ANNUAL REPORT

2001

Chairman's Statement

In 2001, the Korean economy as a whole was subdued amid the worsening of international economic conditions, triggered by the global economic slowdown and the terrorist attacks in the U.S. Domestically, economic growth decelerated and trade volume contracted as restructuring in some large companies was delayed and investment and consumption were dampened. The financial market showed unstable movements, with major financial indicators including interest rates, stock prices and exchange rates fluctuating sharply. This was a result of lackluster growth in the real economy along with widespread uncertainties in the market. Under these circumstances, the government continued to pursue financial restructuring through encouraging mergers between large banks, launching of financial holding companies and resolution of insolvent small and medium-sized financial institutions in order to improve the fundamentals of the Korean financial industry and strengthen international competitiveness.

With regard to the deposit insurance business, the reinstatement of the Partial Deposit Protection System, after having been delayed following the financial crisis, was successfully carried out. This has helped reinforce market discipline and prevent moral hazard among market participants. After the coming into effect of the Public Fund Oversight Special Act in March, the Korea Deposit Insurance Corporation established a bankruptcy trustee appointment system to carry out more effective recovery of public funds. In June, the KDIC introduced a performance-based competition system and a regional management system, in an effort to further boost the effectiveness of bankruptcy management.

The KDIC also conducted investigations into the assets of those responsible for causing or contributing to the insolvencies of financial institutions and also into illegalities and irregularities at the failed institutions. During the year, the Corporation exerted much effort to prevent moral hazard and firmly establish market discipline by the strengthening of accountability. As part of this effort, the Corporation organized a Special Investigatory Task Force for Insolvent Corporations in December. Consisting of employees of the Corporation, the Public Prosecutor's Office and other related institutions, the task force is intended to facilitate more effective investigation into default debtor corporations. It has thus far conducted a wide range of investigations, not only into hidden assets of culpable parties but also into major default debtors. Such efforts are expected to enhance the accountability of the parties involved.

This report summarizes the Corporation's activities in 2001, including its procurement of the Deposit Insurance Fund, details of fund allocation, recoveries made by the Corporation in relation to the resolution of failed financial institutions and risk management of insured financial institutions. It also contains the regulations and statistics related to the Deposit Insurance System.

Financial restructuring in Korea has been completed to a certain extent. It is now time for developing the financial industry and improving international competitiveness through individual financial institutions' self-rescue efforts and management innovations. The KDIC, for its part, will not remain complacent in its present *ex post facto* deposit insurance practices, in which it simply repays deposits in the event of financial institution default. Rather, the Corporation will strive to establish an advanced Deposit Insurance System that can prevent the insolvency of financial institutions and achieve a sound Deposit Insurance Fund and a stable national financial system.

I hope that this report will provide readers a better understanding of the Corporation and its activities. We value your encouragement and suggestions, and welcome your continued interest and support.

In-Won Lee
Chairman and President

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I. Overview

The Korean financial market showed stable movement towards the end of 2001, as the real economy exhibited signs of recovery from the latter half of the year. Economic activities as a whole, however, were subdued. Despite the unfavorable domestic and international economic conditions, financial restructuring was continuously carried out. In consequence, several commercial banks were consolidated into a financial holding company; and non-viable merchant banks, insurance companies, mutual savings and finance companies and credit unions were forced to exit the market. Under these circumstances, public funds worth nearly 27 trillion won were disbursed, for a variety of purposes including deposit payoff payments, recapitalization of financial institutions, and purchases of assets. As of the end of 2001, approximately 155.3 trillion won of public funds had been injected into the market for financial restructuring since the financial crisis. Of this, 40.8 trillion won had been recovered, through disposition of equity stakes and assets and collection of bankruptcy estate dividends. In 2001, the successful implementation of the Partial Deposit Protection System contributed to strengthening market discipline and laying the groundwork for prevention of moral hazard among market participants. Those found to have caused or contributed to insolvency of pertinent financial institutions were thoroughly investigated and held accountable. Meanwhile, unremitting efforts were also made to recover the public funds that had been injected.

Chapter 1. Financial Market Trends

During 2001, the Korean economy exhibited lackluster growth due to the worsening of overseas economic conditions, including the sharp decline of semiconductor prices, the worldwide economic slowdown and the terrorist attacks in the U.S. From October onward, however, signs of recovery began to appear with improvements in real economic indicators.

The financial market as a whole remained stable as interest rates declined, stock prices increased based on ample liquidity, and exchange rates maintained upward stability. In response to the Bank of Korea's call rate cuts on four occasions, and to the economic slowdown, yields on three-year Treasury bonds fell to 5.91%, from 6.70% at the end of 2000. Stock prices continued to rise, boosted by widespread expectations of economic recovery from September. The KOSPI stood at 693.7 at yearend, an increase of 37.5% from the 504.6 recorded 12 months earlier. In the foreign exchange market, meanwhile, due to economic unease in Japan and the terrorist attacks in the U.S., the yen and dollar showed short-term fluctuations. As the dollar picked up strength from mid-November, however, the won/dollar exchange rate inched up to 1,313.5 won, from 1,264.5 won at the end of 2000.

1. Bond Market

The bond market experienced a few fluctuations in the midst of declining interest rates during 2001, in an environment of ample liquidity and rising anticipations of economic recovery.

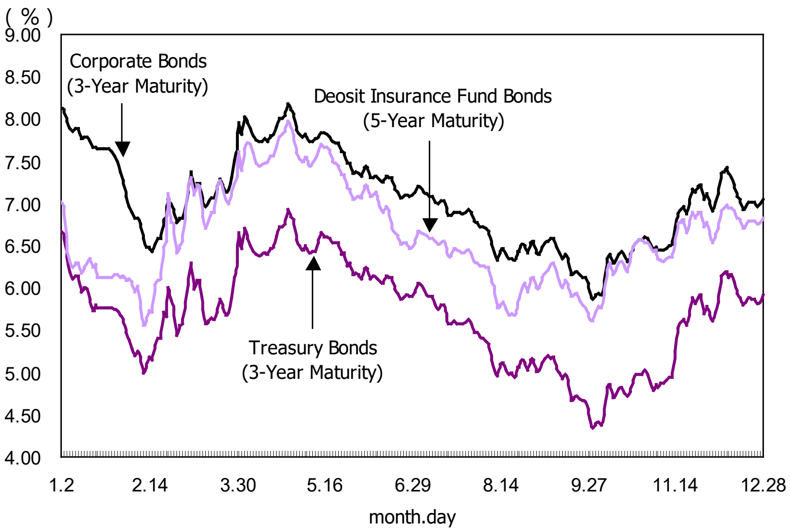
Market liquidity was abundant early in the year, due to concerns over the deepening of the domestic and overseas economic slumps and to interest rate cuts by the U.S. Federal Reserve Board and the Bank of Korea. Particularly, as restructuring of some large companies facing liquidity problems (including Hynix Semiconductor and Hyundai Engineering and Construction Co. Ltd.) was persistently delayed, and market unease spread in response to concentration in the maturities of corporate bonds, there was a strong "flight to quality" tendency, and this contributed to the sharp decline in yields on Treasury bonds.

From mid-February, however, long-term interest rates shifted to a rising trend until reaching their high for the year at the end of April, immediately before the large-scale withdrawals from MMFs by investment trust companies ("ITCs"). Concerns about the overheated Treasury bond market and unstable oil prices, along with consumer prices and exchange rates were responsible for this rise. Another contributory factor was the perceived possibility of early economic rebound thanks to the favorable movements of some leading economic indicators.

From May until September, interest rates showed downward stability as consumer prices and exchange rates regained their stability, exports and investment slowed sharply, and ample liquidity persisted in the bond market.

Beginning from October, however, interest rates registered a slight increase in anticipation of early recovery of the domestic economy, spurred by encouraging signs for some economic indicators. This occurred amid weakened expectations of further decline in market interest rates following the Bank of Korea's freeze on the call rate. At the end of December, the yields on Treasury bonds (3-year maturity) and corporate bonds (AA-grades with 3-year maturity) stood respectively at 5.91% and 7.04%, representing decreases of 0.79 percentage points and 1.09 percentage points from the yearend 2000 figures of 6.70% and 8.13%.

Figure I – 1. Major Market Bond Yield Rates Trends



2. Stock Market

The stock market fluctuated continuously from the beginning of 2001 until mid-September. From the last ten days of September, however, it began to show rapid recovery, boosted by foreign investors' strong purchase positions and the expectations of an early economic turnaround.

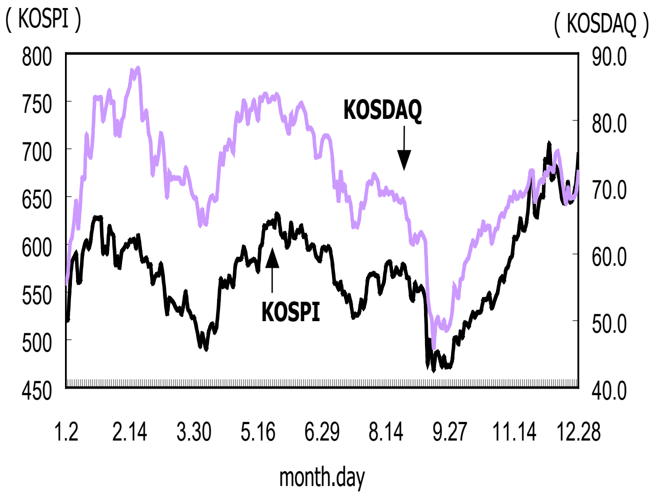
In January, the KOSPI index shifted to an upward trend from its downturn at the end of 2000, thanks to large scale inflows of foreign portfolio investment and anticipations of favorable overseas conditions following the interest rate cuts in the U.S. From February to early April, it reversed course downward, due to unease regarding the short-term rebound, the continued slowdown of the domestic economy and the weakness of the won.

Stock prices then shifted once more to a rising trend, led by the expanding purchase positions of foreigner investors. From early June, however, they began declining again, owing to fears of domestic economic recovery being delayed in line with the global economic slowdown, including that in the U.S. The foot-dragging on structural reforms by some large corporations, including Hynix Semiconductor, and the subsequent financial market instability underlay this trend. Following the September 11 terrorist attacks in the U.S., the KOSPI fell sharply to record the low for the year of 468.8, on September 17.

From the end of September onwards, however, signs of early economic recovery emerged. Bolstered by the strong purchase positions of foreign investors, by S&P's upward adjustment of Korea's sovereign credit rating and by the favorable movements of some economic indicators, stock prices climbed quickly. In consequence, the KOSPI stood at 693.7 at the end of December, an increase of 37.5% from the previous yearend's 504.6.

Throughout the year, the KOSDAQ index exhibited similar move to those of the KOSPI. It registered 72.2 in December, a 37.3% increase from the 52.6 figure at the previous yearend.

Figure I – 2. KOSPI and KOSDAQ Trends



3. Foreign Exchange Market

Overall, the exchange rate of the won against the U.S. dollar sustained a slightly rising trend in 2001, as the foreign exchange market as a whole experienced a rather abundant supply of foreign currency. The won/dollar rate rose sharply from the end of February until early April, affected by the Japanese yen's weakness in the international financial market. With the easing of the yen afterwards, however, it remained somewhat stable.

Reviewing the progression of the won/dollar exchange rate in 2001, it began the year moving downward thanks to the stable yen and to inflows of foreign investors' portfolio funds. From the end of February, however, triggered by the weakness of the yen and by subsequent expectations of won depreciation, it soared - reaching its highest level for the year of 1,365.2 won against the dollar on April 4.

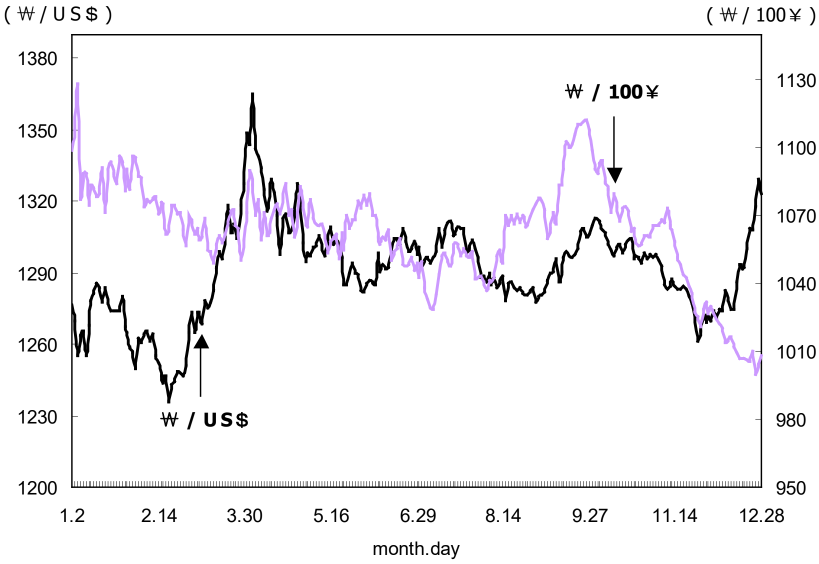
From that point on, the exchange rate of the won against the dollar declined at a rapid pace, in response to the Bank of Korea's announcement of a stabilization plan for the foreign exchange market and to the easing of the Japanese yen. The rate remained stable in the range of 1,280 to 1,310 won to the dollar from the end of April until November.

In the last ten days of November, the rate temporarily dropped to the 1,260 won level with the continual inflows of foreign portfolio investment. In December, however, it shifted to an upward trend in response to an abrupt decline in the yen's value amid concerns that Japan's economic slump would not end any time soon. By yearend 2001, the won/dollar exchange rate stood at 1,313.5, a 3.7% increase from the previous yearend's 1,264.5.

Meanwhile, the yen showed some strength against the dollar due to the forecast of delayed U.S. economic recovery.

However, the yen/dollar rate soon rose sharply due to the deepening of recession in Japan and the downward adjustment of the nation's sovereign credit standing. As a result, the finished the year at 131.3 to the dollar, an increase of 14.7% compared with the end of 2000. The scale of rise in the yen/dollar exchange rate being larger than that in the won/dollar exchange rate, therefore, the exchange rate of the won per 100 yen declined 8% during 2001 to stand at 1,008.31 won.

Figure I – 3. Exchange Rate Trends



Chapter 2. Deposit Insurance Trends

Korea had a blanket Deposit Protection System temporarily in place from the time of the financial crisis in 1997 to the end of 2000. From January 1, 2001, however, it reinstated the Partial Deposit Protection System, whereby deposits are now guaranteed only in amounts up to 50 million won per person. This was done in order to prevent moral hazard among financial institutions and depositors as well as to strengthen market discipline.

Summarizing the year-end status of insured financial products by financial sector since reinstatement of the Partial Deposit Protection System, they increased in volume by annual rates of 11.3% for banks, 9.6% for savings banks and 12.3% for credit unions, showing no major difference by financial sector. In other words, the Partial Deposit Protection System has successfully settled in, without causing destabilization of the financial market such as drastic deposit migrations.

Table I – 1. Deposit Movements by Financial Sector

(Unit: billion won)

Type	Sep. 2000	Dec. 2000 (A)	Dec. 2001 (B)	Change (B-A)
Banks	364,058	379,512	422,267	42,755
Merchant Banks	0	3,983	2,223	△1,760
MSFCs	18,598	18,041	19,764	1,723
Credit Unions	19,658	1,908	21,563	2,355

Note: Excludes certain deposits (such as those of financial institutions and the government, those denominated in foreign currencies, along with CDs, RPs, development trusts and bank bonds) that were temporarily covered until the end of 2000.

The total number of insured financial institutions in Korea by yearend 2001 stood at 1,599: 105 commercial banks (including regional fisheries cooperatives that engage in the credit business), 62 securities companies, 40 insurance companies, 3 merchant banks, 121 mutual savings and finance companies ("MSFCs") and 1,268 credit unions.

Table I – 2. Number of Financial Institutions Insured

Type	End of Dec. 1999	End of Dec. 2000	End of June 2001	End of Sep. 2001	End of Dec. 2001
Banks	112	108	108	109	105[1)]
Securities Companies	54	62	63	63	62
Insurance Companies	45	39	39	37	40
Life	29	23	23	21	22
Non-Life	16	16	16	16	18
Merchant Banks	10	6	4	4	3
MSFCs	186	147	125	125	121
Credit Unions	1,423	1,317	1,280	1,274	1,268
Total	1,830	1,679	1,619	1,612	1,599

1) Includes 43 fisheries cooperatives that conduct credit businesses.

With regard to deposit insurance premiums, banks are required to pay them within one month from the end of each quarter. Other insured financial institutions are required to pay their premiums within three months from the end of each business year. In 2001, six financial sectors under the Korea Deposit Insurance Corporation ("KDIC")'s protection paid a total of 784.8 billion won in premiums.

Insurance claim payments made by the Corporation amounted to 25,759.9 billion won as of the end of 2001. Of this, the total of 6,511.1 billion won worth of payments made during 2001 comprised 3,168.1 billion won for merchant banks, 2,953.8 billion won for savings banks, and 389.2 billion won for credit unions.

The KDIC is making preparations for introducing a risk adjusted deposit insurance premium system, as the Partial Deposit Protection System has become firmly established and the financial market continues to regain stability.

Introduction of this premium assessment system is planned to be done on a gradual basis, i.e., to mature financial sectors first, so as to minimize the adverse effects that the implementation may have on the financial market. The KDIC is also soliciting outside experts for consultation on this matter.

Chapter 3. Financial Sector Restructuring

1. Introduction

The government-led financial restructuring since the financial crisis in late 1997 has been carried out in two phases. The first phase was financial industry restructuring, begun immediately following the financial crisis and placing emphasis on the easing of the corporate sector credit crunch and restoration of the financial system. First, it reduced systemic risk through the resolution of non-viable financial institutions and the injection of public funds into viable ones, while restoring financial intermediation through the resolution of accumulated insolvencies. Efforts were also exerted to strengthen financial industry soundness by establishing a supervisory system that complies with international standards. In consequence, with the easing of uncertainties in the financial market, the financial intermediation was restored and foundations for the recovery of the real economy were laid.

Real economic growth decelerated at this time, however, amid the worsening of overseas economic conditions including sharp rises in international oil prices and a slowdown in the global economy. Additional restructuring of banks and non-bank financial institutions came to be viewed as inevitable moreover, due to the insolvency of the Daewoo Group, which had not been expected at the time of the initial procurement of public funds. With the adoption of Forward Looking Criteria for loan classification and provisioning, it also became necessary to resolve latent insolvencies in the financial sector. Accordingly, the government decided to complete the financial sector reforms and stabilize the financial market by procuring sufficient additional public funds to restore market confidence. In September 2000, the government procured additional public funds worth 40 trillion won and launched the second phase of financial restructuring.

The second phase reforms have been implemented with emphasis placed on two aspects: a "hardware restructuring" through early resolution of latent insolvencies, and a "software restructuring" through improvement of financial supervision and corporate governance.

Table I – 3. Financial Restructuring Progress

Financial Sector	Number of Companies, Yearend 1997 (A)	Restructuring Status					Newly Opened	Current Total
		License Revocation	Merger	Liquidation, Transfer to Bridge Bank, Suspension of Operations	Total (B)	Change (B/A, %)		
Banks	33	5	9	-	14	42.4	1	20[1)]
Merchant Banks	30	18	6	4	28	93.3	1	3
Securities Companies	36	5	1	1	7	19.4	16	45
Insurance Companies	50	7	6	2	15	30.3	9	44
ITCs	30	6	1	-	7	23.3	6	29
MSFCs	231	71	26	25	122	52.8	12	121
Credit Unions	1,666	2	102	303	407	24.4	9	1,268
Lease Companies	25	9	1	-	10	40.0	3	18
Total	2,101	123	152	335	610	29.0	57	1,548

1) The figure is 17, if separate count is not made of the three banks consolidated under the Woori Financial Holdings Company ("Woori FHC"), or of Cheju Bank, which is also to be included under an FHC.

Source: Public Fund Oversight Committee

As a result of these restructuring efforts, 610 financial institutions including lease corporations, almost 29% of the total institutions have been forced to exit the market. By 2001 yearend, there were 1,546 financial institutions in operation in Korea. In the case of banks, 14 out of 33 underwent the resolution process at the end of 1997 through business license revocations or mergers. Twenty-eight merchant banks, 93% of the total, exited the market in late 1997, leaving only three banks behind. As for mutual savings banks and credit unions, 53% and 24% of the total (122 and 407, respectively) have been forced to shut down their operations.

Meanwhile, the total amount of public funds disbursed for restructuring stood at 155.3 trillion won as of the end of 2001. This included 60.2 trillion won as equity participation, 42.1 trillion won as contributions and repayments of deposits, 14.3 trillion won as purchases of assets and 38.7 trillion won as purchases of bad loans by the Korea Asset Management Corporation ("KAMCO"). Of these public funds, approximately 40.8 trillion won had been recovered as of the end of 2001, through the sale of equity stakes and assets, and collection of bankruptcy estate dividends.

Table I – 4. Public Fund Support Provision Status

Between November 1997 and December 2001

(Unit: trillion won)

Financial Sector		Equity Participation	Contributions	Deposit Payoffs	Asset Purchases	Nonperforming Loan Purchases	Total
Banks		33.9	13.6	0	13.3	24.5	85.3
Non-Banking	**Merchant Banks**	2.7	0	17.2	0	1.6	21.5
	Securities Cos. and ITCs	7.7	0	0.01	0	8.3	16.0
	Insurance Cos.	15.9	2.6	0	0.4	1.8	20.7
	Credit Unions	0	0	2.1	0	0	2.1
	MSFCs	0	0.1	6.5	0.6	0.2	7.4
	Subtotal	26.3	2.7	25.8	1.0	11.9	67.7
Foreign Institutions		0	0	0	0	2.3	2.3
Total		60.2	16.3	25.8	14.3	38.7	155.3

Source: Public Fund Oversight Committee

During 2001, the KDIC continued to help in the management normalization of financially distressed institutions, utilizing public funds for the repayment of deposits, resolution of bad loans and heightening of liquidity. It also contributed greatly to the restoration of financial intermediation, the recovery of the nation’s the real economy and enhancement of international credit standing.

Following enactment of the Public Fund Oversight Special Act at the end of 2000, in particular, the Corporation began in 2001 to strictly observe the Least Cost Principle in providing funds. It also continued to strengthen its supervisory functions by entering into Memorandums of Understanding (“MOUs”) with insolvent financial institutions and monitoring their compliance statuses. Additionally, it reinforced the management of public funds and helped establish market order by conducting thorough investigations with respect to executives and employees responsible for causing or contributing to the insolvencies of pertinent financial institutions.

2. Year 2001 Operations and Future Plans

Financial sector restructuring continued during 2001, aimed at heightening the competitiveness among financial institutions through bank mergers and the establishment of financial holding companies. The main focus was on the “software” side of reforms, such as the expansion of financial institutions’ profitability bases and the establishment of a performance-based management culture.

Reviewing the details of the restructuring effort in 2001, the government reinstated the Partial Deposit Protection

System beginning from January 2001, laying the groundwork for structural reforms driven by market forces. In compliance with the evaluations of the Management Assessment Committee, management rehabilitation programs for banks whose self-induced normalizations were deemed impossible and for the six banks injected with public funds. As part of the drive toward enlargement of scale of financial institutions, the voluntary merger of Kookmin Bank and Housing and Commercial Bank ("H&CB") and the establishment of Woori Financial Holdings Company were encouraged, while efforts were made to reinforce supervisory activities relative to financial institutions by supplementing the Prompt Corrective Actions System, putting into operation the Financial Supervisory Information System and improving the prudential regulations on non-bank financial institutions.

Meanwhile, the government selected and began carrying out ten core tasks in four sectors from July, 2001, aiming to ensure the effectiveness of the "software" focused aspect of financial restructuring. The tasks concerned promotion of financial institutions' risk management, improvement of management fundamentals, expansion of profitability bases, innovations in lending protocols and development of advanced financial practices. In this way financial institutions were helped to strengthen their competitiveness by helping them set up management strategies suitable for them and launching decisive management innovation. The government also requested that banks sharply reduce their NPL levels to secure financial soundness and restore their international credit standings, while helping them adopt advanced finance techniques in the areas of business management, risk management and credit analysis.

To complete the financial restructuring successfully and firmly establish an advanced financial system, it is first necessary that software reforms among financial institutions be carried out continuously. In short, financial institutions must continually strive to strengthen their profitability bases and build effective risk management systems. They must also continue to push efforts to improve their fundamentals and to firmly put into place advanced financial techniques, such as credit-based lending and credit management even after the loan has been made.

In the case of the financial institution stocks held by the government, the Corporation will push the expeditious management normalization of institutions injected with public funds by monitoring the states of their MOU adherence, to boost the value of the stocks. It will then dispose of these government holdings in an effort to achieve the early recovery of public funds and to strengthen accountability.

In order to combat moral hazard and firmly establish management accountability at financial institutions, supervisory bodies need to develop dynamic, cooperative relations with one another in executing their duties of implementing management rehabilitation. They should also continue to perform investigations to identify and seize properties hidden by those who have contributed to the insolvencies of pertinent financial institutions. Such efforts will support the expeditious recovery of public funds and help strengthen accountability.

II. Procurement and Management of the Deposit Insurance Fund

Chapter 1. Procurement of the Deposit Insurance Fund

1. Deposit Insurance Premiums

Pursuant to Article 30 of the Depositor Protection Act ("DPA") and Article 16 of the DPA Enforcement Decree, insured financial institutions are required to pay a given ratio of their deposit balance (for insurance companies, for example, the arithmetical average of the deposit liability reserve fund and the premiums received) to the Corporation. At present, banks are required to pay these premiums within one month from the end of each quarter. Other insured financial institutions are required to pay their premiums within three months from the end of each business year. In 2001, six financial sectors under the Corporation's protection paid a total of 784.8 billion won in premiums.

Table II – 1. Premium Revenue Status

(Unit: billion won)

	Banks	Securities Companies	Insurance Companies		Merchant Banks	MSFCs[2]	Credit Unions	Total
			Life	Non-Life				
Amount Remitted[1]	0	0	141.4	37.9	84.8	201.7	40.2	506.0
1997	32.1	0	0	0	0	0	0	32.1
1998	129.2	0	38.6	14.3	13.2	39.0	0	234.3
1999	197.5	5.1	101.1	24.9	33.6	37.7	16.2	416.1
2000	263.0	15.5	140.2	37.9	23.3	32.3	28.1	540.3
2001	413.9	21.8	193.8	47.8	13.9	52.9	40.7	784.8
Total	**1,035.7**	**42.5**	**615.1**	**162.8**	**168.8**	**363.6**	**125.2**	**2,513.7**

1) Includes the amount transferred from the Credit Management Fund when it was consolidated with the Deposit Insurance Fund in April of 1998.
2) Mutual Savings and Finance Companies.

Table II – 2. Deposit Insurance Premiums by Financial Sector

	Banks	Securities Companies	Insurance Companies	Merchant Banks	MSFCs	Credit Unions
Applied Premium Rate	10/10,000	20/10,000	30/10,000[1]	30/10,000	30/10,000	30/10,000[2]
Legal Upper Limit	50/10,000	50/10,000	50/10,000	50/10,000	50/10,000	50/10,000

1) The premium rates are gradually applied within a designated range, based on the number of years the insurance companies have been in business, their credit levels and the conditions of their financial statuses.
2) For credit unions that only deal with equity participation investment capital, a 3/10,000 rate is applied.

2. Contributions from Insured Financial Institutions

Article 24 of the Depositor Protection Act and Article 14 of the DPA Enforcement Decree require that a newly insured financial institution contribute a proportion of its paid-in-capital or equity participation to receive deposit insurance coverage. In 2001, the Corporation received contributions from twelve newly formed insured financial institutions for a total of 2,675 million won.

Table II – 3. Contribution Remittances by Financial Sector

(Unit: million won)

	Banks	Securities Companies	Insurance Companies		Merchant Banks	MSFCs	Credit Unions	Total
			Life	Non-Life				
Amount Remitted 1)	10,000	0	0	0	24,000	7,998	2,871	44,869
1998	0	0	0	0	0	200	9	209
1999	300	1,050	0	30	0	715	3	2,098
2000	60	32,814	0	32	0	0	0	32,906
2001	126	759	30	260	1,500	0	0	2,675
Total	**10,486**	**34,623**	**30**	**322**	**25,500**	**8,913**	**2,883**	**82,757**

1) Includes the amount transferred from the Credit Management Fund when it was consolidated with the Deposit Insurance Fund in April of 1998. The 10 billion won listed under "Banks" is the government's contribution.

Table II – 4. Contribution Remittance Methods and Ratios

Contributor	Method and Ratio
Government	➢ Cash contribution or gratuitous transfer of government owned properties.
Insured Financial Institutions	➢ When the insured financial institution has to obtain approval/license for establishment/operation, within one month from the first business day. ➢ If insurance claim payment drawn out of a particular account of the Deposit Insurance Fund exceeds the reserved amount in that account, within one month from the designated insurance claim payment date within the specified legal contribution limit.
	➢ Contribution Ratio: A fixed percentage of initial capital or capital injection - Banks, Securities Companies, Insurance Companies, Credit Unions: 1/100 (Legal limit: 1/100) - Merchant Banks, and Mutual Savings and Finance Companies: 5/100 (Legal limit: 10/100)

3. Issuance of Deposit Insurance Fund Bonds

Under Article 26-2 of the Depositor Protection Act, the KDIC is authorized to issue Deposit Insurance Fund Bonds ("DIF Bonds") in order to procure public funds for its use. DIF Bonds issued on forty-two different occasions during the 1998-1999 period yielded a total of 43.5 trillion won. Also, after the National Assembly approved the procurement of 40 trillion won of public funds with government guarantee on December 2, 2000 in addition to the 43.5 trillion won it had approved in the previous periods, the Corporation accordingly issued additional DIF Bonds on six occasions, resulting in the procurement of 8,940.7 billion won of public funds before the end of 2000. In 2001, the Corporation issued DIF Bonds on twenty-nine occasions, procuring 31,059.3 billion won. In all, thirty-five DIF Bond issuances led to the procurement of 40 trillion won. Cumulatively, the volume of DIF Bonds issued by the Corporation from 1998 up until the end of 2001 amounted to 83,500 billion won.

Table II – 5. Issuance of Deposit Insurance Fund Bonds by Financial Sector

(Unit: billion won)

Issue Year	Banks	Securities Companies	Insurance Companies		Merchant Banks	MSFCs	Credit Unions	Total
			Life	Non-Life				
1998	12,065.0	14.1	1,153.4	0	5,827.2	1,508.5	446.8	21,015.0
1999	15,859.1	0.3	4,142.2	67.8	0	1,597.7	817.9	22,485.0
2000	6,030.7	0	0	1,000.0	1,260.0	650.0	0	8,940.7
2001	7,761.7	3,218.5	2,412.0	6,796.9	7,334.2	3,333.2	202.8	31,059.3
Total	**41,716.5**	**3,232.9**	**7,707.6**	**7,864.7**	**14,421.4**	**7,089.4**	**1,467.5**	**83,500.0**

Table II – 6. Issuance of Deposit Insurance Fund Bonds by Condition

(Unit: billion won)

Based on Maturity							
1998		**1999**		**2000**		**2001**	
Maturity	Amount	Maturity	Amount	Maturity	Amount	Maturity	Amount
3 Yr 3 Mo	329.5	3 Yr[1]	5,856.0			3 Yr	2,650.0
5 Yr	8,112.1						
5 Yr 3 Mo	1,192.3	5 Yr	6,566.6	5 Yr	8,940.7	5 Yr	14,528.8
5 Yr 6 Mo	1,625.0						
6 Yr	1,625.0	7 Yr	113.3			7 Yr	9,926.0
6 Yr 6 Mo	1,625.0						
7 Yr	1,625.0	7 Yr[2]	9,949.1				
7 Yr[2]	4,881.1					7 Yr[2]	3,954.5
Total	21,015.0	**Total**	22,485.0	**Total**	8,940.7	**Total**	31,059.3

Based on Interest Rate ("IR")							
1998		**1999**		**2000**		**2001**	
IR	Amount	IR	Amount	IR	Amount	IR	Amount
Fixed Interest	9,201.5	Fixed Interest	4,950.1	Fixed Interest	8,940.7	Fixed Interest	25,216.4
Variable Interest [3]	11,813.5	Variable Interest [3]	17,534.9	Variable Interest [3]	0	Variable Interest [4]	5,842.9
Total	21,015.0	**Total**	22,485.0	**Total**	8,940.7	**Total**	31,059.3

1) 1-year deferred; pay 6.25% every three months seven times for two years and pay 56.25% at maturity.
2) 5-years deferred; pay equal amounts over a 2-year period to fulfill payment.
3) The average yield rate for Type I NHBs (National Housing Bonds) during one month immediately prior to the interest payment period was applied.
4) The average yield rate for Type I NHBs during one month immediately prior to the beginning of the interest accrual period was 388.4 billion won, and the average floating profitability basis for five-year-maturity government bonds was 5,454.5 billion won.

The majority of DIF Bonds issued during 1998 and 1999 had maturities of five to seven years, with either fixed or floating interest rates linked to the yields of the National Housing Bonds. All DIF Bonds issued in 2000 had a maturity of five years with fixed interest rates. However, those issued in 2001 had maturities of from three to seven years, as an effort was made to diversify the kinds of bond issues and decentralize the burdens at the times of redemption. Bonds with floating interest rates, previously linked to the yields of National Housing Bonds, are now linked to the yields of Treasury Bonds with maturity of five years.

4. Borrowings

Pursuant to Article 26 of the Depositor Protection Act and Article 15 of the DPA Enforcement Decree, the KDIC is authorized, when necessary for payment of insurance claims or resolution of insolvent financial institutions, to borrow funds from various entities including the government, the Bank of Korea, insured financial institutions or institutions stipulated by Presidential Decree.

In 2001, borrowings from the government (Special Account for Financial Loans) increased by approximately 5 trillion won from the end of the previous year. Meanwhile, borrowings from financial institutions, excluding those from the Korea Asset Management Corporation (2 trillion won), were fully redeemed with the repayment of nearly 11 trillion won during the year.

Table II – 7. Borrowings by Deposit Insurance Fund

(Unit: billion won)

	Borrowed Amounts and Sources				Repaid Amount	Outstanding Balance
	Financial Institutions	IBRD[1] and ADB[2]	Government	Total		
Amount Received	7,601.1	0	0	0	0	0
1998	329.5	241.6	1,058.2	1,629.3	933.7	8,296.7
1999	1,387.0	1,201.6	2,625.4	5,214.0	3,387.0	10,123.7
2000	9,002.8	1.3	3,953.3	12,957.4	980.2	22,100.9
2001	0	0.8	4,967.2	4,968.0	11,019.6	16,049.3
Total	**18,320.4**	**1,445.3**	**12,604.1**	**24,768.7**	**16,320.5**	**-**

1) International Bank for Reconstruction and Development.
2) Asian Development Bank

Chapter 2. Resolution of Insolvent Financial Institutions

1. Overview

Since the financial crisis, the KDIC has provided public funds worth 99.1 trillion won for the restructuring of financial institutions. This total amount includes 45.7 trillion won in equity participation (46.1%) for management normalization, 16.3 trillion won in contributions (16.4%) for contract transfers via P&A, 25.8 trillion won (26.0%) for payments of insurance claims and 11.4 trillion won (11.5%) for purchases of assets.

Table II – 8. Cumulative Financial Assistance Status

As of December 31, 2001

(Unit: billion won)

Financial Sector	Equity Participation	Contributions	Insurance Claim Payments	Asset Purchases	Loans	Total
Banks	22,137.7	13,625.7	0	8,884.9	0	44,648.3
Securities Companies	4,900.0	0	14.4	0	0	4,914.4
Insurance Companies	15,919.7	2,588.8	0	344.7	0	18,853.2
Merchant Banks	2,705.2	0	17,194.9	0	1,291.7	21,191.8
MSFCs	10.1	77.2	6,501.5	0	853.3	7,442.1
Credit Unions	0	0	2,049.1	0	36.7	2,085.8
Total[1)]	45,672.7	16,291.7	25,759.9	9,229.6	2,181.7	99,135.6

1) Includes 1,606.9 billion won provided prior to the consolidation of protection funds under the KDIC's Deposit Insurance Fund.

Public funds disbursed for the restructuring of financial institutions during 2001 amounted to a total of 21. 2 trillion won, and included 9.6 trillion won (45.1%) as equity participation, 4.1 trillion won (19.5%) as contributions, 6.5 trillion won (30.7%) as payments of insurance claims and 1 trillion won (4.7%) as purchases of assets.

Table II – 9. Financial Assistance During 2001

(Unit: billion won)

Financial Sector	Equity Participation	Contributions	Insurance Claim Payments	Asset Purchases	Loans	Total
Banks	1,254.3	3,119.0	0	596.1	0	4,969.4
Securities Companies	0	0	0	0	0	0
Insurance Companies	7,100.0	956.1	0	0	0	8,056.1
Merchant Banks	1,202.3	0	3,168.1	0	0	4,370.4
MSFCs	0	59.3	2,953.8	0	388.4	3,401.5
Credit Unions	0	0	389.2	0	0	389.2
Total	9,556.6	4,134.4	6,511.1	596.1	388.4	21,186.6

2. Banks

In the interest of maintaining the stability of the nation's financial market, the Corporation utilizes three primary methods for the normalization and resolution of insolvent banks: 1) direct provision of financial support via capital injection to seek normalization; 2) provision of contributions to an acquiring entity in respect of the insolvent accounts in M&A transactions; or 3) purchase of assets from insolvent institutions to prevent further deterioration.

