8,355,510	1,538,623	12,602,623
		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

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(In millions of won)

10. Derivative Financial Instruments, Continued

(3) Details of the balances of the hedging instruments by risk type as of December 31, 2024 and 2023 are as follows:

		December 31, 2024				
		Notional amounts		Balances		Changes in fair value for 2024
		Buy	Sell	Assets	Liabilities	
Cash flow hedge accounting: Interest rate risk Swaps	₩	58,800	58,800	-	-	(2,044)
Currency risk Forwards Swaps		-	82,754	-	15,916	(10,993)
		-	122,298	-	17,439	(10,971)
		-	205,052	-	33,355	(21,964)
		58,800	263,852	-	33,355	(24,008)
Fair value hedge accounting: Interest rate risk Swaps		48,535,114	48,487,083	127,621	236,291	252,401
Currency risk Forwards Swaps		-	1,615,741	-	119,136	(106,372)
		11,609,881	12,480,325	160,577	962,899	(856,396)
		11,609,881	14,096,066	160,577	1,082,035	(962,768)
		60,144,995	62,583,149	288,198	1,318,326	(710,367)
	₩	60,203,795	62,847,001	288,198	1,351,681	(734,375)
		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 Swaps		-	72,586	-	4,924	-
		-	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 Swaps		-	1,459,588	16,673	31,816	(363,087)
		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

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(In millions of won)

10. Derivative Financial Instruments, Continued

(4) Details of the balances of the hedged items by risk type as of December 31, 2024 and 2023 are as follows:

December 31, 2024						
Carrying amounts		Adjustments from fair value hedge accounting		Changes in fair value for 2024	Other comprehensive income for cash flow hedge	
Assets	Liabilities	Assets	Liabilities			
Cash flow hedge accounting:						
Interest rate risk						
Debt debentures	₩ -	58,800	-	-	1,045	
Currency risk						
Securities measured at FVOCI	88,448	-	-	-	4,787	
	88,448	58,800	-	-	5,832	
Fair value hedge accounting:						
Interest rate risk						
Securities measured at FVOCI	7,589,106	-	(2,447)	-	-	
Loans	24,015	-	393	-	-	
Debt debentures	-	40,711,955	-	(868,944)	-	
Other liabilities (Deposits, etc.)	-	122,084	-	(24,359)	-	
	7,613,121	40,834,039	(2,054)	(893,303)	-	
Currency risk (*)						
Securities Measured at FVTPL	302,192	-	22,904	-	-	
Securities measured at FVOCI	578,390	-	80,198	-	-	
Securities Measured at Amortized Cost	445,125	-	71,335	-	-	
Debt debentures	-	11,376,831	-	527,750	-	
	1,325,707	11,376,831	174,437	527,750	-	
	8,938,828	52,210,870	172,383	(365,553)	-	
₩	9,027,276	52,269,670	172,383	(365,553)	5,832	

Korea Development Bank and Subsidiaries

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December 31, 2024 and 2023

(In millions of won)

10. Derivative Financial Instruments, Continued

		December 31, 2023				
		Carrying amounts		Adjustments from fair value hedge accounting		Other comprehen- sive income for cash flow hedge
		Assets	Liabilities	Assets	Liabilities	
					Changes in fair value for 2023	
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

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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, 2024 and 2023 are as follows:

		2024	2023
Interest rate risk	₩	(20,502)	22,814
Currency risk (*)		9,391	13,591
	₩	(11,111)	36,405

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

(6) The summary of the amounts that have affected the consolidated statement of comprehensive income as a result of applying cash flow hedge accounting for the years ended December 31, 2024 and 2023 is as follows:

		2024		
		Change in the value of the hedging instrument recognized in other comprehensive income	Hedge ineffectiveness recognized in profit or loss (*)	Amount reclassified from other comprehensive income to profit or loss (*)
Interest rate risk and currency risk	₩	(24,101)	93	(837)

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

		2023		
		Change in the value of the hedging instrument recognized in other comprehensive income	Hedge ineffectiveness recognized in profit or loss (*)	Amount reclassified from other comprehensive income to profit or loss (*)
Interest rate risk and currency risk	₩	(13,914)	(401)	-

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

(7) Details of net investments in foreign operations for the years ended December 31, 2024 and 2023 are as follows:

		2024	
		Changes in fair value	Other comprehensive income (loss) for hedges of a net investment in a foreign operation
Currency (foreign exchange risk)	₩	166,721	(283,996)
		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)

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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, 2024 and 2023 is as follows:

		December 31, 2024			
		Book value	Changes in fair value for 2024	Change in the value of the hedging instrument recognized in other comprehensive loss for 2024	Hedge ineffectiveness recognized in profit or loss for 2024
Debentures in foreign currencies	₩	1,324,680	(166,721)	(166,721)	-
		December 31, 2023			
		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)	-

(In millions of won)

11. Investments in Associates

(1) The market value of marketable investments in associates as of December 31, 2024 and 2023 are as follows:

		Market value		Carrying amounts	
		December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
Korea Electric Power Co., Ltd.	₩	4,235,267	3,992,346	13,133,921	11,794,643
HMM Co., Ltd.		5,248,540	3,939,482	5,240,667	3,932,440
Hanwha Ocean Co., Ltd.		2,231,222	1,499,429	1,698,773	1,496,742
HANJIN KAL		532,486	514,124	677,042	629,955
Korean Air Lines Co., Ltd.		276,622	292,534	413,667	384,701
TAEYOUNG ENGINEERING & CONSTRUCTION		82,420	-	46,089	-

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December 31, 2024 and 2023

(In millions of won)

11. Investments in Associates, Continued

(2) Changes in investments in associates for the years ended December 31, 2024 and 2023 are as follows:

2024									
	January 1, 2024	Acquisition / transfer	Disposal / transfer	Share of profit (loss)	Impairment loss (*1)	Share of other comprehen- sive income (loss)	Dividends	Others	December 31, 2024
Korea Electric Power Co., Ltd.	₩ 11,794,643	-	-	1,148,926	-	(511)	-	190,863	13,133,921
Korea Tourism Organization	267,118	-	-	413	-	(1,748)	-	-	265,783
HMM Co., Ltd. (*2)	3,932,440	1,696,500	-	2,326,156	(3,612,010)	1,036,928	(140,840)	1,493	5,240,667
Hanwha Ocean Co., Ltd.	1,496,742	-	-	83,659	114,150	4,066	-	156	1,698,773
GM Korea Company	213,857	-	-	281,622	(3,012)	(17,734)	-	-	474,733
Korea Infrastructure Fund II	230,115	-	(441)	18,289	-	-	(8,594)	-	239,369
Korea Ocean Business Corporation	1,682,199	-	-	(91,021)	-	170,343	-	-	1,761,521
HANJIN KAL	629,955	-	-	52,313	-	(594)	(2,119)	(2,513)	677,042
Korean Air Lines Co., Ltd.	384,701	-	-	41,247	-	(3,726)	(9,179)	624	413,667
TAEYOUNG ENGINEERING & CONSTRUCTION	-	54,719	-	(8,211)	-	(17,980)	-	17,561	46,089
Others	4,319,186	795,709	(420,529)	151,031	(16,666)	23,526	(310,558)	56,614	4,598,313
	₩ 24,950,956	2,546,928	(420,970)	4,004,424	(3,517,538)	1,192,570	(471,290)	264,798	28,549,878

(*1) For the year ended December 31, 2024, the Group recognized impairment losses amounting to ₩3,612,010 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., a reversal of impairment losses amounting to ₩114,150 million due to an increase in value in use resulting from the increase in fair value of the shares held by the Group for Hanwha Ocean Co., Ltd., and impairment losses amounting to ₩3,012 million due to a decrease in recoverable amount resulting from the decrease in fair value of the shares held by the Group for GM Korea Company. The Group recognized impairment losses amounting to ₩16,666 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 ₩7,516,980 million as of December 31, 2024.

(*2) For the year ended December 31, 2023, the Group selected the Pan Ocean-JKL consortium as the preferred bidder on December 18, 2023 for the shares of HMM Co., Ltd. and the shares of HMM Co., Ltd. were classified as assets held for sale. However, as negotiations regarding the sale of shares with the Pan Ocean-JKL consortium fell through on February 7, 2024, the shares were retrospectively reclassified as investments in associates from the date they were initially classified as assets held for sale for the year ended December 31, 2024.

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December 31, 2024 and 2023

(In millions of won)

11. Investments in Associates, Continued

2023									
	January 1, 2023	Acquisition / transfer	Disposal / transfer	Share of profit (loss)	Impairment loss (*)	Share of other comprehen- sive 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.	1,974,499	1,497,000	-	536,852	107,668	2,326	(121,439)	(64,466)	3,932,440
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	(377,786)	(527,160)	235,075	(116,975)	(409,831)	(177,576)	24,950,956

(*) For the year ended December 31, 2023, the Group recognized a reversal of impairment losses amounting to ₩247,283 million due to an increase in the recoverable value resulting from an increase in fair value of the shares for HANJIN KAL and a reversal of impairment losses amounting to ₩107,638 million due to a increase in recoverable amount resulting from the increase in fair value of the shares held by the Group for HMM Co., Ltd. The 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.

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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, 2024 and 2023 are as follows:

December 31, 2024										
	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	₩ 246,807,795	205,444,962	41,362,833	93,398,896	3,491,698	4,070,175	32.90
Korea Tourism Organization	Korea	December	Culture and tourism administration	1,186,637	374,191	812,446	883,749	947	(3,064)	43.58
HMM Co., Ltd.	Korea	December	Shipping	33,848,562	5,993,018	27,855,544	11,700,224	3,782,169	6,946,998	33.73
Hanwha Ocean Co., Ltd. (*1)	Korea	December	Manufacturing	17,843,809	12,980,459	4,863,350	10,776,005	528,119	568,324	19.50
GM Korea Company (*1)	Korea	December	Manufacturing	9,904,378	4,593,449	5,310,929	14,337,105	2,198,818	2,084,697	17.02
Korea Infrastructure Fund II	Korea	December	Financial investment	958,001	118,877	839,124	104,545	97,646	97,646	26.67
Korea Ocean Business Corporation	Korea	December	Financial investment	13,718,841	5,657,223	8,061,618	500,210	(437,522)	173,900	20.80
HANJIN KAL (*1)	Korea	December	Holding company	4,207,158	893,997	3,313,161	292,157	496,999	467,614	10.58
Korean Air Lines Co., Ltd. (*1)	Korea	December	Air passenger transportation	47,012,066	36,048,874	10,963,192	17,870,718	1,381,858	1,279,328	3.32
TAEYOUNG ENGINEERING & CONSTRUCTION (*2)	Korea	December	Construction	4,323,924	3,796,725	527,199	2,686,174	34,976	31,449	11.98

(*1) 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.

(*2) Although the Group’s shareholding is less than 20%, as the main creditor bank, the Group have initiated management procedures that designate the Group as the managing institution. Consequently, the Group have acquired significant influence, such as the ability to participate in the financial and operating policies of the company and have classified it as an associate.

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11. Investments in Associates, Continued

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.

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12. Property and Equipment

Changes in property and equipment for the years ended December 31, 2024 and 2023 are as follows:

	2024						
	January 1, 2024	Acquisition/ depreciation	Disposal	Reclassifi- cation	Foreign exchange differences	Others	December 31, 2024
Acquisition cost:							
Land	₩ 349,806	2,959	(56)	19,750	5	-	372,464
Buildings and structures	740,091	5,354	-	59,227	687	-	805,359
Leasehold improvements	49,477	310	(281)	1,309	216	-	51,031
Vehicles	19,099	2,038	(1,550)	847	131	-	20,565
Equipment	137,212	4,541	(2,365)	3,646	1,380	-	144,414
Construction in progress	5,505	18,254	-	(12,423)	(2)	-	11,334
Right-of-use assets	195,654	46,633	(39,319)	1,265	11,231	40	215,504
Others	225,860	17,868	(398)	29,669	562	15	273,576
	1,722,704	97,957	(43,969)	103,290	14,210	55	1,894,247
Accumulated depreciation: (*)							
Buildings and structures	288,946	25,894	-	6,997	251	-	322,088
Leasehold improvements	39,797	3,189	(196)	-	(408)	(2)	42,380
Vehicles	14,289	1,803	(1,308)	231	112	-	15,127
Equipment	116,434	8,035	(2,325)	2,197	946	(56)	125,231
Right-of-use assets	76,698	52,981	(32,474)	287	5,093	(287)	102,298
Others	193,185	14,379	(395)	16,027	418	120	223,734
	729,349	106,281	(36,698)	25,739	6,412	(225)	830,858
Accumulated impairment losses:							
Land	3,023	-	-	-	-	-	3,023
Buildings and structures	2,887	-	-	(38)	-	-	2,849
Construction in progress	1,214	(167)	-	-	-	-	1,047
Others	-	1,213	-	-	-	-	1,213
	7,124	1,046	-	(38)	-	-	8,132
₩	986,231	(9,370)	(7,271)	77,589	7,798	280	1,055,257

(*) The amounts include government grants.

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Notes to the Consolidated Financial Statements

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12. Property and Equipment, Continued

	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: (*)							
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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13. Investment Property

Changes in investment property for the years ended December 31, 2024 and 2023 are as follows:

2024					
	January 1, 2024	Acquisition/ depreciation/ impairment	Disposal	Reclassifi- cation, etc.	December 31, 2024
Acquisition cost:					
Land	₩ 80,191	-	-	(7,501)	72,690
Buildings and structures	151,369	-	-	12,697	164,066
	231,560	-	-	5,196	236,756
Accumulated depreciation:					
Buildings and structures	76,328	4,782	-	635	81,745
Accumulated impairment losses:					
Land	1,204	-	-	-	1,204
Buildings and structures	3,661	-	-	38	3,699
	4,865	-	-	38	4,903
	₩ 150,367	(4,782)	-	4,523	150,108
2023					
	January 1, 2023	Acquisition/ depreciation/ impairment	Disposal	Reclassifi- cation, etc.	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

The fair value of the Group’s investment property, as determined on the basis of valuation by an independent appraiser, amounts to ₩201,779 million and ₩170,674 million as of December 31, 2024 and 2023, respectively. Additionally, fair value of investment in property is classified as level 3 according to the fair value hierarchy in Note 49.