Capital injections made by the Corporation in 2000 included 413.7 billion won into six banks (Hanvit, Seoul, Peace, Kyungnam, Kwangju and Cheju) through Memorandums of Understanding ("MOUs") in respect of their reorganization plans in return for self-efforts at normalization with agreed upon cooperation from their respective labor unions. The KDIC monitored the banks' compliance with these MOUs in the first and second quarters of 2001, before providing a sum of 2,967.7 billion won as contributions on September 29, 2001, in accordance with the decision of the Public Fund Oversight Committee ("PFOC").

On March 27, 2001, the Corporation established Woori Finance Holdings Company as a wholly owned subsidiary, through the transfer of the stocks of four banks (Hanvit, Peace, Kwangju and Kyungnam) and of Hanaro (Woori) Merchant Bank. This clearly demonstrates the effort on the part of the Corporation to heighten the domestic financial institutions' international competitiveness through encouraging increased economies of scale and a universal banking system, as well as its determination to recover injected public funds as early as possible.

Table II – 10. Financial Assistance Provided to Banks

As of December 31, 2001

(Unit: billion won)

Names of Banks	Equity Participation			Contributions			Asset Purchases		
	1999	2000	2001	1999	2000	2001	1999	2000	2001
Korea First	4,208.6	0	0	445.9[1)]	360.0	63.9	3,119.6	3,353.6[2)]	339.0
Hanvit	0	2,764.4	0	0	0	1,877.2	0	0	0
Seoul	3,320.1	610.8	0	0	0	221.6	0	0	0
Cho Hung	2,717.9	0	0	0	0	0	0	0	0
Peace	220.0	273.0	0	0	0	338.6	0	0	0
Kyungnam	0	259.0	0	0	0	93.8	0	0	0
Kwangju	0	170.4	0	0	0	271.4	0	0	0
Cheju	0	53.1	0	0	0	165.1	0	0	0
Kookmin	0	0	0	753.4	12.0	0.3	17.9	0	0
H&CB[3)]	0	0	0	1,100.8	17.6	0	53.8	0	0
Shinhan	0	0	0	922.6	58.9	0	59.1	0	0
Hana	472.8	0	0	340.0	2.2	0	5.4	0	0
KorAm	0	0	0	711.1	3.3	0	22.6	0	0
KDB[4)]	0	0	0	0	0	0	0	1,300.0	0
IBK[5)]	0	0	0	0	0	0	0	600.0	0
AC[6)]	0	0	96.2	0	0	87.0	0	0	0
FC[7)]	0	0	1,158.1	0	0	0	0	0	0
Total	**10,939.4**	**4,130.7**	**1,254.3**	**4,273.8**	**454.0**	**3,118.9**	**3,278.4**	**5,253.6**	**339.0**

1) Incorporates 407.9 billion won of asset purchase assistance related to post-sale settlement for Korea First Bank.
2) Includes 243.3 billion won in supplemental assistance provided by the Resolution and Finance Corporation from self-procured funds.
3) Housing and Commercial Bank.
4) Korea Development Bank.
5) Industrial Bank of Korea.
6) Agricultural Cooperative.
7) Fisheries Cooperatives.

In order to rehabilitate the financially troubled credit business of the National Federation of Fisheries Cooperatives ("NFFC"), the KDIC disbursed 109.5 billion won on April 26, 2001 in compliance with the resolution of the PFOC. It provided the NFFC an additional 48.6 billion won worth of funds on December 31, after monitoring the organization's compliance to its management normalization plan during the first three quarters of the year.

The KDIC also invested a sum of 87 billion won in contributions into the National Agricultural Cooperative Federation ("NACF") in 2001, to make up for the non-compensated net capital loss incurred by the former National Livestock Cooperatives Federation ("NLCF"). This deficit had been discovered when the NACF took over the NLCF in 2000. On September 28, the KDIC also provided 96.2 billion won in equity participation to help compensate for the NACF's decreased BIS capital adequacy ratio following the takeover.

At the end of 1999, the Corporation sold its equity stake in Korea First Bank to Newbridge Capital ("Newbridge"). Pursuant to the sales agreement, during 2001 it provided financial support worth 402.9 billion won on 22 occasions for *ex post facto* settlement of accounts.

3. Securities Companies

By yearend 2001, resolution proceedings were under way for six securities companies that had either had their operations suspended or been put under court receivership. Of the six, deposit claim payments were made in respect of Koryo Securities and Dongseo Securities through the Securities Investor Protection Fund. Deposit payoffs in respect of Jangeun Securities, Dongbang Peregrine Securities, Hannam Investment & Securities, and Korea Industrial Securities have been undertaken by Kookmin Bank, a KDIC-designated fiduciary agency.

Table II – 11. Financial Assistance Provided to Securities Companies

As of December 31, 2001

(Unit: billion won)

Name	Equity Participation				Insurance Claim Payment[1]			
	1998	1999	2000	2001	1998	1999	2000	2001
Jangeun Securities	-	-	-	-	4.0	-	-	-
Dongbang Peregrine Securities	-	-	-	-	10.0	-	-	-
Hannam Investment & Securities	-	-	-	-	-	0.1	-	-
Korea Industrial Securities	-	-	-	-	-	0.3	-	-
Korea Investment Trust	-	-	3,000.0	-	-	-	-	-
Daehan Investment Trust Securities	-	-	1,900.0	-	-	-	-	-
Total	-	-	4,900.0	-	14.0	0.4	-	-

1) Based on the required amounts.

In June 2000, the KDIC injected 3 trillion won and 1.9 trillion won, respectively, into Korea Investment Trust and Daehan Investment Trust. MOUs were signed with the two insolvent financial institutions as they began the process of normalizing their operations.

4. Insurance Companies

A. Additional Public Fund Support to Korea Life Insurance ("KLI") and Pursuance of Sale

On September 14, 1999, the Financial Supervisory Commission ("FSC") determined KLI to be insolvent, and requested the equity participation of the Corporation. Accordingly, the KDIC entered into an MOU with KLI on reorganizing its management structure and invested 250 billion won, taking into account the issuance ceiling for DIF Bonds. Under the rehabilitation program, KLI's sales operation improved greatly, but this was more than offset by the effects of the bearish stock market. The scale of net capital loss increased resulting in delay of normalization. In this context, the government decided in December 2000 to authorize disbursal by the KDIC of additional funds worth 1,500 billion won to the insolvent insurance company. Together with the amount later provided on September 6, 2001, the Corporation now has injected a total of 3,550 billion won worth of public funds into KLI.

Meanwhile, the Public Fund Oversight Committee ("PFOC") concluded on March 20, 2001 that the management normalization program should proceed in concert with efforts to sell KLI, so that the injected public funds could be recovered as early as possible and the company privatized. The Corporation thus organized a sales advisory team, made up of Merrill Lynch and Korea Exchange Bank, and has been pursuing KLI's sale.

B. Public Fund Support following Transfers of Contracts of Hyundai and Samshin Life Insurance Companies

In the case of Hyundai Life Insurance (Jan. 11, 2001) and Samshin Life Insurance (Nov. 30, 2000), both designated by the FSC as insolvent financial institutions, the government failed to sell them to third party acquirers. After the PFOC recognized the need to handle the matter through contract transfer to comply with the Least Cost Principle, the FSC decided to transfer the contracts of the two insolvent life insurance companies to KLI on April 13 2001.

Upon the decision made by the FSC, an accounting firm appointed by the acquirer (KLI) and acquirees (Hyundai and Samshin) conducted due diligence with respect to the companies' assets and liabilities. Based on the firm's assessment of the values of contracts held by the two insolvent companies, the Corporation decided on investing a sum of 899.8 billion as contributions into KLI.

C. Compensation for Additional Loss

Kumho Life Insurance, acquirer of Taepyongyang and Dong-a; SK Life Insurance, acquirer of Tongyang, Kookmin and Handuk, and KLI, which took over Doowon through contract transfer, requested that the KDIC make up for any losses that might occur due to non-performing loans ("NPLs") or lawsuits following the sales or contract transfers through P&A of those insolvent companies. Accordingly, the Corporation provided additional funds in 2001worth 18,326 million won: 5,350 million won to Kumho Life, 1,221 million won to KLI and 11,755 million won to SK Life.

D. Public Fund Support for Seoul Guarantee Insurance

Up until the end of 2000, the KDIC had disbursed a sum of 4,650 billion won to provide financial support to Seoul Guarantee Insurance ("SGI") and pay the principal of the corporate bonds issued by the insolvent Daewoo Group, guaranteed by SGI. It faced a need to provide additional funding, however, as it also had to redeem SGI-guaranteed bonds issued by Samsung Motors (0.6 trillion won) and other organizations involved in workouts (0.9 trillion won). In addition, the amount of principal to be paid for the Daewoo corporate bonds increased by 1.5 trillion won.

In December 2000 the National Assembly approved the procurement of 8.3 trillion won of public funds, in addition to the 1.7 trillion won it had previously approved. During its seventh meeting of the year on May 16, 2001, the PFOC passed a resolution to provide 5 trillion won of public funds for SGI, deeming it necessary to normalize SGI's management in order reduce the loss and maximize the effectiveness of the funds injected. The committee also decided, in its 14th meeting on September 19, 2001, to provide equity participation support worth 600 billion won for repayment of the corporate bonds.

After SGI and its creditor banks subsequently reached a payment deferment agreement, refinancing and exempting overdue interest in respect of the corporate bond, the Corporation provided SGI additional support worth 5.6 trillion won. Total public funds injected into SGI amounted to 10,250 billion won by the yearend.

E. Sale of Daehan, Kukje and Regent Non-life Insurance Companies

The FSC designated non-life insurance companies Daehan, Kukje and Regent as insolvent financial institutions on March 6, 2001, and mandated their management improvement. However, the FSC disapproved the management improvement plans submitted by the three insolvents, judging them to be not workable. A trustee was then appointed on May 11, 2001, and on May 23, 2001, the FSC requested that the KDIC pursue public sale of the three insolvents.

The Corporation subsequently received Letters of Intent ("LOI") from domestic and international investors and analyzed them together with its financial and legal consultants (Arthur Andersen and Woo, Yun, Kang, Jeong & Han) before making recommendations regarding preferred investors. Based on these recommendations and the results of deliberation by the Judging Committee for the Sale of Non-life Insurance Companies, consisting of outside experts, preferred investors were appointed.

In relation to the sale of Regent, Mirsat Satellite Broadcasting was initially selected as the preferred investor, but was acquitted of its preferred investor status due to lack of capacity to raise funds if the takeover had proceeded. Instead, Future and Environment was appointed following announcement of the second public sale, and entered into an MOU with the Corporation on August 30, 2001.

In the case of Daehan, an acquirer entered into MOU and carried out due diligence on the company's assets and liabilities, through which a net capital loss of 80,064 million won (as of the end of June 2001) was computed. The FSC requested complete reduction of capital in respect of Daehan's stocks, as well as equity participation of the Corporation. An agreement was then signed between the KDIC, the acquirer and Daehan on December 7, 2001. In accordance with the resolution of the Corporation's Policy Committee, it subsequently provided 50 million won as equity participation (December 18) and 38,014 million won as contributions (December 27) before completing the sale on December 28, 2001.

As for Kukje, the KDIC is currently conducting due diligence on Kukje's assets and liabilities after entering into an MOU with a preferred acquirer on August 20, 2001. Assessment of the insolvent company's corporate value is also under way. When net capital loss is finally calculated and the PFOC approves the resolution of Kukje through third party acquisition, the Corporation will make equity participation and contributions and request the acquirer's capital increase before transferring its stock holdings to it.

In the case of Regent, the preferred investor, Future and Environment, is currently experiencing some internal conflicts concerning the future management and other matters relative to the takeover. The Corporation has requested Arthur Andersen and Woo, Yun, Kang, Jeong & Han to review the situation, and will then clarify its stance on the resolution.

5. Merchant Banks

A. Restructuring Status

In the period following the end of 1997, twenty-three of the thirty merchant banks in existence were ordered to suspend operations for various reasons, but mainly due to insufficient liquidity. For sixteen of the twenty-three (including Kyung-il Merchant Bank), their depositor contracts have been transferred to Hanareum Banking Corporation via P&A, as subrogation deposit payoff and bankruptcy proceedings are under way. For Daehan and Nara, whose business licenses have been revoked, the KDIC has made insurance claim payments through the Hanareum Banking Corporation, without a separate P&A.

Six merchant banks, including Hanwoi Merchant Bank have merged. During 2001, Regent Merchant Bank and Hyundai Ulsan Merchant Bank were taken over by Tongyang Merchant Bank, and Tongyang Hyundai Merchant Bank by Tongyang Securities Company. By 2001 yearend, three merchant banks together with Hanaro Merchant Bank (renamed Woori Investment Bank on September 1, 2001), solely established and capitalized by the Corporation, are in operation.

Table II – 12. Number of Restructured Merchant Banks

As of December 31, 2001

License Revocations	Mergers[1)]	Normal Operation[2)]	KDIC Involvement	Total
22	6	3	1	31

1) LG Merchant Bank⇨LG Securities, Hanwoi Merchant Bank⇨KEB, Hyundai Merchant Bank⇨Kangwon Bank, Hyundai Woolsan· Regent Merchant Bank⇨Dongyang Merchant Bank, Dongyang Hyundai Merchant Bank⇨Dongyang Securities.

2) Kumho, Hanbul, and Woori Merchant Banks.

B. Management Normalization for Woori Investment Bank

(1) Public Fund Support through Equity Participation

The KDIC, having injected public funds worth 1,288.9 billion won into Woori Investment Bank in 2001, provided additional funds of 1,202.3 billion won in 2001 on two occasions, based on due diligence by an accounting firm to compensate for losses and achieve the BIS capital adequacy ratio of 10%. Since then, Woori Investment Bank has been in operation as a subsidiary of Woori Financial Holdings Company.

Table II – 13. Financial Assistance Provided to Hanaro (Woori) Merchant Bank

(Unit: billion won)

Date	Type	Amount	Notes
Nov. 2, 2000	**Equity Participation**	30.0	Equity participation for new formation of merchant banks
Dec. 19, 2000		1,258.9	Based on Balance Sheets submitted by four insolvent merchant banks
Mar. 9, 2001		403.1	Based on Balance Sheet after accounting firm audit
Mar. 23, 2001		799.2	
Total		2,491.2	

(2) Transfer of Credit and Liability

The KDIC acquired uncollected credits and unpaid obligations that arose due to the transfer of depositor contracts from Woori Investment Bank. It has decided to pay the 742.4 billion won, price of acquiring these credits and liabilities, with the dividends from the bankruptcy estates of four merchant banks. In the case that the dividends fall short of 742.4 billion won, the Corporation will cover the difference pursuant to the agreement it signed with Woori Investment Bank on transfer of credits and liabilities.

Table II – 14. Status of Credits and Liabilities in Relation to Contract Transfers

(Unit: billion won)

	Reevaluated [transferred] credits (A)	Reevaluated [transferred] liabilities (B)	Difference (A-B)
Four merchant banks	2,945.8	2,203.4	742.4

The bankruptcy estate of Youngnam Merchant Bank paid dividends of 423 billion won to the Corporation in 2001, in relation to credit transfer. The KDIC redeemed its liability (388.7 billion won) to the bankruptcy estate, and paid the amount remaining (34.3 billion won) to Woori Investment Bank on December 20, 2001.

Table II – 15. Dividend Distribution of Youngnam Merchant Bank Bankruptcy Estate

(Unit: billion won)

KDIC's Stake	Received Dividends (A)	Paid-out Liabilities (B)	Balance (A-B)
912.9	423.0	388.7	34.3

6. Mutual Savings and Finance Companies

In 2001, three mutual savings and finance companies ("MSFCs") were involved in insured risk events, a sharp decrease from the previous year's 34. Since the Financial Supervisory Commission failed to execute transfers of contracts of these three MSFCs (Seokjin, Chung-il and Mirae) to third parties, the KDIC has made their deposit insurance claim payments, or is planning to do so. During 2001, the Corporation paid 3,291.2 billion won in deposit insurance claims to depositors in respect of a total of 23 MSFCs, including 20 implicated in insured risk events. The number of third party acquisitions through P&As declined from nine in 2000 to one (Anheung MSFC) in 2001.

The greatest change in deposit payoff payments during 2001 was the implementation of the Partial Deposit Protection System, which only guarantees deposited amount of 50 million won per depositor. This system is viewed to have soft-landed, contrary to initial concerns that drastic deposit migration to healthy financial institutions and subsequent liquidity shortages would occur and cause confusion in the financial market. As for the three MSFCs (Seokjin, Chung-il and Mirae) involved in insured risk events after implementation of the system, 136 depositors whose deposits exceeded the limit (0.3% of the depositors entitled to receive deposit insurance claim payments) suffered losses. The losses, i.e., the excess deposit amounts, stood at 2,621 million won (0.6% of the deposit insurance claim payments made).

Table II – 16. Deposit Payoffs Related to Mutual Savings and Finance Companies

Year	Number of Institutions	Amounts (in billion won)
1998	17	1,470.2
1999	19	1,427.3
2000	11	312.7
2001	23	3,291.2
Total	**70**	**6,501.4**

At the end of December 2000, the Provisional Deposit Insurance Claim Payments System was adopted and implemented. The system, in which deposit insurance claims are settled in advance within the limit of 20 million won per depositor, has played an important role in alleviating bank runs, as it has greatly eased the inconvenience felt by depositors when their MSFCs have suffered suspensions of operation. It has also given depositors confidence that they can withdraw their deposits even in the event of operation suspension of their MSFC. Previously, deposit insurance claim payments were made through Hanareum MSFC. Since Hanareum ceased to exist as of June 2001, however, the KDIC now makes payments to depositors directly. It has established a system of computerized deposit insurance claim payments, and simplified payment procedures.

Table II – 17. Financial Assistance Provided to Mutual Savings and Finance Companies

As of December 31, 2001

(Unit: billion won)

Names	Equity Participation				Contributions				Loans			
	Prior to 1999	1999	2000	2001	Prior to 1999	1999	2000	2001	Prior to 1999	1999	2000	2001
New Choongbuk	10.0	-	-	-	-	-	-	-	16.1	-	-	-
Kisan	-	-	-	-	-	-	-	-	54.1	-	-	-
Donghwa	-	-	-	-	-	-	-	-	63.9	-	-	-
Ilshin	-	-	-	-	-	-	-	-	15.5	-	-	-
Dong-ah	-	-	-	-	-	-	-	-	10.4	-	-	-
Kyungbuk	-	-	-	-	-	-	-	-	17.0	-	-	-
Saenuri	-	-	-	-	-	-	0.2	0.2	39.2	2.1	-	-
Daewon	-	-	-	-	-	-	-	-	56.3	-	-	-
Choongil	-	-	-	-	-	-	-	-	8.9	-	-	-
Daechun	-	-	-	-	-	-	-	-	-	10.2	-	-
Haedong	-	-	-	-	-	-	-	-	-	26.3	-	-
Saeonyang	-	-	-	-	-	-	-	-	-	4.5	-	-
Pusan 2	-	-	-	-	-	-	-	-	-	27.1	-	-
Union	-	-	-	-	-	-	-	-	-	51.8	-	-
Arim	-	-	-	-	-	-	-	-	-	61.5	-	-
Dongwon	-	-	-	-	-	-	-	-	-	-	-	78.3
Choil	-	-	-	-	-	-	-	-	-	-	-	73.8
Kumkang	-	-	-	-	-	-	-	-	-	-	-	70.9
Comite	-	-	-	-	-	-	-	-	-	-	-	165.4
Boomin	-	-	-	-	-	-	2.8	2.9	-	-	-	-
Hanmaeum	-	-	-	-	-	-	6.9	14.4	-	-	-	-
Hanwoori	-	-		-	-	-	0.7	1.1	-	-	-	-
New Korea	-	-	-	-	-	-	3.0	10.6	-	-	-	-
Hanaro	-	-	-	-	-	-	1.7	6.0	-	-	-	-
Gold	-	-	-	-	-	-	2.6	8.7	-	-	-	-
J-1	-	-	-	-	-	-	-	4.9	-	-	-	-
Hyundai	-	-	-	-	-	-	-	10.6	-	-	-	-
HMSF[1)]	0.1	-	-	-	-	-	-	-	1,464.7	1,433.0	650.0	2,264.3
Total	10.1	-	-	-	-	-	17.9	59.4	1,746.1	1,616.5	650.0	2,652.7

1) HMSF (Hanareum Mutual Savings and Finance Company) is a resolution financial institution that had been established by the KDIC to effectively carry out resolution activities in respect of insolvent mutual savings and finance companies.

7. Credit Unions

A total of 15 credit unions were involved in insured risk events in 2001, including West Daejeon Credit Union. This was a sharp decline from the previous year's figure of 45. The KDIC has either made or is planning to make deposit insurance claim payments in respect of each of these credit unions. In 2001, the Corporation provided a total of 367.2 billion won in respect of 31 credit unions, including 19 implicated in insured risk events in 2000.

Table II – 18. Deposit Claim Payments Made in Respect of Credit Unions

Year	Number of Institutions	Amounts (in billion won)
1998	39	447.0
1999	77	842.9
2000	41	392.0
2001	31	367.2
Total	**188**	**2,049.1**

Table II – 19. Financial Assistance Provided to Credit Unions

(Unit: billion won)

Institutions	Loans			
	1998	1999	2000	2001
39 Credit Unions[1)]	36.7	-	-	-

1) Safety Fund acquisition portion.

Chapter 3. Public Fund Recovery

1. Status of Recovery

By the end of 2001, the KDIC had recovered 15,584.9 billion won of the total public fund support it had provided. It has developed detailed methods of recovery, depending upon the form of support provision. First, it recovers funds injected in the form of equity participation through disposition of its equity stakes. Second, it makes recovery of funds provided as contributions on deposit payoffs, for financial institutions that closed because their liabilities exceeded their assets, through dividends received pursuant to the Bankruptcy Law. Third, in the case of assets the Corporation has undertaken and loans it extended, it recovers the funds through disposition of the assets or collection of the loans using a variety of methods. The status of recovery by sector as of the end of 2001 is shown in Table II-20.

Table II – 20. Public Funds Recovered by the KDIC

As of December 31, 2001

(Unit: billion won)

Type	Bank	Securities Companies	Insurance Companies	Merchant Banks	MSFCs	Credit Unions	Total
Equity Participation	3,714.9	0	26.9	0	0	0	**3,741.8**
Contributions	1.7	0	0	0	0	0	**1.7**
Bankruptcy Dividends[1)]	1,301.2	5.9	126.7	4,638.8	334.6	756.2	**7,163.4**
Loans[2)]	0	0	0	1,101.5	54.1	36.3	**1,191.9**
Asset Sales[3)]	3,388.3	0	97.8	0	0	0	**3,486.1**
Total	**8,406.1**	**5.9**	**251.4**	**5,740.3**	**388.7**	**792.5**	**15,584.9**

1) Includes bankruptcy dividend resources reimbursed by resolution financial institutions, i.e., the Resolution and Finance Corporation.
2) Includes sales proceeds of claim rights in respect of Saehan and Hangil Merchant Banks.
3) Includes asset sale proceeds reimbursed by resolution financial institutions.

2. Disposition of Equity Stake

The KDIC has recovered part of its total Korea First Bank ("KFB") equity stake (4,958.6 billion won: 750 billion won and 4,208.6 billion won injected in January 1998 and July 1999, respectively). On December 30, 1999, when it sold its equity stake in KFB to Newbridge, KFB reduced its capital at a rate of 3.8 to 1, and the Corporation recovered 1,418.1 billion won. Along with the 500 billion won it later received on January 20, 2000, the Corporation has recovered a total (as of the end of 2001) of 1,918.1 billion won from disposition of its equity stake in KFB.

The KDIC has invested 1,521.8 billion won to purchase the preferred stocks of five acquiring banks (Kookmin, H&CB, Shinhan, Hana, KorAm) to compensate them for the lowering of their BIS capital adequacy ratios following their purchases of the assets of five insolvent banks, and to support the merger of Boram Bank with Hana Bank. This support in the form of investment in preferred stocks is supposed to be redeemed in yearly proportions from 2000 through 2004, pursuant to the Investment Agreement. By yearend 2001, the Corporation had recovered 1,167.8 billion won.

The Corporation realized an additional recovery of 629 billion won by issuing selection-type exchangeable bonds (backed by the assets of Cho Hung Bank and Woori Financial Holdings Company) worth 0.5 billion dollars on December 11, 2001. Its reason for issuing such bonds was that estimating the value of the two institutions' stocks was difficult; Woori Financial Holdings was not listed on the Korea Stock Exchange and CHB was undergoing structural reforms.

The Corporation also received 26.9 billion won as sales proceeds through disposition of its equity stake in Kookmin Life Insurance on March 30, 2000.

Table II – 21. Status of Preferred Shares Equity Participation

As of December 31, 2001

(Unit: billion won)

Bank	Equity Participation Amount	Current Period Recovery (2000 ~ 2001)	Estimated Future Recovery (2002 ~ 2004)
Kookmin	200.0	200.0	0
Shinhan	292.5	292.5	0
H&CB	296.5	296.5	0
KorAm	260.0	104.0	156.0
Hana	472.8	274.8	198.0
Total	**1,521.8**	**1,167.8**	**354.0**

3. Bankruptcy Estate Dividends

The KDIC provides funding to cover net capital loss for those financial institutions undertaking the assets and liabilities of insolvent institutions, and it also protects depositors by making deposit payoff payments. It makes recovery on funds thus provided by participating in distribution of dividends on the residual assets held by bankruptcy estates of failed financial institutions.

In the banking sector, the Corporation has invested a total of 9,701.1 billion won in five acquirers to make up for their net capital losses sustained during takeovers of the assets and liabilities of five bankrupt banks (Donghwa, Daedong, Kyungki, Chungchong and Dongnam). It has subsequently exercised creditor rights pertaining to these contributions and had received 1,301.2 billion won worth of bankruptcy estate dividends by yearend 2001.

As for the insurance sector, the Corporation has provided a total of 2,360.6 billion won for five life insurance companies to which depositor contracts were transferred via P&As from seven insolvent companies (Taepyongyang, Koryo, Kukje, BYC, Doowon, Samshin and Hyundai). By the end of 2001, it had collected dividends of 126.7 billion won from the respective bankruptcy estates.

The KDIC had also disbursed a total of 14.4 billion won as subrogation deposit payoff payments to four insolvent securities companies (Korea Industrial, Jangeun, Dongbang Peregrine and Hannam), and has received dividends of 5.9 billion won from the respective bankruptcy estates.

With regard to merchant banks, the Corporation made deposit payoffs to the depositors of 18 merchant banks forced to exit the market before the first half of 2000. Payoffs were made through Hanareum Banking Corporation (currently the Resolution and Finance Corporation) established in accordance with the Depositor Protection Act. Of 23,582 billion won injected by the end of 2001, it had recovered dividends of 10,639 billion won. In addition, the assets and liabilities of four insolvent merchant banks, including Hans Merchant Bank, were transferred to Woori Financial Holdings Company, fully recapitalized by the Corporation. The Corporation then exercised creditor rights taken over from Woori with respect to the contributions provided and received 423 billion won worth of bankruptcy estate dividends. Meanwhile, since Hanareum Banking Corporation made subrogation deposit payoffs through borrowings from the KDIC, it has used 4,638.8 billion won of total dividends recovered to make loan reimbursements to the Corporation.

As for MSFCs, the KDIC had made subrogation deposit payoff payments totaling 7,190 billion to depositors of 73 insolvent MSFCs by yearend 2001. This was conducted through Hanareum Mutual Savings and Finance Company ("HMSF") - currently also merged into the Resolution and Finance Corporation - established pursuant to the Depositor Protection Act. So far, 2,174.7 billion won has been collected as bankruptcy dividends. The Corporation had carried out deposit payoffs via loans to its subsidiary, HMSF, and had received 334.6 billion won of total dividends recovered by HMSF as reimbursements for these loans.

Finally, while carrying out the resolution of insolvent credit unions, the Corporation has also made deposit payoff payments worth 249.1 billion won to 188 credit unions, and had achieved recovery of 756.2 billion won by the end of 2001.

Table II – 22. Status of Bankruptcy Debenture Recovery by Financial Sector

As of December 31, 2001

(Unit: billion won)

Financial Sector	Support Type	KDIC Support	Total Support Amount	Recovered by KDIC	Recovery via Bankruptcy Dividends
Banks	Contribution	9,701.1	9,701.1	1,301.2	1,301.2
Insurance Cos.	Contribution	2,360.6	2,360.6	126.7	126.7
Securities Cos.	Deposit Payoff	14.4	14.4	5.9	5.9
Credit Unions	Deposit Payoff	2,049.1	2,049.1	756.2	756.2
Merchant Banks	Deposit Payoff	17,194.9[1)]	23,058.2[2)]	4,638.8[3)]	11,062.0
MSFCs	Deposit Payoff	6,501.5[1)]	7,190.0[2)]	334.6[3)]	2,174.7
Total		**37,821.6**	**44,373.4**	**7,163.4**	**15,426.7**

1) Amounts KDIC provided to Hanareum Banking Corporation ("HBC") and Hanareum Mutual Savings and Finance Corp. ("HMSF") for deposit payoffs in respect of failed merchant banks and MSFCs.
2) Includes support funds provided by the KDIC and funds recovered by HBC and HMSF used for deposit payoffs.
3) Recovered deposit payoff assistance loan amounts the KDIC provided to HBC and HMSF.

4. Disposition of Assets

The KDIC disburses public funds mostly in the form of equity participation, contributions and subrogation deposit payoff payments. In some cases, however, it has provided public fund support by taking over the assets of financial institutions in which it holds equity stakes. In fact, the Corporation undertook some of the assets held by financial institutions when it sold Korea First Bank ("KFB") to an overseas acquirer, as it transferred the depositor contracts of five banks via P&As and sold four insurance companies via M&As. By the end of 2001, it had recovered 3,486.1 billion won through the disposition of these assets. This amount includes 15.8 billion won that the Corporation collected through disposition of KFB's overseas branches in Vietnam and New York and 3,470.3 billion won recovered from the disposition of assets held by the Resolution and Finance Corporation ("RFC").

More specifically, the KDIC acquired the assets of KFB subsidiary operations in New York (7.49 million dollars) and Vietnam (6.9 million dollars), as Newbridge refused to acquire either when it purchased KFB. The Corporation exerted significant efforts to dispose of the New York KFB branch even before the takeover, and on February 25, 2000 successfully sold it to New York-based Nara Bank for 8.7 million dollars.

KFB had the controlling right in Firstvina Bank in Vietnam, basically, although the equity stakes in the bank were 50% for the Bank of Foreign Trade of Vietnam, 40% for KFB and 10% for Daewoo Securities. In this context, the Corporation, after taking over KFB's equity stake in the bank, sent out a request for investment proposals in order to sell the bank and secure an operational base for a domestic bank in Vietnam. Letters of intent were received from six domestic banks, including Cho Hung Bank ("CHB"). After rounds of negotiations, in August 2000 the KDIC finally reached agreement to sell Firstvina to CHB for USD 5 million, and completed the sale in November 2000 with approval of the Vietnamese authorities.

Table II – 23. Sales Proceeds from Korea First Bank Offshore Branches (M&As)

Asset Type	Date of Sale	Sale Amount (in USD 1,000)	Purchaser
New York Branch	Feb. 25, 2000	8,700	Nara Bank, N.A. (USA)
Vietnam Branch	Nov. 24, 2000	5,000	Cho Hung Bank

The RFC was established on December 27, 1999 to takeover and manage three types of assets: the assets that Newbridge declined to assume when purchasing KFB, assets in respect of which KFB can exercise put-back rights, and other residual assets of the financial restructuring process.

The RFC, wholly owned by the KDIC, uses a variety of recovery methods besides the traditional recovery at full asset maturity, including M&A, NPL disposition by joint venture SPCs (Special Purpose Corporations), issuance of overseas exchangeable bonds, and recovery of foreign currency-denominated bonds through SAMDAs (Standard Asset Management & Disposition Agreements). By the end of 2001, the RFC had recovered a total of 3,470.3 billion won.

Table II – 24. Asset Sales by Resolution and Finance Corporation (RFC)

As of December 31, 2001

(Unit: billion won)

Assets Sold	Sales Method	Sale Amount	Purchaser
Stocks (Ileun Securities)	M&A	119.5[1]	Regent Group
Stocks (Kia Motors)	Private Sale	115.8	Fiduciary OGF(L), Ltd.
Stocks (KEPCO)	Exchangeable Bonds	1,119.9	Foreign Investors
Loans	J.V. SPC	204.4	Lone Star
	International Auction	269.0	Lone Star/Merrill Lynch
	Sale to KAMCO	229.1	KAMCO
Real Estates	Public Sale Consignment	70.0	Domestic Investors
Foreign Currency Debentures	SAMDA	30.4	Foreign Investors
Loans/Securities	Principle/Interest Call, Market Sale	1,312.2	
RFC Total		**3,470.3**	

1) Includes 10.2 billion won of received dividends.

5. Recovery of Loans

Of the 2,181.7 billion won the Corporation has extended in loans to merchant banks, mutual savings and finance companies and credit unions, a total of 1,191.9 billion won had been recovered as of the end of 2001. This includes 94.8 billion won recovered during 2001 (39 billion won from Saehan and 26.3 billion won from Haedong MSFC).

III. Risk Management of Insured Financial Institutions

Chapter 1. Establishment of Effective Risk Management System

1. Preparations for Adoption of Risk Adjusted Insurance Premium System

Unlike the fixed premium system that applies fixed insurance premiums to every financial institution, the Risk Adjusted Insurance Premium System calculates insurance premiums based on the extent of management risk at each individual institution. This is an effective system for helping to prevent moral hazard in the management of financial institutions and to promote sound management based on market discipline.

The KDIC has made detailed preparations for introduction of the system, holding public hearings in April 1999 and seeking consultation from the U.S. Federal Deposit Insurance Corporation. In 2001, as the Partial Deposit Protection System became firmly established and the financial market regained stability, the Corporation also solicited outside experts for guidance and evaluation on adopting the system. The Corporation's plan is to introduce this insurance premium system on a gradual basis, taking into consideration the capability of respective financial institutions. By proceeding in this way, it can minimize the adverse effects that system implementation may have on the financial market.

2. Establishment and Management of On-going Monitoring System

In 2001, the KDIC established a special task force for each financial sector, and has secured diversified information channels to enable it to detect beforehand any signs of insolvency or managerial problems at insured institutions.

Analysis and assessment of individual bank risks are carried out on a regular basis using risk assessment models. Particularly, the Corporation conducts in-depth analysis of those financial institutions subject to close monitoring, along with other pending financial matters. Since implementation of the Partial Deposit Protection System, it has also checked developments in deposit-taking by financial institutions every five day and analyzes them as often as possible. Overall, therefore, it is able to effectively monitor the flow of funds in the financial market.

3. Collection and Sharing of Information Related to Management of Insured Financial Institutions

The KDIC is striving to strengthen its ability to collect both financial and non-financial information on insured financial institutions. This is necessary for the sake of more efficient risk management, as well as to broaden the scope of information sharing with the Financial Supervisory Service ("FSS"), the Bank of Korea and other related institutions.

The Corporation also makes efforts to gather relevant information from a wider range of sources within the financial market. As a result, it now has access to the credit information network of the Korea Federation of Banks, which provides real-time information on matters such as corporate loans and financial transactions. In addition, the Corporation has established an Internet-based data input system to enable it to receive information from insured financial institutions on financial matters such as the status of deposits and migration of funds.

With establishment of the "*Information-Sharing Council*" and the "*Information-Sharing Working-level Council* " in March 2001, it is now possible for the Corporation to obtain access to previously undisclosed information. It also requested the Financial Supervisory Service to provide information, on such matters as FSS plans for on-site inspection of insolvent financial institutions, its inspection result reports and other related data and recommendations. Other tasks carried out by the Corporation to analyze the financial soundness of insured institutions include collection of both financial and non-financial information, corporate information or trends in the financial market through diversified channels and media including the information network of credit rating agencies.

4. Investigations and Joint Examinations

With the heightened importance of insolvency prevention and minimization of public funds loss, the KDIC has exerted great efforts to effectively conduct investigations and joint examinations into the operation and status of the properties of insolvent insured financial institutions. The Corporation conducted a minimum number of inspections during 2001, so as to avoid placing overwhelming burdens on insured financial institutions, which are already under great pressure to undertake substantial financial restructuring measures. In July 2001, the Corporation conducted joint inspection with the FSS in respect of the credit business of the National Federation of Fisheries Cooperatives, which had been injected with public funds. It subsequently demanded correction of problems found during the investigation and formulation and implementation of a system that could prevent further insolvency. In addition, the Corporation requested that the FSS investigate certain MSFCs promising extraordinarily high interest rates to attract depositors, and to examine the risk statuses of some financial institutions deemed to be at risk of insolvency and the appropriateness of their deposit insurance premium calculations.

The KDIC will continue to carry out investigations and join examinations as part of its on-going monitoring efforts to detect any signs of insolvency. It also plans to develop an advanced investigation and inspection method through a wide range of thorough case studies of domestic and overseas examples, and to foster internal expertise and human resources specialized in inspection.

5. Development and Analysis of Risk Assessment Models

The KDIC has developed risk assessment models for each financial sector, recognizing the importance of detecting potential insolvency at insured institutions beforehand, and of leading the institutions to sounder management in an effort to minimize the need for public funds.

In the case of banks, the Corporation carries out analysis and assessment of risks at individual banks on a quarterly basis, using its previously developed risk assessment model, FICALS. With the recent change in the financial climate, and the development of techniques for assessment of financial institutions, the Corporation has felt the need to improve the model. Accordingly, it has solicited the assistance of outside experts to enhance the existing model in terms of its accuracy and predictability.

As for life insurance companies, with completion of the framework of the risk assessment model, LITE, the Corporation has analyzed and evaluated individual companies through test applications. LITE is presently being improved again to increase its accuracy and predictability. Together with an outside expert organization, meanwhile, the Corporation has also begun developing a risk assessment model for non-life insurance companies.

In order to enhance its risk analysis ability, the Corporation has also been encouraging its employees specialized in risk assessment to participate in various seminars held both inside and outside the Corporation, and has reinforced its in-house training as well. As part of this effort, specialists have been encouraged to take part as observers in the investigations conducted by the U.S. FDIC, to help them learn advanced methods of analysis and inspection of financial institutions. In addition, the Corporation has made efforts to develop a more reliable risk assessment system by conducting research in risk management and subsequently making the results public through books or quarterly journals.

Chapter 2. Post Public Fund Injection Management

The KDIC has strengthened its efforts in the post public fund injection management of financial institutions (including financial holding companies) to which it has provided public fund assistance, aiming to induce prompter normalization of their operations. It has entered into managerial normalization MOUs with support recipients and monitored their adherence in order to recover the funds injected as early as possible.

The KDIC completed *A Guide to Management Normalization Adherence* in April 2001 and stipulated *Provisions on Management Normalization Compliance* in July 2001 to achieve standardization of post public fund management.

In order to increase the quality of MOU management, the KDIC inspects the statuses of operation of institutions injected with public funds as often as possible and evaluate their compliance with MOUs on a monthly basis. The inspection process has become more objective through having public accountants join the Corporation inspectors. Meanwhile, the Corporation has also established and operated an MOU Compliance Council, made up of outside experts in finance, law and accounting, to enhance transparency and objectivity in the taking of actions pursuant to managerial normalization MOUs for any non-compliance in respect of attaining targets specified in the MOUs. In addition, to reduce the burden on banks that have signed MOUs, the KDIC has carried out its examinations jointly with the FSS since the second quarter of 2001. Since the third quarter of 2001, it requested that Woori Financial Holdings Company take over the inspections on MOU compliance of its subsidiaries.

Table III – 1. MOU Examination Status

Financial Institution	MOU Contract/Amendment Date	Number of MOU Examinations
Woori FHC	Jul. 2, 2001	1 (On-site)
Hanvit Bank	Jan. 22, 1999 / Dec. 30, 2000	11 (7 On-site, 4 Written)
Peace Bank	Jun. 7, 2000 / Dec. 30, 2000	6 (3 On-site, 3 Written)
Kwangju Bank	Dec. 30, 2000	3 (1 On-site, 2 Written)
Kyungnam Bank	Dec. 30, 2000	3 (1 On-site, 2 Written)
Woori Merchant Bank	Dec. 9, 2000 / Jun. 19, 2001	3 (1 On-site, 2 Written)
Cheju Bank	Dec. 30, 2000	3 (2 On-site, 1 Written)
Seoul Bank	Dec. 30, 2000 / Jun. 20, 2001	3 (On-site)
Cho Hung Bank	Nov. 12, 1999 / May 1, 2000	8 (On-site)
National Federation of Fisheries Cooperatives	Apr. 25, 2001	2 (On-site)
Daehan Investment Trust Securities Company	Sep. 25, 2000	5 (4 On-site, 1 Written)
Korea Investment Trust Company	Sep. 25, 2000	5 (4 On-site, 1 Written)
Seoul Guarantee Insurance	Apr. 12, 2000 / Jun. 9, 2001	7 (6 On-site, 1 Written)
Daehan Life Insurance	Apr. 12, 2000 / Sep. 5, 2001	6 (5 On-site, 1 Written)

During 2001, the KDIC entered into MOUs with the credit businesses of the National Federation of Fisheries Cooperatives in April and with Woori Financial Holdings Company in July, while in June, the Corporation signed new MOU with Seoul Bank, whose deadline for the Corporation's disposition of equity stake had been extended by the Public Funds Oversight Committee. In the case of Daehan Life Insurance and Seoul Guarantee Insurance, into which additional public funds were injected on September 5 and June 9, 2001, respectively, the Corporation also entered into new MOUs. As for Korea Investment Trust, Daehan Investment Trust and Cho Hung Bank, new MOUs were signed pursuant to the Public Fund Oversight Special Act, even though these institutions did not receive any additional fund support.

With respect to a group of 14 financial institutions with which the Corporation entered into separate MOUs, the KDIC demanded that the institutions take immediate remedial actions and requested that the Financial Supervisory Commission take necessary measures pursuant to the managerial normalization MOUs for any non-compliance in respect of attaining targets specified under the MOUs.

IV. Management of Bankruptcy Estates and Assets

Chapter 1. Management of Bankruptcy Estates

1. Improvement of System for Efficient Public Fund Recovery

A. Bankruptcy Trustees from the KDIC

The Public Fund Oversight Special Act, put in force on December 20, 2000, stipulates that officers or employees of the KDIC or the KDIC itself can be more readily appointed as trustees of bankruptcy estates when this is necessary for the recovery of the public funds.

Since March 15, 2001, when the Constitutional Court of Korea ruled that appointment of the Corporation's officers or employees as bankruptcy trustees was constitutional, they have been appointed as trustees of 275 of 286 bankruptcy estates nationwide (as of the end of 2001). In 105 of these cases, however, they have been appointed conjointly with lawyers, and the Corporation is therefore striving to formulate a system where only the Corporation's officers or employees can be appointed trustees.

Table IV – 1. Status of Appointed Bankruptcy Trustees

As of December 31, 2001

	Total	Trustees		
		KDIC Employees	Attorneys	Conjoint[1)]
Number of Bankruptcy Estates	286	170	10	106

1) Including 105 conjoint bankruptcy trusteeships.

B. Downsizing and Introduction of Performance-based Competition

The KDIC has laid off redundant workforce at relevant bankruptcy estates and exerted great efforts to firmly establish good work ethics and discipline. In fact, the Corporation instructs its appointed trustees to focus on individual performance in managing bankruptcy estates and to lay off staff exhibiting poor performance.

Table IV – 2. Bankruptcy Estate Staffing Status

	End of 1998		End of 1999		End of 2000		End of Nov. 2001	
	Number of Estates	Total Number of Staff	Number of Estates	Total Number of Staff	Number of Estates	Total Number of Staff	Number of Estates	Total Number of Staff
Number of Persons	47	634 (13.5)	159	921 (5.8)	227	972 (4.3)	289	979 (3.4)

Note: Numbers in ( ) are year-end average numbers of staff per estate.

Recognizing the need to manage bankruptcy estates strictly based on their performance, for more efficient public fund recovery, the KDIC has introduced a performance-based assessment system in respect of the employees of bankruptcy estates and their support staff. Accordingly, it classifies the top 5% of performers as excellent and the lower 10% as poor. As for the trustees themselves, those showing satisfactory performance have been given a number of benefits while those with poor performance have undergone special investigations or been replaced.

C. Implementation of Regional Unit Management System

Having become the trustee of 275 bankruptcy estates, located throughout the country, the KDIC implemented a Regional Unit Management System during 2001, in order to manage the estates more effectively and systematically. It divided the estates into six groups, depending on location, and appointed regional managers from among KDIC staff for each regional group, as well as a representative trustee from among the trustees that group.

Under this system, the regional manager places emphasis on guidance and supervision of the bankruptcy estates that he or she is responsible for. In other words, the manager assesses and supervises the region's trustees' and representative trustee's performances. The representative trustee, meanwhile, is mainly responsible for boosting cooperation among bankruptcy estates, and helps increase the performance of bankruptcy estates in the region while supporting the court in relation to matters concerning bankruptcy estate supervision.

D. Consolidation of Bankruptcy Estates

Various bankruptcy estates have been consolidated to improve efficiency, reduce cost, and prevent moral hazard. The Corporation now has single trustees taking responsibility for more than one bankruptcy estate and use only one office for managing multiple estates. By yearend 2001, a total of 286 bankruptcy estates were being run out of 105 offices, which constituted a decrease of 138 offices compared with the end of March 2001. It is now possible, therefore, to achieve more effective management of bankruptcy estate staff and asset holdings and to cut down expenses for rent, office maintenance and other cost factors.

2. Enhancement of Asset Marketability and Dividends on Bankruptcy Claims

A. Maximization of Recovery from Individual Assets

In an effort to maximize the disposition value of special loan assets (loans extended to companies under court receivership, court mediation and workout programs), in 2001, the KDIC examined the status of debenture sales in respect of 38 debtor corporations, as well as those of bankruptcy estates discovered during debt restructuring. Using its authorized right to access information on individuals maintained by other government agencies, the Corporation also investigated the properties of debtors and joint obligors. As a result, nearly 40.8 billion won of additional recoveries were made.

While bankruptcy estates had given up on recovery of most of the special loan assets, the KDIC aggressively persuaded debtors and joint obligors to remit payments, explaining to them the measures that could be taken upon payment failure and inducing voluntary redemption of loans. In addition, the Corporation requested the authorities to conduct investigations to locate properties of debtors and guarantors, and seized the properties identified.

B. Disposition of Other Asset Holdings

The KDIC began providing information on real estate held by bankruptcy estates on its website (www.kdic.or.kr) as part of an effort to attract public attention to those assets. In consequence, the number of properties sold increased sharply from 73 in 2000 (28.8 billion won) to 129 between January and November 2001 (70.3 billion won).

Meanwhile, the KDIC completed its disposition of golf and condominium memberships and other intangible assets, excluding assets whose values fell below their acquisition costs. In the case of paintings, calligraphy and antiques, it plans to dispose of them in early 2002 after seeking expert opinions.

3. Promotion of Expeditious Completion of Bankruptcy Proceedings

In the wake of the heightened effort to recover public funds, some bankruptcy estates experienced substantial reductions in the scales of their assets, making their maintenance costs larger than the remaining recoverable funds. In the interest of early completion of bankruptcy proceedings, the KDIC has developed criteria for appraising the residual assets held by bankruptcy estates. In accordance with these criteria, the Resolution and Finance Corporation (RFC) has been undertaking the residual assets as well as on-going lawsuits. In this way, the Corporation will play a leading role in handling *ex post facto* management following the completion of bankruptcy proceedings.

In 2001, the KDIC achieved final distribution of dividends in 16 bankruptcy proceedings out of 20, within seven months following the appointment of Corporation employees as trustees. The courts have ruled that nine of the 16 proceedings are now completed.

These completions of bankruptcy proceedings were the first involving the insolvent financial institutions injected with public funds since 1998. This clearly shows the efficiency of the resolution of bankruptcy estates, led by the Corporation.

Chapter 2. Management of Asset Holdings

1. Acquisition of Assets

By yearend 2001, the KDIC had acquired a total of 18.7 trillion won in assets. Of that amount, 7.2 trillion won worth of assets had been acquired by the RFC through borrowings from the KDIC, 10.2 trillion won by Hanareum Banking Corporation ("HBC") and 1.3 trillion won by Hanareum Mutual Savings and Finance Company ("HMSF").

By the end of 2001, through borrowings from the KDIC, the RFC had acquired assets worth a total of 7,209.8 billion won. This included 6,704.5 billion won from Korea First Bank, 1,588 billion won from five acquirer banks (Kookmin, H&CB, Shinhan, Hana and KorAm), 3,450 billion won from four life insurance companies (Taepyongyang, Dong-a, Kookmin and Handuk) and 1.5 billion won from 19 bankruptcy estates of credit unions.

HBC, established in January 1998 to undertake the assets and liabilities of insolvent merchant banks as well as to make deposit payoff payments, during its three-year lifetime, acquired 10,171.3 billion won worth of assets from 16 merchant banks forced to exit the market, including Shinhan Merchant Bank. HMSF, founded in September 1998 to acquire the assets and liabilities of failed mutual savings and finance companies and to make deposit payoff payments, had acquired assets worth 1,310.4 billion won from 41 insolvent MSFCs, including Samil by the time of its merger into the RFC.

HBC was consolidated into HMSF, on June 23, 2001 and HMSF then merged into the RFC on December 31, 2001. Therefore, the RFC now holds the assets of both other institutions.

Table IV – 3. Status of Asset Acquisition by Resolution Financial Institutions

As of December 31, 2001

(Unit: billion won)

Type		Debenture Amount	Purchase Price	Notes
Resolution and Finance Corporation	Banks	8,653.7	6,863.3	6 banks (including KFB)
	Insurance Cos.	396.4	345.0	4 insurance companies
	Credit Unions	18.4	1.5	19 credit unions
Hanareum Banking Corporation	Merchant Banks	11,489.3	10,171.3	16 merchant banks
Hanareum Mutual Savings and Finance Corporation	MSFCs	2,843.0	1,310.4	41 MSFCs
Total		**23,400.8**	**18,691.5**	

2. Disposition of Acquired Assets

To facilitate early recovery of public funds through the disposition of acquired assets, the KDIC uses various recovery methods besides the traditional recovery at full asset maturity, including NPL disposition through international bidding, issuance of asset-backed securities (ABS), disposition based on the SAMDA method, and so forth.

Taking into account demand in the NPL market and the nature of the asset holdings, the Corporation pursues disposition of its NPL assets through international bidding. In 2001, as a result, it sold loan assets worth 593.6 billion won (based on outstanding amount) for 269 billion won to Lone Star and Merrill Lynch in May and June. In November 2001, it disposed of assets with outstanding amount of 629.6 billion won for 193.2 billion won to five foreign companies, including Lone Star.

The KDIC also recovered 55 billion won worth of senior notes through the issuance of ABSs (worth 85 billion won) in February and 278 million won worth of senior notes by issuance of ABSs (worth 474 million won) in September. The amount of final fund recovery will be determined by the performance of the subordinated debt.

As for its foreign currency-denominated bonds, the KDIC entrusted a consortium of Arthur Andersen GCF and Total Companies, specialized in the resolution of NPLs, with management and disposition of these assets. By yearend 2001, 132 million won had been recovered.

The KDIC strives to find suitable recovery methods for other securities such as marketable stocks, non-marketable stocks, disposition-restricted stocks, corporate bonds, exchangeable bonds and contributions. In the case of real estate, the Corporation entrusts the public sales to KAMCO and Nara Credit Service and had recovered public funds worth 93.3 billion won as of the end of 2001.

3. Guidance and Supervision of the Resolution and Finance Corporation

The KDIC implements a multi-faceted guidance and supervision program through the RFC, in order to ensure that assets are undertaken effectively and asset holdings managed and disposed of efficiently.

To increase the accuracy and timeliness of institutions' asset management statistics, an improved asset management system, i.e., a database recording the details of transactions, has been established and supplemented.

Through the merger with HMSF at yearend 2001, the RFC accelerated its pace to achieving not only effective public fund recovery but also more systematic organization management. As part these efforts, the RFC authorizes institutions specializing in loan recovery to be responsible for maximizing recovery on its asset holdings, while utilizing a minimum number of employees.

V. Investigation into Insolvency

Chapter 1. Investigation into Insolvent Financial Institutions

1. Investigation into Insolvency and Securing of Assets for Damage Redemption

By the end of 2001, the KDIC had conducted investigations into 301 insolvent financial institutions into which public funds had been injected. As a result, damage claim proceedings had been initiated against officers and employees who constituted parts of the causes of insolvency of these institutions.

Table V – 1. Insolvency Accountability Investigation Status

As of December 31, 2001

Type	Banks	Securities Companies	Insurance Companies	Merchant Banks	MSFCs	Credit Unions	Total
No. of Companies	5	2	9	22	79	184	**301**
No. of Persons	40	16	72	164	674	2,166	**3,132**

Through yearend 2001, the KDIC's investigations into the hidden assets of culpable parties and subsequent legal actions had resulted in the seizures of 3,676 assets valued at 1,018.1 billion won, and provisional dispositions in 601 other cases.

Table V – 2. Creditor Right Preservation Measures

As of December 31, 2001

	Banks	Securities Companies	Insurance Companies	Merchant Banks	MSFCs	Credit Unions	Total
Number of Provisional Seizures	35	30	74	232	715	2,590	**3,676**
Amounts of Provisional Seizures (in billion won)	10.7	5.8	37.8	166.0	433.9	363.9	**1,018.1**
Number of Provisional Disposals	19	7	15	102	197	261	**601**

2. Damage Claim Proceedings

The KDIC has conducted assessments to identify culpable parties and determine restitution amounts, and notified the relevant bankruptcy estates of the results. In consequence, court proceedings have been initiated against 3,581 persons from 272 institutions, for compensation worth 956.3 billion won in total.

Table V – 3. Status of On-going Lawsuits

As of December 31, 2001

	Banks	Securities Companies	Insurance Companies	Merchant Banks	MSFCs	Credit Unions	Total
Number of Institutions	5	2	5	20	70	170	272
Number of Defendants	38	32	32	129	657	2,693	3,581
Amounts Claimed (in billion won)	25.6	7.3	33.3	240.8	356.1	293.2	956.3

Chapter 2. Investigation into Default Debtors of Insolvent Financial Institutions

1. Improvement of System

With the amendment to the Depositor Protection Act on December 30, 2000, the legal basis was established for investigations into the assets/properties of default debtors. Thus, the KDIC can now push ahead with recovery of losses from the hidden properties of default debtors of failed financial institutions.

2. Investigation into Hidden Assets

Pursuant to Article 21 – Paragraph (3) of the Depositor Protection Act, the Corporation, exercising its authorized right to access governmental agency information on the assets/properties of individuals, performed investigations in 2001 into properties (each worth more than one billion won) held by 7,848 default debtors of 76 financial institutions injected with public funds. Based on its findings, the KDIC submitted requests to the pertinent institutions for seizure of the identified assets from the debtors.

Table V – 4. Default Debtor Investigation Status

As of December 31, 2001

	Banks	Securities Companies	Insurance Companies	Merchant Banks	MSFCs	Credit Unions	Total
Number of Companies	13	5	18	28	4	8	76
Number of Persons	457	95	1,492	849	4,938	17	7,848

The KDIC also conducted special investigations into default debtors who had transferred their own assets/properties to third parties through false donation or disposition. As a result, it discovered 61 assets with estimated total value of 20.3 billion won and demanded that the pertinent institutions seize them or take legal actions.

Table V – 5. Status of Special Investigations

As of December 31, 2001

	Banks	Insurance Companies	Merchant Banks	MSFCs	Total
Number of Companies	1	2	2	1	6
Number of Cases	1	6	36	18	61
Amounts (in billion won)	0.1	0.3	13.9	6.0	20.3

Chapter 3. Investigation into Default Debtor Corporations

1. Legal Basis for Investigation

The amendment to the Depositor Protection Act (DPA) on December 30, 2000 established the legal basis for investigations into the assets/properties of the default debtors of financial institutions injected with public funds. The DPA Enforcement Decree, amended on March 17, 2000, stipulates the methods or procedures to be applied in investigations into default debtor companies.

2. Investigations into Default Debtor Institutions

The KDIC launched its investigations into Daewoo Corporation and Kohap Corporation on March 20, 2001.

These investigations were carried out to search for any illegalities or irregularities in the activities of former and incumbent officers or employees of the two companies, and to hold them accountable if they were found to have caused loss to their companies or creditor financial institutions. The investigation into Kohap Corporation revealed that 32 persons, including Chairman Chang Chi Hyuk, are liable for restitution of 411.8 billion won. In the case of Daewoo Corporation, internal deliberation is underway following completion of the investigation.

During the investigation into Daewoo, in particular, the KDIC discovered that former Chairman Kim Woo Jung and 10 others had 33 hidden assets valued at 159.8 billion won. It subsequently took necessary legal actions, including seizure and provisional disposition of those assets.

Table V – 6. Insolvency-Related Hidden Asset Investigation Results

Company	Hidden Assets Exposed			Provisional Seizures			Provisional Dispositions	
	Persons	Cases	Amount (in billion won)	Persons	Cases	Amount (in billion won)	Persons	Cases
Daewoo Inc.	9	32	151.3	6	10	63.9	4	7
Kohap Inc.	1	1	8.5	0	0	0	1	1

3. Establishment of Effective System for Investigation into Default Debtor Corporations

The ultimate goal of investigation into default debtor companies is to hold them accountable for causing or contributing to the insolvencies of their creditor institutions. Therefore, it is essential to determine and secure material evidence to prove illegalities, irregularities, culpability and so forth. Unfortunately, however, the KDIC faced difficulties in securing such evidence while investigating Daewoo Corporation and Kohap Corporation in 2001. In addition to their enormous business operation scales, the two companies had experienced a number of spin-offs and mergers, and during this process documents had been lost and relevant employees had resigned.

In order to overcome these obstacles and make it possible to hold default debtors responsible in a more efficient and effective manner, the Special Investigatory Task Force for Default Debtors was organized on December 24, 2001. This body is comprised of employees from the Public Prosecutor's Office, the police, the National Tax Service, the Korea Customs Service, the Financial Supervisory Service and the KDIC. It is a provisional organization under direct control of the president of the Corporation, and is fully responsible for conducting investigations into default debtor companies.

Meanwhile, the Review Council for Default Debtor Corporations was established on September 12, 2001, and has been engaged in deliberations on the results of investigations. It consists of experts from academic, legal and financial circles.

VI. Improvement in Deposit Insurance System and Strengthening of the KDIC's Competence

Chapter 1. Overhaul of Laws and Regulations Related to Deposit Insurance

1. Amendments to Major Regulations Related to the Corporation

A. Enforcement Decree of the Depositor Protection Act (March 17, 2001 Amendment)

(1) Purpose

The March 17, 2001 amendment to the DPA Enforcement Decree was intended to improve and supplement the existing system and stipulate the details of matters commissioned to the KDIC. This includes the scope of securities companies to be excluded from deposit protection, in accordance with the amended Depositor Protection Act of December 30, 2000 (Act No. 6323).

(2) Major Contents

Looking at the major contents of the amendment, first, it stipulates that in order to conduct investigations into the operational statuses and assets of insolvent financial institutions or default debtors who do not meet their financial obligations to insured financial institutions, the KDIC may if necessary have its staff inspect the business documents or assets of such insolvent financial institutions/default debtors.

Second, it designates the scope of financial institutions ineligible to purchase liability insurance for loss compensation, due to past illegalities or irregularities on the parts of their officers or employees, as those which fall under the criteria set by the Policy Committee of the KDIC. It also stipulates that financial institutions requested by the Corporation to purchase liability insurance shall do so within six months from the date of request.

Third, the amendment prescribes that the KDIC may reduce the deposit insurance premiums to be paid to it by financial institutions purchasing liability insurance.

B. Enforcement Decree of the Public Fund Oversight Special Act (February 14, 2001 Amendment)

(1) Purpose

The February 14, 2001 amendment prescribes the details as to management of the Public Fund Oversight Committee, the criteria for provision of public fund support and other matters commissioned to the KDIC following enactment of the Public Fund Oversight Special Act on December 20, 2000 (Act No. 6281).

(2) Major Contents

Viewing its major contents, the amendment first stipulates that when the Public Fund Oversight Committee conducts an investigation into a financial institution, it shall provide written notification to the institution of the purpose, date, location of the investigation participants taking part. This stipulation shall not be applicable, however, if the investigation is very urgent, or if such notification is judged potentially liable to obstruct the purpose of the investigation.

Second, the amendment spells out the criteria for provision of public fund support. More specifically, if the government or the KDIC disburse public funds to a financial institution, they are required to use the most effective method of fund assistance, which minimizes the sunk cost.

Third, it stipulates that with respect to public fund provision, the government and each public fund recipient financial institution shall enter into a management normalization MOU that prescribes a self-rescue plan and major financial index targets.

Fourth, the amendment prescribes the scope of insolvent corporations that a financial institution injected with public funds is required to sign written agreements with prior to providing them new loans. Corporations under court mediation with borrowings of more than 50 billion won from financial institutions and over 10 billion won from the pertinent institution fall into this category.

2. Amendments to Other Acts Related to the KDIC

A. Efficient Disposition of Non-Performing Loans and Establishment of the Korea Asset Management Corporation (December 31, 2001 Amendment)

Previously, KDIC auctions of collateralized assets to make early recovery on public funds took many years, due to the receipt of notice requirement of the civil litigation code. Particularly, delays of auction procedures triggered by mailing address correction led to workforce waste, delayed recovery of loan assets and additional subsequent auction expenses.

This amendment thus prescribes that when the Corporation and a resolution financial institution carry out auctions to recover funds they have disbursed, they shall be guaranteed three-year exception to the receipt of notice requirement principle.

B. Enforcement Decree of Value Added Act (December 31, 2001 Amendment)

The KDIC and the resolution financial institutions (currently only the Resolution and Finance Corporation) acquire a variety of assets from insolvent financial institutions. In the case of real estate assets, they put them up for lease to meet the expenses of maintaining them. Since the acquired real estate assets are located throughout the nation, however, the Corporation and the resolution financial institution, both in Seoul, have conducted business rather inefficiently because of having to file a value added tax return in each district where the acquired real estate is located.

This amendment stipulates that if the KDIC or a resolution financial institutions lease real estate assets, an office carrying out all business pertinent to those assets shall be designated as a place of business, and this office shall make all value added tax returns to the various district tax offices.

Chapter 2. Research for a Sounder Deposit Insurance System

1. Research on Financial Restructuring and Deposit Insurance Systems in Major Industrialized Countries

The KDIC has also carried out comparison and analysis of the deposit insurance systems of major countries and reviewed its role in the nation's financial industry restructuring process while publishing a variety of research papers discussing potential ways to further develop the system in Korea.

Concerning the performance and results of financial industry restructuring, the KDIC published a comprehensive research paper in 2001 entitled *Methods of Financial Restructuring and Case Studies*. This paper discusses types and causes of financial crisis, presents case studies of how other nations have overcome their financial crises, and reviews possible ways of preventing the recurrence of such financial crises in Korea and elsewhere. Other research papers published (all in Korean) by the KDIC in 2001 in relation to the deposit insurance systems of major countries were *The FDIC's Reorganization Plan for the Deposit Insurance System, The FDIC's Least Cost Principle & Its Significance, Major Amendments to Japan's Deposit Insurance Act, The DICJ's Status of Accounts, Japan's System for Investigating Financial Insolvency & the Status of Resolution* and *The DICJ's Public Fund Support and Recovery Performance*.

KDIC Financial Research, a quarterly journal, includes reports on the status of public fund support, fund recovery performance and cases of loss-sharing during the deposit insurance fund procurement process in major countries. Concerning efficient fund assistance, the journal's research titles in 2001 were: "The Public Funds Procurement Process of and Cases of Loss-Sharing in Major Countries," "Case Studies in Resolution of Japan's Bankrupt Life Insurance Companies" and "Japan's Resolution of the Special Public Fund Management Bank and Defect Compensation." The KDIC also promotes more efficient asset management by conducting research on the status of management of assets held by major deposit insurance corporations around the world. In relation to this, research materials completed in 2001 were: "Prior Reimbursement for Depositors and Costs of Resolution of Insolvent Banks," "Disposition of Assets by the FDIC and the RTC," "The FDIC's Valuation Method for Acquired Loan Assets & Related Case Studies," "Re-privatization of Mexico's Commercial Banks," and "A New Plan for Bank Privatization: Investment Fund for Privatization."

Through carrying out a wide range of case studies, the KDIC suggested solutions on pending matters and indicated directions to proceed in to exercise its legally authorized rights in a more efficient manner. It conducted research into how the management of default debtors and insolvent financial institutions in advanced countries are held accountable. It also placed special emphasis on the strengthening of its functions to in insolvency prevention by publishing "The FDIC's Supervision Policy and Sanctions" and "Review on Adopting a System for Approval and Termination of Insured Status."

The Corporation also pursued improvement of the Deposit Insurance Fund Bond market by working with the Korea Fixed Income Research Institute to establish an efficient system for issuance of Deposit Insurance Fund Bonds ("DIF Bonds") and to facilitate conversion issuance of DIF Bonds in the future.

2. Analysis of Domestic and Overseas Financial Trends

The KDIC analyzes domestic and overseas financial trends and deposit insurance developments and seeks timely measures for responding to them.

In 2001, it analyzed domestic interest rates, stock prices, foreign exchange rates, deposit levels, loans, and other general economic trends on a weekly basis while compiling special reports on major issues around the world. Concerning the synchronized global economic slowdown and the September 11 terrorist attacks in the U.S., the Corporation released research papers including "Economic Slowdown in the U.S. and Japan: the Korean Economy's Task Ahead," "U.S. Interest Rate Cuts and the Korean Economy" and "The Impact of the Terrorist Attacks in the U.S. on the International Financial Market and the Korean Economy." Before China's accession to the WTO, the KDIC published a report on "The Status of China's Financial Restructuring and Its Significance" to heighten understanding of China's financial system and economic situation.

3. Seminars and Symposiums

In an effort to improve the existing deposit insurance system and to strengthen its role in the financial restructuring process, the KDIC has begun holding seminars and international symposiums with the themes centered on deposit insurance and financial restructuring. In March 2001, it hosted a seminar with the theme of "Development of Deposit Insurance and Management of Public Funds." In-depth discussions were conducted on ways to minimize the cost of financial reforms, to effectively manage public funds and to improve the existing deposit insurance system.

Commemorating the 5th anniversary of the foundation of the Corporation, a seminar on "The KDIC's Role and Task" was hosted jointly with the Korea Money and Finance Association in October. During the seminar, the Corporation's financial risk management and its role in the financial restructuring process were assessed, and its tasks related to future development of the deposit insurance system also discussed. Particularly, participants emphasized the need for adoption of advanced deposit insurance practices, including a risk adjusted insurance premium system and separation of the Deposit Insurance Fund from a proposed financial restructuring fund. In December, the KDIC held an international symposium with the theme, "The Financial Crisis and Beyond." Renowned scholars along with finance and deposit insurance experts from the IMF, the World Bank and other international financial organizations participated in the symposium. There was in-depth discussion of policy objectives for preventing further financial crisis, based on the experiences of major countries hit hard by financial crisis, including Korea and other Asian countries.

4. Public Opinion Poll on Deposit Insurance

On June 26, 2001, the KDIC requested that Gallup Korea conduct a survey on public recognition of the KDIC and its business and duties as well as on the reinstated Partial Deposit Protection System. The survey results were then used to help find ways to improve the Corporation and formulate policies related to the deposit insurance system.

The Gallup Korea survey of 1,108 persons nationwide aged 20 and over, was conducted through telephone interviews. The survey contents related to recognition of the KDIC and its business and of the Partial Deposit Protection System. The respondents were also asked if they had moved their deposits following implementation of the system.

The survey results showed that public recognition still remained relatively low, and that more efforts were needed to increase it. In relation to the migration of deposits following implementation of the Partial Deposit Protection System, meanwhile, a majority of those surveyed responded that they had not moved their deposits. This implies that the system has settled into place without causing serious confusion in the financial market.

Chapter 3. Strengthening of Internal Competence and Establishment of Information Infrastructure

1. Formulation of Plan for Strengthening the KDIC's Competence

As financial sector restructuring has been completed to a large extent, the KDIC considers that the conditions are now ripe for an increased emphasis on enhancing the management efficiency of the organization, and on establishment of a business operations system. Thus, it has set up and is currently carrying out a project to strengthen its internal competence in terms of execution of duties, personnel management, training, organization management, and so forth.

This project concentrates on the establishment of a KDIC vision, the enhancement of responsibility and a sense of duty among its officers and employees, the building up of a unique KDIC organizational culture, the establishment and development of a KDIC business operations system and the improvement of employee performance.

To better serve the public as well as financial institutions it insures, the Corporation will foster knowledge and information exchanges with advanced deposit insurance organizations, including the FDIC, heighten its understanding of the world by holding seminars and symposiums, and make the most of its findings in formulating and implementing its policies.

2. Establishment of Information Infrastructure

A. Knowledge-based Management through Establishment of an Information Sharing System

(1) Establishment of Electronic Approval System (Phase II)

The KDIC adopted a groupware system in July 2000 to provide staff with an electronic bulletin board, optimize internal e-mail use and make possible establishment of an electronic approval system. This laid the groundwork for a corporate-wide integrated information system and has improved productivity by reducing the time required for the overall decision approval process. During 2001, Phase II of the Electronic Approval System project was carried out to supplement and improve the existing system and to overcome certain usage limitations. More specifically, the KDIC changed its document drafting software from Arirang to Hangul '97, thus providing a more user-friendly document preparation environment, added three approval forms and supplemented various other functions. In particular, adoption of the groupware allows KDIC employees to access the KDIC intranet even when they are outside the Corporation. In this way, the foundation for an information sharing system has been strengthened notably.

(2) Establishment of Information Sharing System for the KDIC's Bankruptcy Trustees

Thanks to the groupware, KDIC employees working as bankruptcy trustees or working in financial institutions under the management supervision of the KDIC across the nation can now share and exchange information with the headquarters in Seoul.

(3) Launch of Establishment of Integrated Electronic Document Management System

Based on the stable management and active use of the groupware system, the Corporation began establishment of an Integrated Document Management System at the end of 2001. The purpose of this system is to build up an improved information sharing system by overcoming the limitations of the existing electronic approval system and by expanding the scope of Corporation-wide information sharing. The system supports the classification and management of documents and data from the time of their production to disposal, as well as also supporting a variety of search tools.

B. Development of Systems for Productivity Improvement

(1) Establishment of Deposit Insurance Management System

The KDIC makes deposit payoff payments to the depositors of insolvent financial institutions as part of the procedures involved in resolution of these institutions. Up until 2000, it used a separate insurance premium calculation program for each financial sector (securities companies, merchant banks, mutual savings and financial companies, etc.), pursuant to the Depositor Protection Act. With implementation of the Partial Deposit Protection System in 2001, the existing programs needed to be changed, and the KDIC thus began to develop new programs suitable for each financial sector from the end of 2000. It completed them in early 2001 and, in consequence, a new deposit insurance management system was born, making the claim payment management integration and computerized deposit payoff payments possible.

(2) Launch of Development of Investigation into Insolvency/Litigation Management System

Since the amendments to the Depositor Protection Act on two occasions in 2000, the KDIC has conducted investigations into insolvent financial institutions and those responsible for causing or contributing to the insolvencies. In relation to this, in 2001, the KDIC developed a computerized system that can organize and manage the enormous volume of documents obtained during the relevant investigations. In addition, taking into consideration the fact that the investigations are leading mostly to civil actions, the Corporation began to devise a computerized system that can assist in the various civil proceedings in which it is involved.

C. Strengthening of the Security System

(1) Establishment of Virtual Private Network (VPN)

In late 2000, the Corporation developed an on-line reporting system that enabled its employees working in insured financial institutions and bankruptcy estates to access the Corporation's information system on-line and to transmit various reports and materials to headquarters. Since the users are not limited to those inside the Corporation, the need for an additional security system was high. Accordingly, the KDIC adopted and established the VPN to ensure safe communications.

(2) Establishment of Dual Firewall

In the interest of stable management of its computer system and the provision of seamless outside services, the KDIC introduced a hybrid-type firewall at the end of 1999. With the establishment of this firewall system, the Corporation divided the users into two categories: those accessing the system from the internal network, and those doing so from the outside service zone, named the DMZ. When a user accesses the KDIC's system from the DMZ, the firewall security system identifies him or her before deciding whether or not to allow access to the internal network. To further strengthen this security system, another firewall was established, using the firewall function of the Gate to the VPN. Thanks to these efforts, a security system is now firmly established to cut off access by unidentified users from the DMZ to the KDIC's information system.

Chapter 4. Cooperation with International Organizations

Among its numerous activities in 2001, the KDIC made particular efforts for the purpose of developing its cooperative relations with international economic and financial organizations, in order to enhance the status of the KDIC and to publicize Korea's deposit insurance system and its successful financial restructuring. One prime example was the dispatch of Corporation employees to the U.S. FDIC as part of an exchange of human resources and information on deposit insurance.

Also, as part of the KDIC's cooperative efforts with the Deposit Insurance Corporation of Japan (DICJ), the Chairman of the KDIC exchanged an Agreement of Cooperation with his Japanese counterpart in November 2001. Two months later, in December, Chairman Noboru Matsuda of the DICJ visited the Corporation for further discussions on matters stated in the Agreement.

Meanwhile, the KDIC participated in the Financial Stability Forum led by the finance ministers and central banks of the G7 countries, the Annual Asian Development Bank Board of Governors Meeting, and other international conferences held by major international financial organizations. By doing so, it strengthened its cooperative relations with deposit insurance agencies in advanced countries and contributed to the enhancement of Korea's status in the international community.

The Corporation actively publicized Korea's successful restructuring effort and the performance of the deposit insurance system through interviews in 2001 with the OECD Mission, the IMF Mission and Standard and Poors. It also expanded its mutual relations with deposit insurance and other related agencies in developing countries. During 2001, the Development Research Center in China, Indonesia Bank Restructuring Authority (IBRA) and ARCO, a Russian restructuring corporation all visited the KDIC, to solicit the Corporation's advice or discuss the development of cooperative relations.