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14. Intangible Assets

Changes in intangible assets for the years ended December 31, 2024 and 2023 are as follows:

2024									
	January 1, 2024	Acquisition	Disposal	Reclassifi- cation	Amortiza- tion	Impairment loss	Foreign exchange differences	Others	December 31, 2024
Goodwill	₩ 234,498	130,369	-	-	-	-	1,064	-	365,931
Customer-Related Intangible Assets	84,046	-	-	44,695	(10,301)	-	-	-	118,440
Membership	18,582	1,375	(1,102)	2,087	-	(180)	222	-	20,984
Others	110,881	24,130	(1,961)	81,995	(57,477)	-	1,118	10	158,696
	₩ 448,007	155,874	(3,063)	128,777	(67,778)	(180)	2,404	10	664,051
2023									
	January 1, 2023	Acquisition	Disposal	Reclassifi- cation	Amortiza- tion	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

15. Other Assets

Other assets as of December 31, 2024 and 2023 are as follows:

	December 31, 2024	December 31, 2023
Accounts receivable	₩ 4,400,198	6,718,392
Domestic exchange receivables	1,933,905	1,938,307
Accrued income	1,814,524	1,753,352
Guarantee deposits	518,365	412,899
Trade accounts receivables	104,368	76,963
Inventories	94,490	47,436
Prepaid expenses	52,414	52,208
Advance payments	58,441	48,255
Financial guarantee asset	49,409	47,005
Reinsurance contract assets	2,710	12,833
Others	245,030	66,294
	9,273,854	11,173,944
Allowance for credit losses	(86,087)	(88,841)
Present value discount	(5,693)	(7,409)
	₩ 9,182,074	11,077,694

(*) The carrying amounts of financial assets included in other assets above amounted to ₩8,820,768 million and ₩10,946,918 million as of December 31, 2024 and 2023, respectively, and their fair value amounted to ₩8,744,774 million and ₩10,852,605 million as of December 31, 2024 and 2023, 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) Details of profit and loss from discontinued operations and cash flows from discontinued operating activities for the year ended December 31, 2023 are as follows:

		2023
Profit from discontinued operations		
Profit before income taxes	₩	2,328,616
Income tax expense		497
Profit for the year	₩	2,328,119
Cash flows from discontinued operations		
Net cash flows from operating activities	₩	(730,783)
Net cash flows from investing activities		59,165
Net cash flows from financing activities		186,774
Effects from changes in foreign currency exchange rate for cash and cash equivalents held		2,163
Net cash flows from discontinued operations	₩	(482,681)

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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, 2024 and 2023 are as follows:

		December 31, 2024	December 31, 2023
Debentures	₩	1,806,079	1,515,655
Deposits		583,167	404,406
		2,389,246	1,920,061

Changes in fair value of structured debentures and deposits 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, 2024 and 2023 are as follows:

		December 31, 2024	December 31, 2023
Carrying amount	₩	2,389,246	1,920,061
Contractual cash flow amount		2,787,200	2,380,244
Difference amount	₩	(397,954)	(460,183)

18. Deposits

Deposits as of December 31, 2024 and 2023 are as follows:

		December 31, 2024		December 31, 2023	
		Amortized cost	Fair value	Amortized cost	Fair value
Deposits in Korean won:					
Demand deposits	₩	104,124	104,124	155,082	155,082
Time and savings deposits		46,234,563	46,301,946	51,159,187	51,202,792
Certificates of deposit		505,159	505,223	74,363	74,080
		46,843,846	46,911,293	51,388,632	51,431,954
Deposits in foreign currencies:					
Demand deposits		1,405,784	1,404,800	1,335,732	1,335,732
Time and savings deposits		7,696,290	7,659,153	6,084,109	6,079,718
Certificates of deposit		10,078,401	10,103,964	7,858,730	7,873,402
		19,180,475	19,167,917	15,278,571	15,288,852
Off-shore deposits in foreign currencies:					
Demand deposits		1,010,662	1,010,662	904,364	904,364
	₩	67,034,983	67,089,872	67,571,567	67,625,170

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(In millions of won)

19. Borrowings

(1) Borrowings as of December 31, 2024 and 2023 are as follows:

December 31, 2024				
	Minimum interest rate (%)	Maximum interest rate (%)	Amortized cost	Fair value
Borrowings in Korean won	-	4.51	₩ 6,344,492	6,272,347
Borrowings in foreign currencies	0.40	6.91	22,772,395	22,726,164
Off-shore borrowings in foreign currencies	2.25	5.32	3,524,014	3,508,632
Share capital repayable on demand	-	-	1,861,596	1,861,596
Others	0.43	5.68	5,014,086	4,993,300
			39,516,583	39,362,039
Deferred borrowing costs			(5,708)	
			₩ 39,510,875	
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
Deferred borrowing costs			(6,648)	
			₩ 34,043,663	

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19. Borrowings, Continued

(2) Borrowings in Korean won before adjusting for deferred borrowing costs as of December 31, 2024 and 2023 are as follows:

Lender	Classification	Annual interest rate (%)	December 31, 2024	December 31, 2023
The Bank of Korea	Borrowings from Bank of Korea	-	₩ 330,451	418,866
Ministry of Economy and Finance	Borrowings from government fund (*)	2.40 ~ 2.53	62,184	77,629
Korea SMEs and Startups Agency	Borrowings from small and medium enterprise promotion fund	1.20 ~ 2.40	64,390	59,171
Ministry of Culture, Sports and Tourism	Borrowings from tourism promotion fund	0.78 ~ 2.03	2,946,821	3,080,914
Korea Energy Agency	Borrowings from fund for rational use of energy	0.25 ~ 1.75	280,245	256,472
Local governments	Borrowings from local small and medium enterprise promotion fund	0.50 ~ 2.80	19,160	22,620
Others	Borrowings from petroleum enterprise fund	0.00 ~ 4.51	2,641,241	2,496,884
			₩ 6,344,492	6,412,556

(*) Borrowings from government fund are subordinated borrowings.

(In millions of won)

19. Borrowings, Continued

(3) Borrowings and off-shore borrowings in foreign currencies before adjusting for deferred borrowing costs as of December 31, 2024 and 2023 are as follows:

Lender	Classification	Annual interest rate (%)	December 31, 2024	December 31, 2023
Mizuho and others	Bank loans from foreign funds	2.96 ~ 5.59	₩ 2,798,873	2,076,759
The Export-Import Bank of Korea	Exchange equalization fund borrowings in foreign currencies	-	-	23,931
Bank of New York Mellon, London and others	Off-shore short-term borrowings	2.61 ~ 5.31	1,802,827	2,276,109
China Development Bank and others	Off-shore long-term borrowings	2.25 ~ 5.32	1,721,187	1,825,674
Others	Short-term borrowings in foreign currencies	0.40 ~ 6.91	18,639,540	15,401,998
	Long-term borrowings in foreign currencies	0.94 ~ 6.63	1,333,982	824,280
			₩ 26,296,409	22,428,751

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(In millions of won)

20. Debentures

Debentures as of December 31, 2024 and 2023 are as follows:

	December 31, 2024			
	Minimum interest rate (%)	Maximum interest rate (%)	Amortized cost	Fair value
Debentures in Korean won:				
Debentures	0.98	7.31	₩ 121,315,121	122,226,287
Discount on debentures			(183,201)	
Valuation adjustment for fair value hedges			(120,391)	
			121,011,529	
Debentures in foreign currencies:				
Debentures	0.75	11.24	29,840,301	30,907,953
Discount on debentures			(41,686)	
Valuation adjustment for fair value hedges			(444,832)	
			29,353,783	
Off-shore debentures:				
Debentures	0.17	11.21	21,912,153	22,276,988
Discount on debentures			(56,870)	
Valuation adjustment for fair value hedges			224,048	
			22,079,331	
			₩ 172,444,643	175,411,228
	December 31, 2023			
	Minimum interest rate (%)	Maximum interest rate (%)	Amortized cost	Fair value
Debentures in Korean won:				
Debentures	0.96	12.00	₩ 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

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21. Insurance Liabilities

(1) Details of insurance contract liabilities (assets) and reinsurance contract assets (liabilities) by portfolio as of December 31, 2024 and 2023, are as follows:

Classification	Portfolio	December 31, 2024					
		General model		Variable fee approach			
		Best estimate liability	Risk adjustment	Contractual service margin	Best estimate liability	Risk adjustment	Contractual service margin
Non-Par	Dividend death	₩ 114,413	636	2,962	-	-	-
	Non-dividend death	1,316,867	52,199	355,007	-	-	-
	Dividend health	40,506	538	1,103	-	-	-
	Non-dividend health	2,272,517	47,807	167,077	-	-	-
	Dividend pension	1,398,700	5,884	898	-	-	-
	Non-dividend pension	22,166	25	646	-	-	-
	Dividend others	2,589	-	-	-	-	-
	Non-dividend others	-	-	-	-	-	-
	Dividend death	-	-	-	-	-	-
	Non-dividend death	1,980,034	55,432	46,836	-	-	-
Indirect-Par	Dividend health	-	-	-	-	-	-
	Non-dividend health	388,228	4,482	54,935	-	-	-
	Dividend pension	1,260,342	2,821	12,941	-	-	-
	Non-dividend pension	6,130,623	15,568	127,365	-	-	-
	Asset-linked pension	199,371	331	2,205	-	-	-
	Dividend others	326	-	-	-	-	-
	Non-dividend others	-	-	-	-	-	-
	Variable death	-	-	-	204,307	3,086	1,332
	Variable health	-	-	-	-	-	-
	Variable pension	-	-	-	444,617	8,961	91,738
Direct-Par	Variable Others	-	-	-	-	-	-
		₩ 15,126,682	185,723	771,975	648,924	12,047	93,070

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21. Insurance Liabilities, Continued

		December 31, 2023					
		General model			Variable fee approach		
Classification	Portfolio	Best estimate liability	Risk adjustment	Contractual service margin	Best estimate liability	Risk adjustment	Contractual service margin
Non-Par	Dividend death	₩ 107,140	625	1,571	-	-	-
	Non-dividend death	994,762	39,156	206,711	-	-	-
	Dividend health	42,602	620	443	-	-	-
	Non-dividend health	2,120,800	49,716	63,822	-	-	-
	Dividend pension	1,229,664	5,275	14,678	-	-	-
	Non-dividend pension	28,252	20	1,033	-	-	-
	Dividend others	3,273	-	-	-	-	-
	Non-dividend others	-	-	-	-	-	-
Indirect-Par	Dividend death	-	-	-	-	-	-
	Non-dividend death	1,783,943	58,256	19,466	-	-	-
	Dividend health	-	-	-	-	-	-
	Non-dividend health	386,720	4,935	12,541	-	-	-
	Dividend pension	1,322,479	2,571	24,381	-	-	-
	Non-dividend pension	6,736,731	16,529	148,411	-	-	-
	Asset-linked pension	206,072	426	769	-	-	-
	Dividend others	328	-	-	-	-	-
	Non-dividend others	-	-	-	-	-	-
Direct-Par	Variable death	-	-	-	189,347	3,197	17,131
	Variable health	-	-	-	-	-	-
	Variable pension	-	-	-	415,343	7,343	72,090
	Variable Others	-	-	-	-	-	-
		₩ 14,962,766	178,129	493,826	604,690	10,540	89,221

< Reinsurance contract >

		December 31, 2024			December 31, 2023		
Portfolio		Best estimate liability	Risk adjustment	Contractual service margin	Best estimate liability	Risk adjustment	Contractual service margin
Death	₩	(38,016)	7,984	32,742	59,303	11,007	(57,477)
Health		(4,766)	29,386	(34,922)	(24,023)	3,000	(6,555)
	W	(42,782)	37,370	(2,180)	35,280	14,007	(64,032)

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21. Insurance Liabilities, Continued

(2) Changes in insurance contract liabilities (assets) for the years ended December 31, 2024 and 2023 are as follows:

		2024			
		Liability for remaining coverage Excluding loss component	Loss Component	Liability for incurred claims	Insurance contract liabilities (assets)
1. Opening balance:	₩	15,346,456	25,113	967,602	16,339,171
(1) Insurance contract assets		-	-	-	-
(2) Insurance contract liabilities		15,346,456	25,113	967,602	16,339,171
2. Insurance revenue		(545,164)	-	-	(545,164)
3. Insurance service expenses:		83,107	18,989	335,957	438,053
(1) Incurred claims and insurance service expenses		-	(1,759)	361,452	359,693
(2) Insurance acquisition cash flows		83,107	-	-	83,107
(3) Changes in fulfilment cash flows in the liability for incurred claims		-	-	(25,495)	(25,495)
(4) Losses and reversals of losses on onerous contracts		-	20,748	-	20,748
4. Investment components		(2,183,222)	-	2,183,222	-
5. Insurance service result (2+3+4)		(2,645,279)	18,989	2,519,179	(107,111)
6. Insurance finance income or expenses		1,437,855	1,125	33,847	1,472,827
(1) Profit or loss		481,573	1,125	33,064	515,762
(2) Other comprehensive income		956,282	-	783	957,065
7. Cash flows:		1,699,058	-	(2,565,525)	(866,467)
(1) Premiums received		2,030,626	-	-	2,030,626
(2) Insurance acquisition cash flows		(331,568)	-	-	(331,568)
(3) incurred claims paid and other insurance service expenses paid		-	-	(2,565,525)	(2,565,525)
8. Others		20,771	-	(20,771)	-
9. Closing balance (1+5+6+7+8):	₩	15,858,861	45,227	934,332	16,838,420
(1) Insurance contract assets	₩	-	-	-	-
(2) Insurance contract liabilities		15,858,861	45,227	934,332	16,838,420

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(In millions of won)

21. Insurance Liabilities, Continued

	2023			
	Liability for remaining coverage Excluding loss component	Loss component	Liability for incurred claims	Insurance contract liabilities (assets)
1. Opening balance:	₩ 14,725,029	4,274	989,066	15,718,369
(1) Insurance contract assets	-	-	-	-
(2) Insurance contract liabilities	14,725,029	4,274	989,066	15,718,369
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+3+4)	(2,558,277)	20,066	2,470,405	(67,806)
6. Insurance finance income or expenses	1,420,921	773	30,393	1,452,087
(1) Profit or loss	569,544	773	29,957	600,274
(2) Other comprehensive income	851,377	-	436	851,813
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	21,201	-	(21,201)	-
9. Closing balance (1+5+6+7+8):	₩ 15,346,456	25,113	967,602	16,339,171
(1) Insurance contract assets	₩ -	-	-	-
(2) Insurance contract liabilities	15,346,456	25,113	967,602	16,339,171

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21. Insurance Liabilities, Continued

(3) Changes in reinsurance contract assets (liabilities) which an entity does not apply the premium allocation approach for the years ended December 31, 2024 and 2023 are as follows

	2024			
	Liability for remaining coverage Excluding loss recovery component	Loss recovery component	Liability for incurred claims	Reinsurance contract assets (liabilities)
1. Opening 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)
2. Reinsurance service expenses	(27,597)	-	-	(27,597)
3. Reinsurance revenue:	-	3,970	30,109	34,079
(1) Possible recoveries on incurred claims and incurred reinsurance service expenses	-	(226)	30,747	30,521
(2) Changes in fulfilment cash flows in the liability for incurred claims	-	-	(638)	(638)
(3) Recognition and reversal of loss recovery component	-	4,196	-	4,196
4. Investment components	(17,820)	-	17,820	-
5. Reinsurance service result (2+3+4)	(45,417)	3,970	47,929	6,482
6. Reinsurance finance income or expenses	(6,633)	153	490	(5,990)
(1) The effect of changes in default risk of reinsurers	414	-	(9)	405
(2) Profit or loss	(1,190)	153	398	(639)
(3) Other comprehensive income	(5,857)	-	101	(5,756)
7. Cash flows:	49,575	-	(42,892)	6,683
(1) Reinsurance premiums paid	49,575	-	-	49,575
(2) Recoveries from reinsurance	-	-	(42,892)	(42,892)
8. Others	-	-	-	-
9. Closing balance (1+5+6+7+8):	₩ (46,491)	7,824	30,946	(7,721)
(1) Reinsurance contract assets	₩ (8,984)	2,153	9,411	2,580
(2) Reinsurance contract liabilities	(37,507)	5,671	21,535	(10,301)

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21. Insurance Liabilities, Continued

		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 (2+3+4)		(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		(1,166)	126	259	(781)
(3) Other comprehensive income		(68)	-	20	(48)
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 (1+5+6+7+8):	₩	(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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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 years ended December 31, 2024 and 2023, are as follows.