VII. Organization and Financial Status

Chapter 1. Organization

1. The Policy Committee

The Policy Committee ("the Committee") is the highest decision-making body of the KDIC. As such, the Committee deliberates and renders decisions on important matters including the following:

- Establishment of basic guidelines for the Corporation's operations
- Review of operation plan for the Deposit Insurance Fund
- Amendments to the Articles of Incorporation
- Enactment, amendment and nullification of rules and regulations related to the Corporation's business objectives
- Matters related to the budget and to settlement of accounts
- Issuance of Deposit Insurance Fund Bonds ("DIF Bonds")
- Reduction or postponement of deposit insurance premium payments
- Actual and provisional payment of insurance claims
- Approval of payment on estimated insurance claims
- Provision of fund support for *Resolution Financial Institutions* (See Article 36-3 of the Depositor Protection Act.)
- Provision of fund support for insured financial institutions
- Transactions between Deposit Insurance Fund accounts
- Payment for agency fees
- Selection of methods of operation for reserve funds

The Committee is comprised of nine individuals in all, including the president of the KDIC, who serves as the Chairman. Other members are: the Vice Minister of the Ministry of Finance and Economy ("MOFE"), the Vice Minister of the Ministry of Planning and Budget, the Vice Chairman of the Financial Supervisory Commission, the Deputy Governor of the Bank of Korea, a person commissioned by the Minister of Finance and Economy and three other persons recommended by the Minister of Planning and Budget, the Chairman of the Financial Supervisory Commission, and the Governor of the Bank of Korea, respectively, and commissioned by the Minister of the MOFE. The representatives of the seven financial sector associations, formerly also committee members, were excluded from membership pursuant to the January 1, 2001 amendment of the Depositor Protection Act.

Table VII – 1. Policy Committee Activities

Items for Resolution	Items for Decision	Items for Review	Designated Items
◆ Amendments to the Articles of Incorporation ◆ Budget and settlement of accounts ◆ Issuance of Deposit Insurance Fund Bonds ◆ Reduction/ deferment of insurance premiums ◆ Payment of insurance claims ◆ Approval of tentatively calculated insurance claim payments ◆ Provision of financial support to Resolution Financial Institutions ◆ Determination and provision of fund support for insured financial institutions ◆ Determination of operational guidelines of the committee ◆ Requests for necessary actions regarding asset/contract transfers	◆ Designation of insolvent financial institutions ◆ Designation of financial institutions at risk of insolvency ◆ Transactions between Deposit Insurance Fund accounts ◆ Publication of meeting minutes ◆ Necessary actions in respect of Deposit Insurance Fund Bonds ◆ Payments of service fees for third party operations ◆ Advance temporary payments	◆ Operational plan of the Deposit Insurance Fund ◆ Adoption and revision of operational guidelines	◆ Allocation and management of reserve funds ➢ Purchase of securities ➢ Designation of insured institutions for deposits

2. The Board of Directors

The Board of Directors, as the highest executive body of the KDIC, is comprised of one President, one Senior Executive Director, four Executive Directors and one Auditor. The Auditor may express opinions at the Board meetings, but cannot participate in the Board's voting process.

The Board renders decisions on various matters including the following:

- Matters that require deliberation and decision-making by the Policy Committee
- Enactment, amendment and nullification of rules and regulations related to the operation of the Corporation
- Matters related to the Corporation's organization and system
- Matters related to the signing, notification and canceling of important contracts
- Matters related to important court proceedings and arbitrations
- Other matters that the President of the KDIC deems appropriate

3. Organization and Business Operation

The KDIC was established on June 1, 1996 as a non-capital-base special corporation to provide an effective deposit insurance system for the public by way of protecting depositors and maintaining the stability of the financial system. It is composed of four centers, which encompass twelve departments and six offices.

Figure VII – 1. Organizational Chart

As of December 31, 2001

Table VII – 2. Designated Number of Staff by Employment Class

As of December 31, 2001

Type	Executive Directors	Employees								Total
		Regular							Special[1]	
		Class 1	Class 2	Class 3	Class 4	Class 5	General Affairs Staff	Sub Total		
Number	7	11	17	43	101	120	27	319	379	698

1) Special employees include experts such as attorneys, management specialists, bankruptcy estate support personnel, examiners, etc.

Chapter 2. Fiscal Year 2001 Accounting Settlement Results

1. Criteria for Account Settlement

A. Accounting for Assets and Liabilities

(1) (Evaluation of Investment on Equities) Valuation profit and loss for marketable stocks and debentures were entered based on the market price method (final value on the date of account settlement), and non-marketable stocks and debentures were entered based on the cost method.

(2) (Evaluation of Loans etc.) For loans, contributions or claim right assigned debentures, the estimated unrecoverable amount was established as loan-loss reserves in estimation of the expected rate of recovery as of the date of settlement of account, based on past loan loss rates. Contributions without assigned claim rights were entered as expenses.

(3) (Evaluation of Foreign Currency-Denominated Note-type Assets and Liabilities) These were evaluated based on the benchmark exchange rates as of the date of balance sheet compilation.

B. Accounting for Profits and Expenses

(1) (Entering of Profit and Expense) Profit and expense were entered on the basis of the total amount, without setoffs.

(2) (Periods covering Profit and Expense) Expense and profit were entered as follows, on the accrual basis:

  (a) (Deferment of Expense) If an expense belonging to the current term was prepaid, it was marked as "prepaid expense" and deducted from the current expense.

  (b) (Entering of Expense) An expense belonging to the current term but remaining unpaid as of the date of account settlement was marked as "unpaid expense" and added to expense, and an expense whose amount had not been fixed as of the date of account settlement was not entered.

  (c) (Deferment of Profit) A profit belonging to the next term or thereafter, but which has already been earned, was marked "advanced profit (earnings)" and deducted from income.

  (d) (Entering of Profit) A profit belonging to the current term which had not been realized as income in cash as of the date of account settlement was marked as "uncollected income" and added to profit. Revenue from loans provided to insured financial institutions under suspensions of operations was excluded from the calculation.

2. Settlement Status

A. Deposit Insurance Fund Accounting

(1) Financial Status

The total assets of the Fund at the end of the term stood at 46,241.3 billion won, a 14,418.6 billion won increase from the total assets of 31,822.7 billion won the preceding year. This was a result of an increase of 10,516.1 billion won in fixed assets due largely to a 10,178.0 billion won increase in equity participation, as well as an increase of

3,902.5 billion won in current assets (resulting from increases of 2,225.8 billion won in deposits, 12,104.0 billion won in short-term loans, and 262.1 billion won in Accounts Receivable), and despite an increase of 9,593.1 million won in loan loss reserves, a contra account, as well as a 1,503 billion won decrease in held securities and a 34.9 billion won decrease in uncollected premiums.

The total liabilities of the Fund at the end of the term stood at 103,703.6 billion won, a 22,637.8 billion won increase from 81,065.8 billion won at the end of the previous term. The rise was due to increases of 28,864.5 billion won in DIF Bonds, 4,990.8 billion won in financial borrowings for payment of interest on bonds, and 729.5 billion won in issuance of exchangeable bonds, together with a decrease of 11,018.7 billion won in borrowings from financial institutions.

Looking at the composition of liabilities on hand, liquid liabilities stood at 9,957.1 billion won (9.6% of total liabilities), including 2 trillion won in borrowings from financial institutions, 4,612.8 billion won in DIF Bonds, 2,625.4 billion won in government borrowings, and 715.6 billion won in accrued expense. Fixed liabilities stood at 93,746.5 billion won (90.4% of total liabilities), with DIF Bonds standing at 76,692.3 billion won, financial borrowings at 10,243.8 billion won, borrowings from financial institutions at 1,203.8 billion won and exchangeable bonds at 1,991.5 billion won.

Table VII – 3. Aggregate Balance Sheet (Deposit Insurance Fund Account)

As of December 31, 2001

(Unit: won)

ASSETS	Amount	LIABILITIES and RESERVES	Amount
Current Assets	**9,346,827,413,870**	**Current Liabilities**	**9,957,100,412,829**
1. Operating Assets	2,930,314,319,625	1. Contributed Liabilities	9,238,206,445,000
Deposits	1,593,706,354,927	Short-term Loans Acquired	4,625,441,445,000
Securities	1,336,607,964,698	Outstanding DIF Bond Liabilities	4,612,765,000,000
2. Sinking Fund Assets	1,634,424,427,068	2. Other Current Liabilities	718,893,967,829
Deposits	1,103,806,073,364	**Fixed Liabilities**	**93,746,528,785,204**
Securities	524,561,451,523	1. Contributed Liabilities	93,358,037,850,347
Other	6,056,902,181	Outstanding DIF Bond Liabilities	76,692,337,000,000
3. Contributed Assets	4,274,189,314,911	Loans Acquired at Premium	738,194,721,285
Short-term Loans Issued	23,395,461,477,004	Loans Acquired at Discount	△34,441,141,918
Allowance for Credit Losses	△19,121,272,162,093	Long-term Loans	11,447,596,553,105
4. Other Current Assets	507,899,352,266	Exchangeable Bonds	1,991,536,980,000
Fixed Assets	**36,894,435,400,677**	Accounts Payable	2,522,813,737,875
1. Contributed Assets	32,108,665,459,476	2.Inherent Business Budget	388,490,934,857
Equities	29,428,635,976,075	**Total Liabilities**	**103,703,629,198,033**
Long-term Loans Issued	951,685,048,839	**DIF Reserves**	**△57,462,366,383,486**
Allowance for Credit Losses	△262,731,865,438	1. DIF	1,131,850,642,091
Purchased Assets	1,991,076,300,000	2. DIF Surplus	△58,594,217,025,577
2. Claim Right Assigned Assets	4,785,311,688,823	(Current Period DIF Surplus)	(△8,491,054,506,550)
Claim Rights	17,224,416,824,846		
Allowance for Credit Losses	△12,439,105,136,023		
3. Other Fixed Assets	458,252,378		
Total Assets	**46,241,262,814,547**	**Sum of Liabilities and Reserves**	**46,241,262,814,547**

(2) State of Profit and Loss

The current term net loss of the Fund came to 8,491.0 billion won, as total income was 3,677.0 billion won while total expense accumulated to 12,168.0 billion won for the period. This was mostly due to transferred-in loan-loss reserves (5,588.9 billion won, 45.9% of the total expense), and to interest expense from DIF Bonds (5,157.2 billion won, 42.4% of total expense).

Looking at the earnings breakdown for the Fund, earnings made up of insurance premiums and contributions stood at 766.4 billion won, while loan interest earnings were 544.2 billion won, and reversal of loan loss reserves 612.5 billion won. Valuation gain on invested securities stood at 1,352.9 billion won.

Summarizing the details of expenses, transferred-in loan loss reserves stood at 5,588.9 billion won, interest for DIF Bonds at 5,157.2 billion won, contribution expense at 262.8 billion won, and transferred-in inherent business reserves at 388.5 billion won.

Table VII – 4. Aggregate Profit and Loss Statement (Deposit Insurance Fund Account)

2001. 1. 1 ~ 2001. 12. 31

(Unit: won)

EXPENSES	Amount	EARNINGS	Amount
Fund Operation Expenses	**6,068,761,036,802**	**Fund Earnings**	**766,434,345,029**
1. KDIC Operation Expenses	49,072,674,919	**Fund Operation Earnings**	**856,057,605,992**
2. Reserve Fund Utilization Expenses	14,628,953,041	1. Reserve Fund Utilization Earnings	236,788,336,041
3. Contribution Related Expenses	6,005,059,408,842	Deposit Interest Earnings	69,705,321,186
Contribution Expenses	262,803,157,396	Securities Interest Earnings	166,156,088,847
Loan Interest Expenses	567,888,342,397	Securities Liquidation Earnings	926,926,008
Interest on Outstanding DIF Bonds	5,157,160,443,367	2. Contribution Utilization Earnings	619,269,269,951
Other	17,207,465,682	Dividends	16,586,005,129
Expenses Outside of DIF	**6,099,271,957,212**	Loan Interest Earnings	544,153,099,887
1. Transferred-in Allowance for Credit Losses	5,588,924,774,741	Other	58,530,164,935
2. Transferred-in Inherent Business Budget	388,490,934,857	**Earnings Outside of DIF**	**2,054,486,536,443**
3. Acquired Securities Appraisal Losses	100,000,000	1. Reimbursed Allowance for Credit Losses	612,462,749,898
4. Currency Valuation Losses	113,121,434,924	2. Held Equity Valuation Gains	1,352,388,655,680
5. Other	8,634,812,690	3. Currency Valuation Gains	66,519,520,000
Total Expenses	**12,168,032,994,014**	4. Other	23,115,610,865
Current Period DIF Surplus	**△8,491,054,506,550**	**Total Earnings**	**3,676,978,487,464**

B. KDIC Accounting

(1) Financial State

The total assets of the KDIC at the end of the current term stood at 12,022 million won, an increase of 3,910 million won from the total of the preceding term of 8,112 million won. Major items showing increases were short-term liquid assets (875 million won), invested assets (2,132 million won) and tangible assets (903 million won).

Looking at the state of assets on hand, the total amount of liquid assets stood at 3,607 million won (30.0% of the total assets). Broken down, they consisted of 3,598 million won in cash and deposits, and 7 million won in unearned revenue. Total fixed assets stood at 8,415 million won (70.0% of assets), consisting of 4,513 million won in security deposits, 20 million won in invested securities, 1,220 million won in group severance insurance deposits, 53 million won in other investment assets, 714 million won in buildings, 12 million won in vehicles and delivery equipment and 1,883 million won in other tangible assets.

Table VII – 5. Balance Sheet (KDIC Account)

As of December 31, 2001

(Unit: won)

ASSETS	Amount	LIABILITIES and RESERVES	Amount
Current Assets	**3,607,411,100**	**Current Liabilities**	**7,892,011,914**
1. Current Assets	3,607,411,100	1. Transferred-in Asset Budget	7,194,551,923
Cash and Deposits	3,598,253,246	2. Tax Obligation Withholdings	419,745,781
Prepaid Expenses	2,020,304	3. Unpaid Obligations	93,343,420
Uncollected Earnings	7,137,550	4. Unpaid Expenses	184,370,790
Fixed Assets	**8,414,770,806**	**Fixed Liabilities**	**3,225,344,022**
1. Asset Investments	5,805,801,883	1. Severance Grant Appropriations	1,939,800,201
Security Deposits	4,512,838,000	(Public Pension Transfers)	△40,799,721
Securities Investments	19,545,000	2. Group Severance Grant Appropriations	1,220,218,883
Group Severance Plan Deposits	1,220,218,883	3. Inherent Business Budget	106,124,659
Other	53,200,000	**Total Liabilities**	**11,117,355,936**
2. Tangible Assets	2,608,968,923	**DIF Reserves**	**904,825,970**
Buildings	1,673,220,879	1. DIF	-
Automobiles	161,159,970	2. Earnings Surplus	904,825,970
Other Tangible Assets	5,244,964,390	(Current Period Surplus)	(462,038,268)
(Aggregate Depreciation)	△4,470,376,316		
Total Assets	**12,022,181,906**	**Sum of Liabilities and Reserves**	**12,022,181,906**

Total liabilities of the KDIC at the end of the current term stood at 11,117 million won, an increase of 3,448 million won from the 7,669 million won total of the preceding term. The rise was due to increases of 2,463 million won in current liabilities and 985 million won in fixed liabilities.

Major items among liabilities were 7,195 million won (64.7%) in transferred-in capital budget, 420 million won (3.8%) in collected tax withholdings, and 3,225 million won (29.0%) in fixed liabilities including severance allowance reserves.

(2) State of Profit and Loss

The total revenue of the KDIC in 2001 stood at 49,352 million won, consisting of 49,073 million won in Fund revenues and 280 million won in Fund operation revenues.

Total KDIC operating expenses accumulated to 48,890 million won. Major items were 26,286 million won (53.8% of the total) in personnel-related costs, 18,518 million won (37.9%) in general expenses, 1,972 million won (4.0%) in depreciation expenses, and 1,206 million won (2.5%) in transferred-in group severance allowance reserves.

The surplus fund for the term of the KDIC accounting came to 462 million won, after deduction of 48,890 million won in total expense from the total revenue of 49,352 million won.

Table VII – 6. Profit and Loss Statement (KDIC Account)

2001. 1. 1 ~ 2001. 12. 31

(Unit: won)

EXPENSES	Amount	EARNINGS	Amount
General KDIC Operation Expenses	**48,890,438,715**	**Fund Earnings**	**49,072,674,919**
1. Personnel Expenses	26,286,248,926	**Fund Operation Earnings**	**279,802,064**
2. General Expenses	18,517,842,926	1. Deposit Interest Earnings	167,874,026
3. Depreciation Expenses	1,971,574,358	2. Investment Securities Interest Earnings	1,363,656
4. Transferred-in Severance Grant Appropriations	782,359,181	3. Other Earnings	110,564,382
5. Transferred-in Group Severance Grant Appropriations	1,206,142,365	**Earnings Outside of DIF**	-
6. Transferred-in Inherent Business Budget	106,124,659		
7. DIF Accounting Outflow	20,000,000		
8. Other Expenses	146,300		
Total Expenses	**48,890,438,715**		
Current Period DIF Surplus	**462,038,268**	**Total Earnings**	**49,352,476,983**

Appendix

A-I.	Members of the Policy Committee and the Executive Board
A-II.	Decisions Rendered by the Policy Committee in 2001
A-III.	Year 2001 Deposit Insurance Fund Financial Statements
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A-I. Members of the Policy Committee and the Executive Board

Table A-I-1. Policy Committee Members *As of December 31, 2001*

TITLE	NAME
President of KDIC (Chairman)	**In-Won LEE**
Vice Minister of MOFE	**Jin Pyo KIM**
Vice Minister of MOPB	**Byung Il KIM**
Vice Governor of FSC	**Ji Chang YOO**
Deputy Governor of BOK	**Chul PARK**
Non-Governmental Member	**Man-Woo LEE**
Non-Governmental Member	**Jong-Chan CHOI**
Non-Governmental Member	**Hangmo MUHN**

Table A-I-2. Executive Board Members *As of December 31, 2001*

TITLE	NAME
Chairman and President	**In-Won LEE**
Senior Executive Director	**Hyung-Tack LEE**
Auditor	**Jong-Hwa YOON**
Executive Director	**Cheun-Soo KIM**
Executive Director	**Seung-Hee PARK**
Executive Director	**Soo-Hwan CHOI**
Executive Director	**Won-Keun YANG**

A-II. Decisions Rendered by the Policy Committee in 2001

Month	No. of Sessions	No. of Issues	Issues
January	5	13	➢ Determination to make deposit payoff payments in respect of eight MSFCs including Dongbang, Inc.
February	4	12	➢ Amendment to KDIC Articles of Incorporation ➢ Amendment to Policy Committee rules and regulations
March	3	11	➢ Determination to request authorization from the Public Fund Oversight Committee to provide financial support for the credit business of the National Federation of Fisheries Cooperatives
April	3	10	➢ Establishment of guidelines for insurance claim payment deferment ➢ Determination to provide financial support for the credit business of the National Federation of Fisheries Cooperatives
May	1	3	➢ Determination to provide additional equity participation in respect of Seoul Guarantee Insurance Inc. and issuance of Deposit Insurance Fund Bonds in that regard
June	4	9	➢ Determination to provide financial support for Hanareum Mutual Savings and Finance Corp., and issuance of Deposit Insurance Fund Bonds in that regard
July	3	8	➢ Review of 2001 first quarter MOU adherence status and related actions taken
August	2	3	➢ Application to defer reimbursement of loaned funds, and issuance of Deposit Insurance Fund Bonds
September	3	10	➢ Determination to provide financial support to National Agricultural Cooperative Federation in relation to its merger with National Agricultural and Livestock Cooperatives
October	1	2	➢ Determination to provide contribution to Korea Life Insurance Corp., and issuance of Deposit Insurance Fund Bonds in that regard
November	3	9	➢ Determination to issue new Deposit Insurance Fund Bonds in 2002 to succeed maturing old DIF Bonds, and application for government guarantee of said bonds
December	6	11	➢ Determination to provide second round financial support for the credit business of the National Federation of Fisheries Cooperatives ➢ Approval of 2002 KDIC budget
TOTAL	**38**	**101**	-

A-III. Year 2001 Deposit Insurance Fund Financial Statements

Balance Sheet

As of December 31, 2001

Banks Account (Unit: won)

ASSETS	Amount	LIABILITIES and FUND RESERVES	Amount
Current Assets	**3,446,579,055,234**	**Current Liabilities**	**6,255,206,948,071**
1. Operating Assets	1,232,316,054,432	1. Contributed Liabilities	6,098,184,854,212
Deposits	730,007,633,379	Short-term Loans Acquired	1,594,154,854,212
Securities	502,308,421,053	Outstanding DIF Bond Liabilities	4,504,030,000,000
2. Sinking Fund Assets	728,482,476,076	2. Other Current Liabilities	157,022,093,859
Deposits	405,352,407,389	**Fixed Liabilities**	**40,055,554,755,080**
Securities	317,656,847,001	1. Contributed Liabilities	39,907,948,068,391
Other Assets	5,473,221,686	Outstanding DIF Bond Liabilities	32,170,830,656,465
3. Contributed Assets	1,328,486,980,000	Loans Acquired at Premium	170,303,170,862
Short-term Loans Issued	4,833,318,477,004	Loans Acquired at Discount	-
Allowance for Credit Losses	△3,504,831,497,004	Long-term Loans	5,575,277,261,064
4. Other Current Assets	157,293,544,726	Exchangeable Bonds	1,991,536,980,000
Fixed Assets	**11,655,571,605,154**	Accounts Payable	-
1. Contributed Assets	10,228,512,276,075	2.Inherent Business Budget	147,606,686,689
Equities	8,237,435,976,075	**Total Liabilities**	**46,310,761,703,151**
Long-term Loans Issued	-	**DIF Reserves**	**△31,208,611,042,763**
Allowance for Credit Losses	-	1. DIF	81,055,583,911
Purchased Assets	1,991,076,300,000	2. DIF Surplus	△31,289,666,626,674
2. Claim Right Assigned Assets	1,427,059,329,079	(Current Period DIF Surplus)	△878,599,883,929
Claim Rights	8,398,689,788,025		
Allowance for Credit Losses	△6,971,630,458,946		
3. Other Fixed Assets	-		
Total Assets	**15,102,150,660,388**	**Sum of Liabilities and Reserves**	**15,102,150,660,388**

Profit and Loss Statement

2001. 1. 1 ~ 2001. 12. 31

Banks Account (Unit: won)

EXPENSES	Amount	EARNINGS	Amount
Fund Operation Expenses	**2,842,902,713,880**	**Fund Earnings**	**393,526,683,952**
1. KDIC Operation Expenses	19,188,293,868	**Fund Operation Earnings**	**415,569,439,679**
2. Reserve Fund Utilization Expenses	7,343,163,022	1. Reserve Fund Utilization Earnings	123,103,905,842
3. Contribution Related Expenses	2,816,371,256,990	Deposit Interest Earnings	41,075,400,293
Contribution Expenses	148,286,660,196	Securities Interest Earnings	81,726,397,485
Loan Interest Expenses	74,186,617,259	Securities Liquidation Earnings	302,108,064
Interest on Outstanding DIF Bonds	2,577,890,725,856	2. Contribution Utilization Earnings	292,465,533,837
Other Expenses	16,007,253,679	Dividends	16,586,005,129
Expenses Outside of DIF	**725,353,893,407**	Loan Interest Earnings	274,592,420,366
1. Transferred-in Allowance for Credit Losses	464,682,606,461	Other Earnings	1,287,108,342
2. Transferred-in Inherent Business Budget	147,606,686,689	**Earnings Outside of DIF**	**1,880,560,599,727**
3. Acquired Securities Appraisal Losses	-	1. Reimbursed Allowance for Credit Losses	439,487,692,701
4. Currency Valuation Losses	113,064,600,257	2. Held Equity Valuation Gains	1,352,388,655,680
5. Other Expenses	-	3. Currency Valuation Gains	66,519,520,000
Total Expenses	**3,568,256,607,287**	4. Other Earnings	22,164,731,346
Current Period DIF Surplus	**△878,599,883,929**	**Total Earnings**	**2,689,656,723,358**

Balance Sheet

As of December 31, 2001

Securities Companies Account (Unit: won)

ASSETS	Amount	LIABILITIES and RESERVES	Amount
Current Assets	**98,534,214,995**	**Current Liabilities**	**2,103,701,645,917**
1. Operating Assets	75,818,625,744	1. Contributed Liabilities	2,001,163,874,899
Deposits	41,803,554,744	Short-term Loans Acquired	2,001,163,874,899
Securities	34,015,071,000	Outstanding DIF Bond Liabilities	-
2. Sinking Fund Assets	443,094,737	2. Other Current Liabilities	102,537,771,018
Deposits	443,094,737	**Fixed Liabilities**	**3,382,348,350,192**
Securities	-	1. Contributed Liabilities	3,376,926,682,589
Other Assets	-	Outstanding DIF Bond Liabilities	3,232,941,172,647
3. Contributed Assets	-	Loans Acquired at Premium	-
Short-term Loans Issued	-	Loans Acquired at Discount	-
Allowance for Credit Losses	-	Long-term Loans	143,985,509,942
4. Other Current Assets	22,272,494,514	Exchangeable Bonds	-
Fixed Assets	**4,903,779,268,263**	Accounts Payable	-
1. Contributed Assets	4,900,000,000,000	2. Inherent Business Budget	5,421,667,603
Equities	4,900,000,000,000	**Total Liabilities**	**5,486,049,996,109**
Long-term Loans Issued	-	**DIF Reserves**	**△483,736,512,851**
Allowance for Credit Losses	-	1. DIF	1,382,516,170
Purchased Assets	-	2. DIF Surplus	△485,119,029,021
2. Claim Right Assigned Assets	3,779,268,263	(Current Period DIF Surplus)	△331,625,033,177
Claim Rights	8,893,428,993		
Allowance for Credit Losses	△5,114,160,730		
3. Other Fixed Assets	-		
Total Assets	**5,002,313,483,258**	**Sum of Liabilities and Reserves**	**5,002,313,483,258**

Profit and Loss Statement

2001. 1. 1 ~ 2001. 12. 31

Securities Companies Account (Unit: won)

EXPENSES	Amount	EARNINGS	Amount
Fund Operation Expenses	**353,822,083,951**	**Fund Earnings**	**23,909,268,011**
1. KDIC Operation Expenses	3,429,851,930	**Fund Operation Earnings**	**5,192,435,301**
2. Reserve Fund Utilization Expenses	101,276,164	1. Reserve Fund Utilization Earnings	4,814,809,716
3. Contribution Related Expenses	350,290,955,857	Deposit Interest Earnings	1,247,958,668
Contribution Expenses	-	Securities Interest Earnings	3,566,304,184
Loan Interest Expenses	185,684,547,228	Securities Liquidation Earnings	546,864
Interest on Outstanding DIF Bonds	164,600,070,257	2. Contribution Utilization Earnings	377,625,585
Other Expenses	6,338,372	Dividends	-
Expenses Outside of DIF	**6,904,652,538**	Loan Interest Earnings	377,625,585
1. Transferred-in Allowance for Credit Losses	1,035,639,012	Other Earnings	-
2. Transferred-in Inherent Business Budget	5,421,667,603	**Earnings Outside of DIF**	-
3. Acquired Securities Appraisal Losses	-	1. Reimbursed Allowance for Credit Losses	-
4. Currency Valuation Losses	5,380,699	2. Held Equity Valuation Gains	-
5. Other Expenses	441,965,224	3. Currency Valuation Gains	-
Total Expenses	**360,726,736,489**	4. Other Earnings	-
Current Period DIF Surplus	**△331,625,033,177**	**Total Earnings**	**29,101,703,312**

Balance Sheet

As of December 31, 2001

Life Insurance Companies Account (Unit: won)

ASSETS	Amount	LIABILITIES and RESERVES	Amount
Current Assets	**1,181,477,657,711**	**Current Liabilities**	**153,526,441,073**
1. Operating Assets	787,692,614,931	1. Contributed Liabilities	112,271,129,270
Deposits	461,525,232,336	Short-term Loans Acquired	112,271,129,270
Securities	326,167,382,595	Outstanding DIF Bond Liabilities	-
2. Sinking Fund Assets	57,336,660,409	2. Other Current Liabilities	41,255,311,803
Deposits	47,263,674,816	**Fixed Liabilities**	**9,453,882,824,512**
Securities	10,072,985,593	1. Contributed Liabilities	9,408,237,028,258
Other Assets	-	Outstanding DIF Bond Liabilities	8,368,924,749,000
3. Contributed Assets	158,078,718,867	Loans Acquired at Premium	-
Short-term Loans Issued	247,000,000,000	Loans Acquired at Discount	-
Allowance for Credit Losses	△88,921,281,133	Long-term Loans	1,039,312,279,258
4. Other Current Assets	178,369,663,504	Exchangeable Bonds	-
Fixed Assets	**3,762,223,043,160**	Accounts Payable	-
1. Contributed Assets	3,550,000,000,000	2. Inherent Business Budget	45,645,796,254
Equities	3,550,000,000,000	**Total Liabilities**	**9,607,409,265,585**
Long-term Loans Issued	-	**DIF Reserves**	**△4,663,708,564,714**
Allowance for Credit Losses	-	1. DIF	77,098,127,102
Purchased Assets	-	2. DIF Surplus	△4,740,806,691,816
2. Claim Right Assigned Assets	212,223,043,160	(Current Period DIF Surplus)	△989,612,753,653
Claim Rights	2,239,304,883,701		
Allowance for Credit Losses	△2,027,081,840,541		
3. Other Fixed Assets	-		
Total Assets	**4,943,700,700,871**	**Sum of Liabilities and Reserves**	**4,943,700,700,871**

Profit and Loss Statement

2001. 1. 1 ~ 2001. 12. 31

Life Insurance Companies Account (Unit: won)

EXPENSES	Amount	EARNINGS	Amount
Fund Operation Expenses	**525,147,898,118**	**Fund Earnings**	**185,366,819,307**
1. KDIC Operation Expenses	10,837,753,816	**Fund Operation Earnings**	**63,534,022,912**
2. Reserve Fund Utilization Expenses	2,312,804,739	1. Reserve Fund Utilization Earnings	45,237,442,397
3. Contribution Related Expenses	511,997,339,563	Deposit Interest Earnings	9,430,665,356
Contribution Expenses	17,105,000,000	Securities Interest Earnings	35,768,172,566
Loan Interest Expenses	494,175,249	Securities Liquidation Earnings	38,604,475
Interest on Outstanding DIF Bonds	494,359,623,452	2. Contribution Utilization Earnings	18,296,580,515
Other Expenses	38,540,862	Dividends	-
Expenses Outside of DIF	**855,440,094,509**	Loan Interest Earnings	18,296,580,515
1. Transferred-in Allowance for Credit Losses	809,761,698,678	Other Earnings	-
2. Transferred-in Inherent Business Budget	45,645,796,254	**Earnings Outside of DIF**	**142,074,396,755**
3. Acquired Securities Appraisal Losses	-	1. Reimbursed Allowance for Credit Losses	142,074,396,755
4. Currency Valuation Losses	19,451,851	2. Held Equity Valuation Gains	-
5. Other Expenses	13,147,726	3. Currency Valuation Gains	-
Total Expenses	**1,380,587,992,627**	4. Other Earnings	-
Current Period DIF Surplus	**△989,612,753,653**	**Total Earnings**	**390,975,238,974**

Balance Sheet

As of December 31, 2001

Non-Life Insurance Companies Account (Unit: won)

ASSETS	Amount	LIABILITIES and RESERVES	Amount
Current Assets	**244,280,275,643**	**Current Liabilities**	**234,443,573,052**
1. Operating Assets	205,126,783,313	1. Contributed Liabilities	127,189,568,738
Deposits	122,818,588,349	Short-term Loans Acquired	18,454,568,738
Securities	82,308,194,964	Outstanding DIF Bond Liabilities	108,735,000,000
2. Sinking Fund Assets	50,000,000	2. Other Current Liabilities	107,254,004,314
Deposits	50,000,000	**Fixed Liabilities**	**10,795,271,556,737**
Securities	-	1. Contributed Liabilities	10,783,883,325,215
Other Assets	-	Outstanding DIF Bond Liabilities	9,129,420,663,326
3. Contributed Assets	-	Loans Acquired at Premium	-
Short-term Loans Issued	-	Loans Acquired at Discount	△34,332,311,918
Allowance for Credit Losses	-	Long-term Loans	1,688,794,973,807
4. Other Current Assets	39,103,492,330	Exchangeable Bonds	-
Fixed Assets	**10,250,000,000,000**	Accounts Payable	-
1. Contributed Assets	10,250,000,000,000	2. Inherent Business Budget	11,388,231,522
Equities	10,250,000,000,000	**Total Liabilities**	**11,029,715,129,789**
Long-term Loans Issued	-	**DIF Reserves**	**△535,434,854,146**
Allowance for Credit Losses	-	1. DIF	15,767,050,099
Purchased Assets	-	2. DIF Surplus	△551,201,904,245
2. Claim Right Assigned Assets	-	(Current Period DIF Surplus)	△456,512,127,381
Claim Rights	295,769,230		
Allowance for Credit Losses	△295,769,230		
3. Other Fixed Assets	-		
Total Assets	**10,494,280,275,643**	**Sum of Liabilities and Reserves**	**10,494,280,275,643**

Profit and Loss Statement

2001. 1. 1 ~ 2001. 12. 31

Non-Life Insurance Companies Account (Unit: won)

EXPENSES	Amount	EARNINGS	Amount
Fund Operation Expenses	**490,844,104,162**	**Fund Earnings**	**35,285,956,364**
1. KDIC Operation Expenses	2,923,303,482	**Fund Operation Earnings**	**11,159,603,259**
2. Reserve Fund Utilization Expenses	472,299,760	1. Reserve Fund Utilization Earnings	11,159,603,259
3. Contribution Related Expenses	487,448,500,920	Deposit Interest Earnings	2,745,006,178
Contribution Expenses	38,014,000,000	Securities Interest Earnings	8,411,562,668
Loan Interest Expenses	113,831,309,026	Securities Liquidation Earnings	3,034,413
Interest on Outstanding DIF Bonds	335,589,004,588	2. Contribution Utilization Earnings	-
Other Expenses	14,187,306	Dividends	-
Expenses Outside of DIF	**12,113,582,842**	Loan Interest Earnings	-
1. Transferred-in Allowance for Credit Losses	720,609,328	Other Earnings	-
2. Transferred-in Inherent Business Budget	11,388,231,522	**Earnings Outside of DIF**	-
3. Acquired Securities Appraisal Losses	-	1. Reimbursed Allowance for Credit Losses	-
4. Currency Valuation Losses	4,741,992	2. Held Equity Valuation Gains	-
5. Other Expenses	-	3. Currency Valuation Gains	-
Total Expenses	**502,957,687,004**	4. Other Earnings	-
Current Period DIF Surplus	**△456,512,127,381**	**Total Earnings**	**46,445,559,623**

Balance Sheet

As of December 31, 2001

Merchant Banks Account (Unit: won)

ASSETS	Amount	LIABILITIES and RESERVES	Amount
Current Assets	**819,556,113,727**	**Current Liabilities**	**881,442,001,639**
1. Operating Assets	260,241,191,734	1. Contributed Liabilities	660,321,777,780
Deposits	165,954,366,545	Short-term Loans Acquired	660,321,777,780
Securities	94,286,825,189	Outstanding DIF Bond Liabilities	-
2. Sinking Fund Assets	503,151,301,634	2. Other Current Liabilities	221,120,223,859
Deposits	502,774,140,014	**Fixed Liabilities**	**20,605,277,843,800**
Securities	-	1. Contributed Liabilities	20,460,930,066,438
Other Assets	377,161,620	Outstanding DIF Bond Liabilities	15,361,321,596,072
3. Contributed Assets	38,000,000,000	Loans Acquired at Premium	567,891,550,423
Short-term Loans Issued	12,594,074,000,000	Loans Acquired at Discount	-
Allowance for Credit Losses	△12,556,074,000,000	Long-term Loans	2,008,903,182,068
4. Other Current Assets	18,163,620,359	Exchangeable Bonds	-
Fixed Assets	**4,772,487,707,758**	Accounts Payable	2,522,813,737,875
1. Contributed Assets	2,543,261,735,153	2. Inherent Business Budget	144,347,777,362
Equities	2,491,200,000,000	**Total Liabilities**	**21,486,719,845,439**
Long-term Loans Issued	152,178,479,245	**DIF Reserves**	**△15,894,676,023,954**
Allowance for Credit Losses	△100,116,744,092	1. DIF	842,154,138,661
Purchased Assets	-	2. DIF Surplus	△16,736,830,162,615
2. Claim Right Assigned Assets	2,228,767,720,227	(Current Period DIF Surplus)	△4,720,542,994,516
Claim Rights	4,829,894,634,366		
Allowance for Credit Losses	△2,601,126,914,139		
3. Other Fixed Assets	458,252,378		
Total Assets	**5,592,043,821,485**	**Sum of Liabilities and Reserves**	**5,592,043,821,485**

Profit and Loss Statement

2001. 1. 1 ~ 2001. 12. 31

Merchant Banks Account (Unit: won)

EXPENSES	Amount	EARNINGS	Amount
Fund Operation Expenses	**1,175,995,624,084**	**Fund Earnings**	**15,537,624,339**
1. KDIC Operation Expenses	3,935,832,633	**Fund Operation Earnings**	**325,438,563,329**
2. Reserve Fund Utilization Expenses	1,231,534,246	1. Reserve Fund Utilization Earnings	20,651,706,898
3. Contribution Related Expenses	1,170,828,257,205	Deposit Interest Earnings	5,496,373,877
Contribution Expenses	-	Securities Interest Earnings	14,610,816,005
Loan Interest Expenses	193,671,550,854	Securities Liquidation Earnings	544,517,016
Interest on Outstanding DIF Bonds	976,787,136,444	2. Contribution Utilization Earnings	304,786,856,431
Other Expenses	369,569,907	Dividends	-
Expenses Outside of DIF	**3,917,383,451,754**	Loan Interest Earnings	247,547,583,298
1. Transferred-in Allowance for Credit Losses	3,768,677,766,462	Other Earnings	57,239,273,133
2. Transferred-in Inherent Business Budget	144,347,777,362	**Earnings Outside of DIF**	**31,859,893,654**
3. Acquired Securities Appraisal Losses	-	1. Reimbursed Allowance for Credit Losses	30,654,911,557
4. Currency Valuation Losses	9,781,585	2. Held Equity Valuation Gains	-
5. Other Expenses	4,348,126,345	3. Currency Valuation Gains	-
Total Expenses	**5,093,379,075,838**	4. Other Earnings	1,204,982,097
Current Period DIF Surplus	**△4,720,542,994,516**	**Total Earnings**	**372,836,081,322**

Balance Sheet

As of December 31, 2001

Mutual Savings and Finance Companies Account (Unit: won)

ASSETS	Amount	LIABILITIES and RESERVES	Amount
Current Assets	**3,082,933,342,998**	**Current Liabilities**	**253,818,258,596**
1. Operating Assets	224,432,473,859	1. Contributed Liabilities	181,254,031,765
Deposits	41,851,182,378	Short-term Loans Acquired	181,254,031,765
Securities	182,581,291,481	Outstanding DIF Bond Liabilities	-
2. Sinking Fund Assets	78,134,925,640	2. Other Current Liabilities	72,564,226,831
Deposits	78,134,925,640	**Fixed Liabilities**	**7,618,881,941,935**
Securities	-	1. Contributed Liabilities	7,600,957,231,498
Other Assets	-	Outstanding DIF Bond Liabilities	6,877,324,751,530
3. Contributed Assets	2,749,623,616,044	Loans Acquired at Premium	-
Short-term Loans Issued	5,721,069,000,000	Loans Acquired at Discount	△87,586,579
Allowance for Credit Losses	△2,971,445,383,956	Long-term Loans	723,720,066,547
4. Other Current Assets	30,742,327,455	Exchangeable Bonds	-
Fixed Assets	**864,140,548,162**	Accounts Payable	-
1. Contributed Assets	636,560,480,186	2. Inherent Business Budget	17,924,710,437
Equities	-	**Total Liabilities**	**7,872,700,200,531**
Long-term Loans Issued	799,098,968,339	**DIF Reserves**	**△3,925,626,309,371**
Allowance for Credit Losses	△162,538,488,153	1. DIF	97,849,477,763
Purchased Assets	-	2. DIF Surplus	△4,023,475,787,134
2. Claim Right Assigned Assets	227,580,067,976	(Current Period DIF Surplus)	△1,032,061,374,740
Claim Rights	453,183,112,764		
Allowance for Credit Losses	△225,603,044,788		
3. Other Fixed Assets	-		
Total Assets	**3,947,073,891,160**	**Sum of Liabilities and Reserves**	**3,947,073,891,160**

Profit and Loss Statement

2001. 1. 1 ~ 2001. 12. 31

Mutual Savings and Finance Companies Account (Unit: won)

EXPENSES	Amount	EARNINGS	Amount
Fund Operation Expenses	**533,543,994,823**	**Fund Earnings**	**47,406,407,394**
1. KDIC Operation Expenses	4,535,552,854	**Fund Operation Earnings**	**18,213,791,679**
2. Reserve Fund Utilization Expenses	986,432,758	1. Reserve Fund Utilization Earnings	15,063,425,038
3. Contribution Related Expenses	528,022,009,211	Deposit Interest Earnings	3,590,035,256
Contribution Expenses	59,397,497,200	Securities Interest Earnings	11,473,389,782
Loan Interest Expenses	11,962,160	Securities Liquidation Earnings	-
Interest on Outstanding DIF Bonds	468,197,003,824	2. Contribution Utilization Earnings	3,150,366,641
Other Expenses	415,546,027	Dividends	-
Expenses Outside of DIF	**564,137,578,990**	Loan Interest Earnings	3,150,366,641
1. Transferred-in Allowance for Credit Losses	541,585,683,862	Other Earnings	-
2. Transferred-in Inherent Business Budget	17,924,710,437	**Earnings Outside of DIF**	-
3. Acquired Securities Appraisal Losses	100,000,000	1. Reimbursed Allowance for Credit Losses	-
4. Currency Valuation Losses	10,379,952	2. Held Equity Valuation Gains	-
5. Other Expenses	4,516,804,739	3. Currency Valuation Gains	-
Total Expenses	**1,097,681,573,813**	4. Other Earnings	-
Current Period DIF Surplus	**△1,032,061,374,740**	**Total Earnings**	**65,620,199,073**

Balance Sheet

As of December 31, 2001

Credit Unions Account (Unit: won)

ASSETS	Amount	LIABILITIES and RESERVES	Amount
Current Assets	**473,466,753,562**	**Current Liabilities**	**74,961,544,481**
1. Operating Assets	144,686,575,612	1. Contributed Liabilities	57,821,208,336
Deposits	29,745,797,196	Short-term Loans Acquired	57,821,208,336
Securities	114,940,778,416	Outstanding DIF Bond Liabilities	-
2. Sinking Fund Assets	266,825,968,572	2. Other Current Liabilities	17,140,336,145
Deposits	69,787,830,768	**Fixed Liabilities**	**1,835,311,512,948**
Securities	196,831,618,929	1. Contributed Liabilities	1,819,155,447,958
Other Assets	206,518,875	Outstanding DIF Bond Liabilities	1,551,573,410,960
3. Contributed Assets	-	Loans Acquired at Premium	-
Short-term Loans Issued	-	Loans Acquired at Discount	△21,243,421
Allowance for Credit Losses	-	Long-term Loans	267,603,280,419
4. Other Current Assets	61,954,209,378	Exchangeable Bonds	-
Fixed Assets	**686,233,228,180**	Accounts Payable	-
1. Contributed Assets	330,968,062	2. Inherent Business Budget	16,156,064,990
Equities	-	**Total Liabilities**	**1,910,273,057,429**
Long-term Loans Issued	407,601,255	**DIF Reserves**	**△750,573,075,687**
Allowance for Credit Losses	△76,633,193	1. DIF	16,543,748,385
Purchased Assets	-	2. DIF Surplus	△767,116,824,072
2. Claim Right Assigned Assets	685,902,260,118	(Current Period DIF Surplus)	△82,100,339,154
Claim Rights	1,294,155,207,767		
Allowance for Credit Losses	△608,252,947,649		
3. Other Fixed Assets	-		
Total Assets	**1,159,699,981,742**	**Sum of Liabilities and Reserves**	**1,159,699,981,742**

Profit and Loss Statement

2001. 1. 1 ~ 2001. 12. 31

Credit Unions Account (Unit: won)

EXPENSES	Amount	EARNINGS	Amount
Fund Operation Expenses	**146,504,617,784**	**Fund Earnings**	**65,401,585,662**
1. KDIC Operation Expenses	4,222,086,336	**Fund Operation Earnings**	**16,949,749,833**
2. Reserve Fund Utilization Expenses	2,181,442,352	1. Reserve Fund Utilization Earnings	16,757,442,891
3. Contribution Related Expenses	140,101,089,096	Deposit Interest Earnings	6,119,881,558
Contribution Expenses	-	Securities Interest Earnings	10,599,446,157
Loan Interest Expenses	8,180,621	Securities Liquidation Earnings	38,115,176
Interest on Outstanding DIF Bonds	139,736,878,946	2. Contribution Utilization Earnings	192,306,942
Other Expenses	356,029,529	Dividends	-
Expenses Outside of DIF	**18,623,934,516**	Loan Interest Earnings	188,523,482
1. Transferred-in Allowance for Credit Losses	2,460,770,938	Other Earnings	3,783,460
2. Transferred-in Inherent Business Budget	16,156,064,990	**Earnings Outside of DIF**	**676,877,651**
3. Acquired Securities Appraisal Losses	-	1. Reimbursed Allowance for Credit Losses	245,748,885
4. Currency Valuation Losses	7,098,588	2. Held Equity Valuation Gains	-
5. Other Expenses	-	3. Currency Valuation Gains	-
Total Expenses	**165,128,552,300**	4. Other Earnings	431,128,766
Current Period DIF Surplus	**△82,100,339,154**	**Total Earnings**	**83,028,213,146**

A-IV. Introduction to the Korean Deposit Insurance System

Chapter 1. Financial Institutions and Products Subject to KDIC Protection

A. Insured Financial Institutions

The term "Insured financial institutions" refers to financial institutions which have subscribed to deposit insurance coverage from the Corporation pursuant to the Depositor Protection Act. Banks, securities companies, insurance companies, merchant banks, mutual savings banks, and credit unions are included in the category. The nation's relevant laws require that all financial institutions operating in Korea to obtain deposit insurance. Therefore, securing deposit insurance coverage is mandatory for all banking and financial institutions approved to operate in Korea.

In terms of banks, general banks such as nationwide commercial banks and regional banks that are approved under the Banking Act, domestic branches of foreign banks, specialized banks such as the Korea Development Bank (excluding the Export-Import Bank of Korea [KEXIM]), the National Agricultural Cooperative Federation established pursuant to the Agricultural Cooperatives Act, the National Federation of Fisheries Cooperatives established pursuant to the Fisheries Cooperatives Act, and regional branches of fisheries cooperatives that perform and manage credit union services, are under the scope of protection of the KDIC.

All domestic securities and stock brokerage companies and domestic branches of foreign securities companies, as well as all insurance companies with the exception of surety (guarantee) and casualty oriented insurance companies are within the scope of protection of the KDIC.

Other merchant banking corporations and mutual savings and finance companies can obtain protection from the KDIC after being approved under the pertinent laws and acknowledged as KDIC-insurable financial institutions.

Table A-IV-1. Number of Insured Financial Institutions

As of December 31, 2001

Type	Banks	Securities Companies	Insurance Companies		Merchant Banks	MSFCs	Credit Unions	Total
			Life	Non-Life				
Domestic	20[1)]	44	12	12	3	121	1,268	1,480
Foreign	42	18	10	6	0	0	0	76
Other[2)]	43	0	0	0	0	0	0	43
Total	105	62	22	18	3	121	1,268	1,599

1) Includes credit union business portions of the National Federation of Agricultural and Fisheries Cooperatives.
2) Includes regional fisheries cooperatives that conduct credit union businesses.

B. Insured Deposits

The term "insured deposits" refers to deposits that the KDIC guarantees to pay if an insured financial institution cannot make payment on them as the result of an insured risk event, in accordance with the guidelines of Article 2 of the Depositor Protection Act and Article 3 of the DPA Enforcement Decree. Certain financial products and local provincial government deposits received temporary blanket coverage until the end of 2000, in light of the financial crisis, and were subsequently removed from the scope of protection as of January 1, 2001.

(1) Banks

Funds covered are bank-assumed liabilities resulting from deposits, from savings and insurance premium installment payments, as well as from deposits into trusts whose principals are protected in accordance with the Trust Business Act, Article 10, Paragraph 2. However, tax-exempt household special trusts for laborers, household monetary trusts and corporate monetary trust accounts whose funds were deposited prior to May 1, 1996 excluded from the scope of KDIC-insured financial products, along with target-oriented reserve trusts and performance dividend trust accounts opened after May 1, 1996 are. Deposits in foreign currency, CDs, development trusts, bank-issued bonds and RPs issued before July 25, 1998, all of which were temporarily protected until the end of 2000, were dropped from the scope of coverage as of January 1, 2002.

(2) Securities Firms and Stock Brokerage Houses

Deposits received by securities and stock brokerage houses from investors for the purpose of purchasing securities, stocks, or bonds are fully protected. However, funds set aside for taxes incurred with respect to BWs (Bonds with Warrants), investment securities, bonds and other customer deposits do not fall within the coverage scope. RPs issued before July 25, 1998, funds partially held by securities houses and funds specified in the Securities and Exchange Act, as well as collateral funds for loaned securities, were all removed from the scope of protection as of January 1, 2002.

(3) Insurance Companies

While insurance premiums paid by individual policyholders and severance benefits receive full coverage pursuant to the Labor Standard Act, variable benefit contracts and reinsurance are excluded. Institutional insurance contracts (where the policyholder and premium payer is an institution) and premiums received by surety companies before August 1, 1998 were dropped from the scope of coverage as of January 1, 2002.

(4) Merchant Banks

Proceeds received by merchant banks through sales of trade acceptances and fixed income products are protected, as are notes that were guaranteed by merchant banks before September 31, 1998. Bills, however, with the exception of beneficiary certificates, merchant bank bonds, RPs and secured bills issued before September 30, 1998, are not covered.

(5) Mutual Savings and Finance Companies

Funds and secondary bills supplied by loan brokers, annuities, deposits and savings are protected.

(6) Credit Unions

Investment contributions, deposits and savings are covered. However, certain excluded financial products sold by credit unions through consignments are not covered by the KDIC.

Table A-IV-2. Recent Status of Insured Depository Products

Type of company	Insured Financial Products		Excluded Financial Products	Notes
	Permanently covered	Temporarily covered[1)]		
All	Individual / Corporate Deposits	Deposits of the government/Regional Authorities/The Bank of Korea/Financial Supervisory Commission	Loans (including Call Loans)	
Banks	Deposits, Savings, Installments, Secondary Bills, Principal-Covered Trusts,	Foreign Currency Deposits, CDs, Development Bank Trusts, Bank Bonds	Performance Dividend Trusts, RPs	RPs issued before 7/25/98 were covered until the end of 2000
Securities Companies	Client Deposits, Securities Savings	Subscriber Deposits, Collateral for Loaned Current Securities	Tax Liability Withholdings, Investment Securities, RPs, Stock Company Bonds	RPs issued before 7/25/98 were covered until the end of 2000
Insurance Companies	Individual Policies, Severance Pay Policies	Corporate Policies	Surety Policies, Reinsurance Policies, Variable Benefit Contracts	Surety Policies issued before 8/1/98 were covered until the end of 2000
Merchant Banks	Promissory Notes, Secondary Bills, CMAs		Bills Sold, Foreign Currency Loans, Investment Securities, RPs, Merchant Bank Bonds	Secured Bills secured before the 10/1/98 check date remain covered
MSFCs	Loan Association Funds, Installments, Deposits, Savings, Secondary Bills			
Credit Unions	Contributions, Deposits, Savings		Certain precluded financial products	

1) Temporarily covered products were excluded from deposit protection as of January 1, 2001.

C. Deposit Insurance Protection Limits

When the KDIC was first established in 1996, the insurance coverage limit was 20 million won per individual depositor. Due to the heightened financial market instability resulting from the financial crisis of 1997, however, the coverage was extended to blanket coverage following amendment to the Enforcement Decree in December 1997. Afterwards, the market gradually stabilized due to the restructuring process, while at the same time the possibility of moral hazard became more apparent. The Enforcement Decree was amended in July 1998, therefore, to decrease the protection limit so that for deposits (or paid-in-premiums) with principal not exceeding 20 million won the principal and designated interest* would be guaranteed up to 20 million won, and for those with more than 20 million won in principal only the principal would be covered.

As financial market stability become more apparent, the partial protection system was reinstated with the limit raised to 50 million won through amendment of the Enforcement Decree in October 2000, in order to alleviate public anxiety.

Consequently, beginning from January 1, 2001, deposits in banks, securities companies, merchant banks, mutual savings and finance companies and credit unions are protected up to 50 million won, covering the principal and designated interest. For insurance companies, the lesser of either the paid-in premium plus designated interest or the contract maturation amount (maturity amount or compensation benefit amount), plus other related obligations up to 50 million won, is covered.

Table A-IV-3. Deposit Insurance Claim Payment Limitations

<table>
<tr><th rowspan="3"></th><th colspan="3">Until December 31, 2000</th><th rowspan="3">Purchased on or after January 1, 2001</th></tr>
<tr><th rowspan="2">Purchased on or before July 31, 1998</th><th>Purchased on or after August 1, 1998</th><th></th></tr>
<tr><th>Principal or paid premium: Less than or equal to 20 million won</th><th>Principal or paid premium: Greater than or equal to 20 million won</th></tr>
<tr><td>Banks; Securities Companies; Merchant Banks; MSFCs; Credit Unions</td><td>Principal and Original Interest fully covered.</td><td>Sum of Principal and Designated Interest[1)] covered up to 20 million won</td><td>Only Principal covered</td><td>Sum of Principal and Designated Interest covered up to 50 million won</td></tr>
<tr><td rowspan="2">Insurance Companies</td><td rowspan="2">Sum of Contract Maturation Amount (Maturity Amount or Accident Benefit Amount) and Other Payments fully covered</td><td>Lower of the sum of Contract Maturation Amount and Other Payments, and sum of Premium Balance and Designated Interest, covered up to 20 million won</td><td>Lower of the sum of Contract Maturation Amount and other Payments, and sum of Premium Balance and Designated Interest, covered</td><td>Lower of the sum of Contract Maturation Amount and Other Payments, and sum of Premium Balance and Designated Interest, covered up to 50 million won</td></tr>
<tr><td colspan="2">If maturation or claim triggering incident occurs before a payment freeze or a bankruptcy of the insurance company occurs, the policy will be fully covered</td><td></td></tr>
</table>

* Designated interest refers to the amount that is the lesser of either the contractual interest rate or a rate determined by the Policy Committee of the KDIC (based on the market average interest for one-year-maturity savings accounts).

Chapter 2. Collection of Deposit Insurance Premiums and Contributions

A. Collection of Deposit Insurance Premiums

The KDIC receives premiums from six insured financial sectors (banks, securities companies, insurance companies, merchant banks, mutual savings and finance companies, and credit unions), in accordance with Article 30 of the Depositor Protection Act and Article 16 of the DPA Enforcement Decree.

(1) Scope of Insurable Deposits

The term "insurable deposits" refers to the items listed in the subparagraphs of Article 2, Paragraph 2 of the Depositor Protection Act. Presidential Decree may limit the scope of insurable deposits.

(2) Frequency of Premium Calculation

Deposit insurance premiums are calculated for each fiscal year and on quarterly basis.

(3) Calculation of Premiums

Insurance Premium = Balance of Deposits Subject to Insurance X Premium Rate

(in the case of banks, the result shall be divided by four, as banks' premiums are paid quarterly).

The minimum insurance premium amount to be paid by an insurer is 100,000 won per year. In a case where the period subject to insurance premium calculation is less than one year, the premium amount shall be calculated on a pro-rata basis for the number of pertinent days.

(4) Remittance Due Date of Insurance Premiums

An insured financial institution must pay its deposit insurance premium to the KDIC within three months from the end of each business year (within one month from the end of each quarter, for banks).

(5) Insurance Premium Remittance Methods

All insured financial institutions must pay their insurance premiums in cash, cashier's checks or account transfers (including current reserve transfers) to the account of a financial institution designated by the President of the KDIC. For banks, however, the KDIC may request that payment be made by way of promissory note clearance. Units lower than 1,000 won are rounded off.

(6) Submittal of Data for Calculation of Insurance Premiums

Each insured financial institution must submit data for calculation of insurance premiums to the KDIC within two months from the end of every business year. For banks, however, data submission is required by the 20th of the month immediately following the end of every quarter

The data for premium calculation include the insurance premium calculation table, the balance sheet (quarterly average balance in the case of banks), and for insurance companies, the year-end data showing the policy payment reserve balance and total amount of premiums received by yearend. Each insured financial institution must comply with requests for additional information pertaining to calculation of premiums, made by the President of the KDIC.

(7) Delinquency Penalty

The formula for calculating a deposit insurance premium delinquency penalty is the following:

Delinquency Penalty = Insurance Premium Not Paid by the Due Date X Rate of Interest in Arrears x Number of Days of Delay/365

The rate of interest in arrears shall be calculated based on the average rate of interest in arrears for loans of ordinary funds by each insured financial institution under Article 2, Paragraph 1 (a) of the Depositor Protection Act, as of the payment due date. The number of days of delinquency shall be calculated beginning with the day following the due date and continuing until the date of actual payment.

B. Collection of Contributions

Pursuant to Article 24 of the Depositor Protection Act and Article 14 of the Act’s Enforcement Decree, newly formed insured financial institutions are required to pay one-time contributions into the Deposit Insurance Fund.

(1) Contribution Payers

All insured financial institutions that have obtained operating licenses from the Financial Supervisory Commission are subject to the contribution payment requirement.

(2) Basis for Contribution Calculation

Based on the paid-in-capital or total equity of the institution, the applicable rates by financial sector are in the following table.

Table A-IV-4. Basis for Contribution (as ratios of either paid-in-capital or total equity)

Banks	Securities Companies	Insurance Companies	Merchant Banks	Mutual Savings Banks	Credit Unions
1/100	1/100	1/100	1/500	1/500	1/100

(3) Contribution Remittance Due Date

The insured financial institution must remit the required contribution within one month from its opening day of business.

Chapter 3. Insurance Claim Payments

The KDIC makes insurance claim payments under two categories of conditions. The first is when the Financial Supervisory Commission mandates deposit or obligation payment suspension or revokes the license of an insured financial institution because of insolvency. The other is a situation where an insured financial institution self-declares dissolution or bankruptcy, or has its operational/business license revoked by the authorities. The appropriate claim payments for such failures are made per each depositor's request (see Article 31 of the Depositor Protection Act).

With respect to the first scenario, the KDIC Policy Committee must determine and announce the claim payment schedule within two months after receiving failure notification. This period can be extended for up to one additional month upon approval by the Minister of Finance and Economy (see Article 31, Paragraph 1 and Article 34 of the Depositor Protection Act). The Corporation may suspend insurance money payment for up to six months from the date of payment announcement to any depositor who is found to have caused or contributed to the insolvency or insolvency-threatening situation of the financial institution concerned or to any depositor who is found to be in a special relationship with such an insolvency-related person (see Article 31, Paragraph 6 of the Depositor Protection Act).

In respect of making insurance claim payments, matters such as the date of payment commencement, the payment period and other necessary details shall be publicly announced. The insurance money will be calculated by deducting the total amount of liabilities that a depositor owes to the relevant financial institution from the total amount of claims including deposits that he/she holds in that institution as of the date of the insurance money payment announcement (see Articles 31 and 32 of the Depositor Protection Act).

The maximum amount of insurance money to be paid will be determined by Presidential Decree, in consideration of the nation's per-capita GDP and the total amount of insured deposits. The maximum amount of insurance money to be paid for an insured risk event occurring on or after January 1, 2001 will be 50 million won. Non-interest bearing deposits in settlement-oriented accounts will be protected in full until December 31, 2003. In a case where a depositor with a claim has designated his or her deposits or other assets held by the relevant institution as collateral or liability guarantees on behalf of a third party, the KDIC may suspend payment of the insurance money within the limit of the amount equal to such collateralized claims or guarantees (see Article 32, Paragraph 4 of the Depositor Protection Act and Article 18, Addendum Articles 2 and 3 of the Act's Enforcement Decree).

In the case of a Category I insured risk event, the KDIC may make provisional payments (within the limit of the appropriate claim amount determined by the Policy Committee) in order to minimize harm to the depositors. In the case where the amount of provisional payment so made exceeds the actual insurance claim payment due, the pertinent depositor shall return the difference to the KDIC. Conversely, if the amount of provisional payment made falls short of the insurance claim payment due, the KDIC shall pay the difference to the pertinent depositor (see Article 31 of the Depositor Protection Act).

When the KDIC makes such provisional payment, it shall be granted the creditor rights of the provisional payment receiving depositor against the pertinent financial institution, within the scope of the amount paid (see Article 35 of the Depositor Protection Act).

Chapter 4. Resolution of Insolvent Financial Institutions

A. Banks, Securities Companies, Insurance Companies and Merchant Banks

The KDIC or the Financial Supervisory Commission may declare a financial institution to be insolvent if its financial structure is unsound, such as:

A. When an on-site inspection of the institution reveals that it has liabilities exceeding its assets, or when it is clear that normal operation of the institution would be difficult due to its liabilities exceeding its assets following a major financial incident involving a huge amount or issuance of bad debentures.
B. When the institution's remittances on deposits or liabilities, or payments on loans from other financial institutions, have been effectively stopped.
C. When the institution may face difficulties in making payments on deposits or liabilities, or in making payments on loans from other financial institutions, without receiving special assistance or loans from outside institutions (excluding funds loaned in normal financial transactions).

When an insured financial institution becomes insolvent, the KDIC may make insurance claim payments to eligible depositors and take resolution measures in respect of the failed institution. By supporting resolution of the failed institution through M&A, the KDIC may also help protect depositors and minimize the resolution costs. Specifically, in the interest of maintaining the stability of the financial system, the Corporation may arrange an M&A by a healthy insured financial institution, or arrange a third party acquisition of the insolvent or insolvency-threatened institution (or the parent financial holding company pursuant to the Financial Holding Company Act), in which the pertinent insolvent or insolvency-threatened institution (or parent financial holding company) is the contracting party. In this case, the party that intends to take over or merge with the insolvent or insolvency-threatened institution (or parent financial holding company) may apply for financial support from the KDIC. The KDIC may also request that the Financial Supervisory Commission order the pertinent financial institution to take necessary actions for P&A or for bankruptcy filing, if such measures are unavoidable for the protection of depositors under the criteria prescribed by Presidential Decree.

Subject to the Policy Committee's decision, the KDIC may provide financial support to an insured financial institution or to a financial holding company having an insured financial institution as an affiliate under the Financial Holding Company Act, if such support 1) is considered necessary for smooth merger of the institution with another, or has been requested by the parties involved in such merger, 2) is required for improvement of the financial structure of the insolvent financial institution in the interest of protecting depositors and maintaining stability and order of the credit business industry, or 3) is requested by the Financial Supervisory Service in accordance with the Financial Industry Restructuring Act.

When providing such financial support, the KDIC shall do its best to select a method that minimizes resolution expenses and maximizes support efficiency. The Corporation is responsible for maintaining documentary evidence of its exercise of this least cost principle. In applying the least cost principle, the KDIC shall consider any possible economic loss at the national level which liquidation or bankruptcy of the pertinent financial institution might cause. The Corporation must also consider whether the chosen method of financial support is the most economical method, i.e., whether it minimizes the difference between the support to be provided and the estimated recovery from the support.

B. Mutual Savings and Finance Companies and Credit Unions

The KDIC and the Financial Supervisory Commission may designate a financial institution as insolvent if its liabilities exceed its assets, or if its payments of claims such as deposits and debenture obligations are suspended (see Article 2, Paragraph 5 of the Depositor Protection Act and Article 2, Paragraph 3 of the Financial Restructuring Act). If the KDIC Policy Committee determines that the financial status of the institution is weak to such an extent that insolvency is imminent, the Committee may designate the institution to be at-risk-of-insolvency (see Articles 2 and 5-2 of the Depositor Protection Act).

Chapter 5. Risk Management of Insured Financial Institutions

The KDIC may request submission of operations and asset-related data from insured financial institutions and financial holding companies that have pertinent financial institutions (insured financial institutions) as affiliates under the Financial Holding Company Act, within the scope deemed necessary for determination as to such financial institutions' being to be insolvent or at-risk-of-insolvency. If an insured institution is found to be on the brink of insolvency based on a preliminary review of such data, the KDIC may perform a more detailed investigation, including a review of the institution's operation and assets. If, as a result of such inspection or investigation, factors are found that may lead to occurrence of an insured risk event, it may also request that the Financial Supervisory

Commission take proper steps regarding the institution.

If necessary, the KDIC may also request of the Governor of the Financial Supervisory Service ("FSS") that the FSS perform an official investigation into specific areas of the pertinent financial institution's operations and inform the Corporation of the results. The KDIC may also make request to the FSS to have KDIC employees conjointly participate in such investigation. Also, the Corporation may request that the Chairman of the FSS provide it specific data concerning insured institutions.

To secure normalization of operations, the KDIC shall enter into an MOU contract with each financial institution into which public funds are being injected, so as to facilitate efficient operation of the public funds and minimize the taxpayers' burden. The Corporation shall also report on the results of its surveys of MOU adherence (by the financial institution) to the Public Fund Oversight Committee.

The KDIC may request that the pertinent financial institution submit reports on the state of its operations or assets or other data, or appear in-person for related inquiries, or submit statements from an officer or employee to assist the KDIC in monitoring the state of its MOU adherence. If the institution is slow in meeting the MOU-set normalization targets, the Corporation may require the head of the pertinent organization to take appropriate remedial or punitive actions, or request dismissal, suspension of reassignment of the staff responsible.

Chapter 6. Insolvency-Related Investigations and Accountability Claims

A. Investigation of Insolvent Financial Institution

Pursuant to Article 21-2 of the Depositor Protection Act, the KDIC investigates insolvency accountability and files damage claim lawsuits against those (usually officers/employees of an insolvent financial institution) suspected of having engaged in illegal or irregular actions to cause loss to the financial institution.

In order to properly handle public fund recovery and accountability discovery with respect to insolvency-related persons, the KDIC established a department specialized in debenture recovery in 1999 and initiated relevant investigations in June of that year in respect of both civil and commercial claims. As the auditor of seventeen merchant bank bankruptcy estates, the Corporation has conducted additional similar investigations.

More recently, the Depositor Protection Act was amended in January 2000 so that the KDIC could investigate financial institutions that are under liquidation proceedings or bankrupt. Later, in December of that year, the Act's Enforcement Decree was also amended to include institutions which are still operating but at-risk-of-insolvency within the scope of investigation. The fundamental purpose of so increasing the KDIC's investigative reach is to help in firmly establishing responsible and prudent governance systems within the Korean financial sector, so as to prevent recurrence of financial crisis.

B. Investigation of Default Debtors

Pursuant to Article 21-3 of the Depositor Protection Act, the KDIC may utilize default debtor-related information retained by public institutions, and may perform investigations in respect of default debtors of public fund recipient financial institutions in accordance with Article 21-2, Paragraphs 1 and 7 of the Depositor Protection Act and Articles 404 and 406 of the Civil Code.

Subsequent to attaining the names of its default debtors from a public fund recipient financial institution, the KDIC may investigate the assets and properties of such default debtors, and cause the financial institution to file injunctions to freeze such assets in order to preserve its creditor rights.

C. Investigation of Default Debtor Corporations

Pursuant to Article 21-2 of the Depositor Protection Act, the KDIC can request that an insolvent financial institution file damage claims against its default debtor corporations or third parties culpable in its insolvency. If the insolvent financial institution does not cooperate with such request, the KDIC may file the damage retribution claims in subrogation of institution.

Furthermore, pursuant to the relevant Articles of the Enforcement Decree of the Depositor Protection Act, the KDIC may investigate the operations and assets of a default debtor corporation in relation to such damage claim proceedings. On this basis, the Corporation has been exerting particular efforts to discover and determine appropriate claimable assets of default debtor corporations

As mentioned earlier, the ultimate purpose of the KDIC's investigative efforts in respect of default debtor corporations of insolvent financial institutions, and its determination of culpability for such insolvencies is to create an environment in which responsible corporate governance becomes firmly entrenched and the burden on the public reduced through actual recovery of public funds.

A-V. Acts Related to the Korean Deposit Insurance System

DEPOSITOR PROTECTION ACT

Enacted by Act No. 5042, Dec. 29, 1995
Amended by:

- **Act No. 5257, Jan. 13, 1997**
  (Financial Industry Restructuring Act)
- **Act No. 5403, Aug. 30, 1997**
  (Housing and Commercial Bank Act Abolition Act)
- **Act No. 5421, Dec. 13, 1997**
- **Act No. 5492, Dec. 31, 1997**
- **Act No. 5556, Sep. 16, 1998**
- **Act No. 5702, Jan. 29, 1999**
- **Act No. 6018, Sep. 07, 1999**
  (Agricultural Cooperatives Act)
- **Act No. 6173, Jan. 21, 2000**
- **Act No. 6274, Oct. 23, 2000**
  (Financial Holding Company Act)
- **Act No. 6323, Dec. 30, 2000**
- **Act No. 6429, Mar. 28, 2001**
  (Mutual Savings and Finance Company Act)

CHAPTER I. GENERAL PROVISIONS

Article 1 (Purpose)

The purpose of this Act is to contribute to protecting depositors and maintaining the stability of the financial system by efficiently operating a deposit insurance system in order to cope with a situation in which a financial institution is unable to pay its depositors due to its bankruptcy. <Amended by Act No. 5492, Dec. 31, 1997>

Article 2 (Definitions)

For the purpose of this Act, the definitions of terms shall be as follows: <Amended by Act No. 5403, Aug. 30, 1997; Act No. 5492, Dec. 31, 1997; Act No. 5556, Sep. 16, 1998>

1. The term "insured financial institutions" means financial institutions which are the objects of applications of deposit insurance under this Act and which fall under any of the following Subparagraphs:

(a) Financial institutions which have received authorization pursuant to Article 8 - Paragraph (1) of the Banking Act;
(b) The Korea Development Bank established under the Korea Development Bank Act;
(c) The Industrial Bank of Korea established under the Industrial Bank of Korea Act;
(d) Deleted; <by Act No. 5403, Aug. 30, 1997>
(e) The National Agricultural Cooperatives Federation under the Agricultural Cooperatives Act;
(f) The National Federation of Fisheries Cooperatives under the Fisheries Cooperatives Act, and its member fisheries cooperatives which engage in the business falling under Article 65, Subparagraph (1) 4 (d) of the Fisheries Cooperatives Act;
(g) Deleted; <by Act No. 6018, Sep. 7, 1999>
(h) The Long-term Credit Bank under the Long-term

Credit Bank Act;

(i) Domestic branches and agencies of foreign financial institutions which have received authorization pursuant to Article 58 - Paragraph (1) of the Banking Act (excluding domestic branches and agents of foreign financial institutions as prescribed by the Presidential Decree);

(j) Securities companies which have obtained a permission pursuant to Article 2, Subparagraphs (8) 2 through 4 of the Securities and Exchange Act (excluding certain securities companies designated by the Presidential Decree among the securities companies which engage only in the trading of securities outside the Korea Stock Exchange); <Amended by Act No. 6323, Dec. 30, 2000>

(k) Insurance companies which have obtained a permission pursuant to Article 5 - Paragraph (1) of the Insurance Business Act (excluding insurance companies which mainly engage in the reinsurance business or guarantee insurance business as determined by the Presidential Decree);

(l) Merchant banks under the Merchant Banks Act;

(m) Mutual savings banks under the Mutual Savings Bank Act; and <Amended by Act No. 6429, Mar. 28, 2001>

(n) Credit unions which have obtained a permission pursuant to Article 7 - Paragraph (1) of the Credit Union Act; <Amended by Act No. 6323, Dec. 30, 2000>

2. The term "deposits" means those falling under any of the following Subparagraphs, provided that the scope may be restricted by the Presidential Decree:

(a) Money which insured financial institutions as provided in Subparagraph 1 (a) through (i) (hereinafter referred to as "banks") have raised by bearing liabilities from unspecified persons in the form of deposits, installment deposits, or other money installments, and money which they have raised through money trusts whose principals are compensated under Article 10 Paragraph (2) of the Trust Business Act;

(b) Money which any customer has deposited in insured financial institutions as provided in Subparagraph 1 (j) (hereinafter referred to as "securities companies") in connection with buying and selling of securities or other transactions;

(c) Insurance premiums which insured financial institutions as provided in Subparagraph 1 (k) (hereinafter referred to as "insurance companies") have received according to any insurance contract;

(d) Money which insured financial institutions as provided in Subparagraph 1 (l) (hereinafter referred to as "merchant banks") and the banks and securities companies that merged into a merchant bank, in accordance with the Financial Industry Restructuring Act, have raised pursuant to Article 7 - Paragraph (1) of the Merchant Banks Act, by issuing bills and selling financial products to unspecified persons for the purpose of investing the funds in securities, and pay profits therefrom as dividends; <Amended by Act No. 6323, Dec. 30, 2000>

(e) Money which insured financial institutions as provided in Subparagraph 1 (m) (hereinafter referred to as "mutual savings banks") have raised in the form of fraternity dues, installments, deposits and installment deposits, etc.; and <Amended by Act No. 6429, Mar. 28, 2001>

(f) Money which insured financial institutions as provided in Subparagraph 1 (n) (hereinafter referred to as "credit unions") have raised in the form of investments, deposit money, and installment deposits;

3. The term "depositors" means those who have deposits and other claims on insured financial institutions.

4. The term "deposits and other claims" means the principal, interest, profits, insurance money, various payments or other agreed pecuniary claims which depositors have against insured financial institutions through their financial transactions such as deposits.

5. The term "failed financial institutions" means the following insured financial institutions:

(a) Insured financial institutions, the liabilities of which are found to exceed their assets as a result of due diligence, or insured financial institutions as and when they become clear that it would be difficult to manage the institutions normally because their liabilities are in excess of their assets due to occurrence of large scale of financial losses or non-performing assets, which are so determined by the Financial Supervisory Commission or the Policy

Committee mentioned in [Article 8];

(b) Insured financial institutions which have suspended payment of deposits and other claims, or of redemption on borrowed money from other financial institutions; and

(c) Insured financial institutions for which the Financial Supervisory Commission or the Policy Committee mentioned in [Article 8] deems it would be difficult for the institutions to pay deposits and other claims or redeem borrowed money without financial assistance or separate external borrowing (excluding borrowing incurred in respect of ordinary financial transactions);

5-2. The term "failing or insolvency-threatened financial institutions" means insured financial institutions whose financial structures are so unsound that the Policy Committee mentioned in [Article 8] deems insolvency is imminent.