		2024	2023
1. The gains (or losses) from the investments	₩	781,682	1,322,526
(1) Profit or loss		461,049	589,954
1) Interest income		558,577	509,278
2) Evaluation and transaction gains and losses		(111,816)	60,969
3) Other investment gains and losses		14,288	19,707
(2) Other comprehensive income		320,633	732,572
2. Insurance finance income or expenses recognized in:		(1,472,827)	(1,452,087)
(1) Profit or loss		(515,762)	(600,274)
(2) Other comprehensive income		(957,065)	(851,813)
3. Reinsurance finance income or expenses recognized in:		(5,990)	(764)
(1) Profit or loss		(234)	(716)
(2) Other comprehensive income		(5,756)	(48)
4. Total financial gains or losses	₩	(697,135)	(130,325)

(In millions of won)

22. Defined Benefit Liabilities (Assets)

(1) Details of defined benefit liabilities (assets) as of December 31, 2024 and 2023 are as follows:

		December 31, 2024	December 31, 2023
Present value of defined benefit obligation	₩	528,170	468,523
Fair value of plan assets (*)		(551,136)	(544,916)
Net defined benefit liabilities		(22,966)	(76,393)
Liabilities for other long-term employment benefits		1,436	900
	₩	(21,530)	(75,493)

(*) 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, 2024 and 2023 are as follows:

2024				
	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	₩ 468,523	(544,916)	(76,393)	900
Current service costs	38,036	-	38,036	50
Interest expense (income)	20,154	(23,941)	(3,787)	21
Remeasurements of defined benefit liabilities:				
Demographic assumption	539	-	539	5
Financial assumption	23,509	2,961	26,470	24
Return on plan assets	-	811	811	190
Experience adjustment	7,645	-	7,645	-
	31,693	3,772	35,465	219
Payments from the plan	(37,645)	39,130	1,485	(114)
Reclassification	7,948	(9,078)	(1,130)	-
Contribution to the plan	-	(19,224)	(19,224)	-
Others	(539)	3,121	2,582	360
Ending balance	₩ 528,170	(551,136)	(22,966)	1,436
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
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

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22. Defined Benefit Liabilities (Assets), Continued

(3) Fair value of plan assets for each type as of December 31, 2024 and 2023 are as follows:

	December 31, 2024		December 31, 2023	
	Quoted market prices	Unquoted market prices	Quoted market prices	Unquoted market Prices
Equity securities	₩ 1,577	-	-	-
Debt securities	23,650	-	30,353	-
Due from banks	-	516,968	-	506,376
Others	8,408	533	8,187	-
	₩ 33,635	517,501	38,540	506,376

(4) Defined benefit costs recognized in profit or loss for the years ended December 31, 2024 and 2023 are as follows:

	2024	2023
Current service costs	₩ 38,036	35,258
Interest expense, net	(3,787)	(5,097)
	₩ 34,249	30,161

(5) The principal actuarial assumptions used as of December 31, 2024 and 2023 are as follows:

	December 31, 2024	December 31, 2023
Discount rate (%)	3.20 ~ 7.30	4.40 ~ 7.50
Future salary increasing rate (%)	3.64 ~ 5.50	4.10 ~ 5.50

(6) The present value sensitivity of defined benefit obligation as changes in principal actuarial assumptions as of December 31, 2024 is as follows:

	Sensitivity	
	1% increase in assumption	1% decrease in assumption
Discount rate	8.15% decrease	9.42% increase
Future salary increasing rate	9.19% increase	8.12% decrease

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23. Provisions

(1) Provisions as of December 31, 2024 and 2023 are as follows:

	December 31, 2024	December 31, 2023
Provision for payment guarantees	₩ 434,989	592,102
Provision for unused commitments	328,488	381,908
Financial guarantee provision	7,436	50,489
Lawsuit provision	50,352	319
Provision for restoration	18,798	17,851
Other provision	5,642	33,321
	₩ 845,705	1,075,990

(2) Changes in provision for payment guarantees for the years ended December 31, 2024 and 2023 are as follows:

	2024			
	12-month expected credit loss	Lifetime expected credit losses Non credit- Impaired	Credit- impaired	Total
Beginning balance	₩ 230,442	317,136	44,524	592,102
Transfer to 12-month expected credit loss	25,360	(25,353)	(7)	-
Transfer to lifetime expected credit losses:				
Transfer to non credit-impaired exposures	(31,313)	31,331	(18)	-
Transfer to credit-impaired exposures	(978)	(314)	1,292	-
Reversal of payment guarantees	(9,490)	(162,576)	(38,268)	(210,334)
Foreign currency translation	1,568	29,958	21,695	53,221
Ending balance	₩ 215,589	190,182	29,218	434,989

	2023			
	12-month expected credit loss	Lifetime expected credit losses 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 (reversal of) payment guarantees	170,441	(145,906)	(243,459)	(218,924)
Foreign currency translation	81,612	109,834	162,365	353,811
Ending balance	₩ 230,442	317,136	44,524	592,102

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December 31, 2024 and 2023

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23. Provisions, Continued

(3) Changes in provision for unused commitments for the years ended December 31, 2024 and 2023 are as follows:

	2024			
	12-month expected credit loss	Lifetime expected credit losses Non credit- impaired	Credit- impaired	Total
Beginning balance	₩ 19,700	350,789	11,419	381,908
Transfer to 12-month expected credit loss	14,905	(14,898)	(7)	-
Transfer to lifetime expected credit losses:				
Transfer to non credit-impaired exposures	(23,938)	24,464	(526)	-
Transfer to credit-impaired exposures	-	(2,130)	2,130	-
Provision for (reversal of) unused commitments	29,209	(157,610)	62,644	(65,757)
Foreign currency translation	8,709	3,539	111	12,359
Others	(22)	-	-	(22)
Ending balance	₩ 48,563	204,154	75,771	328,488

	2023			
	12-month expected credit loss	Lifetime expected credit losses 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	-
Provision for (reversal of) unused commitments	54,090	5,307	(1,338)	58,059
Foreign currency translation	1,327	869	-	2,196
Others	182,220	-	-	182,220
Ending balance	₩ 19,700	350,789	11,419	381,908

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23. Provisions, Continued

(4) Changes of financial guarantee provision for the years ended December 31, 2024 and 2023 are as follows:

	2024			
		Lifetime expected credit losses		
	12-month expected credit loss	Non credit- Impaired	Credit- impaired	Total
Beginning balance	₩ 3,125	42,043	5,321	50,489
Transfer to 12-month expected credit loss	-	-	-	-
Transfer to lifetime expected credit losses:				
Transfer to non credit-impaired exposures	(260)	260	-	-
Transfer to credit-impaired exposures	-	(14)	14	-
Provision for (reversal of) financial guarantee	58	(39,127)	(3,984)	(43,053)
Ending balance	₩ 2,923	3,162	1,351	7,436

	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

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23. Provisions, Continued

(5) Changes of lawsuit provision, restoration provision and other provision for the years ended December 31, 2024 and 2023 are as follows:

	2024		
	Lawsuit provision	Restoration provision	Other provision
Beginning balance	₩ 319	17,851	33,321
Increase (reversal) of provision	21,356	(388)	(125)
Provision used	23	(734)	-
Foreign exchange differences	(2)	12	6
Others	28,656	2,057	(27,560)
Ending balance	₩ 50,352	18,798	5,642

	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

(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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23. Provisions, Continued

(8) Provision for possible losses from lawsuits
As of December 31, 2024, the Group is involved in 49 lawsuits as a plaintiff and 63 lawsuits as a defendant related to operating activities. The aggregate amounts of claims as a plaintiff and a defendant amounted to ₩65,506 million and ₩120,330 million, respectively. The Group provided a provision against contingent loss from pending lawsuits as of December 31, 2024 and additional losses may be incurred depending on the final result of pending lawsuits.

Major lawsuits in progress as of December 31, 2024 and 2023 are as follows:

		December 31, 2024		
		Contents	Amounts	Status of lawsuit
Plaintiff:				
Hanil Engineering & Construction Co., Ltd		Appeal against the confirmed decision on Investigation	₩ 16,900	1 st trial in progress
SK Securities Co.,Ltd. and Water Bridge Partners Corporation		Claim for damages	7,000	1 st trial in progress
Defendant:				
257 individuals including Mr. Kang		Claim for wage	41,853	1 st trial in progress
Shinhan Bank and Woori Bank		Claim for damages	31,711	1 st trial ruled in favor of the Group; 2 nd trial ruled against the Group
Dongbu Corporation		Claim for objection of request (participation to support)	19,658	1 st trial in progress
One individual		Claim for cancellation of pledge	8,610	1 st trial ruled in favor of the Group; 2 nd trial in progress
		December 31, 2023		
		Contents	Amounts	Status of lawsuit
Plaintiff:				
Korea Trade Insurance Corporation and one other		Claim for guarantee insurance	₩ 136,538	1 st , 2 nd trial ruled against the Group; 3 rd trial in progress
Defendant:				
Shinhan Bank and Woori Bank		Claim for damages	76,838	1 st trial ruled in favor of the Group
132 individuals		Claim for salaries	35,459	1 st , 2 nd trial ruled in favor of the Group
Dongbu Corporation		Claim for nullity of table of rehabilitation creditor	33,997	1 st trial ruled in favor of the Group; 2 nd trial ruled against the Group; 3 rd trial in progress
Dongbu Corporation		Claim for objection of request (participation to support)	19,658	1 st trial in progress
Woori Bank		Claim for profit or loss settlement	14,500	1 st , 2 nd trial ruled against the Group; 3 rd trial in progress
Korea Trade Insurance Corporation		Claim for recovery	11,870	1 st trial in progress
One individual		Claim for cancellation of pledge	8,610	1 st trial in progress

(9) Other provision
The Group recognized other provision as a reserve for other miscellaneous purpose.

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24. Other Liabilities

Other liabilities as of December 31, 2024 and 2023 are as follows:

		December 31, 2024	December 31, 2023
Accounts payable	₩	4,372,555	6,651,008
Lease liabilities		140,983	149,706
Accrued expense		3,148,552	2,797,271
Advance receipts		8,926	5,955
Unearned income		180,805	181,747
Deposits withholding tax		76,013	64,313
Guarantee money received		1,498,986	1,261,076
Foreign exchanges payable		23,229	19,088
Domestic exchange payable		255,049	533,833
Borrowing from trust accounts		947,785	957,017
Financial guarantee liability		32,230	26,321
Trade payable		40,786	13,599
Others		315,840	384,265
		11,041,739	13,045,199
Present value discount		(93,199)	(100,896)
	₩	10,948,540	12,944,303

The carrying amount of financial liabilities included in other liabilities above amounted to ₩10,451,521 million and ₩12,394,114 million as of December 31, 2024 and 2023, respectively, and their fair value amounted to ₩10,550,792 million and ₩12,512,021 million as of December 31, 2024 and 2023, respectively.

(2) Details of lease liabilities as of December 31, 2024 and 2023 are as follows:

		December 31, 2024		
		Face value	Discount	Carrying amounts
Real estate	₩	131,117	(29,305)	101,812
Vehicles		9,325	(622)	8,703
Others		541	(34)	507
	₩	140,983	(29,961)	111,022
		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

Cash payments for the principal portion of the lease liabilities are ₩49,401 and ₩39,477 million for the years ended December 31, 2024 and 2023, respectively and cash payments for the interest portion of the lease liabilities are ₩4,669 and ₩4,010 million for the years ended December 31, 2024 and 2023, respectively.

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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 5,263,311,768 shares and 4,785,311,768 shares issued as of December 31, 2024 and 2023, respectively, and outstanding with a total par value (₩ 5,000 of par value per share) of ₩26,316,559 million and ₩23,926,559 million as of December 31, 2024 and 2023, respectively. Due to the Group’s paid-capital increase, total number and par value of the shares increased in 2024.