6. The term "financial assistance" refers to the following Subparagraphs which the Korea Deposit Insurance Corporation, established pursuant to [Article 3], provides using the Deposit Insurance Fund mentioned in [Article 24 - Paragraph (1)]:

(a) Loan or deposit of funds;
(b) Purchase of assets;
(c) Guarantee or acceptance of obligations; and
(d) Equity participation or contribution;

7. The term "insured risk event" means the following Subparagraphs:

(a) Insured financial institutions' payment suspension of deposits and other claims (hereinafter referred to as "category I insured risk event"); and
(b) Insured financial institutions' cancellation of business authorization and permission, decision of dissolution or declaration of bankruptcy (hereinafter referred to as "category II insured risk event").

CHAPTER II. DEPOSIT INSURANCE CORPORATION

SECTION 1. General Provisions

Article 3 (Establishment)

The Korea Deposit Insurance Corporation (herein after referred to as "KDIC") shall be established for the purpose of efficiently operating a deposit insurance system under this Act.

Article 4 (Legal Status)

(1) The KDIC is a special legal entity with non-specified – capital base.
(2) The KDIC shall be operated in accordance with this Act, the mandates issued under this Act, and its Articles of Incorporation.

Article 5 (Registration)

(1) The KDIC shall be registered as prescribed by the Presidential Decree.
(2) The KDIC shall be formed by registering its incorporation at the location of its main office.
(3) Matters which are to be registered pursuant to Paragraph (1) shall not be proceeded against a third party until after their registration.

Article 6 (Articles of Incorporation)

(1) In the Articles of Incorporation, the following matters shall be entered:
    1. Purpose;
    2. Denomination;
    3. Location of office;
    4. Matters relating to the Deposit Insurance Fund;
    5. Matters relating to the Policy Committee;
    6. Matters relating to the Board of Directors;
    7. Matters relating to the officers and employees;
    8. Matters relating to the duties and execution thereof;
    9. Matters relating to accounting;
    10. Matters relating to changes in the Articles of Incorporation; and
    11. Methods of public notification.
(2) When the KDIC desires to change its Articles of

Incorporation, it shall obtain the authorization from the Minister of the Ministry of Finance and Economy, after a resolution has been passed by the Policy Committee established pursuant to [Article 8]. <Amended by Act No. 5556, Sep. 16, 1998>

Article 7 (Prohibition on the Use of Similar Trade Name)

An entity which is not the KDIC shall not use "Korea Deposit Insurance Corporation" or any other similar trade names.

SECTION 2. Policy Committee

Article 8 (Policy Committee)

(1) A Policy Committee (hereinafter referred to as the "Committee") shall be established in the KDIC.
(2) The Committee shall establish the basic direction relating to the operation of the KDIC, in accordance with this Act, orders issued thereunder, or the Articles of Incorporation, and shall deliberate such matters as the operation plan of the Deposit Insurance Fund.

Article 9 (Composition of the Committee)

(1) The Committee shall be composed of members of the following Subparagraphs: <Amended by Act No. 5492, Dec. 31, 1997; Act No. 5556, Sep. 16, 1998>
  1. President of the KDIC;
  2. Vice Minister of the Ministry of Finance and Economy;
  3. Vice Minister of the Ministry of Planning and Budget <Inserted by Act No. 6173, Jan. 21, 2000>;
  4. Vice Chairman of the Financial Supervisory Commission (hereinafter referred to as "FSC");
  5. Deputy Governor of the Bank of Korea;
  6. ~ 12. Deleted; <by Act No. 6323, Dec. 30, 2000>
  13. One member commissioned by the Minister of the Ministry of Finance and Economy, three members recommended by the Minister of the Ministry of Planning and Budget, Chairman of the Financial Supervisory Commission, and Governor of the Bank of Korea, respectively, and commissioned by the Minister of the Ministry of Finance and Economy. <Amended by Act No. 6323, Dec. 30, 2000>
(2) The qualifications for the members of Subparagraph (1) 13 shall be prescribed by the Presidential Decree. <Amended by Act No. 5492, Dec. 31, 1997; Act No. 6173, Jan. 21, 2000>
(3) The term of office of the members of Subparagraph (1) 13 shall be three years, and they may be re-appointed. <Amended by Act No. 5492, Dec. 31, 1997; Act No. 6173, Jan. 21, 2000>

Article 10 (Operation)

(1) The president of the KDIC shall be the Chairman of the Committee.
(2) The Chairman shall represent the Committee and exercise general control over the business of the Committee.
(3) When the Chairman is unable to perform his duties for compelling reasons, the members mentioned in [Article 9, Subparagraphs (1) 2 through 5] shall act for the Chairman in accordance with the order prescribed thereunder. <Amended by Act No. 5492, Dec. 31, 1997; Act No. 6173, Jan. 21, 2000>
(4) The Committee shall make resolutions with the attendance of a majority of all the members and with the affirmative vote of a majority of the members present.
(5) ~ (9) Deleted; <by Act No. 6323, Dec. 30, 2000>
(10) The Policy Committee shall produce meeting minutes and also publicize them in accordance with its decisions.<Inserted by Act No. 6323, Dec. 30, 2000>
(11) If it deems necessary, the Policy Committee can allow an expert or someone it accepts as a representative of the insured financial institutions to attend its meetings and solicit opinions. <Amended by Act No. 6323, Dec. 30, 2000>
(12) Matters necessary for the operation of the Committee shall be prescribed by the Presidential Decree. <Amended by Act No. 5492, Dec. 31, 1997; Act No. 6323, Dec. 30, 2000>

SECTION 3. Officers and Employees

Article 11 (Officers)

(1) The KDIC shall have one president, not more than five directors, and one statutory auditor. <Amended by Act No. 5492, Dec. 31, 1997>
(2) The president of the KDIC shall be appointed and

dismissed by the President of the Republic of Korea upon the recommendation of the Minister of the Ministry of Finance and Economy. <Amended by Act No. 5556, Sep. 16, 1998>

(3) The directors shall be appointed and dismissed by the Minister of the Ministry of Finance and Economy upon the recommendation of the president of the KDIC. <Amended by Act No. 5556, Sep. 16, 1998>
(4) A statutory auditor shall be appointed and dismissed by the Minister of the Ministry of Finance and Economy. <Amended by Act No. 5556, Sep. 16, 1998>
(5) The term of office of the president, the directors, and the statutory auditor (hereinafter referred to as "officers") shall be three years, and they may be re-appointed.
(6) When there is a vacancy among the officers, it shall be filled by a new appointment, and the term of office of the successor shall be reckoned from the date on which he is appointed.

Article 12 (Duties of Officers)

(1) The president shall represent the KDIC, and exercise general control over the business of the KDIC.
(2) The directors shall assist the president, and shall take partial charge of the business of the KDIC, pursuant to the Articles of Incorporation.
(3) When the president is unable to perform his duties, an officer shall act for the president, in the order as provided for in the Articles of Incorporation.
(4) The statutory auditor shall inspect and audit the business and accounting of the KDIC.

Article 13 (Status Guarantee of Officers)

Except in cases falling under one of the following Subparagraphs, no officer shall be removed against his will before the end of his term of office:

1. When a case falls under any of the Subparagraphs of [Article 16];
2. When a case is in conflict with this Act, an order issued under this Act or the Articles of Incorporation; and
3. When, due to mental or physical disability, the execution of one's duties is extremely difficult.

Article 14 (Board of Directors)

(1) A board of directors shall be established in the KDIC.
(2) The board of directors shall be composed of the president and directors.
(3) The board of directors shall resolve principal matters relating to the business of the KDIC.
(4) The president shall convene the board of directors, and shall be the chairman.
(5) The board of directors shall make resolutions with the attendance of a majority of all the members and with the affirmative vote of a majority of the members present.
(6) The statutory auditor may state his views by attending the meetings of the board of directors.

Article 15 (Appointment and Dismissal of Employees)

The president shall appoint and dismiss employees of the KDIC.

Article 15 –2 (Appointment)

1) The president of the KDIC may appoint officers and employees of the KDIC to represent the KDIC in legal hearings or other official proceedings.
2) The scope of the officers and employees of the KDIC who are appointed pursuant to Paragraph (1) shall be prescribed by the Presidential Decree. <Inserted by Act No. 6173, Jan. 21, 2000>

Article 16 (Disqualification for Appointment to Office)

A person who falls under any of the following Subparagraphs shall not be an officer of the KDIC, and a person who falls under the Subparagraph 2 shall not be an employee of the KDIC: <Amended by Act No. 6323, Dec. 30, 2000>

1. A person who is not a national of the Republic of Korea; and
2. A person falling under any of the Subparagraphs of Article 33 of the National Public Service Act.

Article 17 (Prohibition on Concurrent Holding of Posts)

(1) Except for his duties as an officer of the KDIC, an officer of the KDIC shall not be engaged in profit-making business without obtaining the permission from the Minister of the Ministry of Finance and Economy. <Amended by Act No. 5556, Sep. 16, 1998>
(2) Except for his duties, an employee shall not be engaged in profit-making business without obtaining the permission of the president the KDIC.
(3) An officer or employee of the KDIC, or a person who held such positions in the KDIC, shall not divulge any secrets learned from his duties at the KDIC.

SECTION 4. Duties

Article 18 (Scope of Duties)

(1) For the purpose of attaining the objectives of this Act, the KDIC shall carry out duties listed in the following Subparagraphs: <Amended by Act No. 5492, Dec. 31, 1997>
  1. Management and operation of the Deposit Insurance Fund;
  1-2. Vicarious exercise of damage claim rights pursuant to [Article 21-2]; <Inserted by Act No. 6323, Dec. 30, 2000>
  2. Receipt of insurance premiums pursuant to [Article 30];
  3. Payments of insurance money pursuant to [Articles 31 and 32];
  4. Resolution of failed financial institutions pursuant to [Articles 35-2 through 38]; <Amended by Act No. 6323, Dec. 30, 2000>
  5. Duties incidental to the duties of Subparagraphs 1 through 4;
  6. Duties commissioned or designated by the government for the protection of depositors; and
  7. Other duties as determined by other Acts and subordinate statutes.
(2) The KDIC may, upon deliberation by the Committee, enact provisions necessary for the execution of its duties.

Article 19 Deleted. <by Act No. 5492, Dec. 31, 1997>

Article 20 (Mandate of Business)

(1) The KDIC may, if necessary, mandate part of its duties to other institutions (hereinafter referred to as "agencies"). <Amended by Act No. 5556, Sep. 16, 1998; Act No. 5702, Jan. 29, 1999>
(2) The scope of the agencies shall be prescribed by the Presidential Decree.

Article 21 (Request to Insured Financial Institutions for Submission of Materials)

(1) The KDIC may request that an insured financial institution and the parent financial holding company of the insured financial institution pursuant to the Financial Holding Company Act to submit materials related to its business and financial status to the extent necessary for the execution of duties such as the determination of the insured financial institution as a failed financial institution pursuant to [Article 2 - Paragraph (5)] or as a failing or insolvency threatened financial institution pursuant to [Article 2 - Paragraph (5-2)], the establishment and receipt of insurance premiums pursuant to [Article 30], the calculation and payment of insurance money pursuant to [Articles 31 and 32], and the resolution of failed financial institutions pursuant to [Articles 35-2 through 38-2]. <Amended by Act No. 5492, Dec. 31, 1997; Act No. 6274, Oct. 23, 2000; Act No. 6323, Dec. 30, 2000>
(2) On the basis of the materials submitted pursuant to Paragraph (1), the KDIC may investigate the business and financial status of an insured financial institution and the parent financial holding company of the insured financial institution pursuant to the Financial Holding Company Act, which is deemed to be threatened with insolvency by the Committee. <Amended by Act No. 5492, Dec. 31, 1997; Act No. 6274, Oct. 23, 2000; Act No. 6323, Dec. 30, 2000>
(3) The KDIC may ask the Governor of the Financial Supervisory Service (hereinafter referred to as "the Financial Supervisory Service Governor"), established under the Act on the Establishment of Financial Supervisory Organizations, to conduct an examination of an insured financial institution and the parent financial holding company of the insured financial institution pursuant to the Financial Holding Company Act and deliver the results of the examination, or direct member of the Financial Supervisory Service to

participate jointly in the examination of the insured financial institution and the parent financial holding company of the insured financial institution pursuant to the Financial Holding Company Act by setting the specific scope as deemed necessary to protect depositors and maintain the stability of the financial system. When met with such request, the Financial Supervisory Service Governor shall comply unless any special cause exists. <Amended by Act No. 5492, Dec. 31, 1997; Act No. 6274, Oct. 23, 2000>

(4) When it is deemed necessary for the protection of depositors, the KDIC may ask the Financial Supervisory Service Governor to present data relating to an insured financial institution and the parent financial holding company of the insured financial institution pursuant to the Financial Holding Company Act by setting the specific scope. When met with such request, the Financial Supervisory Service Governor shall comply unless any special cause exists. <Inserted by Act No. 5556, Sep. 16, 1998; Amended by Act No. 6274, Oct. 23, 2000>

(5) When the KDIC determines that there is a possibility for occurrence of an insured risk event based on the investigation pursuant to Paragraph (2), it shall inform the FSC of such findings and may ask the FSC to take appropriate actions. In this case, the FSC, when asked, shall comply with the request unless any special cause exists. <Inserted by Act No. 6323, Dec. 30, 2000>

Article 21 –2 (Assignment and Assumption of Damage Claim Right)

(1) KDIC shall have the right to request compensation for damages from former and current employees and/or officers of applicable insolvent or at risk of insolvency financial institutions (hereinafter referred to as "insolvent financial institutions" and includes their liquidators and bankruptcy administrators for this Article), persons responsible for insolvency or creating a risky circumstance pursuant to each Subparagraph of the Commercial Code 401 - Paragraph 2-1, default debtors of the insolvent financial institutions (if the debtor is a corporate entity: the former and current employees/officers of such corporation; persons falling under each Subparagraph of the Commercial Code 401 - Paragraph 2-1; and major shareholders as determined by the Presidential Decree) and from relevant third party entities (hereinafter referred to as "insolvency related entities"). <Amended by Act No. 6323, Dec. 30, 2000>

1. Institutions that the KDIC has determined to be eligible for insurance claim payments or such payments have already been made according to [Article 31 and Article 34 - Paragraph (1)].
2. Institutions applicable under [Article 36-3 - Paragraph (1)], that have been mandated by the KDIC to transfer their operations or client contracts to the KDIC, or the KDIC has decided to make deposit and bond payments, or such payments have already been made.
3. Institutions to which the KDIC has decided to provide financial support or has already provided such assistance according to [Article 38].
4. Deleted. <by Act No. 6323, Dec. 30, 2000>

(2) The KDIC shall mandate applicable institutions to provide relevant reasons, request methods, and the duration of request in writing, pursuant to Paragraph (1).

(3) In the case that an applicable institution does not comply with the mandates of the KDIC under Paragraph (1), the KDIC can immediately assume and carry out damage payment request from the entities and individuals that caused or contributed to the insolvency.

(4) In the case that the insolvent institution performs on the damage payment request in the form of litigation pursuant to Paragraph (1), the KDIC can participate in the litigation in an effort to aid the institution. In such cases, Civil Litigation Code Articles 65 through 71 shall be applied.

(5) In the case that the KDIC files the damage request litigation in subrogation of an insolvent institution pursuant to Paragraph (3), or at the request of the institution pursuant to Paragraph (4), the institution must bear the cost of the KDIC's participation.

(6) In the case that an insolvent institution becomes bankrupt, the costs that were not assumed by the institution pursuant to Paragraph (5) shall be perceived as an obligatory right of the bankruptcy foundation.

(7) In the case that the KDIC files for damage payment request, or performs such action in subrogation, or deems necessary in litigation participation pursuant to Paragraphs (1) through (4), the KDIC may perform investigations on the operations and asset

status of the relevant insolvent institution and default debtors of such institution. <Amended by Act No. 6323, Dec. 30, 2000>

(8) Paragraphs (1) through (6) apply to insured financial institutions that emerged as result of merger with an insolvent institution or third party acquirement of an insolvent institution.<Inserted by Act No. 6173, Jan. 21, 2000>

(9) The person performing the investigation pursuant to Paragraph (7) shall carry the appropriate proof of the investigation authority and display it to the relevant persons. <Inserted by Act No. 6323, Dec. 30, 2000>

(10) The items necessary for the investigation pursuant to Paragraph (7) shall be those prescribed by the Presidential Decree. <Inserted by Act No. 6323, Dec. 30, 2000>

Article 21 –3 (Request for Production of Documents)

(1) In the case that the KDIC files for damage payment request, or performs such action in subrogation, or deems necessary in litigation participation pursuant to Article 21-2 - Paragraphs (1) through (4), the KDIC may request the presidents or chiefs of pertinent central administration agencies, local government agencies, and/or public institutions that are selected by Presidential Decree (hereinafter referred to as "public institutions" in this Article) to provide information and data related to assets of the entities or individuals that caused or contributed to the insolvency.

(2) A public institution that receives a request from the KDIC, pursuant to Paragraph (1), must comply with the request unless it is met with compelling circumstances. [Article inserted by Act No. 6173, Jan. 21, 2000]

SECTION 5. Treasury and Accounting

Article 22 (Fiscal Year)

The fiscal year of the KDIC shall be in accordance with the fiscal year of the government.

Article 23 (Budget and Settlement of Accounts)

The budget and settlement of accounts of the KDIC shall be subject to approval by the Minister of the Ministry of Finance and Economy upon resolution of the Committee. <Amended by Act No. 5556, Sep. 16, 1998>

Article 24 (Establishment of Deposit Insurance Fund)

(1) The Deposit Insurance Fund (hereinafter referred to as " DIF") shall be established by the KDIC for the receipt of insurance premiums pursuant to [Article 30], payment of insurance money pursuant to [Articles 31 and 32], purchase of deposits and other claims pursuant to [Article 35-2], capital contributions pursuant to [Article 36-3 - Paragraph (4)], and financial assistance pursuant to [Article 36-5 - Paragraph (3) and Article 38],. <Amended by Act No. 5492, Dec. 31, 1997; Act No. 5556, Sep. 16, 1998; Act No. 6323, Dec. 30, 2000>

(2) The following Subparagraphs shall be the sources of revenue for the DIF: <Amended by Act No. 5492, Dec. 31, 1997; Act No. 5556, Sep. 16, 1998>
   1. Contributions from insured financial institutions;
   2. Contributions from the government;
   2-2. Funds raised through issuance of Deposit Insurance Fund Bonds;
   2-3. State property granted by the government to the KDIC under [Article 24-2];
   3. Borrowings under the provisions of [Article 26];
   4. Insurance premiums received under the provisions of [Article 30 - Paragraph (1)];
   4-2. Funds collected from deposits and other claims purchased under [Article 35-2];
   5. Funds recovered from those funds provided for the resolution of failed financial institutions pursuant to [Article 36-5 - Paragraph (3), or Article 38; and <Amended by Act No. 6323, Dec. 30, 2000>
   6. Operating profits of the DIF and other revenues.

(3) The expenditures of the DIF shall consist of insurance money, repayment of the principal and interest of Deposit Insurance Fund Bonds, payments to depositors under [Article 35-2], capital contributions under [Article 36-3 - Paragraph (4)], funds and related incidental expense supported for the resolution of failed financial institutions under [Article 36-5 - Paragraph (3), or Article 38], redemption of borrowed money and interest thereon, and funds transferred to the KDIC operation account for the operation of the KDIC under [Article 24-3 - Paragraph (1)]. <Amended by Act No. 5492, Dec.

31, 1997; Act No. 5556, Sep. 16, 1998; Act No. 6323, Dec. 30, 2000>

(4) The contributions under Subparagraph (2) 1 shall be determined separately for each insured financial institution by taking into account the deposit balance of each insured financial institution, within one percent (ten percent for merchant banks and mutual savings banks) of its paid-in capital or capital contribution. The amount, time, and the method of payment shall be prescribed by Presidential Decree. <Amended by Act No. 5492, Dec. 31, 1997; Act No. 6429, Mar. 28, 2001>

Article 24-2 (Gratuitous Transfer of State Property)

(1) If the government deems it necessary to protect depositors and assure the stability of the credit order, it may transfer the miscellaneous property under Article 4 - Paragraph (4) of the National Property Act to the KDIC gratuitously, notwithstanding the provisions of Article 44 of the same Act.

(2) The transfer under Paragraph (1) shall be subject to the prior consent of the National Assembly after the deliberation of the Cabinet Council and the approval of the president of the Republic of Korea: Provided, that if such transfer is deemed particularly necessary to protect depositors and assure the stability of the credit order, such transfer shall only be subject to an *ex post facto* approval of the National Assembly. [Article inserted by Act No. 5421, Dec. 31, 1997]

Article 24-3 (Separate Accounting)

(1) The DIF shall separate its accounting from that of the funds necessary for the operation of the KDIC. <Inserted by Act No. 5556, Sep. 16, 1998>

(2) The DIF shall establish separate accounts for banks, securities companies, insurance companies, merchant banks, mutual savings banks, and credit unions, and keep their accounting separate from each other. For insurance companies, the account shall be divided further into life insurance account and non-life insurance account. <Amended by Act No. 6429, Mar. 28, 2001>

(3) The Committee shall determine: an overall transfer of assets and liabilities between accounts under Paragraph (2), transactions such as loans and transactions between accounts under Paragraph (2) and the KDIC, and the relevant methods of distributing expenses for the operation of the KDIC. <Amended by Act No. 5556, Sep. 16, 1998> [Article inserted by Act No. 5492, Dec. 31, 1997]

Article 25 (Operation of Surplus Cash)

When there is a cash surplus, the KDIC may use such surplus in accordance with the methods falling under the following Subparagraphs: <Amended by Act No. 5492, Dec. 31, 1997; Act No. 5556, Sep. 16, 1998>

1. Purchase of government bonds and public loans, or other securities designated by the Committee;
2. Deposit in insured financial institutions designated by the Committee; and
3. Other methods prescribed by the Minister of the Ministry of Finance and Economy.

Article 26 (Borrowings)

(1) When deemed necessary for the execution of its duties in [Article 18, Subparagraphs (1) 3 and 4], the KDIC, notwithstanding the provisions of Article 79 of the Bank of Korea Act, may borrow funds, which shall be recorded at the account of the DIF and redeemed by the DIF, from the government, the Bank of Korea, insured financial institutions or other institutions as determined by the Presidential Decree, as prescribed by the Presidential Decree. <Amended by Act No. 5492, Dec. 31, 1997; Act No. 5556, Sep. 16, 1998>

(2) The government may guarantee the redemption of the principal of and the interest on borrowings from the Bank of Korea under Paragraph (1). <Inserted by Act No. 5492, Dec. 31, 1997>

Article 26-2 (Issuance of Deposit Insurance Fund Bonds)

(1) The KDIC may issue Deposit Insurance Fund Bonds (hereinafter referred to as "DIF Bonds") from the DIF accounts through a decision by the Committee to raise funds necessary for the protection of depositors and stability of the credit order.

(2) Where the KDIC intends to issue Bonds, it shall determine the amount, terms and methods of issuance and redemption at every issuance and report them to the Minister of the Ministry of Finance and Economy. <Amended by Act No. 5556, Sep. 16, 1998>

(3) The necessary matters for the issuance of Bonds shall be determined by the Committee.
(4) The prescription of Bonds shall terminate at the lapse of five years for principal and two years for interest.
(5) The government may guarantee the redemption of the principal and interest of Bonds.
(6) Bonds shall be deemed bonds under Article 2, Subparagraph (1) 3 of the Securities and Exchange Act.
[Article inserted by Act No. 5492, Dec. 31, 1997]

SECTION 6. Supervision

Article 27 (Supervision)

(1) The Minister of the Ministry of Finance and Economy shall guide and supervise the duties of the KDIC, and may give necessary orders. <Amended by Act No. 5556, Sep. 16, 1998>
(2) When a disposition taken by the KDIC under this Act is unlawful, or when the Minister of the Ministry of Finance and Economy deems it necessary for the protection of depositors, the minister may cancel all or part of such disposition or suspend the execution of such disposition.

Article 28 (Report and Examination)

(1) When deemed necessary, the Minister of the Ministry of Finance and Economy may have the KDIC report matters pertaining to its businesses, accounting, and properties, or have his subordinated officials examine the state of the KDIC's business, books and records, documents, facilities, or other matters. <Amended by Act No. 5556, Sep. 16, 1998>
(2) Where the subordinate officials conduct an examination under Paragraph (1), such officials shall carry certificates indicating their authorities and show the certificates to the relevant person.

CHAPTER III. DEPOSIT INSURANCE

Article 29 (Insurance Relations)

(1) Insurance relations among the KDIC, an insured financial institution, and depositors shall be formed and effected when a depositor holds deposits and/or other claims of an insured financial institution. <Amended by Act No. 5492, Dec. 31, 1997>
(2) Any insured financial institution shall indicate whether insurance relations have been created and their contents under Paragraph (1) on such terms and conditions as the KDIC may determine. <Inserted by Act No. 5492, Dec. 31, 1997; Act No. 5556, Sep. 16, 1998>
(3) KDIC may investigate the compliance of insurance related acknowledgement of insured financial institutions pursuant to Paragraph (2). <Inserted by Act No. 6173, Jan. 21, 2000>

Article 30 (Payment of Insurance Premiums)

(1) Each insured financial institution shall pay every year to the KDIC the amount calculated by multiplying its balance of deposits (in the case of insurance companies an amount as determined by the Presidential Decree in consideration of underwriting reserve pursuant to Article 98 of the Insurance Business Act) by the ratio as determined by the Presidential Decree not exceeding 0.5 percent (one hundred thousand won where the calculated premium amount is less than one hundred thousand won) as an annual insurance premium. In this case, the ratio applicable to each insured financial institution may be set differently taking into consideration the management and financial status of insured financial institution and accumulated amounts in each account for any specific type of insured financial institutions pursuant to [Article 24-3 - Paragraph (2)]. <Amended by Act No. 5556, Sep. 16, 1998>
(2) Notwithstanding Paragraph (1), the KDIC may either reduce all or part of the insurance premium or defer the payment of such insurance premium for a specified period for the insured financial institutions which fall under any of the following Subparagraphs upon resolution of the Committee: <Amended by Act No. 5492, Dec. 31, 1997>
    1. An insured financial institution which is related to an insured risk event when such event occurs; or

2. An insured financial institution whose normal business is extremely difficult, and in view of its financial status, it is showing the signs of a suspension of the payment of deposits.

(3) When an insured financial institution does not pay the insurance premiums mentioned in Paragraph (1) by the specified time, such insured financial institution shall pay arrears in addition to the insurance premiums to the KDIC, as prescribed by the Presidential Decree. <Amended by Act No. 5492, Dec. 31, 1997>

(4) The method and time of payment of insurance premiums and arrears and other necessary matters mentioned in Paragraphs (1) and (3), shall be prescribed by the Presidential Decree.

(5) The KDIC has the priority over the general creditors of an insured financial institution with insurance event in respect of the premium payments, subordinate only to the national and local tax obligations of the institution. <Inserted by Act No. 6323, Dec. 30, 2000>

Article 30-2 (Obligation of Insured Financial Institutions to Maintain Confidentiality)

Any insured financial institution and its former and current officers/employees shall not use the contents of the differentiated insurance premiums, prescribed in [Article 30-1] in any type of advertisement, or in any way publicize or disclose to the general public, other than to the pertinent officers/employees of the institution: Provided however, the disclosure or such contents prescribed by the Presidential Decree as deemed necessary to protect the depositors may be an exception. [Article inserted by Act No. 6173, Jan. 21, 2000]

Article 31 (Payment of Insurance Money)

(1) When an insured risk event occurs in respect of an insured financial institution, the KDIC shall pay the insurance money upon the request of the depositors of the insured financial institution concerned: Provided, that with respect to a category I insured risk event, there shall be a payment decision of the insurance money pursuant to [Article 34]. <Amended by Act No. 5492, Dec. 31, 1997>

(2) In the case of a category I insured risk event, the KDIC may in advance pay the depositors part of their deposits and other claims upon their request as prescribed by the Presidential Decree. <Amended by Act No. 5492, Dec. 31, 1997>

(3) As determined by the Presidential Decree, the KDIC must make public notification as to the initiation date of insurance claim payment, its duration, payment method, and other pertinent information pursuant to Paragraphs (1) and (2). <Amended by Act No. 6173, Jan. 21, 2000>

(4) In case a financial institution which is newly established, or which continues to exist, or which is converted as a consequence of a merger or conversion under the Act on the Structural Improvement of the Financial Industry continues to conduct the business of the pre-existing financial institution which no longer exists due to a merger or conversion pursuant to Article 9 of the same Act, such financial institution and such pre-existing financial institution shall be deemed to exist respectively as independent insured financial institutions in applying Paragraph (1) for one year from the date of the registration of the merger or of the amendment to its Articles of Incorporation with respect to the change of its business category. <Inserted by Act No. 5556, Sep. 16, 1998>

(5) In case a category II insured risk event follows a category I insured risk event, such category II insured risk event shall not be deemed as an independent insured risk event in applying Paragraph (1). <Inserted by Act No. 5556, Sep. 16, 1998>

(6) When making insurance claim payments pursuant to Paragraph (1), if the recipient depositors is an insolvency related person under [Article 21-2 - Paragraph (1)] or is a person specially related to such insolvency related person according to the Presidential Decree, the KDIC may defer the payment of the insurance money in respect of such person's deposits and other relevant claims for up to a period of six months from the initiation date of insurance claim payment (hereinafter referred to as "public announcement date for insurance money payment") pursuant to Article - Paragraph (3), in accordance with the Presidential Decree. <Inserted by Act No. 6323, Dec. 30, 2000>

(7) If the right of a depositor to make insurance claim pursuant to Paragraph (1) is not exercised within five years from the payment initiation date, the statue of limitation of that right is deemed to be expunged. <Inserted by Act No. 6173, Jan. 21, 2000>

Article 32 (Calculation of Insurance Money)

(1) The insurance money paid to each depositor by the KDIC shall be the amount obtained by deducting the total amount of debts (excluding guarantee obligations) owed by each depositor to his corresponding insured financial institution from the total amount of deposits and other claims of such depositor as of the public announcement date for insurance money payment pursuant to [Article31 - Paragraph (3)]: Provided, that this shall not apply where it is otherwise determined by the Presidential Decree. <Amended by Act No. 5492, Dec. 31, 1997; Act No. 5556, Sep. 16, 1998>
(2) The maximum amount of insurance money mentioned in Paragraph (1) shall be determined by the Presidential Decree in consideration of the per capita GDP and the aggregate amount of protected deposits, etc. <Amended by Act No. 6323, Dec. 30, 2000>
(3) Where there is an amount received in advance (hereinafter referred to as "provisionally-paid money") by each depositor pursuant to [Article 31 - Paragraph (2)], the insurance money shall be the amount obtained by deducting the provisionally-paid money from the amount mentioned in Paragraphs (1) and (2).
(4) Where the amount of the provisionally paid money to a depositor exceeds the insurance money mentioned Paragraphs (1) and (2), the depositor shall return such excess amount to the KDIC.

Article 33 (Notification of Insured Risk Event)

(1) When an insured risk event occurs, the insured financial institution shall promptly notify the KDIC of such fact without delay. <Amended by Act No. 5492, Dec. 31, 1997; Act No. 5702, Jan. 29, 1999>
(2) Where one of the following events occurs, the Minister of the Ministry of Finance and Economy, the Financial Supervisory Commission or the Financial Supervisory Service Governor shall promptly notify the KDIC: <Amended by Act No. 5492, Dec. 31, 1997; Act No. 5556, Sep. 16, 1998>
   1. When an order to suspend the payment of deposits and other claims or to suspend the business is issued to an insured financial institution;
   2. When either the authorization or permission of business for an insured financial institution is cancelled, or the dissolution resolution of an insured financial institution is approved; or
   3. When a notification pursuant to Article 115 of the Bankruptcy Act, is received from the court.

Article 34 (Payment Decision)

(1) The KDIC, in the case of a category I insured risk event, shall decide whether or not to pay the insurance money within two months from the date of the receipt of the notification pursuant to [Article 33] upon resolution of the Committee. <Amended by Act No. 5492, Dec. 31, 1997>
(2) The KDIC may extend the time limit of Paragraph (1) up to one month by obtaining an approval from the Minister of the Ministry of Finance and Economy. <Amended by Act No. 5556, Sep. 16, 1998>

Article 35 (Acquisition of Claims)

The KDIC, within the amount of such payment, shall acquire the rights of the depositors against the failed financial institution when it pays insurance money and provisionally paid money. <Amended by Act No. 5492, Dec. 31, 1997>

CHAPTER IV. RESOLUTION OF FAILED FINANCIAL INSTITUTIONS

Article 35-2 (Purchase of Deposits and Other Claims)

(1) When the KDIC pays insurance money pursuant to [Article 31 - Paragraph (1)], it may purchase deposits and other claims related to the insured risk event concerned.
(2) The KDIC shall, in the case of purchasing deposits and other claims pursuant to Paragraph (1), pay an amount obtained by estimating the value of deposits and other claims (hereinafter referred to as "estimated payment") pursuant to Paragraph (3) upon the request of depositors. In this case, if the amount, calculated by deducting the expenses from the collected amount of deposits and other claims which have been purchased by the KDIC, exceeds the estimated payment, the KDIC shall pay the excess amount additionally to the depositors.
(3) An estimate payment shall be the amount calculated by multiplying the value of deposits and other claims to be purchased by the KDIC from such depositors which should be calculated as of the public announcement date for payment of insurance money (excluding deposits and other claims equivalent to guarantee obligations of depositors, and deposits and other claims provided as collateral) by the Estimate Payment Rate pursuant to [Article 35-3]. <Amended by Act No. 5556, Sep. 16, 1998> [Article inserted by Act No. 5492, Dec. 31, 1997]

Article 35-3 (Estimate Payment Rate)

The KDIC shall, when it purchases deposits and other claims pursuant to [Article 35-2 - Paragraph (1)], determine an Estimate Payment Rate, taking into consideration an amount to be collected from deposits and other claims related to the failed financial institution concerned in view of such estimated institution's financial status if bankruptcy proceedings are initiated. [Article inserted by Act No. 5492, Dec. 31, 1997]

Article 35-4 (Approval of Payment of Estimate Payment)

The KDIC shall, when it intends to pay the Estimate Payment pursuant to [Article35-2 - Paragraph (2)], obtain approval from the Minister of the Ministry of Finance and Economy through the decision of the Committee by determining the Estimate Payment Rate mentioned in [Article35-3], the period and method, etc. of purchasing deposits and other claims. <Amended by Act No. 5556, Sep. 16, 1998> [Article inserted by Act No. 5492, Dec. 31, 1997]

Article 35-5 (Public Announcement of Purchase)

The KDIC will, when it obtains approval pursuant to [Article 35-4], publicly announce the fact in such manner as prescribed in the Presidential Decree. [Article inserted by Act No. 5492, Dec. 31, 1997]

Article 35-6 (KDIC's Right of Set-off by Subrogation)

The KDIC may, on behalf of the depositors, offset deposits and other claims (excluding deposits and other claims provided to insured financial institutions as collateral by such depositors) of each depositor by debt obligations (excluding guarantee obligations) for which depositors are liable to the insured financial institutions as of the public announcement date for payment of insurance money. [Article inserted by Act No. 5556, Sep. 16, 1998]

Article 35-7 (Administrator Affairs)

In the case that an officer or an employee of the KDIC is appointed as an administrator pursuant to Article 14-6 - Paragraph 1 of Financial Industry Restructuring Act and/or Article 86-2 - Paragraph 5 of Credit Union Act, [Article 21 - Paragraph (3)] of the Depositor Protection Act will be applied with respect to the role of such administrator. [Article inserted by Act No. 6173, Jan. 21, 2000]

Article 35-8 (Liquidator or Bankruptcy Administrator Affairs)

(1) Deleted; <by Act No. 6323, Dec. 30, 2000>
(2) Deleted; <by Act No. 6323, Dec. 30, 2000>
(3) If a general meeting of stockholders does not take place as per Article 533 - Paragraph 1 and Article 540 - Paragraph 1 of the Commercial Code after an officer or an employee of the KDIC has been appointed as the liquidator pursuant to Article 20 - Paragraph 1 of the Public Fund Oversight Special Act, any approval from the Financial Supervisory

Commission will be deemed as the approval of a general meeting of the stockholders. <Amended by Act No. 6323, Dec. 30, 2000>

(4) In the case that an officer or an employee of the KDIC has been appointed as the liquidator or bankruptcy trustee pursuant to Article 20 - Paragraph (1) of the Public Fund Oversight Special Act, the appointee's role will be governed by [Article 21 - Paragraph (3)]. <Amended by Act No. 6323, Dec. 30, 2000>

(5) The officer or the employee who is appointed as the liquidator or the bankruptcy trustee pursuant to Article 20 - Paragraph (1), of the Public Fund Oversight Special Act cannot request any compensation with respect to the specified role. However, expenses that are incurred in the process of performing that role may be requested. <Amended by Act No. 6323, Dec. 30, 2000> [Article inserted by Act No. 6173, Jan. 21, 2000]

Article 35-9 (Liability Insurance)

(1) The KDIC may require an insured financial institution (applicable under the guidelines specified by the Presidential Decree) to purchase an insurance policy (hereinafter referred to as "liability insurance") to protect against any financial loss the institution may suffer as a result of any default or illegal action committed by the officers/employees of the institution.

(2) If the pertinent institution of Paragraph (1) does not comply with such request, the KDIC may enter into such liability insurance policy in subrogation of the institution.

(3) If the pertinent institution does not comply with the premium payment requirement of the liability insurance in Paragraph (2), the KDIC may deduct the premium amount from the deposit insurance premium paid to the KDIC pursuant to [Article 30 - Paragraph (1)] and the deducted amount shall be construed as the delinquent or outstanding portion of the deposit insurance premium owed to the KDIC.

(4) The request to purchase the liability insurance policy and the procedure and methods for subrogate purchase of the policy by the KDIC shall be governed by the Presidential Decree. [Article inserted by Act. No. 6323, Dec. 30, 2000]

Article 36 (Arrangement for Mergers)

The KDIC may arrange mergers, assignment of business, or acquisitions of failed financial institutions by the third party (hereinafter referred to as "mergers of failed financial institutions") in which the failed financial institutions or the parent financial holding company of the insured financial institution pursuant to the Financial Holding Company Act is a party as deemed necessary for the protection of the depositors and maintenance of stability the financial system. <Amended by Act No. 5492, Dec. 31, 1997; Act No. 6323, Dec. 30, 2000>

Article 36-2 (Request for Contract Transfers)

(1) In case a financial institution falls under the criteria to be prescribed in the Presidential Decree and it is deemed necessary for the protection of the depositors, the KDIC may request the Financial Supervisory Commission to take necessary measures against the failed financial institution concerned, such as ordering the transfer of contracts and filing of petition of bankruptcy, etc.

(2) The Financial Supervisory Commission, when requested by the KDIC pursuant to Paragraph (1), shall notify the KDIC of the result without delay. [Article inserted by Act No. 5492, Dec. 31, 1997]

Article 36-3 (Establishment of Resolution Financial Institution)

(1) The KDIC may establish a financial institution for taking over business or contracts of failed financial institutions, or the resolution process (hereinafter referred to as "Resolution Financial Institution") upon approval from the Minister of the Ministry of Finance and Economy as deemed necessary for the protection of the depositors and maintenance of stability of the financial system. <Amended by Act No. 5556, Sep. 16, 1998; Act No. 6173, Jan. 21, 2000>

(2) A Resolution Financial Institution shall be a corporation.

(3) The KDIC shall prepare the Articles of Incorporation of any Resolution Financial Institution including the following matters: <Inserted by Act No. 5556, Sep. 16, 1998>
    1. Purpose;
    2. Trade Name;
    3. Total amount of paid-in capital;

4. Number of stocks to be issued at its incorporation;
5. Face value per stock;
6. Location of the main office; and
7. Method of public notification.

(4) The capital of any Resolution Financial Institution shall be contributed in full by the KDIC from the account of the DIF. <Amended by Act No. 5556, Sep. 16, 1998>

(5) Resolution Financial Institutions may use titles such as banks, securities companies, insurance companies, merchant banks, mutual savings banks or credit unions. [Articles 35 through 36 and Articles 37 through 39] shall apply to such institution as is deemed a failed financial institution within the scope related to resolution of failed financial institutions. <Amended by Act No. 6429, Mar. 28, 2001> [Article inserted by Act No. 5492, Dec. 31, 1997]

Article 36-4 (Appointment and Officers and their Authority)

(1) A Resolution Financial Institution shall have one president, not more than two directors, and one statutory auditor.

(2) The president, directors, and statutory auditor shall be appointed by the KDIC. In this case, it shall obtain approval from the Minister of the Ministry of Finance and Economy in appointing the president. <Amended by Act No. 5556, Sep. 16, 1998>

(3) The president shall represent the Resolution Financial Institution and exercise general control over the business thereof.

(4) The KDIC may, when deemed necessary, dismiss the president, directors, or statutory auditor. In this case, it shall obtain approval from the Minister of the Ministry of Finance and Economy in dismissing the president. <Amended by Act No. 5556, Sep. 16, 1998>

(5) No person who has an interest in the failed financial institution shall be appointed as president, director, or statutory auditor.

(6) [Articles 12 - Paragraphs (2) through (4), Articles 14 and 15] shall apply *mutatis mutandis* to the Resolution Financial Institution. [Article inserted by Act No. 5492, Dec. 31, 1997]

Article 36-5 (Business Scope of Resolution Financial Institutions)

(1) Resolution Financial Institutions shall carry out the payment of deposits and other claims, collection of claims such as loans, or other business affairs necessary for the efficient performance of resolution business of a failed financial institution which is approved by the Minister of the Ministry of Finance and Economy. <Amended by Act No. 5556, Sep. 16, 1998>

(2) An amount of deposits and other claims paid by a Resolution Financial Institution to depositors pursuant to Paragraph (1) shall be limited to insurance money and an estimate payment, and the payment shall be deducted from insurance money mentioned in [Article32]. <Amended by Act No. 5556, Sep. 16, 1998>

(3) The KDIC may provide funds within the scope necessary for the operation of Resolution Financial Institutions in accordance with a decision by the Committee.

(4) The KDIC shall direct and supervise the business affairs of Resolution Financial Institutions as prescribed by the Presidential Decree. [Article inserted by Act No. 5492, Dec. 31, 1997]

(5) The Governor of the Financial Supervisory Service, when deemed necessary, may request a Resolution Financial Institution to provide necessary data within a specific parameter, or mandate the KDIC to perform an examination of the Resolution Financial Institution. <Inserted by Act No. 6173, Jan. 21, 2000>

Article 36-6 (Registration of Establishment and Announcement)

(1) The KDIC shall, when it establishes a Resolution Financial Institution pursuant to [Article36-3], register it with the court having jurisdiction over the location of the Resolution Financial Institution's main office.

(2) The KDIC shall, when it establishes a Resolution Financial Institution, publicly announce the establishment.

(3) The necessary matters for registration mentioned in Paragraph (1) and public announcement in Paragraph (2) shall be prescribed by the Presidential Decree. [Article inserted by Act No. 5492, Dec. 31, 1997]

Article 36-7 (Business Period of Resolution Financial Institution)

(1) The business period of the Resolution Financial Institution shall be up to three years: Provided, that the

business period may be extended up to one year upon approval from the Minister of the Ministry of Finance and Economy. <Amended by Act No. 5556, Sep. 16, 1998>

(2) The KDIC shall dissolve a Resolution Financial Institution upon approval from the Minister of the Ministry of Finance and Economy in case of a termination of business period of the Resolution Financial Institution, merger, or assignment or assumption of business between the Resolution Financial Institution and an insured financial institution or the acquisition of a Resolution Financial Institution when by a third party. <Amended by Act No. 5556, Sep. 16, 1998>

(3) When the KDIC deems that the continuation of business of any Resolution Financial Institution is likely to damage the interest of depositors, it may dissolve the Resolution Financial Institution upon approval from the Minister of the Ministry of Finance and Economy. <Amended by Act No. 5556, Sep. 16, 1998> [Article inserted by Act No. 5492, Dec. 31, 1997]

Article 36-8 (Relationship with Other Acts)

(1) Unless otherwise prescribed in this Act, the Bank of Korea Act, the Banking Act, the Securities and Exchange Act, the Insurance Business Act, the Merchant Banks Act, the Mutual Savings Bank Act, the Credit Union Act and Articles288, 289 - Paragraphs (1) and (2), 295, 297 through 299, 299-2, 300, 317, 382 through 385, 389 - Paragraph (1), 393, 409 through 410, and 517 through 520 of the Commercial Law shall not apply to Resolution Financial Institutions. <Amended by Act No. 5556, Sep. 16, 1998; Act No. 6429, Mar. 28, 2001>

(2) In case there is any special provision in this Act with respect to Resolution Financial Institutions, this Act shall prevail over the Commercial Law. [Article inserted by Act No. 5492, Dec. 31, 1997]

Article 37 (Application for Financial Assistance)

Any person who intends to assume or merge an failed financial institution or a failing financial institution or take over the business or contracts thereof may apply to the KDIC for financial assistance. <Amended by Act No. 5556, Sep. 16, 1998> [Wholly amended by Act No. 5492, Dec. 31, 1997]

Article 38 (Financial Support for the Insured Financial Institutions)

(1) The KDIC, based on a decision by the Committee, may provide financial assistance to an insured financial institution or to the parent financial holding company of the insured financial institution pursuant to the Financial Holding Company Act in accordance with the following Subparagraphs:
   1. When there is an application for financial assistance pursuant to [Article37] or when it is deemed necessary to ensure that a merger involving a failed financial institution is undertaken smoothly.
   2. When it is deem necessary to enhance the financial structure of the insolvent financial institution in the interest of protecting the depositors and maintaining stability of the credit system.

(2) The criteria, methods, and conditions and other necessary matters for financial assistance pursuant to Paragraph (1) shall be determined by the Committee. [Wholly amended by Act No. 6323, Dec. 30, 2000]

Article 38-2 Deleted. <by Act No. 6323, Dec. 30, 2000>

Article 38-3 (Special Debenture Transfer)

(1) In the case that the KDIC and Resolution Financial Institutions (hereinafter referred to as "agencies") acquire obligations with specific obligees in the process of acquiring assets pursuant to the Subparagraph 1 below, agencies will be deemed to have met the confrontation requirements of Article 450 of the Civil Code that deals with the obligations with specific obligees by publicly announcing the acquirement in more than 2 (two) daily newspapers (at least one of the newspapers must have national distribution). However, debtors, guarantors, and other relevant parties may confront the agencies with respect to issues that occurred in relation to the applicable asset transferor prior to the announcement.
   1. Assets the KDIC acquired in the process of insurance claim payment pursuant to [Article 31 - Paragraph (1)], or fund contribution pursuant to [Article 38- Paragraph (2)].
   2. Assets the KDIC acquired from a Resolution Financial Institution.

3. Assets a Resolution Financial Institution acquired in relation to business operations pursuant to [Article 36-5 - Paragraph (1)].

(2) In the case that the agencies make appropriate announcement pursuant to Paragraph (1), they must retain and manage information regarding the acquired debentures, and make it available for review by relevant parties. The criteria and process of reviewing such information shall be set forth by the Financial Supervisory Commission. [Article inserted by Act No. 6173, Jan. 21, 2000]

Article 39 (Special Case of Continuation of Business)

Article 9 - Paragraph 1 of the Financial Industry Restructuring Act shall apply *mutatis mutandis* to the business of an insured financial institution which has taken over all of the business of an failed financial institution pursuant to [Article37]. <Amended by Act No. 5257, Jan. 13, 1997; Act No. 5492, Dec. 31, 1997>

CHAPTER V. PENAL PROVISIONS

Article 40 (Penal Provisions)

A person who violates [Article 17 - Paragraph (3)] shall be punished by an imprisonment for not more than 2 years, or by a fine not exceeding ten million won.

1. A person who divulges secrets is thereby in violation of [Article 17 - Paragraph (3)].
2. A person who either divulges, publicly announces, and/or uses differences in risk adjusted insurance premiums in his/her advertisement is thereby in violation of [Article 30 - Paragraph (2)]. <Amended by Act No. 6173, Jan. 21, 2000>

Article 41 (Penal Provisions)

A person who falls under the Subparagraph 1 below, shall be punished by an imprisonment for not more than 1 year, or by a fine not exceeding five million won.

1. A person who either fails to meet a request for the submission of materials or submits false materials pursuant to [Article 21 - Paragraph (1)] or latter part of [Article 21-2 - Paragraph (8)].
2. A person who refuses, obstructs, or avoids an investigation pursuant to [Article 21 - Paragraph (2)]. <Amended on Jan. 21, 2000>

Article 42 (Legal Fiction of Public Officials in Application of Criminal Law)

(1) The officers and employees of the KDIC, and the officers and employees of an acting agency mentioned in [Article 20] shall be regarded as public officials in application of Articles 129 through 132 of the Criminal Law.

(2) The scope of the employees mentioned in Paragraph (1) shall be prescribed by the Presidential Decree.

Article 43 (Joint Penal Provisions)

When a representative, agent, employee or other employed person of an insured financial institution commits an act in violation of [Article 41] or [Article 40 - Paragraph (2)] with respect to the business affairs of such insured financial institution, a fine corresponding to each Paragraph of the two Articles shall be also imposed to such institution, in addition to punishment against offender. <Amended by Act No. 5492, Dec. 31, 1997: Jan. 21, 2000>

Article 44 (Negligence Fine)

(1) A person who violates the following Paragraphs shall be punished by a negligence fine not exceeding two million won. <Amended by Act No. 5556, Sep. 16, 1998; Jan. 21, 2000>
   1. A person in violation of [Articles 7, Article 29 - Paragraph (2) and Article 33 - Paragraph (1)].
   2. A person who refuses, obstructs, or avoids an investigation pursuant to [Article 21 - Paragraph (2)].

(2) The Minister of the Ministry of Finance and Economy shall impose and collect the negligence fines mentioned in Paragraph (1) in such manner as prescribed by the Presidential Decree. <Amended by Act No. 5556, Sep. 16, 1998>

(3) A person who objects to the disposition of a negligence fine pursuant to Paragraph (2) may file an objection with the Minister of the Ministry of Finance and Economy within thirty days from the date of receiving the notice of such disposition. <Amended by Act No. 5556, Sep. 16, 1998>

(4) When a person on whom a negligence fine is imposed pursuant to Paragraph (2) files an objection pursuant to Paragraph (3), the Minister of the Ministry of Finance and Economy shall, without delay, notify the competent court of such fact, and the competent court which has received such notification shall render a judgment on the disposition of a fine for negligence in accordance with the Non-Contentious Case Litigation Procedure Act. <Amended by Act No. 5556, Sep. 16, 1998>

(5) When no objection is filed and no negligence fine is paid within the period mentioned in Paragraph (3), the Minister of the Ministry of Finance and Economy shall collect the negligence fine following the example of a disposition of national taxes in arrears. <Amended by Act No. 5556, Sep. 16, 1998>

ADDENDA

Article 1 (Enforcement Date)

This Act shall enter into force on June 1, 1996: Provided, that the provisions of Chapters 3 and 4 shall enter into force on January 1, 1997.

Article 2 (Incorporation Committee)

(1) The Minister of the Ministry of Finance and Economy shall, within three months from the date of the promulgation of this Act, organize an incorporation committee by entrusting not more than ten incorporation commissioners, and have such incorporation commissioners handle business matters pertaining to the preparation for the incorporation of the KDIC.

(2) The incorporation committee shall draw up the Articles of Incorporation of the KDIC and receive authorization of the Minister of the Ministry of Finance and Economy.

(3) When the incorporation committee receives authorization pursuant to Paragraph (2), it shall make a registration of incorporation of the KDIC.

(4) When the incorporation committee completes the registration of incorporation pursuant to Paragraph (3), it shall transfer its duties and property to the president under the provisions of the KDIC, and when the transfer is completed, the incorporation commissioners shall be regarded as decommissioned thereupon.

(5) When necessary, the incorporation committee may execute its duties with the dispatched service of officers or employees of the concerned insured banks or institutions with the consent of said insured banks or institutions.

(6) The government may, within the limit of its budget, make contributions to the incorporation committee to defray the expenditure required in the preparation for the incorporation of the KDIC.

Article 3 Omitted.

ADDENDA <Act No. 5257, Jan. 13, 1997>

Article 1 (Enforcement Date)
This Act shall enter into force on March 1, 1997.

Articles 2 through 5 Omitted.

ADDENDA <Act No. 5403, Aug. 30, 1997>

Article 1 (Enforcement Date)

This Act shall enter into force on the date of its promulgation.

Articles 2 through 8 Omitted.

ADDENDUM <Act No. 5421, Dec. 13, 1997>

This Act shall enter into force on the date of its promulgation.

ADDENDA <Act No. 5492, Dec. 31, 1997>

Article 1 (Enforcement Date)

(1) This Act shall enter into force on April 1, 1998: Provided, that the amendments to Subparagraph 1, 5 and 5-2 of [Article 2], and [Articles 26 - Paragraph (2), 26-2, and 37 through 38-2], and the amendments to [Articles 5, Article 6 - Paragraphs (1) and (3), and Article 7] of the Addenda shall enter into force on the date of its promulgation, and the provisions of [Article 7] of the Addenda shall remain in force until March 31, 1998.

(2) Until March 31, 1998, with regard to the enforcement of the provisions enumerated in Paragraph (1): The authorities of the Financial Supervisory Commission with respect to insured financial institutions under Subparagraphs 1 (a) and (i) of [Article 2] shall be exercised by the Monetary Board. The FSC's authorities with respect to insured financial institutions under Subparagraphs 1 (b) through (h) and (k) through (m) of [Article 2] shall be exercised by the Minister of the Ministry of Finance and Economy. The FSC's authorities with respect to insured financial institutions under Subparagraph 1 (j) of [Article 2] shall be exercised by the Securities and Exchange Commission. The KDIC's authorities and business prerogative with respect to insured financial institutions under Subparagraphs 1 (a) through (I) of [Article 2] shall be exercised by the KDIC. The KDIC's authorities and business prerogative with respect to insured financial institutions under Subparagraph 1 (j) of [Article 2] (a fund management company under Article 69-2 - Paragraph 1 of the Securities and Exchange Act with respect to the business of bond issue under [Article 26-2]) shall be exercised by the Securities and Exchange Commission. The KDIC's authorities and business prerogative with respect to insured financial institutions under Subparagraph 1 (k) of [Article 2] shall be exercised by the Insurance Supervisory Board., And The KDIC's authorities and business prerogative with respect to insured financial institutions under Subparagraphs 1 (l) and (m) of [Article 2] shall be exercised by the Credit Management Fund. The Policy Committee's authorities and business prerogative with respect to insured financial institutions under Subparagraphs 1 (a) through (i) of [Article 2] shall be exercised by the Policy Committee of the Korea Deposit Insurance Corporation., The Policy Committee's authorities and business prerogative with respect to insured financial institutions under Subparagraph 1 (j) of [Article 2] shall be exercised by the Securities and Exchange Commission., The Policy Committee's authorities and business prerogative with respect to insured financial institutions under Subparagraph 1 (k) of [Article 2] shall be exercised by the Management Committee of the Insurance Guarantee Fund., And the Policy Committee's authorities and business prerogative with respect to insured financial institutions under Subparagraph 1 (l) and (m) of [Article 2] shall be exercised by the Management Committee of the Credit Management Fund. The definition of the *"deposit insurance fund"*, in respect of insured financial institutions under Subparagraphs 1 (a) through (i) of [Article 2] shall be the Deposit Insurance Fund; in respect of insured financial institutions under Subparagraph 1 (j) of [Article 2] shall be the Securities Investor Protection Fund; in respect of insured financial institutions under Subparagraphs 1 (k) of [Article 2] shall be the Insurance Guarantee Fund; and in respect of insured financial institutions under Subparagraphs 1 (l) and (m) of [Article 2] shall be the Credit Management Fund.

Article 2 (General Transitional Measures)

(1) Any authorization, permission or other acts done by the Insurance Supervisory Board in relation to the Insurance Guarantee Fund, by the Korea Non-Bank Deposit Insurance Corporation in relation to Contributed Fund Operation Accounts, or by the Credit Unions Federations in relation to the Credit Unions Stabilization Fund under the previous provisions at the time of enforcement of this Act shall be deemed acts done by the Korea Deposit Insurance Corporation under this Act.

(2) Any registration, report or other acts done to the Insurance Supervisory Board in relation to the Insurance Guarantee Fund, to the Korea Non-Bank Deposit Insurance Corporation in relation to Contributed

Fund Operation Accounts, or to the Credit Unions Federation in relation to the Credit Unions Stabilization Fund under the previous provisions at the time of enforcement of this Act shall be deemed acts done to the Korea Deposit Insurance Corporation under this Act.

Article 3 (Transitional Measures on Contributions)

(1) Contributions which merchant banks and mutual savings and finance companies paid to the Korea Non-Bank Deposit Insurance Corporation on business authorization under [Article 5], and contributions which the Credit Unions Stabilization Fund received under Article 83-22 of the Credit Union Act before the enforcement of this Act shall be contributions made to the Deposit Insurance Fund under this Act.

(2) Contributions which insurers paid to the Insurance Guarantee Fund under Article 197-10 of the Insurance Business Act, contributions which merchant banks and mutual savings and finance companies paid to the Korea Non-Bank Deposit Insurance Corporation after the closing of each business year under Article 5 of the Korea Non-Bank Deposit Insurance Corporation Act, and contributions which Credit Unions paid to the Credit Unions Stabilization Fund under Article 83-22 of the Credit Union Act before the enforcement of this Act shall be deemed insurance premiums under this Act.

(3) Where the KDIC extends loans to the Securities Investors Protection Fund under the amendment to [Article 6] of the Addenda, the rights and duties of the Securities Investors Protection Fund over the loaned money shall be succeeded to by universal title by the KDIC on April 1, 1998.

Article 4 (Transitional Measures on Policy Committee Policy Committee Members and Officers of the Korea Deposit Insurance Corporation)

Members commissioned under [Article 9 - Subparagraph (1) 6] of the previous provisions and officers of the KDIC before the enforcement of this Act shall perform their duties until members or officers under this Act are commissioned or appointed.

Article 5 (Dispatch of Related Personnel)

(1) Where deemed necessary to prepare for the integration of the Securities Investors Protection Fund, the Insurance Guarantee Fund, contribution operation business accounts of the Credit Management Fund and the Credit Unions Stabilization Fund, the KDIC may receive a dispatch of related personnel in charge of the business and have them carry out its necessary functions.

(2) The Korea Deposit Insurance Corporation shall prepare data on business, an inventory of property, and financial status of each Fund and report them to the Minister of the Ministry of Finance and Economy through a decision by the Policy Committee within one month after the enforcement of this Act.

Article 6 (Special Case for Operation of Funds Created through Bond Issue)

(1) Funds which the Korea Deposit Insurance Corporation raised through the issue of bonds under [Article 26-2] before March 31, 1998, may be extended as loans to the Securities Investors Protection Fund, the Insurance Guarantee Fund, the Credit Management Fund or the Credit Unions Stabilization Fund, notwithstanding the provisions of [Article 25].

(2) Funds raised under Paragraph (1) shall be deemed to have been issued at the relevant account of the Deposit Insurance Fund under [Article 24-3 - Paragraph (1)] after April 1, 1998.

(3) Notwithstanding the provisions of Article 31 of the Credit Management Fund Act, funds borrowed from the Korea Deposit Insurance Corporation shall be audited separately as special accounts.

Article 7 Omitted.

Article 8 (Support for Budget of the Korea Non-Bank Deposit Insurance Corporation)

The Korea Deposit Insurance Corporation may contribute to the Korea Non-Bank Deposit Insurance Corporation expenses required for the budget of the Credit Management Fund set under Article 4 - Paragraph (2) of the Addenda of the Act on the Establishment of Financial Supervisory Organizations until the Financial Supervisory Service is established after the enforcement of this Act.

ADDENDA <Act No. 5556, Sep. 16, 1998>

Article 1 (Enforcement Date)

This Act shall enter into force on the date of its promulgation: Provided, that amendment to Subparagraph2 (d) of [Article 2] shall enter into force on October 1, 1998.

Article 2 (Application to Insurance Premiums)

The amendment to [Article 30 - Paragraph (1)] shall apply to the portion of insurance premiums for which obligation for payment is first created after the enforcement of this Act.

Article 3 (Application to the Ceiling on Insurance Premium)

The previous provisions of [Article 30 - Subparagraphs (1) 1 through 6] shall apply until August 31, 2003 with regard to the amendment to [Article 30 - Paragraph (1)], unless the ceiling on the ratio of the amount to be paid as an annual insurance premium by each insured financial institution to the balance of deposits is altered through a deliberation of the Regulatory Reform Committee.

Article 4 (Application to Calculation of Insurance Money)

(1) The amendment to [Article 32 - Paragraph (1)] shall apply to insurance money to be publicly announced to be paid pursuant to [Article 31 - Paragraph (3)] first after the enforcement of this Act.
(2) The amendment to [Article 32-2 - Paragraph (3)] shall apply to an estimate payment announced to be paid pursuant to [Article 35-5] first after the enforcement of this Act.

Article 5 (Transitional Measures on Notes Guaranteed by Merchant Banks)

Money raised through the notes guaranteed by merchant banks pursuant to the previous provisions at the time of enforcement of this Act shall be deemed deposits pursuant to the amendment to Subparagraph2 (d) of [Article 2].

Article 6 (Special Cases on Resolution Financial Institutions)

(1) Financial institutions established with authorization from the Minister of the Ministry of Finance and Economy pursuant to Article 3 - Paragraph (1) of the Merchant Bank Act in order to carry out the resolution business of failed financial institutions at the time of the enforcement of this Act (hereinafter referred to as "bridge financial institutions") shall be deemed Resolution Financial Institutions established upon approval by the Minister of the Ministry of Finance and Economy pursuant to the amendment to [Article 36-3].
(2) Authorizations, permissions or other acts conducted by bridge financial institutions and any registration, report or other acts made to bridge financial institutions before the enforcement of this Act shall be deemed acts conducted by or made to Resolution Financial Institutions.
(3) The registration and public announcement establishment of a bridge financial institution at the time of the enforcement of this Act shall be deemed those of a Resolution Financial Institution pursuant to this Act.

ADDENDUM <Act No. 5702, Jan. 29, 1999>

This Act shall enter into force on the date of its promulgation.

ADDENDA <Act No. 6018, Sep. 7, 1999>

Article 1 (Enforcement Date)

This Act shall enter into force beginning on July 1, 2000. <Proviso Omitted>

Article 2 through 21 Omitted.

ADDENDA <Act No. 5702, Jan. 21, 2000>

Article 1 (Enforcement Date)

This Act shall enter into force on the date of its promulgation.

Article 2 (Duration Period of the Regulation)

(1) The amended provision of [Article 30-2] shall be

taken into effect on the date on which five years lapse from the enforcement date of this Act.

(2) The amended provisions of [Article 30-2], unless their valid term under the provisions of Paragraph (1) is extended after going through a request for a review under the provisions of [Article 8 - Paragraph (8)], or the Framework Act on Administrative Regulations or they are revised by the date on which Five years lapse from the date of enforcement of this Act, shall lose their effect.

(3) The amended provisions of [Article 30-2] shall apply to any person who has violated the amended provisions of Article 30-2 during a period for which such amended provisions have been effective in accordance with the provisions of Paragraph (1) even after such amended provisions lose their effect in accordance with the provisions of Paragraph (2).

ADDENDA <Act No. 6274, Oct. 23, 2000>

Article 1 (Enforcement Date)

This Act shall enter into force beginning one month after its promulgation.

Article 2 (Amendment of Other Acts)

(1) ~ (2) Omitted.

(3) The following amendments are made to the Depositor Protection Act.

1. The term "insured financial institutions" under [Article 21 - Paragraphs (1) through (4)] shall be amended to "insured financial institution and the parent financial holding company of the insured financial institution pursuant to the Financial Holding Company Act."
2. The term "failing financial institution" under [Article 38-2 - Paragraphs (1) and (2)] shall be amended to "failing financial institution or the parent financial holding company of the insured financial institution pursuant to the Financial Holding Company Act

Articles 3 through 6 Omitted.

ADDENDUM <Act No. 6323, Dec. 30, 2000>

(1) (Enforcement Date): This Act shall enter into force beginning on January 1, 2001.

(2) (Interim Measures on Overdue Premiums): In respect of applying [Article 30 - Paragraph (5)], the premiums overdue as at the promulgation date of this Act shall be governed by the previously relevant regulations.

ADDENDUM <Act No. 6429, Mar. 28, 2001>

Article 1 (Enforcement Date)

This Act shall enter into force on the day designated by the Presidential Decree, which shall be within two years from the date of its promulgation.

Articles 2 through 9 Omitted.

Article 10 (Amendment of Other Acts)

(1) ~ (5) Omitted.

(6) The following amendments are made to the Depositor Protection Act.

1. [Article 2 – Paragraph 1, Subparagraph (m)] shall be amended to "Mutual savings banks under the Mutual Savings Bank Act."
2. The term "mutual savings and finance companies" under [Article 2 – Paragraph 2, Subparagraph (e)] shall be amended to "mutual savings banks."
3. The term "mutual savings and finance companies" under [Article 24 – Paragraph (4)], [Article 24-3 – Paragraph (2)], [Article 36-3 – Paragraph (5)], and [Article 36-8 – Paragraph (1)] shall be amended to "mutual savings banks."

(7) ~ (11) Omitted.

Article 11 Omitted.

ENFORCEMENT DECREE OF THE DEPOSITOR PROTECTION ACT

Wholly Amended by Presidential Decree No. 15842, Jul. 25, 1998
Amended by:

- **Presidential Decree No. 15911, Oct. 10, 1998**
- **Presidential Decree No. 16709, Feb. 14, 2000**
  (Enforcement Decree of the Act on Efficient Disposal of Non-Performing Assets of Financial Institutions and Establishment of Korea Asset Management Corporation)
- **Presidential Decree No. 16827, Jun. 7, 2000**
- **Presidential Decree No. 16936, Aug. 5, 2000**
- **Presidential Decree No. 16993, Oct. 31, 2000**
- **Presidential Decree No. 17149, Mar. 17, 2001**

Article 1 (Purpose)

The purpose of this Decree is to prescribe matters delegated by the Depositor Protection Act and matters necessary for the enforcement thereof.

Article 2 (Financial Institutions Precluded from the Scope of Insured Financial Institutions)

(1) The phrase "certain securities companies designated by the Presidential Decree" under [Article 2 – Subparagraph 2 (j)] of the Depositor Protection Act (hereinafter referred to as "the Act") refers to securities companies prescribed under each of the following Subparagraphs: <Inserted by Presidential Decree No. 17149, Mar. 17, 2001>
  1. A securities company that establishes and operates an association mediation market pursuant to Article 2 – Paragraph (14) of the Securities and Exchange Act; and
  2. A securities company that has obtained a license to operate such securities business pursuant to Article 14 – Paragraph (5) of the Securities and Exchange Act

(2) The phrase "insurance companies • • • as determined by the Presidential Decree" refers to insurance companies which are corporations mainly engaging in reinsurance business. <Amended by Presidential Decree No. 17149, Mar. 17, 2001>

Article 3 (Scope of Deposits)

(1) The money which insured financial institutions prescribed in Subparagraph 1 of [Article 2] of the Act (hereinafter referred to as "insured financial institutions") have raised from any of the following sources shall not be included in the scope of deposits prescribed in Subparagraph2 of [Article 2] (hereinafter referred to as "deposits"):
  1. The government or local government;
  2. The Bank of Korea, the Financial Supervisory Service established under the Act on the Establishment of Financial Supervisory Organization (hereinafter referred to as "the FSS"), or the Korea Deposit Insurance Corporation established under the Act (hereinafter referred to as "the KDIC"); and <Amended by Presidential Decree No. 17149, Mar. 17, 2001>
  3. Other insured financial institutions.

(2) The money which insured financial institutions prescribed in Subparagraph 1 (a) through (i) of [Article 2] of the Act (hereinafter referred to as "Banks") have raised by any of the following methods shall not be included in the deposits prescribed in Subparagraph2 (a) of [Article 2] of the Act:
  1. Deposits denominated in foreign currencies under the Foreign Exchange Management Act; <Amended by Presidential Decree No. 16936, Aug. 5, 2000>
  2. Negotiable certificates of deposit (CD);
  3. Development trust;
  4. Issuance of bonds; and
  5. Sale of bonds under repurchase agreements.

(3) The money which insured financial institutions prescribed in Paragraph 1 (j) of [Article 2] of the Act (hereinafter referred to as "Securities Companies")

receive as deposits from their customers and which falls under any of the following Subparagraphs shall not be included in the deposits prescribed in Paragraph 2 (b) of [Article 2] of the Act (hereinafter in this paragraph referred to as "customer deposit money"):

1. The money in deposit for the payment of taxes incurred to customer deposit money;
2. The money raised by sale of bonds under repurchase agreements;
3. The money in deposit for the acquisition of or subscription for the purchase of securities which are publicly offered or distributed in the secondary market under the Securities and Exchange Act; and
4. Money deposited in securities finance company established under the Securities and Exchange Act (hereinafter referred to as "securities finance company") to guarantee the redemption of the face amount of the securities loaned to customer under the same Act.

(4) The insurance premiums which insured financial institutions prescribed in Paragraph 1 (k) of [Article 2] of the Act (hereinafter referred to as "insurance companies") have received and which fall under any of the following Subparagraphs shall not be included in the deposits prescribed in Paragraph 2 (c) of [Article 2] of the Act:

1. Insurance premiums received under insurance contracts (limited to contracts whose policyholders and insurance premium payers are corporations) other than retirement insurance contracts under the Labor Standards Act (hereinafter referred to as "retirement insurance");
2. Insurance premiums received under guarantee insurance contracts; and
3. Insurance premiums received under reinsurance contracts.

(5) and (6) Deleted. <by Presidential Decree No. 15911, Oct. 10, 1998>

Article 4 (Registration of Establishment)

(1) The establishment of the KDIC shall be registered at the location of its main office within two weeks from the date on which the Minister of the Ministry of Finance and Economy approved the Articles of Incorporation of the KDIC.

(2) The matters required in the registration of the KDIC shall be as follows:

1. Purpose;
2. Trade name;
3. Location of its main office;
4. Names and addresses of directors and statutory auditor; and
5. Methods of public notification.

Article 5 (Registration of Relocation)

(1) The KDIC shall, when it relocates its main office into the jurisdiction of another registry office, make a registration of relocation within two weeks at the old location, and the matters mentioned in each Subparagraph of [Article 4 - Paragraph (2)] within three weeks at the new location.

(2) The KDIC shall, when it relocates its main office within the jurisdiction of the same registry office, make a registration of relocation within two weeks thereafter only the purport of the move.

Article 6 (Registration of Change)

The KDIC shall, when there is a change in the matters prescribed in any Subparagraph of [Article 4 - Paragraph (2)], register the changed matters at the location of its main office within two weeks thereafter.

Article 7 (Registration of Appointment of Representatives)

(1) In case the president of the KDIC appoints a representative in accordance with [Article 15-2 - Paragraph (2)] of the Act, the following matters shall be registered at the location of its main office within two weeks thereafter. This provision shall also apply to the case of any change in registered matters. <Amended by Presidential Decree No. 16827, Jun. 7, 2000>

1. Name, resident registration number and address of the representative; <Amended by Presidential Decree No. 16827, Jun. 7, 2000>
2. Location and name of the main office for which the representative is appointed; and
3. In case the power of the representative is restricted, the contents of such restriction.

(2) The person who can be appointed by the president of the KDIC as a representative in accordance with [Article 15-2 (2)] of the Act shall be a person who has more than two years of court trial related work experience. <Inserted by Presidential Decree No. 16827, Jun. 7, 2000; Amended by Presidential Decree No. 17149, Mar. 17, 2001>

Article 8 (Calculation of Registration Period)

For the matters requiring an authorization and approval from the Minister of the Ministry of Finance and Economy among the matters to be registered by the KDIC pursuant to the provision of this decree, the registration period shall be counted from the date on which the documents on its authorization or approval have arrived.

Article 9 (Application for Registration)

(1) The registration of establishment pursuant to [Article 4] shall be made by joint application of the incorporators, the registration pursuant to [Articles 5 through 7] shall be made by the application of the president of the KDIC.
(2) To the application documents for registration pursuant to [Articles 4 through 7] the documents proving such causes shall be attached.

Article 10 (Operation of Policy Committee)

(1) Meetings of the Policy Committee prescribed in [Article 8] of the Act (hereinafter referred to as "the Committee") shall be convened by the chairman of the Committee in accordance with the provisions of the Articles of Incorporation. <Amended by Presidential Decree No. 17149, Mar. 17, 2001>
(2) The directors and statutory auditor of the KDIC may attend a meeting of the Committee and state their opinions. <Amended by Presidential Decree No. 17149, Mar. 17, 2001>
(3) An allowance may be paid to the members attending a meeting of the Committee within the limit of the budget of the KDIC. However, this provision shall not apply to the cases where a public official attends a meeting which is directly related to his duties. <Amended by Presidential Decree No. 17149, Mar. 17, 2001>
(4) Matters necessary for the operation of the Committee other than matters prescribed in this Decree shall be determined by the chairman upon resolution of the Committee. <Amended by Presidential Decree No. 17149, Mar. 17, 2001>

Article 11 (Qualifications for Commissioned Members of Policy Committee)

Members commissioned by the Minister of the Ministry of Finance and Economy pursuant to [Article 9] of the Act shall be those who are not disqualified as directors or statutory auditor or employees of the KDIC pursuant to [Article 16] of the Act, and who have extensive knowledge and experience in finance, economics, or law.