(2) Capital surplus

Capital surplus as of December 31, 2024 and 2023 are as follows:

		December 31, 2024	December 31, 2023
Paid-in capital in excess of par value	₩	22,138	33,847
Surplus from capital reduction		47,973	47,973
Share of capital surplus of associates		122,810	122,810
Other capital surplus		610,538	687,743
	₩	803,459	892,373

(3) Capital adjustments

Capital adjustments as of December 31, 2024 and 2023 are as follows:

		December 31, 2024	December 31, 2023
Share of capital adjustment of associates	₩	220,936	220,936
Other capital adjustment		(7,292)	(6,454)
	₩	213,644	214,482

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25. Equity, Continued

(4) Accumulated other comprehensive income

(i) Accumulated other comprehensive income as of December 31, 2024 and 2023 are as follows:

		December 31, 2024	December 31, 2023
Net gain on securities measured at FVOCI:			
Valuation gain on securities measured at FVOCI (before tax)	₩	399,343	1,542,473
Loss allowance for securities measured at FVOCI (before tax)		97,330	91,665
Income tax effect		(112,472)	(411,511)
		384,201	1,222,627
Share of other comprehensive income of associates:			
Share of other comprehensive income of associates (before tax)		2,623,821	1,431,251
Income tax effect		(554,177)	(230,396)
		2,069,644	1,200,855
Exchange differences on translation of foreign operations:			
Exchange differences on translation of foreign operations (before tax)		516,581	63,157
Income tax effect		(30,076)	28,775
		486,505	91,932
Valuation gain on cash flow hedge:			
Valuation gain on cash flow hedge (before tax)		5,832	9,491
Income tax effect		(1,837)	(2,803)
		3,995	6,688
Net loss on hedges of net investments in foreign operations :			
Net loss on hedges of net investments in foreign operations (before tax)		(283,996)	(117,276)
Income tax effect		74,975	30,961
		(209,021)	(86,315)
Remeasurements of defined benefit liabilities:			
Remeasurements of defined benefit liabilities (before tax)		74,883	107,167
Income tax effect		(17,837)	(26,719)
		57,046	80,448
Fair value changes on financial liabilities designated at fair value due to credit risk:			
Valuation gain on financial liabilities designated at fair value due to credit risk (before tax)		78,613	99,151
Income tax effect		(20,754)	(26,176)
		57,859	72,975
Others:			
Others (before tax)		(121,678)	570,099
Income tax effect		34,546	(148,083)
		(87,132)	422,016
	₩	2,763,097	3,011,226

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25. Equity, Continued

(ii) Changes in accumulated other comprehensive income for the years ended December 31, 2024 and 2023 are as follows:

	2024			
	January 1, 2024	Increase (Decrease)	Tax Effect	December 31, 2024
Valuation gain (loss) on securities measured at FVOCI	₩ 1,222,627	(1,137,465)	299,039	384,201
Share of other comprehensive income of associates	1,200,855	1,192,570	(323,781)	2,069,644
Exchange differences on translation of foreign operations	91,932	453,424	(58,851)	486,505
Valuation gain (loss) on cash flow hedge	6,688	(3,659)	966	3,995
Net gain (loss) on hedges of net investments in foreign operations	(86,315)	(166,720)	44,014	(209,021)
Remeasurements of defined benefit liabilities	80,448	(32,284)	8,882	57,046
Fair value changes on financial liabilities designated at fair value due to credit risk	72,975	(20,538)	5,422	57,859
Others	422,016	(691,777)	182,629	(87,132)
	₩ 3,011,226	(406,449)	158,320	2,763,097

	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

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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, 2024 and 2023 are as follows:

	December 31, 2024	December 31, 2023
Legal reserve	₩ 3,725,456	2,721,885
Voluntary reserve		
Regulatory reserve for credit losses (*)	77,581	211,996
Unappropriated retained earnings	9,641,069	8,160,463
	₩ 13,444,106	11,094,344

(*) 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, 2024 and 2023 are as follows:

	2024	2023
Beginning balance	₩ 2,721,885	2,535,892
Transfer from retained earnings	1,003,571	185,993
Ending balance	₩ 3,725,456	2,721,885

(iii) Changes in unappropriated retained earnings for the years ended December 31, 2024 and 2023 are as follows:

	2024	2023
Beginning balance	₩ 8,160,463	3,741,969
Profit attributable to owners of the parent for the year	2,119,100	4,024,218
Contribution to legal reserve	(1,003,571)	(185,993)
Dividends	(878,125)	(164,743)
Reclassification of valuation gain or loss on equity securities measured at FVOCI	906,229	777,767
Transfer from regulatory reserve for credit losses	144,643	18,231
Others	192,330	(50,986)
Ending balance	₩ 9,641,069	8,160,463

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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, 2024 and 2023 are as follows:

		December 31, 2024	December 31, 2023
Beginning balance	₩	109,931	254,574
Planned provision for (reversal of) regulatory reserve for credit losses		12,290	(144,643)
Ending balance	₩	122,221	109,931

(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, 2024 and 2023 are as follows:

		2024	2023
Profit for the year	₩	2,146,709	3,996,746
Obligated amount of reversal of (provision for) regulatory reserve for loan losses		(12,290)	144,644
Profit after adjusting regulatory reserve for loan losses	₩	2,134,419	4,141,390
Earnings per share after adjusting regulatory reserve for loan losses (in won)	₩	416	877

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26. Net Interest Income

Net interest income for the years ended December 31, 2024 and 2023 are as follows:

		2024	2023
Interest income:			
Due from banks	₩	338,274	375,711
Securities measured at FVTPL		159,561	120,696
Securities measured at FVOCI		1,245,314	1,151,454
Securities measured at amortized cost		428,670	354,907
Loans measured at FVTPL		15,134	12,743
Loans measured at amortized cost		11,368,851	10,816,324
		13,555,804	12,831,835
Interest expense:			
Financial liabilities measured at FVTPL		(111,053)	(86,275)
Deposits		(2,474,791)	(2,328,605)
Borrowings		(1,852,065)	(1,702,423)
Debentures		(7,099,873)	(6,278,914)
		(11,537,782)	(10,396,217)
	₩	2,018,022	2,435,618

27. Net Fees and Commission Income

Net fees and commission income for the years ended December 31, 2024 and 2023 are as follows:

		2024	2023
Fees and commission income:			
Loan commissions	₩	158,555	148,958
Underwriting and investment consulting commissions		139,147	99,202
Brokerage and agency commissions		8,868	8,913
Trust and retirement pension plan commissions		37,995	39,059
Fees on asset management		2,519	8,403
Other fees		258,576	205,874
		605,660	510,409
Fees and commission expenses:			
Brokerage and agency fees		(15,244)	(14,051)
Other fees		(67,858)	(49,156)
		(83,102)	(63,207)
	₩	522,558	447,202

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28. Dividend Income

Dividend income for the years ended December 31, 2024 and 2023 are as follows:

		2024	2023
Securities measured at FVTPL	₩	322,308	185,939
Securities measured at FVOCI		127,526	130,078
	₩	449,834	316,017

29. Net Gain on Securities Measured at FVTPL

Net gain related to securities measured at FVTPL for the years ended December 31, 2024 and 2023 are as follows:

		2024	2023
Gains on securities measured at FVTPL:			
Gains on redemption	₩	20,082	14,389
Gains on sale		393,237	225,538
Gains on valuation		1,099,784	980,935
		1,513,103	1,220,862
Losses on securities measured at FVTPL:			
Losses on redemption		(203)	(4)
Losses on sale		(160,188)	(152,580)
Losses on valuation		(592,657)	(324,898)
Purchase related expense		(7)	(18)
		(753,055)	(477,500)
	₩	760,048	743,362

30. Net Loss on Financial Liabilities Measured at FVTPL

Net loss related to financial liabilities measured at FVTPL for the years ended December 31, 2024 and 2023 are as follows:

		2024	2023
Gains on financial liabilities measured at FVTPL:			
Gains on valuation	₩	61,852	7,049
Losses on financial liabilities measured at FVTPL:			
Losses on redemption		(704)	(697)
Losses on valuation		(112,195)	(154,456)
		(112,899)	(155,153)
	₩	(51,047)	(148,104)

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31. Net Gain (Loss) on Securities Measured at FVOCI

Net gain (loss) related to securities measured at FVOCI for the years ended December 31, 2024 and 2023 are as follows:

		2024	2023
Gains on securities measured at FVOCI:			
Gains on redemption	₩	2,367	1,309
Gains on sale		43,138	9,863
Reversal of impairment losses		6,614	710
		52,119	11,882
Losses on securities measured at FVOCI:			
Losses on sale		(42,675)	(19,376)
Impairment losses		(5,189)	(5,363)
		(47,864)	(24,739)
	₩	4,255	(12,857)

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, 2024 and 2023 are as follows:

		2024	2023
Gains on securities measured at amortized cost:			
Gains on redemption	₩	-	1
Gains on sale		25	-
Reversal of impairment losses		4,154	428
		4,179	429
Losses on securities measured at amortized cost:			
Losses on sale		(3)	-
Impairment losses		(688)	(9,216)
		(691)	(9,216)
	₩	3,488	(8,787)

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33. Net Loss on Derivatives

Net loss on derivatives for the years ended December 31, 2024 and 2023 are as follows:

	2024	2023
Net gain on trading purpose derivatives:		
Gains on trading purpose derivatives:		
Interest rate	₩ 4,530,039	4,682,575
Currency	19,843,953	12,378,870
Stock	1,657	31,563
Gains on adjustment of derivatives	4,514	65,222
	24,380,163	17,158,230
Losses on trading purpose derivatives:		
Interest rate	(4,507,375)	(4,622,607)
Currency	(19,326,753)	(12,222,444)
Stock	(23,933)	(33,143)
Losses on adjustment of derivatives	(10,610)	(100,288)
	(23,868,671)	(16,978,482)
	511,492	179,748
Net gain (loss) on hedging purpose derivatives:		
Gains on hedging purpose derivatives:		
Interest rate	464,675	893,974
Currency	202,880	843,703
Commodity	2,597	-
Gains on adjustment of derivatives	277	109
	670,429	1,737,786
Losses on hedging purpose derivatives:		
Interest rate	(146,233)	(145,559)
Currency	(1,338,152)	(853,706)
Commodity	(1,333)	-
Losses on adjustment of derivatives	(422)	(653)
	(1,486,140)	(999,918)
	(815,711)	737,868
Net loss on fair value hedged items:		
Gains on fair value hedged items:		
Gains on valuation	573,756	155,743
Gains on redemption	227,081	199,661
	800,837	355,404
Losses on fair value hedged items:		
Losses on valuation	(1,238,893)	(1,365,295)
Losses on redemption	(377,021)	(403,310)
	(1,615,914)	(1,768,605)
	(815,077)	(1,413,201)
₩	(1,119,296)	(495,585)

Related with cash flow hedge, the Group recognized ₩93 million of gain and ₩401 million of loss in the consolidated statement of comprehensive income as the ineffective portion for the years ended December 31, 2024 and 2023, respectively.

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34. Net Foreign Currency Transaction Gain

Net foreign currency transaction gain for the years ended December 31, 2024 and 2023 are as follows:

	2024	2023
Net gain on foreign exchange transactions:		
Gains on foreign exchange transactions	₩ 803,136	994,230
Losses on foreign exchange transactions	(771,402)	(991,845)
	31,734	2,385
Net gain on foreign exchange translations:		
Gains on foreign exchange translations	28,404,777	8,908,755
Losses on foreign exchange translations	(27,308,351)	(8,480,009)
	1,096,426	428,746
₩	1,128,160	431,131

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35. Other Operating Expense, net

Other operating income (expense) for the years ended December 31, 2024 and 2023 are as follows:

	2024	2023
Other operating income:		
Insurance income (*)	₩ 620,335	584,281
Gains on sale of investments in associates	9,845	253,037
Gains on sale of loans	57,786	33,118
Gains on disposal of loans measured at FVTPL	4,126	8,312
Gains on valuation of loans measured at FVTPL	2,534	7,381
Gains on demand equity redemption	37,563	49,360
Reversal of provisions	420	960
Gains on redemption of debentures	-	2
Others	976,637	390,678
	1,709,246	1,327,129
Other operating expense:		
Insurance losses (*)	(1,140,619)	(1,226,192)
Losses on sale of investments in associates	(61,795)	(518,952)
Losses on sale of loans	(66,723)	(17,370)
Losses on disposal of loans measured at FVTPL	(6,796)	(5,332)
Losses on valuation of loans measured at FVTPL	(26,639)	(16,294)
Losses on demand equity redemption	(176,135)	(86,011)
Increase of provisions	(21,543)	(138)
Losses on redemption of debentures	(641)	(537)
Others	(913,716)	(420,702)
	(2,414,607)	(2,291,528)
₩	(705,361)	(964,399)

(*) Insurance finance income or expenses were included. (Note 21)

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36. Provision for (Reversal of) Credit Losses

Provision for (reversal of) credit losses for the years ended December 31, 2024 and 2023 are as follows:

	2024	2023
Provision for loss allowance	₩ 53,909	445,558
Provision for other manufacturing-related assets	287	907
Provision for (reversal of) other assets	(3,997)	3,246
Provision for (reversal of) due from banks	(93)	70
Reversal of payment guarantees	(210,334)	(218,924)
Provision for (reversal of) unused commitments	(65,757)	58,059
Provision for (reversal of) financial guarantees	(43,053)	7,839
₩	(269,038)	296,755

37. General and Administrative Expenses

General and administrative expenses for the years ended December 31, 2024 and 2023 are as follows:

	2024	2023
Payroll costs:		
Short-term employee benefits	₩ 503,356	474,870
Long-term employee benefits	85	-
Defined benefit costs	28,792	25,203
Defined contribution costs	8,724	8,622
	540,957	508,695
Depreciation and amortization:		
Depreciation of property and equipment	90,945	83,994
Amortization of intangible assets	67,778	64,966
	158,723	148,960
Other:		
Employee welfare benefits	53,504	46,949
Rent expenses	6,777	7,294
Taxes and dues	46,527	42,411
Advertising expenses	20,741	18,999
Others	244,825	200,772
	372,374	316,425
₩	1,072,054	974,080

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38. Other Non-Operating Income and Expense

Other non-operating income and expense for the years ended December 31, 2024 and 2023 are as follows:

	2024	2023
Other non-operating income:		
Interest income of non-financial business	₩ 714	429
Gain on disposal of property and equipment	908	5,730
Reversal of impairment loss of property and equipment	167	-
Gain on disposal of investment property	-	232
Rental income on investment property	10,005	9,131
Gain on disposal of intangible assets	166	121
Reversal of impairment loss of intangible assets	5	-
Others	18,568	10,267
	30,533	25,910
Other non-operating expense:		
Interest expense of non-financial business	(105)	(22)
Loss on disposal of property and equipment	(1,926)	(6,591)
Impairment loss of property and equipment	(1,213)	-
Depreciation of investment property	(4,782)	(4,507)
Loss on disposal of intangible assets	(311)	-
Impairment loss of intangible assets	(185)	(12)
Donations	(19,630)	(8,685)
Others	(24,281)	(28,436)
	(52,433)	(48,253)
₩	(21,900)	(22,343)

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39. Income Tax Expenses (Benefits)

(1) Income tax expenses (benefits) for the years ended December 31, 2024 and 2023 are as follows:

	2024	2023
Current income tax	₩ 406,452	479,284
Changes in deferred income taxes on temporary differences	358,940	(834,896)
Income tax recognized directly to equity:		
Other comprehensive income (owners of the parent)	158,320	100,463
Other comprehensive income (non-controlling interests)	(73)	(61)
Retained earnings (including non-controlling interests)	(397,717)	(254,586)
Income tax expenses (benefits):	₩ 525,922	(509,796)
Continuing operations	₩ 525,922	(510,293)
Discontinued operations	-	497

(2) Profit before income taxes and income tax expenses (benefits) for the years ended December 31, 2024 and 2023 are as follows:

	2024	2023
Profit before income taxes	₩ 2,672,631	1,158,335
Income taxes calculated using enacted tax rates	765,671	945,065
Adjustments:		
Non-deductible losses and tax-free gains	(31,825)	(25,370)
Non-recognition effect of deferred income taxes	(192,802)	(148,260)
Net adjustments for prior years	(64,458)	9,691
Consolidation adjustments	(26,256)	(1,232,298)
Others	75,592	(59,121)
	(239,749)	(1,455,358)
Income tax expenses (benefits)	₩ 525,922	(510,293)
Effective tax rate (*)	19.68	-

(*) The Group did not calculate the average effective tax ratio because the Group has net loss for 2024 and 2023.

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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, 2024 and 2023 are as follows:

		2024				Changes in tax effect
		December 31, 2024		January 1, 2024		
		Amounts before tax	Tax effect	Amounts before tax	Tax effect	
Net gain (loss) on securities measured at FVOCI	₩	496,673	(112,472)	1,634,138	(411,511)	299,039
Share of other comprehensive income (loss) of associates		2,623,821	(554,177)	1,431,251	(230,396)	(323,781)
Exchange differences on translation of foreign operations		516,581	(30,076)	63,157	28,775	(58,851)
Gain (loss) on valuation of cash flow hedge		5,832	(1,837)	9,491	(2,803)	966
Net gain (loss) on hedges of net investments in foreign operations		(283,996)	74,975	(117,276)	30,961	44,014
Remeasurements of defined benefit liabilities		74,883	(17,837)	107,167	(26,719)	8,882
Fair value changes on financial liabilities designated at fair value due to credit risk		78,613	(20,754)	99,151	(26,176)	5,422
Others		(121,678)	34,546	570,099	(148,083)	182,629
	₩	3,390,729	(627,632)	3,797,178	(785,952)	158,320

₩397,717 million of income tax benefits which is directly recognized in retained earnings consist of tax effects from ₩1,506,504 million of realized gain on disposal of equity securities measured at FVOCI.

		2023				
		December 31, 2023		January 1, 2023 (*)		
		Amounts before tax	Tax effect	Amounts before tax	Tax effect	Changes in tax effect
Net gain (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.

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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, 2024 and 2023 are as follows:

		2024			
		January 1, 2024	Increase/ decrease	December 31, 2024	Deferred tax assets (liabilities)
Temporary differences from recognized deferred tax assets and liabilities:					
Derivatives	₩	(291,269)	(285,467)	(576,736)	(152,325)
Investments in associates		(8,359,723)	(2,095,739)	(10,455,462)	(3,147,911)
Securities measured at FVOCI		(146,066)	(520)	(146,586)	108
Impairment losses on debt securities		65,933	-	65,933	17,406
Impairment losses on equity securities		77,077	2,902	79,979	19,031
Others		1,378,157	(215,334)	1,162,823	117,994
		(7,275,891)	(2,594,158)	(9,870,049)	(3,145,697)
Temporary differences from unrecognized deferred tax assets and liabilities:					
Investments in associates		2,253,148	(983,481)	1,269,667	-
	₩	(9,529,039)	(1,610,677)	(11,139,716)	(3,145,697)
Undisposed accumulated deficit by deferred corporate taxes:					
Undisposed accumulated deficit	₩	-	-	-	-

		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)	3,853,274	674,161	42,987
		(10,066,773)	2,086,886	(7,979,887)	(2,786,757)
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)	(2,786,757)
Undisposed accumulated deficit by deferred corporate taxes:					
Undisposed accumulated deficit	₩	591,011	(591,011)	-	-

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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.

(6) Global Minimum Corporate Tax Act

The Group applies the temporary exception under Korean IFRS No. 1012 Income Taxes and does not recognize deferred tax assets or liabilities related to the Pillar 2 legislation, nor does it disclose information related to deferred taxes.

Under the legislation, the parent company is required to pay, in Republic of Korea, top-up tax on profits of its subsidiaries that are taxed at an effective tax rate of less than 15 percent. However, since most jurisdictions either qualify for the transitional relief provisions or already have an effective tax rate of 15% or higher, it is anticipated that no significant additional taxes will arise. As a result, the Group has not recognized any amount related to the Global Minimum Corporate Tax Act in its current period income tax expense. The estimated annual effective tax rate is subject to change due to various factors, including tax incentives received by subsidiaries and adjustments to accounting profit or loss for the calculation of GloBE income as required under applicable laws in subsequent periods. Accordingly, the current tax expense related to Pillar 2 is exposed to estimation uncertainty.

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40. Earnings per Share

(1) Basic earnings per share
The Group's basic earnings per share for the years ended December 31, 2024 and 2023 are computed as follows:

(i) Basic earnings per share

		2024	2023
Profit for the year (in won)	₩	2,146,708,756,555	3,996,746,640,177
Profit (loss) attributable to non-controlling interests (in won)		27,608,833,446	(27,472,154,700)
Profit attributable to ordinary shareholders of the Group (A) (in won)		2,119,099,923,109	4,024,218,794,877
Profit from continuing operations (in won)		2,119,099,923,109	1,642,733,284,533
Profit from discontinued operations (in won)		-	2,381,485,510,344
Weighted-average number of ordinary shares outstanding (B)		5,129,882,260	4,720,569,302
Basic earnings per share (A/B) (in won)	₩	413	852
Basic earnings per share - continuing operations (in won)	₩	413	348
Basic earnings per share - discontinued operations (in won)		-	504

(ii) Weighted-average number of ordinary shares outstanding

	2024		
	Number of ordinary shares	Days	Cumulative shares
Number of ordinary shares outstanding at the beginning of the year (A)	4,785,311,768	366	1,751,424,107,088
Increased paid-in capital (B)	400,000,000	278	111,200,000,000
Increased paid-in capital (C)	16,800,000	246	4,132,800,000
Increased paid-in capital (D)	24,200,000	210	5,082,000,000
Increased paid-in capital (E)	37,000,000	154	5,698,000,000
Cumulative shares (F = A+B+C+D+E)			1,877,536,907,088
Weighted-average number of ordinary shares outstanding (F/366)			5,129,882,260
	2023		
	Number of ordinary shares	Days	Cumulative shares
Number of ordinary shares outstanding at the beginning of the year (A)	4,630,311,768	365	1,690,063,795,320
Increased paid-in capital (B)	87,000,000	276	24,012,000,000
Increased paid-in capital (C)	24,000,000	220	5,280,000,000
Increased paid-in capital (D)	44,000,000	83	3,652,000,000
Cumulative shares (E = A+B+C+D)			1,723,007,795,320
Weighted-average number of ordinary shares outstanding (E/365)			4,720,569,302

(2) Diluted earnings per share
Diluted and basic earnings per share for the years ended December 31, 2024 and 2023 are equal because there is no potential dilutive instrument.

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41. Pledged Assets

Assets pledged by the Group as collateral as of December 31, 2024 and 2023 are as follows:

	December 31, 2024		December 31, 2023	
	Pledged assets	Related liabilities	Pledged assets	Related liabilities
Cash and due from banks (*1)	₩ -	-	6,444	5,850
Securities (*2)	5,551,206	331,007	19,300,442	448,961
Others (*3)	12,738	-	8,090	7,923
	₩ 5,563,944	331,007	19,314,976	462,734

(*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, 2024 and 2023 are as follows:

	December 31, 2024	December 31, 2023
Confirmed acceptances and guarantees:		
Acceptances in foreign currency	₩ 213,116	184,769
Guarantees for bond issuance	2,618,645	2,214,687
Guarantees for loans	468,067	537,699
Letter of guarantee	42,741	35,858
Guarantees for on-lending debt	1,440	2,821
Others	8,451,124	7,702,703
	11,795,133	10,678,537
Unconfirmed acceptances and guarantees:		
Letter of credit	2,058,033	2,261,318
Others	4,992,307	5,349,455
	7,050,340	7,610,773
Commitments:		
Commitments on loans	55,719,449	53,883,761
Securities Purchase Agreement	24,495	25,788
Commitments on purchase of securities	11,750,369	2,762,397
	67,494,313	56,671,946
	₩ 86,339,786	74,961,256

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43. Leases

(1) Finance lease

Details of finance lease receivables of the Group as lessor as of December 31, 2024 and 2023 are as follows:

	December 31, 2024		
	Finance lease receivables in Korean won	Finance lease receivables in foreign currency	Total
Within 1 year	₩ 590,259	170,739	760,998
Over 1 year through 5 years	1,955,498	228,739	2,184,237
Over 5 years	187	-	187
Gross investment in the lease	2,545,944	399,478	2,945,422
Unearned finance income	(324,707)	(39,946)	(364,653)
Net investment in the lease (*)	₩ 2,221,237	359,532	2,580,769
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, 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.

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43. Leases, Continued

(2) Operating lease
Future minimum lease receivables under non-cancellable operating leases as of December 31, 2024 and 2023 are as follows:

		December 31, 2024	December 31, 2023
Within 1 year	₩	3,895	4,537
Over 1 year through 5 years		4,095	2,747
	₩	7,990	7,284
Contingent rent recognized in the current loss	₩	-	-

(3) Cancellable lease
Cancellable lease as of December 31, 2024 and 2023 are as follows:

		December 31, 2024	December 31, 2023
Cancellable financial lease	₩	5,351	4,175
Allowance for credit losses		(3,787)	(3,072)
	₩	1,564	1,103

(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, 2024 and 2023 are as follows:

		December 31, 2024	December 31, 2023
Advanced payment for leased assets	₩	16,600	9,753
Allowance for credit losses		-	-
	₩	16,600	9,753

(5) Leasehold deposits
The Group withholds collateral money received from the lessees as of December 31, 2024 and 2023 are as follows:

		December 31, 2024	December 31, 2023
Leasehold deposits	₩	623,916	577,516

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44. Trust Accounts

(1) Trust accounts as of December 31, 2024 and 2023 are as follows:

		December 31, 2024	December 31, 2023
Accrued trust fees	₩	10,287	15,870
Borrowings from trust accounts		853,510	801,266
Accrued interest on deposits		3,269	2,257

(2) Transactions with trust accounts for the years ended December 31, 2024 and 2023 are as follows:

		2024	2023
Fees on trust accounts	₩	34,519	33,295
Interest expenses of borrowings from trust accounts		52,506	51,946

45. Related Party Transactions

(1) The Group’s related parties as of December 31, 2024 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, TAEYOUNG ENGINEERING & CONSTRUCTION and 16 others, Keistone Value Investment 2nd Private Equity Fund and 99 others, Hana K-New Deal Unicorn Fund and 117 others
Others	Key management personnel

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45. Related Party Transactions, Continued

(2) Significant outstanding balances with related parties as of December 31, 2024 and 2023 are as follows:

	Account	December 31, 2024	December 31, 2023
Associates:			
Korea Electric Power Co., Ltd.	Securities	₩ 192,138	168,701
	Loans	335,939	328,097
	Allowances for loan losses	(903)	(1,082)
	Derivative financial assets	2,350	84,826
	Other assets	5,152	5,783
	Deposits	116,622	371,020
	Borrowings	1,454	1,801
	Derivative financial liabilities	650,949	160,304
	Other liabilities	51,157	46,449
	Other provisions	157	85
HMM Co., Ltd.	Securities	1,269,495	3,286,533
	Loans	84,977	123,682
	Allowances for loan losses	(572)	(775)
	Other assets	2,272	4,280
	Deposits	883,000	258,880
	Other liabilities	30,038	17,292
HANJIN KAL	Loans	428,891	447,774
	Allowances for loan losses	(2,636)	(3,142)
	Other assets	529	526
	Deposits	2,000	2,000
	Other liabilities	344	333
Korean Air Lines Co., Ltd.	Securities	-	64,154
	Loans	2,425,714	1,482,916
	Allowances for loan losses	(27,726)	(4,831)
	Derivative financial assets	10,235	8,790
	Other assets	8,880	13,743
	Deposits	2,106,944	1,605,661
	Derivative financial liabilities	154,167	81,256
	Other liabilities	67,252	47,542
	Other provisions	5,493	561
Korea Ocean Business Corporation	Securities	62,304	55,020
	Other assets	481	401
	Deposits	-	25,000
	Other liabilities	203	713
Hanwha Ocean Co., Ltd.	Securities	64	64
	Loans	2,838,142	1,468,780
	Allowances for loan losses	(90,160)	(146,570)
	Derivative financial assets	339,872	328,988
	Other assets	9,141	8,443
	Deposits	9,807	156,336
	Other liabilities	13,865	11,968
	Other provisions	138,484	417,443

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45. Related Party Transactions, Continued

	Account	December 31, 2024	December 31, 2023
Associates:			
TAEYOUNG ENGINEERING & CONSTRUCTION	Loans	179,000	-
	Allowances for loan losses	(17,856)	-
	Deposits	57,505	-
	Other liabilities	728	-
	Other provisions	40,336	-
Others	Securities	17,353	26,345
	Loans	418,933	218,912
	Allowances for loan losses	(18,853)	(546)
	Derivative financial assets	8,677	19
	Other assets	8,138	8,068
	Deposits	478,254	397,953
	Derivative financial liabilities	-	1,174
	Other liabilities	3,196	2,671
	Other provisions	40,441	46

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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, 2024 and 2023 are as follows:

	Account	2024	2023
Associates: Korea Electric Power Co., Ltd.	Interest income	₩ 25,125	24,512
	Reversal of allowance for loan losses	179	-
	Fees and commission income, other income	77,973	121,605
	Interest expenses	(9,786)	(11,360)
	Provision for loan losses	-	(1,082)
	Other operating expenses	(682,464)	(221,506)
	Interest income	22,084	38,998
	Dividend income	140,840	121,439
	Reversal of allowance for loan losses	203	-
	Fees and commission income, other income	3,274	1,916
HMM Co., Ltd.	Interest expenses	(16,846)	(44,123)
	Provision for loan losses	-	(775)
	Other operating expenses	(89,348)	(69,013)
	Interest income	11,626	11,735
	Dividend income	2,119	1,201
	Reversal of allowance for loan losses	507	-
	Fees and commission income, other income	30	30
	Interest expenses	(109)	(841)
	Provision for loan losses	-	(3,142)
	Other operating expenses	(18,883)	(5,671)
HANJIN KAL	Interest income	198,210	72,984
	Dividend income	9,180	9,180
	Reversal of allowance for loan losses	6,508	-
	Fees and commission income, other income	104,844	89,082
	Interest expenses	(105,080)	(66,766)
	Provision for loan losses	-	(4,831)
	Other operating expenses	(308,689)	(119,041)
	Interest income	3,166	1,695
	Fees and commission income, other income	464	2
	Interest expenses	(222)	(524)
Korean Air Lines Co., Ltd.	Other operating expenses	(1,016)	(1,086)
	Interest income	100,644	117,836
	Reversal of allowance for loan losses	56,410	-
	Fees and commission income, other income	868,116	462,472
	Interest expenses	(9,322)	(6,391)
	Provision for loan losses	-	(146,570)
	Other operating expenses	(77,827)	(481,806)
	Interest income		
	Dividend income		
	Reversal of allowance for loan losses		
Korea Ocean Business Corporation	Interest income		
	Dividend income		
	Reversal of allowance for loan losses		
	Fees and commission income, other income		
	Interest expenses		
	Provision for loan losses		
	Other operating expenses		
	Interest income		
	Dividend income		
	Reversal of allowance for loan losses		
Hanwha Ocean Co., Ltd.	Interest income		
	Dividend income		
	Reversal of allowance for loan losses		
	Fees and commission income, other income		
	Interest expenses		
	Provision for loan losses		
	Other operating expenses		
	Interest income		
	Dividend income		
	Reversal of allowance for loan losses		

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45. Related Party Transactions, Continued

	Account	2024	2023
Associates: TAEYOUNG ENGINEERING & CONSTRUCTION	Interest income	₩ 10,320	-
	Reversal of allowance for loan losses	98,818	-
	Interest expenses	(374)	-
	Other operating expenses	(40,337)	-
	Interest income	18,285	8,983
	Dividend income	290,838	260,290
	Reversal of allowance for loan losses	116,677	-
	Fees and commission income, other income	21,422	7,315
	Interest expenses	(8,787)	(8,135)
	Provision for loan losses	(18,351)	(546)
Others	Other operating expenses	(48,701)	(2,465)
	Interest income		
	Dividend income		
	Reversal of allowance for loan losses		
	Fees and commission income, other income		
	Interest expenses		
	Provision for loan losses		
	Other operating expenses		
	Interest income		
	Dividend income		

(4) Details of guarantees and commitments to the related parties as of December 31, 2024 and 2023 are as follows:

	Account	December 31, 2024	December 31, 2023
Associates: Korean Air Lines Co., Ltd.	Confirmed acceptances and guarantees	₩ 227,666	172,957
	Loan commitments	454,224	30,000
	Confirmed acceptances and guarantees	3,729,088	3,529,955
	Unconfirmed acceptances and guarantees	2,583,277	2,150,165
	Loan commitments	1,779,609	1,836,929
	Loan commitments	403,113	377,891
		₩ 9,176,977	8,097,897
Hanwha Ocean Co., Ltd.	Confirmed acceptances and guarantees		
	Loan commitments		
	Confirmed acceptances and guarantees		
	Unconfirmed acceptances and guarantees		
	Loan commitments		
	Loan commitments		
Others	Confirmed acceptances and guarantees		
	Loan commitments		
	Confirmed acceptances and guarantees		
	Unconfirmed acceptances and guarantees		
	Loan commitments		
	Loan commitments		

(5) Details of compensation to key management personnel for the years ended December 31, 2024 and 2023 are as follows:

	2024	2023
Short-term employee benefits	₩ 4,385	4,853
Post-employment benefits	295	387
	₩ 4,680	5,240

(6) The Group is not pledged any assets as collaterals to the related parties and from the related parties as of December 31, 2024 and 2023.

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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, 2024 and 2023 are as follows:

	December 31, 2024	December 31, 2023
Associates:		
Corporate Liquidity Assistance Agency Co.,Ltd. (*) ₩	560,000	560,000
Sinoker SF 4th Co., Ltd. (*)	-	45,000
SPKDB 1ST INC.	19,500	19,500
K-Five 10th Securitization Specialty Co., Ltd. (*)	20,000	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	121,000
KDB ESG 5TH INC. (*)	126,500	146,500
KDB ESG 6TH INC. (*)	105,000	105,000
KDB ESG 7TH INC. (*)	49,500	49,500
PROPERTY KDB 1ST INC. (*)	30,000	30,000
ENMKDB 1ST INC. (*)	50,000	50,000
KDB CUTTING-EDGE STRATEGY ESG 8TH INC.	206,900	-
KDB Advanced Strategy ESG Jegucha Co.,Ltd. (*)	252,600	-
Payletter KDB 1st Inc. (*)	30,000	-
₩	1,571,000	1,598,300

(*) 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, 2024 and 2023 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, 2024 and 2023 are as follows:

		December 31, 2024					
		Investment funds and investment trusts	Real estate finance	Asset-backed securitization	Shipping and acquisition finance	Others	Total
Assets:							
Securities ₩		13,040,699	258,441	19,410	12,192	375	13,331,117
Loans		1,461,337	8,357,246	825,851	2,276,908	3,891,426	16,812,768
Derivatives		10,185	-	10,510	81	-	20,776
Others		10,620	71,218	1,147	4,055	22,271	109,311
		14,522,841	8,686,905	856,918	2,293,236	3,914,072	30,273,972
Liabilities:							
Provisions		262	3,457	89	355	10,480	14,643
Financial guarantees		-	-	551	-	-	551
Derivatives		23,305	372	4,912	-	56,796	85,385
Others		23,394	8,151	3	362	738	32,648
		46,961	11,980	5,555	717	68,014	133,227
Granting of credit and other commitments		175,836	1,039,165	114,000	75,508	1,136,427	2,540,936
Maximum exposure to loss (*) ₩		14,698,677	9,726,070	970,918	2,368,744	5,050,499	32,814,908

(*) 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, 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.

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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, 2024 and 2023 are as follows:

	December 31, 2024	December 31, 2023
Cash and due from banks:		
Cash and foreign currencies	₩ 736,430	629,829
Due from banks in Korean won	2,398,614	2,501,913
Due from banks in foreign currencies / off-shores	9,634,894	5,174,640
	12,769,938	8,306,382
Less: Restricted due from banks, others	(961,537)	(1,461,228)
Add: Financial instruments reaching maturity within three months from date of acquisition		
Securities measured at FVTPL		
Government and public bonds	-	162,256
Loans measured at amortized cost:		
Call loans	2,802,236	4,547,212
Inter-bank loans	1,438,815	1,045,846
	4,241,051	5,755,314
Cash and cash equivalents	₩ 16,049,452	12,600,468

(2) Significant transactions not involving cash flows for the years ended December 31, 2024 and 2023 are as follows:

	2024	2023
Decrease in loans due to write-offs	₩ 51,004	224,537
Increase in securities measured at FVOCI due to debt-to-equity swap and others	41,568	34,030
Increase in securities measured at FVOCI due to in-kind equity	1,999,780	432,137
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	1,751,219	1,497,000
Decrease in accumulated other comprehensive income due to securities valuation	(1,137,465)	(352,401)
Transfer from investments in associates to securities measured at FVTPL	-	4,800
Transfer from property and equipment to investment property	(4,523)	(3,153)
Recognition of right-of-use assets and lease liabilities	46,633	49,040

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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, 2024 and 2023 are as follows:

		December 31, 2024		December 31, 2023	
Characteristics of transactions		Carrying amounts for transferred assets	Carrying amounts for related liabilities	Carrying amounts for transferred assets	Carrying amounts for related liabilities
Repurchase agreements	₩	520,000	47,181	1,447,767	30,095
Loaned securities		40,409	175,036	39,341	-
	₩	560,409	222,217	1,487,108	30,095

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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, 2024 and 2023 are as follows:

		December 31, 2024			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Securities measured at FVTPL	₩	3,690,892	1,820,313	21,361,137	26,872,342
Securities measured at FVOCI		5,763,741	23,611,172	14,482,019	43,856,932
Loans measured at FVTPL		-	-	419,773	419,773
Derivative financial assets		-	13,832,999	46,683	13,879,682
	₩	9,454,633	39,264,484	36,309,612	85,028,729
Financial liabilities:					
Financial liabilities designated at FVTPL	₩	-	2,389,246	-	2,389,246
Derivative financial liabilities		-	15,044,324	20,509	15,064,833
	₩	-	17,433,570	20,509	17,454,079
		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

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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, 2024 and 2023 are as follows:

		2024						
		January 1, 2024	Profit or loss	Other comprehensive income (loss)	Acquisition / Issue	Sale / Settlement	Transfer out (*)	December 31, 2024
Financial assets:								
Securities measured at FVTPL	₩	19,539,289	504,396	-	2,004,424	(1,063,657)	(269,793)	21,361,137
Securities measured at FVOCI		14,899,336	-	(39,169)	2,322,234	(100,283)	(2,608,180)	14,482,019
Loans measured at FVTPL		488,432	(24,106)	-	7,000	(52,149)	-	419,773
Derivatives financial assets		592	49,393	-	-	(314)	-	46,683
	₩	34,927,649	529,683	(39,169)	4,333,658	(1,216,403)	(2,877,973)	36,309,612
Financial liabilities:								
Derivatives financial liabilities	₩	43,717	(23,208)	-	-	-	-	20,509

(*) When significant inputs become observable market data, the financial instruments are transferred to (from) other levels.

		2023						
		January 1, 2023	Profit or loss	Other comprehensive 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

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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, 2024 and 2023 are as follows:

		2024	2023
Beginning balance	₩	3,219	3,604
Amortization		(390)	(385)
Ending balance	₩	2,829	3,219

(iv) Details of valuation technique and inputs used in the fair value measurement categorized within level 2 of the fair value hierarchy of financial instruments measured at fair value as of December 31, 2024 and 2023 are as follows:

	Valuation technique	Input
Securities measured at FVTPL:		
Equity securities	Net asset value approach	Underlying asset price
Debt securities	Discounted cash flow method	Discount rate
Securities measured at FVOCI:		
Equity securities	Net asset value approach	Underlying asset price
Debt securities	Discounted cash flow method	Discount rate
Derivatives financial assets:		
Interest rate swaps	Discounted cash flow method,	Discount rate, Exchange rate,
Currency forwards and swaps	Black-Scholes model,	Volatility, Commodity index,
Currency options	Modified Black model,	etc.
Commodities options	Formula model	
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, 2024 and 2023 are as follows:

		December 31, 2024		
		Valuation technique	Unobservable input	Range (%)
Securities measured at FVTPL:				
Equity securities	Discounted cash flow method, Relative value approach, Net asset value approach	Discount rate		4.87 ~ 10.32
		Rate of increase in liquidation value		-
		Rate of increase in property disposal price		-
		Volatility		18.36 ~ 56.61
Securities measured at FVOCI:				
	Discounted cash flow method, Relative value approach, Net asset value approach	Growth rate		-
Equity securities		Discount rate		6.01 ~ 16.03
		Volatility		29.90 ~ 32.22
		Interest rate volatility		0.47 ~ 0.73
Loans measured at FVTPL				
Convertible bonds, etc.	LSCM, Binomial model	Volatility		18.76 ~ 35.92
Derivatives financial assets:				
Interest rate swaps	Hull-White Two-Factor model	Volatility		0.68 ~ 0.85
		Correlation coefficient		(70) ~ 100
Stock index options	Discounted cash flow method, Relative value approach, Net asset value approach, Binomial Tree(T-F)	Volatility		25.71 ~ 26.97
		December 31, 2023		
		Valuation technique	Unobservable input	Range (%)
Securities measured at FVTPL:				
Equity securities	Discounted cash flow method, Relative value approach, Net asset value approach	Discount rate		7.04 ~ 17.00
		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	Growth rate		-
Equity securities		Discount rate		9.25 ~ 20.40
		Volatility		16.68 ~ 76.22
		Interest rate volatility		0.51 ~ 0.86
Loans measured at FVTPL				
Convertible bonds, etc.	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

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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, 2024 and 2023 are as follows:

		December 31, 2024			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and due from banks (*)	₩	11,808,402	961,536	-	12,769,938
Securities measured at amortized cost		3,492,235	6,939,833	-	10,432,068
Loans measured at amortized cost (*)		-	2,824,286	222,100,576	224,924,862
Other financial assets (*)		-	6,106,040	2,638,734	8,744,774
	₩	<u>15,300,637</u>	<u>16,831,695</u>	<u>224,739,310</u>	<u>256,871,642</u>
Financial liabilities:					
Deposits (*)	₩	-	2,519,586	64,570,286	67,089,872
Borrowings (*)		-	5,837,551	33,524,488	39,362,039
Debentures		-	175,411,228	-	175,411,228
Other financial liabilities (*)		-	4,427,433	6,123,359	10,550,792
	₩	<u>-</u>	<u>188,195,798</u>	<u>104,218,133</u>	<u>292,413,931</u>

(*) 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, 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
	₩	<u>10,686,256</u>	<u>22,092,064</u>	<u>211,968,654</u>	<u>244,746,974</u>
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
	₩	<u>-</u>	<u>178,029,257</u>	<u>100,286,677</u>	<u>278,315,934</u>

(*) 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, 2024 and 2023 are as follows:

		Valuation technique	Input
Level 2			
Financial assets:			
Securities measured at amortized cost		Discounted cash flow method	Discount rate
Financial liabilities:			
Debentures		Discounted cash flow method	Discount rate
Level 3			
Financial assets:			
Loans measured at amortized cost		Discounted cash flow method	Credit spread, Other spread, Prepayment rate
Other financial assets		Discounted cash flow method	Other spread
Financial liabilities:			
Deposits		Discounted cash flow method	Other spread
Borrowings		Discounted cash flow method	Other spread
Other financial liabilities		Discounted cash flow method	Other spread

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50. Categories of Financial Assets and Liabilities

Categories of financial assets and liabilities as of December 31, 2024 and 2023 are as follows:

		December 31, 2024						
		Cash and cash equivalents	Financial instruments measured at FVTPL	Financial instruments designated at FVTPL	Financial instruments measured at FVOCI	Financial instruments designated at FVOCI	Financial instruments measured at amortized cost	Hedging purpose derivative instruments
								Total
Financial assets:								
Cash and due from banks	₩	11,808,401	-	-	-	-	961,537	-
Securities measured at FVTPL		-	26,872,342	-	-	-	-	-
Securities measured at FVOCI		-	-	-	28,671,316	15,185,616	-	-
Securities measured at amortized cost		-	-	-	-	-	10,706,942	-
Loans measured at FVTPL		-	419,773	-	-	-	-	-
Loans measured at amortized cost		4,241,050	-	-	-	-	220,119,100	-
Derivative financial assets		-	13,591,519	-	-	-	-	288,163
Other financial assets		-	-	-	-	-	8,820,768	-
	₩	16,049,451	40,883,634	-	28,671,316	15,185,616	240,608,347	288,163
Financial liabilities:								
Financial liabilities measured at FVTPL	₩	-	-	2,389,246	-	-	-	-
Deposits		-	-	-	-	-	67,034,983	-
Borrowings		-	-	-	-	-	39,510,875	-
Debentures		-	-	-	-	-	172,444,643	-
Derivative financial liabilities		-	13,716,118	-	-	-	-	1,348,715
Other financial liabilities		-	-	-	-	-	10,451,521	-
	₩	-	13,716,118	2,389,246	-	-	289,442,022	1,348,715

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50. Categories of Financial Assets and Liabilities, Continued

		December 31, 2023						
		Cash and cash equivalents	Financial instruments measured at FVTPL	Financial instruments designated at FVTPL	Financial instruments measured at FVOCI	Financial instruments designated at FVOCI	Financial instruments measured at amortized cost	Hedging purpose derivative instruments
								Total
Financial assets:								
Cash and due from banks	₩	6,845,154	-	-	-	-	1,461,228	-
Securities measured at FVTPL		162,256	23,607,808	-	-	-	-	-
Securities measured at FVOCI		-	-	-	28,706,052	15,578,255	-	-
Securities measured at amortized cost		-	-	-	-	-	11,687,681	-
Loans measured at FVTPL		-	488,432	-	-	-	-	-
Loans measured at amortized cost		5,593,058	-	-	-	-	208,244,289	-
Derivative financial assets		-	6,806,149	-	-	-	-	576,769
Other financial assets		-	-	-	-	-	10,946,918	-
	₩	12,600,468	30,902,389	-	28,706,052	15,578,255	232,340,116	576,769
Financial liabilities:								
Financial liabilities measured at FVTPL	₩	-	-	1,920,061	-	-	-	-
Deposits		-	-	-	-	-	67,571,567	-
Borrowings		-	-	-	-	-	34,043,663	-
Debentures		-	-	-	-	-	163,205,745	-
Derivative financial liabilities		-	6,973,993	-	-	-	-	802,348
Other financial liabilities		-	-	-	-	-	12,394,114	-
	₩	-	6,973,993	1,920,061	-	-	277,215,089	802,348

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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, 2024 and 2023 are as follows:

December 31, 2024						
	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		Net amounts
				Financial instruments	Cash collateral received	
Derivative financial assets (*)	₩ 13,879,682	-	13,879,682	9,922,782	62,644	3,894,256
Unsettled spot exchange receivables (*)	4,172,135	-	4,172,135	4,171,639	-	496
Unsettled domestic exchange receivables	4,246,146	2,312,241	1,933,905	-	-	1,933,905
Security pledged as collateral for repurchase agreements	520,000	-	520,000	47,181	-	472,819
Reverse repurchase agreements	1,734,467	-	1,734,467	1,734,467	-	-
Loaned securities	40,409	-	40,409	40,409	-	-
Receivables from securities transaction	4,206	-	4,206	4,206	-	-
	₩ 24,597,045	2,312,241	22,284,804	15,920,684	62,644	6,301,476

December 31, 2024						
	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		Net amounts
				Financial instruments	Cash collateral pledged	
Derivative financial liabilities (*)	₩ 15,064,833	-	15,064,833	8,517,220	293,318	6,254,295
Unsettled spot exchange payables (*)	4,172,384	-	4,172,384	4,171,639	-	745
Unsettled domestic exchange payables	2,567,290	2,312,241	255,049	-	-	255,049
Repurchase agreements	47,181	-	47,181	47,181	-	-
Payables from securities transaction	16,102	-	16,102	16,102	-	-
	₩ 21,867,790	2,312,241	19,555,549	12,752,142	293,318	6,510,089

(*) 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, 2023						
	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		Net amounts
				Financial instruments	Cash collateral received	
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						
	Gross amounts of recognized financial liabilities	Gross amounts of 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		Net amounts
				Financial instruments	Cash collateral pledged	
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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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	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, 2024 and 2023 are as follows:

	2024								
	Bank industry								
	Corporate finance	Investment finance	Asset management	Others	Insurance	Overseas	Other subsidiaries	Adjustment	Total(*)
Operating income (loss) from external customers	₩ 5,935,112	946,442	41,950	(5,083,570)	(112,582)	55,973	424,320	-	2,207,645
Operating income (loss) from intersegment transactions	68,231	574,016	-	(188,063)	146,308	173,570	40,634	(814,696)	-
	₩ 6,003,343	1,520,458	41,950	(5,271,633)	33,726	229,543	464,954	(814,696)	2,207,645

(*) Profit from discontinued operations is not included.

	2023								
	Bank industry								
	Corporate finance	Investment finance	Asset management	Others	Insurance	Overseas	Other subsidiaries	Adjustment	Total(*)
Operating income (loss) from external customers	₩ 1,507,778	1,668,467	55,327	(2,183,571)	20,629	(11,629)	415,762	-	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)	-
	₩ 3,177,142	666,485	55,327	(902,099)	41,645	184,276	417,898	(2,167,911)	1,472,763

(*) 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, 2024 and 2023 are as follows:

	2024									
	Bank industry									
	Corporate finance	Investment finance	Asset management	Others	Insurance	Overseas	Other subsidiaries	Adjustment	Total(*)	
Net interest income (expense)	₩ 1,653,158	(592,763)	16,053	41,617	377,922	237,917	281,638	2,480	2,018,022	
Non-interest income (expense)										
Income (expense) related to securities (*1)	293,996	313,002	-	143,489	(93,536)	35,734	140,230	(58,366)	774,549	
Other non-interest income (expense)	4,350,033	1,952,285	35,170	(5,220,900)	(243,601)	26,133	152,104	(772,494)	278,730	
	4,644,029	2,265,287	35,170	(5,077,411)	(337,137)	61,867	292,334	(830,860)	1,053,279	
Provision for loan losses and others (*2)	237,772	(71,267)	-	(445)	1	(1,409)	30,061	13,685	208,398	
General and administrative expenses	(531,616)	(80,799)	(9,273)	(235,394)	(7,060)	(68,832)	(139,079)	(1)	(1,072,054)	
Operating income (loss)	₩ 6,003,343	1,520,458	41,950	(5,271,633)	33,726	229,543	464,954	(814,696)	2,207,645	

	2023									
	Bank industry									
	Corporate finance	Investment finance	Asset management	Others	Insurance	Overseas	Other subsidiaries	Adjustment	Total(*)	
Net interest income (expense)	₩ 2,075,842	(559,810)	17,914	27,572	361,549	234,924	308,791	(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	(16,477)	721,723	
Other non-interest income (expense)	959,020	684,331	44,568	(782,404)	(382,607)	7,435	103,530	(1,019,034)	(385,161)	
	966,600	1,002,280	44,568	(607,555)	(312,810)	32,769	246,221	(1,035,511)	336,562	
Provision for loan losses and others (*2)	571,679	283,665	-	(1,909)	(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)	(607)	(974,081)	
Operating income (loss)	₩ 3,177,142	666,485	55,327	(902,099)	41,645	184,276	417,898	(2,167,911)	1,472,763	

(*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.

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52. Operating Segments, Continued

(4) Geographical revenue information for the years ended December 31, 2024 and 2023 and the geographical non-current asset information as of December 31, 2024 and 2023 are as follows:

	Revenues (*1)		Non-current assets (*2)	
	2024	2023	December 31, 2024	December 31, 2023
Domestic	₩ 69,477,626	42,157,834	30,270,317	26,387,158
Overseas	₩ 3,819,817	3,715,140	148,977	148,403
	₩ 73,297,443	45,872,973	30,419,294	26,535,562

- (*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

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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.

Risk Management Steering Committee

Established under the Risk Management Council, the Risk Management Steering Committee (Steering Committee) is comprised of the heads of relevant departments. The Steering Committee is responsible for: preliminary review on the decisions of the Risk Management Council; establishing operational limits under the Regulatory Liquidity Book; and reporting on important matters related to risks.

Operational Risk Management Council

Established under the Risk Management Council, the Operational Risk Management Council is comprised of the heads of relevant departments. The Operational Risk Management Council conducts reviews, makes decisions and provide reports on matters related to operational risks.

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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, 2024, the key activities of the Risk Management Committee are as follows:

- Major decision
 - Risk management plan for 2024
 - Contingency funding plan for 2024
 - Setting and managing exposure limits by country for 2024
 - Increase in internal capital limit
- Major reporting
 - Result of ex-post validation of credit rating system and default rates, and verification of risk measurement factors for internal purposes
 - Setting management limit of credit portfolios of 2024
 - Resolution of Credit Committee for the fourth quarter of 2023
 - Allocation of internal capital limits of 2024
 - Adjustment of exposure limits by country
 - Resolution of Credit Committee for the first quarter of 2024
 - Result of integrated crisis analysis for the first half of 2024
 - Revision of the application period for additional loan loss provisions for COVID-19-affected firms
 - Resolution of Credit Committee for the second quarter of 2024
 - Result of operation of corporate credit rating system in 2024
 - Verification of risk-weighted assets for BIS ratio as of December 31, 2023
 - Resolution of Credit Committee for the third quarter of 2024
 - Result of BCP training for 2024
 - Result of integrated crisis analysis for the second half of 2024
 - Result of assessment of suitability for internal capital for 2024

(v) Improvement of risk management system

For the continuous improvement of risk management, financial soundness and capital adequacy, the 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

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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 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 RaY	Sep. 2006 Dec. 2013	Calculate equity, credit risk-weighted assets and credit risk, etc.
Loan Loss Allowance Calculation System	IFRS IFRS 9	Jan. 2011 Mar. 2017	Incurred loss model Expected loss model

(vii) Response to Basel

The Korean financial authorities have implemented Basel II since January 2008, and 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 completed IT consulting and system development related to the revised Market Risk Regulation (FRTB) and Operational Risk Regulation under Basel III during the second half of 2022. After conducting parallel calculations under both Basel II and Basel III standards during the second half of 2022, the Group has been operating under the Basel III framework since January 2023.

Korea Development Bank and Subsidiaries

Notes to the Consolidated Financial Statements

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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

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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 credit officer (CO), the relationship manager (RM) 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, 2024 and 2023 are as follows:

< Corporate >

		December 31, 2024			
		12-month	Lifetime expected credit losses		
		expected	Non credit-	Credit-	
		credit loss	impaired loans	impaired loans	
		Carrying amounts			
AAA ~ BBB1	₩	191,370,726	170,202,319	21,165,646	2,761
BBB2 ~ CCC		33,987,958	14,012,494	18,913,074	1,062,390
Below CC		1,170,029	5,986	16,700	1,147,343
	₩	226,528,713	184,220,799	40,095,420	2,212,494

Korea Development Bank and Subsidiaries

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(In millions of won)

53. Risk Management, Continued

December 31, 2023				
	Carrying amounts	12-month expected credit loss	Lifetime expected credit losses	
			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

< Non-corporate >

December 31, 2024				
	Carrying amounts	12-month expected credit loss	Lifetime expected credit losses	
			Non credit-impaired loans	Credit-impaired loans
Grade 1~ Grade 6	₩ 893,405	881,925	11,319	161
Grade 7~ Grade 8	14,109	4,010	9,183	916
Grade 9~ Grade 10	16,882	897	6,142	9,843
	₩ 924,396	886,832	26,644	10,920

December 31, 2023				
	Carrying amounts	12-month expected credit loss	Lifetime expected credit losses	
			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

Details of payment guarantees (including financial guarantees) and unused commitments by credit rating as of December 31, 2024 and 2023 are as follows:

< Corporate >

December 31, 2024				
	Exposures	12-month expected credit loss	Lifetime expected credit losses	
			Non credit-impaired exposures	Credit-impaired exposures
Unused commitments:				
AAA ~ BBB1	₩ 49,852,500	45,509,139	4,343,361	-
BBB2 ~ CCC	5,801,297	3,467,387	2,285,478	48,432
Below CC	397	-	-	397
	₩ 55,654,194	48,976,526	6,628,839	48,829
Payment guarantees (including financial guarantees):				
AAA ~ BBB1	₩ 8,146,202	7,357,184	789,018	-
BBB2 ~ CCC	11,082,422	5,223,047	5,842,792	16,583
Below CC	50,885	-	-	50,885
	₩ 19,279,509	12,580,231	6,631,810	67,468

Korea Development Bank and Subsidiaries

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(In millions of won)

53. Risk Management, Continued

December 31, 2023				
	Exposures	12-month expected credit loss	Lifetime expected credit losses	
			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

< Non-corporate >

December 31, 2024				
	Exposures	12-month expected credit loss	Lifetime expected credit losses	
			Non credit-impaired exposures	Credit-impaired exposures
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

< Non-corporate >

December 31, 2024				
	Exposures	12-month expected credit loss	Lifetime expected credit losses	
			Non credit-impaired exposures	Credit-impaired exposures
Unused commitments:				
Grade 1~ Grade 6	₩ 65,255	64,923	247	85
Grade 7~ Grade 8	-	-	-	-
Grade 9~ Grade 10	-	-	-	-
	₩ 65,255	64,923	247	85

December 31, 2023				
	Exposures	12-month expected credit loss	Lifetime expected credit losses	
			Non credit-impaired exposures	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	-

Korea Development Bank and Subsidiaries

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December 31, 2024 and 2023

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 Investrors 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.

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, 2024.

The Standardized Approach is applied to country exposures, public institution exposures and bank exposures permanently and applied to overseas subsidiary and the Bank’s branch pursuant to prior consultation with the FSS.

<Approved measurement method>

Measurement method	Exposure
Standardized Approach	Permanent SA
	SA
Foundation Internal Ratings-Based Approach	
Application of IRB by phase	

- Countries, public institutions, banks and equity
- Overseas subsidiaries and branches, and other assets, retail, residential mortgage, commercial properties
- Corporate, small and medium enterprises and asset securitization (at each credit level)
- 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

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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, 2024 and 2023 are as follows:

	December 31, 2024	December 31, 2023
Securities measured at FVTPL	₩ -	1,108
Securities measured at FVOCI	75,472	73,063
Loans measured at amortized cost	2,399,831	2,682,306
Other assets	7,811	13,481

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53. Risk Management, Continued

(iv) Credit exposure

Geographical information of credit exposure as of December 31, 2024 and 2023 are as follows:

		December 31, 2024									
		Korea	Hong Kong	Ireland	Uzbekistan	Brazil	Hungary	UK	US	Others	Total
Due from banks (excluding due from BOK)	₩	1,388,436	45,842	158	6,885	576	329,693	21,812	5,511,894	3,436,846	10,742,142
Securities measured at FVOCI:											
Bonds (excluding government bonds)		11,179,096	537,657	29,678	-	445,790	85,810	813,989	6,361,687	4,447,706	23,901,413
Securities measured at amortized cost:											
Bonds (excluding government bonds)		4,493,019	-	-	-	84,413	-	293,862	606,770	263,892	5,741,956
Loans		168,591,185	2,332,787	1,137,065	771,726	432,004	439,998	2,104,409	12,537,607	54,558,858	242,905,639
Derivative financial assets		243,449	-	-	-	-	-	1,230	182	45,981	290,842
Other financial assets		5,558,268	18,478	174	1,240	16,005	20,235	2,843	6,688	5,789,882	11,413,813
		191,453,453	2,934,764	1,167,075	779,851	978,788	875,736	3,238,145	25,024,828	68,543,165	294,995,805
Guarantees		18,224,213	1,085	-	57,613	-	63,365	-	828,844	104,389	19,279,509
Commitments		45,241,083	435,258	70,544	15,519	-	46,772	582,339	4,415,576	4,912,358	55,719,449
		63,465,296	436,343	70,544	73,132	-	110,137	582,339	5,244,420	5,016,747	74,998,958
₩		254,918,749	3,371,107	1,237,619	852,983	978,788	985,873	3,820,484	30,269,248	73,559,912	369,994,763

		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

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53. Risk Management, Continued

Industry information of credit exposure as of December 31, 2024 and 2023 are as follows:

		December 31, 2024			
		Manufacturing	Service	Others	Total
Due from banks (excluding due from BOK)	₩	142,765	8,527,313	2,072,064	10,742,142
Securities measured at FVOCI:					
Bonds (excluding government bonds)		3,217,780	14,940,895	5,742,738	23,901,413
Securities measured at amortized cost:					
Bonds (excluding government bonds)		865,127	3,257,094	1,619,735	5,741,956
Loans		91,585,906	122,937,016	28,382,717	242,905,639
Derivative financial assets		-	290,842	-	290,842
Other financial assets		382,881	1,019,491	10,011,441	11,413,813
		96,194,459	150,972,651	47,828,695	294,995,805
Guarantees		16,654,005	2,462,438	163,066	19,279,509
Commitments		24,934,681	26,165,673	4,619,095	55,719,449
		41,588,686	28,628,111	4,782,161	74,998,958
₩		137,783,145	179,600,762	52,610,856	369,994,763

		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

Korea Development Bank and Subsidiaries

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(In millions of won)

53. Risk Management, Continued

Credit exposures of debt securities by credit rating as of December 31, 2024 and 2023 are as follows:

December 31, 2024				
	Carrying amounts	12-month expected credit loss	Lifetime expected credit losses Non credit- impaired	Credit- impaired
AAA ~ BBB1	₩ 38,815,923	38,388,514	427,409	-
BBB2 ~ CCC	570,754	520,688	50,066	-
Below CC	4,005	4,005	-	-
	₩ 39,390,682	38,913,207	477,475	-
December 31, 2023				
	Carrying amounts	12-month expected credit loss	Lifetime expected credit losses 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	-

(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.

Korea Development Bank and Subsidiaries

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December 31, 2024 and 2023

(In millions of won)

53. Risk Management, Continued

The BIS capital adequacy ratio and capital in accordance to Basel III standards as of December 31, 2024 and 2023 are as follows:

BIS capital adequacy ratio

	December 31, 2024	December 31, 2023
Equity capital based on BIS (A):		
Tier 1 capital:		
Common Equity Tier 1	₩ 42,581,473	37,417,288
Additional Tier 1 capital	-	-
	42,581,473	37,417,288
Tier 2 capital	₩ 3,350,097	3,854,806
	₩ 45,931,570	41,272,094
Risk-weighted assets (B) (*):		
Credit risk-weighted assets	₩ 316,077,185	277,294,329
Market risk-weighted assets	3,246,288	2,895,790
Operational risk-weighted assets	11,020,728	13,164,005
	₩ 330,344,201	293,354,124
BIS capital adequacy ratio (A/B):	13.90%	14.07%
Tier 1 capital ratio:	12.89%	12.76%
Common Equity Tier 1 ratio	12.89%	12.76%
Additional Tier 1 capital ratio	-	-
Tier 2 capital ratio	1.01%	1.31%

(*) The previous period's BIS ratio has been revised due to changes in the methodology for calculating risk-weighted assets.

Equity capital based on BIS

	December 31, 2024	December 31, 2023
Tier 1 capital (A):		
Common Equity Tier 1		
Capital stock	₩ 26,316,559	23,926,559
Capital surplus	1,355,849	1,435,780
Retained earnings	12,768,402	9,900,499
Accumulated other comprehensive income	2,992,380	3,148,441
Common stock deductibles	(851,717)	(993,991)
	42,581,473	37,417,288
Tier 2 capital (B):		
Allowance for doubtful accounts, etc.	939,461	955,241
Qualified capital securities	2,678,000	3,176,000
Non-qualified capital securities	-	-
Additional stock deductibles	(267,364)	(276,435)
	3,350,097	3,854,806
Equity capital (A+B)	₩ 45,931,570	41,272,094

Korea Development Bank and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2024 and 2023

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, 2024 and 2023 are as follows:

	December 31, 2024	December 31, 2023
Sensitivity risk:		
General interest rate	99,656	113,912
Credit spread	134,099	88,014
Equity	252	997
Foreign exchange (FX)	14,443	14,233
Commodity	555	120
	249,005	217,276
Default risk	5,978	10,486
Residual risk	4,720	3,901
	₩ 259,703	₩ 231,663

Korea Development Bank and Subsidiaries

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December 31, 2024 and 2023

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, 2024 and 2023 are as follows:

	December 31, 2024	December 31, 2023
△EVE	₩ 1,547,321	1,760,432
△NII	636,243	622,795

Korea Development Bank and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2024 and 2023

53. Risk Management, Continued

(iv) Foreign currency risk

Outstanding balances by currency with significant exposure as of December 31, 2024 and 2023 are as follows:

	December 31, 2024					
	USD	EUR	JPY	GBP	Others	Total
Financial assets:						
Cash and due from banks ₩	8,428,968	365,000	100,813	25,884	1,417,890	10,338,555
Securities measured at FVTPL	1,860,616	120,803	2,149	21,004	44,042	2,048,614
Securities measured at FVOCI	13,284,041	876,453	611,946	-	1,106,534	15,878,974
Securities measured at amortized cost	2,093,677	209,304	-	-	79,801	2,382,782
Loans	66,386,694	5,367,061	3,110,368	1,280,518	3,377,991	79,522,632
Derivative financial assets	1,774,644	63,397	9,916	245,797	98,798	2,192,552
Other financial assets	2,504,011	60,157	47,511	3,741	1,078,598	3,694,018
	96,332,651	7,062,175	3,882,703	1,576,944	7,203,654	116,058,127
Financial liabilities:						
Financial liabilities designated at FVTPL	271,713	-	-	-	-	271,713
Deposits	18,287,172	574,605	516,103	500	812,756	20,191,136
Borrowings	27,317,217	891,901	2,401,495	18,418	1,664,029	32,293,060
Debentures	39,924,853	2,643,535	271,509	543,055	8,050,162	51,433,114
Derivative financial liabilities	2,800,132	86,723	3,689	262,150	56,343	3,209,037
Other financial liabilities	2,752,928	74,346	44,268	5,307	1,255,401	4,132,250
	91,354,015	4,271,110	3,237,064	829,430	11,838,691	111,530,310
Net financial position ₩	4,978,636	2,791,065	645,639	747,514	(4,635,037)	4,527,817

	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

Korea Development Bank and Subsidiaries

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December 31, 2024 and 2023

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 15 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.

Korea Development Bank and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2024 and 2023

(In millions of won)

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, 2024 and 2023 are as follows:

		December 31, 2024					
		Within 1 month	1~3 months	3~12 months	1~5 Years	Over 5 years	Total
Financial assets:							
Cash and due from banks	₩	9,952,066	590,911	1,358,384	778,788	5	12,680,154
Securities measured at FVTPL		2,508,157	69,725	1,610,316	4,416,496	18,230,148	26,834,842
Securities measured at FVOCI		1,278,162	1,100,611	3,805,992	12,293,303	24,440,678	42,918,746
Securities measured at amortized cost		189,683	858,740	3,330,853	5,491,956	840,867	10,712,099
Loans		14,820,454	23,431,598	78,311,910	83,552,217	23,169,316	223,285,495
Other financial assets		6,928,668	72,053	76,944	156,394	2,016,684	9,250,743
	₩	35,677,190	26,123,638	88,494,399	106,689,154	68,697,698	325,682,079
Financial liabilities:							
Financial liabilities designated at FVTPL	₩	692,242	177,966	845,385	401,940	271,713	2,389,246
Deposits		26,145,333	15,160,588	20,060,206	5,336,021	316,117	67,018,265
Borrowings		7,183,633	11,038,297	11,090,906	7,192,276	788,467	37,293,579
Debentures		7,507,475	10,451,918	53,681,585	93,159,184	8,400,331	173,200,493
Other financial liabilities		5,507,612	2,844,741	110,568	627,608	5,543,339	14,633,868
	₩	47,036,295	39,673,510	85,788,650	106,717,029	15,319,967	294,535,451
		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

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December 31, 2024 and 2023

(In millions of won)

53. Risk Management, Continued

Remaining contractual maturity analysis for derivative financial instruments as of December 31, 2024 and 2023 are as follows:

Net settlement of derivative financial instruments

		December 31, 2024					
		Within 1 month	1~3 months	3~12 months	1~5 Years	Over 5 years	Total
Trading purpose derivatives:							
Currency	₩	(99,897)	(120,452)	(200,518)	-	-	(420,867)
Interest rate		55,197	30,359	(325,499)	(403,754)	1,077,807	434,110
Hedging purpose derivatives:							
Interest rate		36,090	250,330	841,971	2,130,959	1,295,726	4,555,076
	₩	(8,610)	160,237	315,954	1,727,205	2,373,533	4,568,319
		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

Korea Development Bank and Subsidiaries

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(In millions of won)

53. Risk Management, Continued

Gross settlement of derivative financial instruments

		December 31, 2024					
		Within 1 month	1~3 months	3~12 months	1~5 Years	Over 5 years	Total
Trading purpose derivatives:							
Currency							
Inflow	₩	67,729,953	38,553,043	66,563,517	122,988,092	6,762,347	302,596,952
Outflow		67,573,873	38,576,699	66,061,685	122,136,515	6,868,720	301,217,492
Interest							
Inflow		-	-	-	-	-	-
Outflow		-	-	-	-	-	-
Hedging purpose derivatives:							
Currency							
Inflow		1,258,709	1,810,835	3,446,651	19,785,822	4,827,946	31,129,963
Outflow		1,537,626	1,756,289	3,820,878	21,966,411	4,721,907	33,803,111
Total inflow	₩	68,988,662	40,363,878	70,010,168	142,773,914	11,590,293	333,726,915
Total outflow	₩	69,111,499	40,332,988	69,882,563	144,102,926	11,590,627	335,020,603
		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

Korea Development Bank and Subsidiaries

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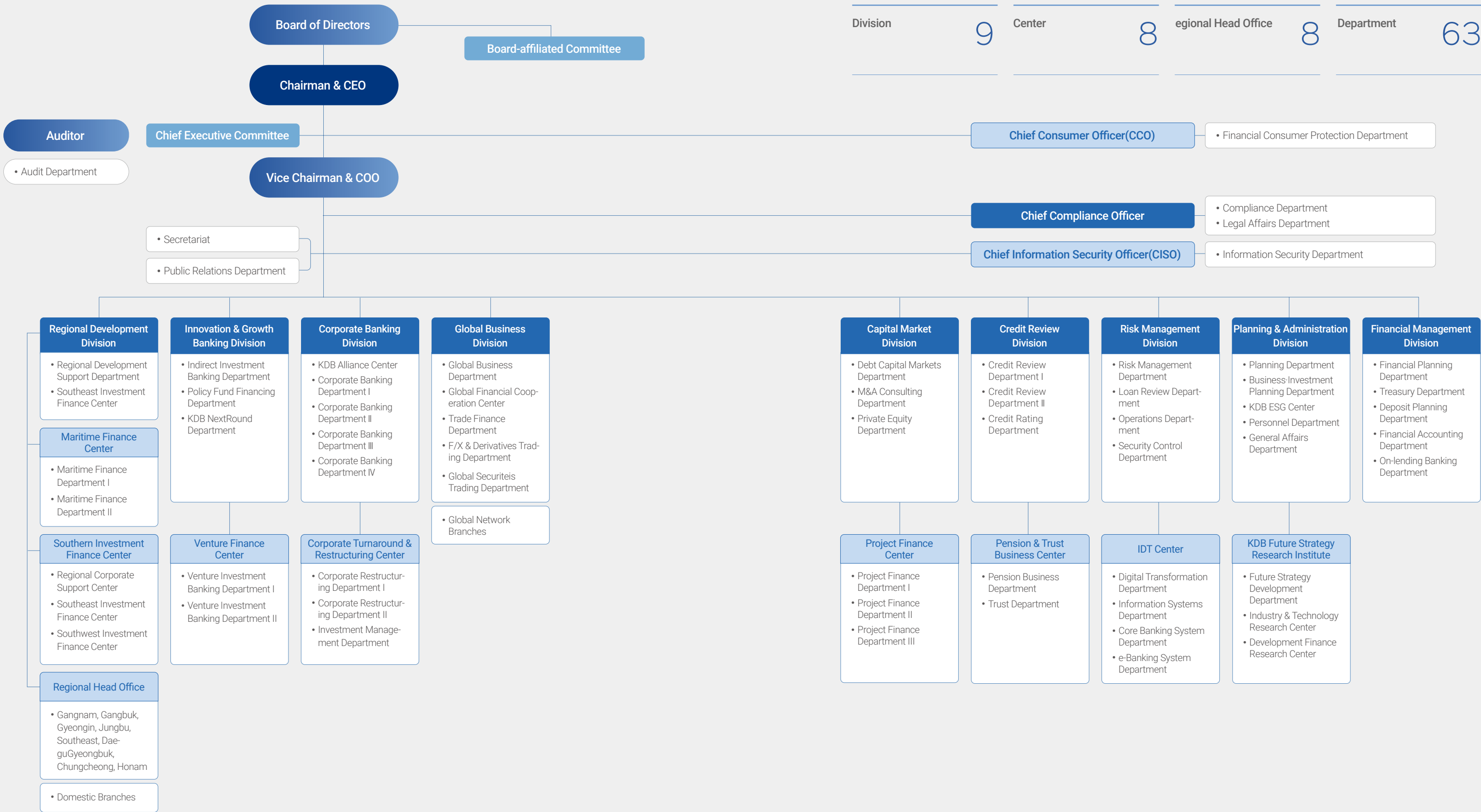
(In millions of won)

53. Risk Management, Continued

Remaining contractual maturity analysis for guarantees and commitments as of December 31, 2024 and 2023 are as follows:

		December 31, 2024					
		Within 1 month	1~3 months	3~12 months	1~5 years	Over 5 years	Total
Guarantees	₩	2,226,867	2,203,315	4,006,472	10,327,719	81,100	18,845,473
Commitments		516,292	295,421	1,157,459	2,657,866	62,867,275	67,494,313
	₩	2,743,159	2,498,736	5,163,931	12,985,585	62,948,375	86,339,786
		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

Organization



Global Network



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