Article 12 (Agencies)

(1) Acting agencies prescribed in [Article 20] of the Act (hereinafter referred to as "agencies") shall be as follows:
    1. The Korea Asset Management Corporation established under the Act on the Efficient Disposal of Non-performing Assets of Financial Institutions and Establishment of Korea Asset Management Corporation;
    2. Insured financial institutions;
    3. The Mutual Savings and Finance Companies Federation established under the Mutual Savings and Finance Company Act (hereinafter referred to as "the Mutual Savings and Finance Companies Federation"); and
    4. The Credit Unions Federation established under the Credit Union Act.
(2) The KDIC may, when it mandates part of its business pursuant to [Article 20] of the Act, pay fees to such agencies on such terms and conditions to be determined by the Committee. <Amended by Presidential Decree No. 17149, Mar. 17, 2001>

Article 12-2 (Scope of Major Shareholders)

The phrase "major shareholders as determined by the Presidential Decree" refers to persons under each of the following Subparagraphs:
1. A shareholder who owns more than 10/100 of total issued voting shares or investment shares of the debtor corporation by his own calculations,

irrespective of the nominal ownership;
2. A shareholder who has practical influence over major operations issues of the debtor corporation including regard to hire/fire rights of the corporation's officers and employees. [Article inserted by Presidential Decree No. 17149, Mar. 17, 2001]

Article 12-3 (Investigation Methods and Procedures)

(1) In order to perform investigations pursuant to [Article 21-2 – Paragraph 7] of the Act (hereinafter referred to as "the investigations"), the KDIC may cause its employees to investigate books and documents related to operational and financial status of insolvent financial institutions or default debtors of the insolvent financial institutions as and when deemed necessary.
(2) When performing the investigations, the KDIC shall first notify the subject entity of the investigation of the matters such as the reason and the scope of the investigations, except for the cases in which, the purpose of the investigations can not be achieved due to destruction of evidence led by pre-investigation notification.
(3) When performing the investigations, the KDIC shall provide adequate testimonial opportunity to the subject of the investigations.
(4) Upon completion of the investigation, the KDIC shall inform the subject of the investigation of the result of the investigation in writing. [Article inserted by Presidential Decree No. 17149, Mar. 17, 2001]

Article 12-4 (Public Institutions)

The phrase "public institutions that are selected by Presidential Decree" under [Article 21-3 – Paragraph 1] of the Act refers to institutions under each of the following Subparagraphs:
1. Government Invested Institution pursuant to Article 2 of the Fundamental Act Concerning the Management of Government Invested Institutions;
2. Legal entity established by special Acts; and
3. Bills Exchange designated by the Bills Act or the Checks Act <Inserted by Presidential Decree No. 16827, June 7, 2000>

Article 13 (Budget and Settlement of Accounts)

The budget of the KDIC shall be subject to approval by the Minister of the Ministry of Finance and Economy before the commencement of the fiscal year pursuant to [Article 23] of the Act, the settlement of accounts of the KDIC shall be subject to approval by the Minister of the Ministry of Finance and Economy within two months after the closing of the fiscal year.

Article 14 (Contributions)

(1) Pursuant to [Article 24 - Paragraph (4)] of the Act, an insured financial institution shall, when it obtains authorization or permission of business or establishment, pay the KDIC the amount calculated by multiplying its paid-in capital or capital contribution by the relevant rate by the type of insured financial institution mentioned in each of the following Subparagraphs as a contribution within one month from the date of commencing business:
   1. Banks: 1/100;
   2. Securities companies: 1/100;
   3. Insurance companies: 1/100;
   4. Merchant banks: 5/100;
   5. Insured financial institutions mentioned in Paragraph 1 (m) of [Article 2] of the Act (hereinafter referred to as "Mutual Savings and Finance Companies"): 5/100; and
   6. Insured financial institutions mentioned in Paragraph 1 (n) of [Article 2] of the Act (hereinafter referred to as "Credit Unions"); 1/100.
(2) In case the accumulated amount in the account of a type of insured financial institutions in the Deposit Insurance Fund established pursuant to [Article 24 - Paragraph (1)] of the Act (hereinafter referred to as "the DIF") falls short of the amount to be paid as insurance money to holders of deposits and other claims prescribed in the Paragraph 4 of [Article 2] of the Act (hereinafter referred to as "depositors"), the KDIC may have the insured financial institutions concerned in such type of insured financial institutions contribute additionally an amount approved by the Minister of the Ministry of Finance and Economy upon resolution of the Committee within the amount of shortfall within one month from the date on which the KDIC has decided to

pay insurance money. In this case, additional contributions shall not exceed the limit of contributions prescribed in [Article 24 - Paragraph (4)] of the Act. <Amended by Presidential Decree No. 17149, Mar. 17, 2001>

(3) Notwithstanding Paragraph (1), an insured financial institution shall, when it obtains authorization or permission of business or establishment by a merger or partition, not pay the contribution to the KDIC.

(4) Notwithstanding Paragraphs (1) and (2), the KDIC may defer the payment of the contribution upon resolution of the Committee by specifying a period, for an insured financial institution whose normal operation is in such a difficult situation as depositors and other claims of the institution are likely to be suspended in light of a financial condition of that institution. <Amended by Presidential Decree No. 17149, Mar. 17, 2001>

Article 15 (Methods of Borrowing)

(1) The KDIC may borrow funds to be repaid by a type of insured financial institution through the account of that type of insured financial institution pursuant to [Article 26 - Paragraph (1)] of the Act.

(2) The KDIC shall, when it intends to borrow funds pursuant to Paragraph (1), prepare documents describing the matters in each of the following Subparagraphs, and obtain an approval from the Minister of the Ministry of Finance and Economy:
   1. Reasons for borrowing;
   2. Amount to be borrowed;
   3. Interest rate on the loan, method and time of payment of interest; and
   4. Method and period of redemption of the borrowed fund.

(3) The institutions from which the KDIC may borrow funds in accordance with [Article 26 - Paragraph (1)] of the Act are the following: <Amended by Presidential Decree No. 15911, Oct. 10, 1998; Presidential Decree No. 16827, Jun. 7, 2000>
   1. The Korea Federation of Mutual Savings and Finance Companies;
   2. Securities finance companies;
   3. The Export and Import Bank of Korea established under the Export and Import Bank of Korea Act;
   4. The National Credit Union Federation under the Credit Union Act;
   5. Resolution Financial Institutions mentioned in [Article 36-3] of the Act; and
   6. The Korea Asset Management Corporation pursuant to the Act on Efficient Disposal of Non-Performing Assets of Financial Institutions and Establishment of Korea Asset Management Corporation

Article 16 (Time for Payment of Insurance Premium)

(1) In accordance with [Article 30 - Paragraph (1)] of the Act, an insured financial institution shall pay to the KDIC an insurance premium calculated by the formula in Table 1 within three months after the closing of each fiscal year: However, banks shall pay insurance premiums within one month from the end of each quarter.

(2) An insured financial institution shall, when it fails to pay the insurance premium prescribed in Paragraph (1) by the time limit for payment, pay to the KDIC additional arrears calculated by multiplying the number of days past the payment deadline by interest rates set by the Committee based on overdue interest rates at the time of the loaning of general funds of such insured financial institution. <Amended by Presidential Decree No. 17149, Mar. 17, 2001>

(3) The phrase "an amount as determined by the Presidential Decree" in the first sentence of [Article 30 - Paragraph (1)] of the Act refers to the sum of each of the below classification amounts and arithmetic mean of the "insurance premiums" under [Article 2 - Subparagraph 2 (c)] (the insurance premiums earned during the fiscal period in which the premium for the deposit insurance is due). <Inserted by Presidential Decree No. 15911, Oct. 10, 1998 and Amended by Presidential Decree No. 16936, Aug. 5, 2000>
   1. Contracts under which the cause of the payment of insurance money, etc. (meaning the amount or dividend agreed to be paid to a policyholder when a cause to pay insurance money occurs under an insurance contract or when a policyholder asks to cancel an insurance contract; hereinafter in this paragraph, the

same shall apply) has not yet occurred as of the closing date each fiscal year: the accumulation of insurance premiums and prepaid insurance premiums to be paid at the cancellation or termination of the contract period of insurance, calculated to the specifications for calculating insurance premiums and underwriting reserves pursuant to [Article7 -Subparagraph (1) 1] of the Insurance Business Act by classification of insurance or by its lapse of contract term;

2. Contracts under which the cause of payment of insurance money has occurred as of the closing date each fiscal year:
    (a) The payment amount has been determined but not yet acted upon the decision;
    (b) An estimated insurance money not yet paid when the amount to be paid is not determined; and
    (c) A litigation value still pending in court in connection with an amount of insurance money to be paid.
3. An amount which is accumulated by an insurance company in order to pay dividends to policyholders and approved by the Financial Supervisory Commission.

Article 17 (Advance Payment)

(1) The KDIC may pay depositors in advance an amount as set by the Committee within the limit of insurance money to be paid pursuant to [Article 32 - Paragraph (2)] of the Act (hereinafter referred to as "advance payment") in accordance with [Article 31 - Paragraph (2)] of the Act. However, insurance money shall, when advance payment exceeds insurance money, etc, be the maximum amount for payment. <Amended by Presidential Decree No. 17149, Mar. 17, 2001>

(2) The KDIC shall publicly announce, at least once, the period and methods of payment pursuant to the main sentence of [Article 31 - Paragraph (3)] of the Act in not less than one daily newspaper published in Seoul Special Metropolitan City and not less than one daily newspaper published in the district in which its main office is located. However, in case the KDIC pays insurance money or advance payment to the depositors of mutual savings and finance companies and credit unions, it shall make a public announcement in not less than two daily newspapers including one daily newspaper published in the district in which their main offices are located.

Article 17-2 (Scope of Special Relationship)

The phrase "a person specially related to such insolvency related person according to the Presidential Decree" refers to a person who is related to an insolvency related person in the manners prescribed under each of the Subparagraphs of Article 10-3 – Paragraph 2 of the Enforcement Decree of the Securities and Exchange Act. <Inserted by Presidential Decree No. 17149, Mar. 17, 2001>

Article 18 (Exceptions to Calculating Methods of Insurance Money)

(1) In calculating the insurance money pursuant to [Article 32 - Paragraph (1)] of the Act, when depositors have offered deposits and other claims as collateral (hereinafter in this Article referred to as "deposits as collateral") or provide guarantees to such insured financial institutions for a third party, the KDIC may suspend the payment of insurance money within the amount equivalent to deposits as collateral or guarantee obligations until such secured claims or guarantee obligations are extinguished. <Amended by Presidential Decree No. 15911, Oct. 10, 1998>

(2) The KDIC, when it suspends the payment of insurance money pursuant to Paragraph (1) or [Article 32 - Paragraph (1)] of the Act, shall issue documents describing the following matters to depositors who have requested the payment of such insurance money. <Amended by Presidential Decree No. 15911, Oct. 10, 1998; Presidential Decree No. 17149, Mar. 17, 2001>
    1. The amount of insurance money the payment of which is suspended;
    2. The reason for the payment suspension;
    3. The duration of the payment suspension; and
    4. The procedures and methods for depositors in making request for suspended insurance money payment upon the nullification of the reason for the suspension or expiration of the suspension period.

(3) Notwithstanding [Article 32 - Paragraph (1)] of the

Act, with regard to the insurance money to be paid by the KDIC to the insured or the beneficiaries of a retirement insurance contract or retirement lump sum trust entered into by enterprises or organizations with workers as the insured or the beneficiaries in order to pay severance pay under the Labor Standards Act, the total amount of obligations owed by such insured or the beneficiaries to such insured financial institutions shall not be deducted from the total amount of deposits and other claims which the insured or beneficiaries have in the insured financial institutions as of the date of the public announcement of the payment of insurance money (hereinafter in this Article, referred to as "rate of payment announcement of insurance money") pursuant to [Article 31 - Paragraph (3)] of the Act. However, this provision shall not apply to the case where such insured financial institution has obtained a consent in writing from the workers concerned. <Amended by Presidential Decree No. 15911, Oct. 10, 1998>

(4) When the settlement of securities which have been traded by depositors before the date payment announcement through securities companies (including the settlement of stock index futures trade under the Securities and Exchange Act and the exercise of stock options under the Enforcement Decree of the Securities and Exchange Act) is made after the date of payment announcement of insurance money, such settlement amount shall be included in calculating the insurance money, which may be held by the time such amount is settled. <Amended by Presidential Decree No. 15911, Oct. 10, 1998>

(5) The amount of deposits and other claims, in calculating insurance money pursuant to [Article 32 - Paragraph (1)], shall be limited to the amount calculated by adding the amount of deposits to the amount calculated by multiplying that amount by the interest rate to be determined by the Committee, taking into account the average interest rate of one-year maturity time deposit in nationwide banks. However, this shall not apply to the insurance money (excluding insurance money paid upon termination of insurance period) among deposits and other claims against insurance companies. <Amended by Presidential Decree No. 17149, Mar. 17, 2001>

(6) The limit of the payment of insurance money pursuant to [Article 32 - Paragraph (2)] of the Act shall be fifty million won. <Amended by Presidential Decree No. 16993, Oct. 31, 2000>

Article 19 (Public Announcement of Occurrence of Insured Risk Event)

The [Article 17 - Paragraph (2)] shall apply ***mutatis mutandis*** to the estimate payment rate pursuant to [Article 35-5] of the Act. <Amended by Presidential Decree No. 16827, Jun. 7, 2000>

Article 19-2 (Purchasing Liability Insurance)

(1) The phrase "insured financial institution (applicable under the guidelines specified by the Presidential Decree)" under Article 35-9 – Paragraph (1) of the Act refers to insured institutions under each of the following Subparagraphs:
   1. Insured financial institutions whose results of operation and financial status review by the Financial Supervisory Service established pursuant to the Act Concerning Establishment of Financial Supervisory Organizations meet the standard established by the Committee;
   2. Insured financial institutions under Article 2 – Paragraph 2, Subparagraphs (b) and (c) of the Act; and
   3. Insured financial institutions under Article 2 – Paragraph 2, Subparagraph (i) of the Act that already purchased a liability insurance policy that is similar in characteristics as the insurance policy prescribed under Article 35-9 – Paragraph (1) of the Act (hereinafter referred to as "liability insurance").

(2) When the KDIC requires an insured financial institution to purchase liability insurance pursuant to Article 35-9 – Paragraph (1) of the Act, the KDIC shall provide in writing the relevant items prescribed by the pertinent Decree of the Ministry of Finance and Economy, including the insurance benefit limit.

(3) When an insured financial institution has received such request from the KDIC to purchase liability insurance policy pursuant to Article 35-9 – Paragraph (1) of the Act, it shall purchase the said liability insurance policy within six months from the

date of the request or within a period determined by the KDIC, but no more than two years from the date of the request, if purchasing such liability insurance policy within six months from the date of the request can harm normal operation of the insured financial institution or for any special reason acknowledged by the Committee. [Article inserted by Presidential Decree No. 17149, Mar. 17, 2001]

Article 20 (Request Criteria for Contract Transfers)

(1) When the liabilities of a failed financial institution mentioned in Paragraph 5 of [Article 2] of the Act (hereinafter in this Article, referred to as "failed financial institution") exceeds its assets, and any of the following Subparagraphs occurs, the KDIC may, in accordance with [Article 36-2] of the Act, request that the Financial Supervisory Commission take necessary measures such as an order of transfer of contacts or filling of petition of bankruptcy, and so on against the failed financial institution upon a resolution by the Committee. <Amended by Presidential Decree No. 17149, Mar. 17, 2001>
   1. When depositors' interests are damaged or the fund's liabilities are increased due to any delay in mergers or assumptions or assignment of business between insured financial institutions and failed financial institutions or assumptions of failed financial institutions by a third party (hereinafter referred to as "mergers of insolvent financial institutions") pursuant to [Article 36] of the Act; and
   2. When depositors' interests are damaged or the fund's liabilities are increased due to extreme difficulty in mergers of failed financial institutions.

(2) The KDIC shall, when it establishes a Resolution Financial Institution to take over the business or contracts of failed financial institution (hereinafter referred to as "Resolution Financial Institution") pursuant to [Article 36-3] of the Act, request that the Financial Supervisory Commission order the transfer of the contracts of the failed financial institution pursuant to [Article 36-2 - Paragraph (1)] of the Act.

Article 21 (Supervision over Resolution Financial Institutions)

The KDIC may direct and supervise the business of Resolution Financial Institutions or take necessary measures against them pursuant to [Article 36-5 - Paragraph (4)] of the Act.

Article 22 (Registration of Establishment of Resolution Financial Institutions)

(1) The establishment of a Resolution Financial Institution shall be registered at the location of its main office within two weeks from the date of approval from the Minister of the Ministry of Finance and Economy.
(2) Matters to be registered for establishment by a Resolution Financial Institution shall be as follows:
   1. Purpose;
   2. Name;
   3. Total amount of capital;
   4. Total number of stocks to be issued;
   5. Face value per stock;
   6. Names and addresses of directors and statutory auditor;
   7. Location of the main office and branches; and
   8. Methods of public notification.

Article 23 (Registration of Relocation of Resolution Financial Institutions)

[Articles 5 through 8 and 17 - Paragraph (2)] shall apply *mutatis mutandis* to the registration of relocation, registration of change, registration of appointment of representatives, calculation of registration period, and announcement of establishment of Resolution Financial Institutions.

Article 24 (Applicants for Registration of Resolution Financial Institutions)

(1) A registration of establishment pursuant to [Article 22] shall be made by the application of the president of the KDIC, and a registration pursuant to [Article 23] shall be made by the application of the president of a Resolution Financial Institution.
(2) To the applications for registration pursuant to [Articles 22 and 23], the documents proving their

causes shall be attached.

Article 24-2 Deleted. <by Presidential Decree No. 17149, Mar. 17, 2001>

Article 25 (Scope of Staff Subject to Legal Action of Public Officials in Application of Criminal Law)

The scope of the staff prescribed in [Article 42 - Paragraph (2)] of the Act shall be as follows:

1. Staff of the KDIC whose rank is assistant manager or higher;
2. Staff of the acting agency whose rank is assistant manager or higher who engages in the agency business prescribed in [Article 20 - Paragraph (1)] of the Act. However, this shall be limited only to the case where punishment under the Criminal Law is imposed in connection with such businesses.

Article 26 (Procedures for Imposition and Collection of Negligence Fines)

(1) The Minister of the Ministry of Finance and Economy shall, when imposing a negligence fine pursuant to [Article 44 - Paragraph (2)] of the Act, investigate and confirm the violated act concerned, and notify the person who is subject to the disposition of negligence fine, of the payment of such negligence fine by stating the violated fact, the amount of negligence fine, etc. in writing.
(2) The Minister of the Ministry of Finance and Economy shall, when it intends to impose a negligence fine pursuant to Paragraph (1), give in advance the person who is subject to the disposition of negligence fine, an opportunity to state orally or in writing his opinion, by fixing a period of ten (10) days or longer. In this case, if no opinion is stated for the fixed period, it shall be considered that there is no opinion to state.
(3) The Minister of the Ministry of Finance and Economy shall, in determining the amount of the negligence fine, take into consideration the motive and consequences of such violation, etc.
(4) Negligence fines shall be collected in accordance with the procedures in the manuals for tax collecting officials. In this case, the method and the period of objection shall be stated in the payment notice.

ADDENDA <Presidential Decree No. 15842, Jul. 25, 1998>

Article 1 (Enforcement Date)

This Decree shall enter into force on the date of its promulgation. However, the amendments to [Article 3 - Subparagraph (4) 1] (limited to insurance premiums received under guarantee insurance contracts) and 2, [Article 18 - Paragraph (5)], and [Article 4] of the Addenda shall enter into force on August 1, 1998, the amendments to [Article 2] (excluding the portion for insurance companies who are corporations mainly engaged in reinsurance business) and [Article 3 - Paragraphs (1), (2) 1 through 4, (3) 3 and 4, and (4) 1] (excluding the portion relating to insurance premiums received under guarantee insurance contracts or reinsurance contracts among insurance contracts in which legal persons are policyholders and payers of insurance money) shall enter into force on January 1, 2001.

Article 2 (Special Application to Scope of Deposits)

As of enforcement of this Decree, the money falling under any of the following Subparagraphs shall be included in the scope of deposits from the enforcement date this Decree through December 31, 2000:

1. The money which banks raised by selling bonds under repurchase agreements pursuant to [Article 2] of the Addenda of the previous Amendment to the Enforcement Decree of the Depositor Protection Act (Presidential Decree No. 15525);
2. The money which securities companies raised by selling bonds under repurchase agreements; and
3. Insurance premiums which insurance companies engaged mainly in guarantee insurance business received under guarantee insurance contracts.

Article 3 (Special Applications for Payment of Insurance Premiums by Insurance Companies and Merchant Banks)

Notwithstanding the amendment to the main sentence of [Article 16 - Paragraph (1)], insurance companies and merchant banks shall pay insurance premiums to the KDIC that were to be paid in 1998 within two months after the enforcement of this Decree.

Article 4 (Special Applications on Calculating Methods of Insurance Money)

(1) Where an insured risk event mentioned in Paragraph 7 of [Article 2] of the Act occurs during the period from August 1, 1998 though December 31, 2000, the amount of deposits and other claims (in calculating insurance money pursuant to [Article 32 - Paragraph (1)] of the Act) shall be calculated by the following Subparagraphs. However, this provision shall not apply to the insurance money (excluding insurance money to be paid due to the termination of insurance period) to be included in deposits and other claims against insurance companies.
   1. In cases where the aggregate amount of deposits of respective depositors is twenty million won or less, it should be the amount of the deposits and other claims pursuant to the amendment to [Article 18 - Paragraph (5)]. However, in the case that such aggregate amount exceeds twenty million won, the limit should be twenty million won.
   2. In cases where the aggregate amount of deposits of respective depositors exceeds twenty million won, it should be the entire balance of such deposits. However, in case the deposits (maturity benefit amount) and other claims (See [Article 2 (4)] of the Act.) are related to insurance companies and the sum of the two is smaller than the amount of deposits (sum of paid premiums) (See [Article 2 - Subparagraph 2 (c)] of the Act.), it should be the amount of the deposits and other claims.
      ** In general, the maturity benefit amount is less than the sum of premiums paid until maturity. Therefore, it is possible for "deposits and other claims[1]" to be smaller than "deposit" for insurance companies.**

(2) Paragraph (1) shall apply only to the money raised by insured financial institutions from depositors after August 1, 1998. However, with respect to the deposits to be deposited in installment after determining a certain period in which a predetermined amount is regularly deposited, this shall apply to those first subscribed after the enforcement of this Decree.

Article 5 (Special Applications for limit of Insurance Money to be paid)

(1) Notwithstanding the amendment to [Article 18 - Paragraph (6)], the limit of insurance money to be paid by the KDIC to depositors who have deposits and other claims against insurance companies at the time of the enforcement of this Decree shall be fifty million won.
(2) In case an insured risk event prescribed in Paragraph 7 of [Article 2] of the Act occurs during the period from the date of promulgation of this Decree through December 31, 2000, the amendments to Paragraph (1) and [Article 18 - Paragraph (6)] shall not apply to the limit of payment of insurance money.

Article 6 (Interim Measures on Insurance Premiums)

(1) In calculating banks' insurance premiums for the quarter in which this Decree is promulgated, the portion prior to the date of its promulgation shall be calculated by daily pro-rata pursuant to the previous [Article 14 - Paragraph (1)] and the portion starting from the date of its promulgation of this Decree shall be calculated by daily pro-rata pursuant to the amendments to [Article 16 - Paragraph (1)].
(2) In calculating insurance premiums of securities companies, insurance companies and merchant banks for the fiscal year in which this Decree is promulgated, the portion from April 1, 1998 to the date prior to the date of its promulgation shall be calculated by daily pro-rata according to the formula prescribed in Table 2, and the portion from the date of its promulgation to March 31, 1999 shall be calculated by daily pro-rata pursuant to the amendments to [Article 16 - Paragraph (1)].
(3) In calculating insurance premiums to be paid by mutual savings and finance companies in 1998, the portion from July 1, 1997 to March 31, 1998 shall be calculated by daily pro-rata pursuant to Article 5 - Paragraph (2) of the Korea Non-Bank Deposit

Insurance Corporation Act prior to its repeal pursuant to Article 2 of the Addenda of Amendment to the Mutual Savings and Finance Company Act (Act No. 5501), and the portion from April 1, 1998 to June 3, 1998 shall be calculated by daily pro-rata according to the formula prescribed in Table 2.

(4) In calculating insurance premiums of mutual savings and finance companies for the fiscal year in which this Decree is promulgated, the portion from July 1, 1998 to the date prior to the date of its promulgation shall be calculated by daily pro-rata according to the formula prescribed in Table 2, and the portion from the date of its promulgation to June 30, 1998 shall be calculated by daily pro-rata pursuant to the amendment to [Article 16 - Paragraph (1)].

(5) In calculating insurance premiums of credit unions for the year 1998, the portion to March 31, 1998 shall be calculated by daily pro-rata pursuant to Article 83-22 of the Credit Union Act prior its amendment pursuant to Amendment to the Credit Union Act (Act No. 5506), the portion from April 1 to the date prior to the promulgation of this Decree shall be calculated by daily pro-rata according to the formula prescribed in Table 2, the portion from the date of promulgation of this Decree shall be calculated by daily pro-rata pursuant to the amendment to [Article 16 - Paragraph (1)] and insurance premiums for 1998 to be paid by credit unions to the former Credit Union Stabilization Fund pursuant to Article 83-22 of the same Credit Union Act shall be deducted.

ADDENDUM <Presidential Decree No. 15911, Oct. 10, 1998>

This Decree shall enter into force on the date of its promulgation.

ADDENDA <Presidential Decree No. 16709, Feb. 14, 2000>

Article 1 (Enforcement Date)

This Decree shall enter into force on the date of its promulgation

Article 2 (Amendment of Other Acts)

(1) ~ (15) Omitted.

(16) The Enforcement Decree of the Act shall be amended as the following. (Details Omitted)

ADDENDUM <Presidential Decree No. 16827, Jun. 7, 2000>

This Decree shall enter into force on the date of its promulgation.

ADDENDUM <Presidential Decree No. 16936, Aug. 5, 2000>

(1) (Enforcement Date): This Decree shall enter into force on the date of its promulgation.

(2) (Interim Measures on Premium Calculation): In respect of calculating the "insurance premiums" under Article 16 - Paragraph (1) of the Decree, the premium due before the effective date of this Decree shall be calculated in accordance with the pre-amendment Article 16 - Paragraph (3) and the pre-amendment Table 1, and the premium due after the effective date of this Decree shall be calculated in accordance with the amended Article 16 - Paragraph (3) and Table 1.

ADDENDA <Presidential Decree No. 16993, Oct. 31, 2000>

Article 1 (Enforcement Date)

This Decree shall enter into force beginning on January 1, 2001.

Article 2 (Special Cases for Payment Limit of Insurance Claim Payments)

(1) If an insured risk event occurs pursuant to [Article 2 - Paragraph (7)] of the Act occurs in respect to an insured financial institution between the effective date of this Decree and December 31, 2003, for the deposit accounts that did not pay interest (hereinafter referred to as "settlement deposit accounts"), the entirety of the insurance claim amount pursuant to [Article 32 - Paragraph (1)] of the Act shall be paid, notwithstanding the amended

[Article 18 - Paragraph (6)] of the Act.

The scope of settlement deposit account shall be set and announced by the Minister of the Ministry of Finance and Economy based on the approval of the Committee.

ADDENDA <Presidential Decree No. 17149, Mar. 17, 2001>

Article 1 (Enforcement Date)

This Decree shall enter into force on the date of its promulgation

Article 2 (Application of Calculating Insurance Premiums)

The amendment under Note 1 of the Table 1 below shall be applied to the insurance premiums due after the taking into effect of this decree.

Table 1. Formula for Calculating Insurance Premiums (relating to [Article 16 - Paragraph (1)]) *Amended by Presidential Decree No. 15911, Oct. 10, 1998; Presidential Decree No. 17149, Mar. 17, 2001*

Insured Financial Institutions	Formula
1. Banks	Quarterly Insurance Premium = Quarterly average balance of deposits, etc. x 10/10000 x 1/4
2. Securities Companies	Annual Insurance Premium = Annual average balance of deposits, etc. x 20/10000
3. Insurance Companies	Annual Insurance Premium = Amount as stated in Article 16 - Paragraph (3) x 30/10000
4. Merchant Banks	Annual Insurance Premium = Annual average balance of deposits, etc. x 30/10000
5. Mutual Savings and Finance Companies	Annual Insurance Premium = Annual average balance of deposits, etc. x 30/10000
6. Credit Unions	Annual Insurance Premium = Annual average balance of deposits, etc. x 30/10000 (those dealing only with capital contributions, annual average balance of deposits, etc. x 3/10000)

Note:

1. In the case an insured financial institution obtains liability insurance pursuant to Article 35-9, Paragraph (1) of the Act, the KDIC per decision rendered by the Committee, may reduce the applicable premium rate within 20/100 of the applicable rate in the above Table.
2. After taking into account the number of years since establishment of the insurance companies, its credit rating and its financial prudence, the KDIC may, if it deems necessary, adjust the rate (hereinafter referred to as "standard rate") as mentioned in 3 (Insurance Companies) of the above Table as decided by the Committee according to the following standards:
   - A. Raise the standard rate by 5/100 if the insurance company was established less than 10 years ago.
   - B. Lower the standard rate within the limit of 5/100 according to the net insurance premium-type reserve rate of the policyholder reserves for life insurance companies without any accumulated losses.
   - C. Lower the standard rate within the limit of 5/100 according to the payment capability ratio in relation to the total annual retained insurance premium collections for non-life insurance companies without any accumulated losses.

Table 2. Formula for Calculating Insurance Premiums (relating to [Article 6])

Insured Financial Institutions	Formula
1. Securities Companies	Annual Insurance Premium = Annual average balance of deposits, etc. x 10/10000
2. Insurance Companies	Annual Insurance Premium = Total amount of deposits, etc. x 15/10000
3. Merchant Banks	Annual Insurance Premium = Annual average balance of deposits, etc. x 12/10000
4. Mutual Savings and Finance Companies	Annual Insurance Premium = Annual average balance of deposits, etc. x 15/10000
5. Credit Unions	Annual Insurance Premium = Annual average balance of deposits, etc. x 6/10000

PUBLIC FUND OVERSIGHT SPECIAL ACT

Enacted by Act No. 6281, Dec. 20, 2000

CHAPTER I. GENERAL PROVISIONS

Article 1 (Purpose)

The purpose of this Act is to ensure efficient management of public fund and to minimize taxpayers' burden by enhancing objectivity, fairness and transparency in the procurement, operation and management of public fund.

Article 2 (Definitions)

For the purpose of this Act, the definitions of terms shall be as follows.

(1) The term "public fund" means the fund used to support restructuring of financial institutions that fall under any fund or property of the following Subparagraphs:
   (a) DIF Fund, under the Depositor Protection Act.
   (b) Bad Loan Resolution Fund, under the Act on Efficient Disposal of Non-Performing Asset of Financial Institutions and Establishment of Korea Asset Management Corporation.
   (c) Public Fund Oversight Fund, under the Public Fund Oversight Fund Act.
   (d) Public property, under the National Property In-Kind Investment Act.
   (e) Capital investment by Bank of Korea to financial institutions under the Bank of Korea Act.
   (f) Public borrowings, under the Public Borrowings and Management Act.

(2) The term "financial institution" means each of the following Subparagraphs:
   (a) Financial institutions, under the Financial Industry Restructuring Act.
   (b) Insured financial institutions, under the Depositor Protection Act.
   (c) Financial institutions, under the Act on Efficient Disposal of Non-Performing Asset of Financial Institutions and Establishment of Korea Asset Management Corporation.

CHAPTER II. ESTABLISHMENT OF PUBLIC FUND OVERSIGHT COMMITTEE

Article 3 (Establishment and Function of Public Fund Oversight Committee)

(1) The Public Fund Oversight Committee (hereinafter referred to as "the Committee") shall be established under the supervision of Ministry of Finance and Economy (hereinafter referred to as "MOFE") for the purpose of undertaking comprehensive review and regulation of public fund operation.
(2) The Committee shall review and adjust the items under the following Subparagraphs:
   1. Matters regarding supervision and planning of public fund management such as use, or reuse after recovery of public fund;
   2. Matters regarding selection criteria for beneficiary financial institutions;
   3. Matters regarding public fund provision principle such as self-rehabilitation efforts and loss sharing of financial institutions;
   4. Regular monitoring of public fund injection status;
   5. *Ex post facto* management principle and mechanism on financial institutions;
   6. Regular monitoring on *ex post facto* management status of financial institutions;
   7. Regarding recovery of public fund, such as disposition of stocks held by the followings:
      (a) Government;
      (b) Korea Deposit Insurance Corporation under the Depositor Protection Act (hereinafter referred to as "KDIC");
      (c) Korea Asset Management Corporation under the Efficient Resolution of Financial Institution Bad Asset and Korea Asset Management Corporation Establishment Act (hereinafter referred to as "KAMCO");
   8. Regarding enactment or revision of laws and regulations related to public fund; and
   9. Other matters defined by the Presidential Decree, regarding expenditure and *ex post facto*

management of public fund and enhancement of efficiency.

Article 4 (Composition of the Committee)

(1) The Committee shall be consisted of the following members:
  1. The Minister of the MOFE;
  2. The Minister of the Ministry of Planning and Budget (hereinafter referred to as "MPB");
  3. The chairman of the Financial Supervisory Commission (hereinafter referred to as "FSC");
  4. Two experts, with substantial economic knowledge and experience, commissioned by the President;
  5. Two experts, with substantial economic knowledge and experience, recommended by the Chairman of National Assembly and commissioned by the President; and
  6. One legal expert, with substantial legal knowledge and experience, recommended by the Chief Justice of the Supreme Court and commissioned by the President.

(2) The presidents of KDIC and KAMCO shall attend the meetings of the Committee and may speak before the Committee in respect of their relevant responsibilities.

Article 5 (Chairman)

(1) The chairmanship of the Committee shall be jointly held by the following persons:
  1. Minister of the MOFE; and
  2. One member, mutually elected by the members defined in Article 4 (1) 4 through 6;

(2) Each respective co-chairman shall represent the Committee and also supervise its business including convocation of meetings.

(3) In the case that both co-chairmen can not perform their duties due to inevitable reasons, the member designated in advance by the Committee shall assume the acting chairman position.

Article 6 (Tenure of Committee Membership)

(1) The membership tenure of the Committee members defined in Article 4 (1) 4 through 6 (hereinafter referred to as "private sector members") shall be 2 years, and may be re-appointed only one time.

(2) In the case a vacancy in the private sector member position occurs, a new member shall be appointed, and his tenure shall start from the appointment date.

Article 7 (Disqualification of Committee Members)

The persons under the following Paragraphs can not become private sector members.

1. A person who is not a national of the Republic of Korea.
2. A person disqualified for government official posts under Article 33 of the National Public Service Act.
3. A person who had been fined under this Act and other financial related Acts (including foreign financial related Acts) within the past five years.
4. A person who had been dismissed or discharged under this Act and other financial related Acts (including foreign financial related Acts) within the past five years.

Article 8 (Status Guarantee of Committee Members)

(1) The members of the Committee shall not be dismissed or discharged against his/her own will, except in the following two cases.
  1. When the member falls under Article 7 (1).
  2. When the member can not perform his/her duties due to physical and/or mental problem.

(2) When the member is dismissed due to any of the reasons under Paragraph (1), the actions taken by the member prior to such dismissal shall not be nullified.

Article 9 (Quorum)

The meetings of the Committee shall render decisions with approval of more than majority of the attending members.

Article 10 (Establishment of Secretariat Office)

(1) In order to provide assistance to the Committee, a Secretariat Office shall be set up at the MOFE.

(2) Matters regarding the organization and operation of the Secretariat Office shall be defined by the Presidential Decree.

Article 11 (Data Request)

The Committee shall take the following measures, when deemed necessary, in order to perform its duties under Article 3.

1. Request the FSC, KDIC, KAMCO and other related organizations to report to the Committee or forward data and documents.
2. Request stakeholders, relevant persons or related government officials to appear before the Committee and present opinions.
3. On-site examination of related organizations.

Article 12 (Operation)

Other necessary matters regarding operation of the Committee shall be set forth by the Presidential Decree.

CHAPTER III. MANAGEMENT OF PUBLIC FUNDS

Article 13 (Least Cost Principle)

(1) The government, KDIC and KAMCO shall adopt a method that minimizes the injection cost of public fund and maximizes its efficiency.
(2) When the FSC requests the government or KDIC (hereinafter referred to as "the government") for capital injection into an insolvent financial institution or purchase of marketable securities under Article 12 of the Financial Industry Restructuring Act, it shall submit the data to prove compliance with the least cost principle as stated in Paragraph (1), and asset/liabilities due diligence data to the government as prescribed in the Presidential Decree.
(3) The government, KDIC and KAMCO shall file and keep data to prove that public fund was injected based on the least cost principle prescribed in Paragraph (1).
(4) Details such as principle and procedure of least cost method under Paragraphs (1) through (3) shall be prescribed by the Presidential Decree.

Article 14 (Equitable Loss Sharing Principle)

(1) The government shall provide public fund, based on the assumption that parties responsible for the failure of the relevant financial institutions shall share the loss in equal and fair manner.
(2) The government shall provide public fund under two or more installments. However, exceptions may be made, when required by the Presidential Decree, for certain payments such as deposit payoffs.
(3) The government shall provide public fund based on the assumption of self-effort restructuring endeavors of the beneficiary financial institution.
(4) If applicable, the government shall hold the parties responsible for management and supervision of the failed financial institution, accountable and immediately undertake appropriate actions such as damage claim lawsuits in accordance with the related laws and regulations.
(5) Details regarding the criteria and procedure under Paragraph (1) through (4) shall be prescribed by the Presidential Decree.

Article 15 (Reporting to the National Assembly)

(1) The Minister of the MOFE, who is also the chairman of the Committee, shall produce report on the use, reuse after recovery and other operational information in respect of the public fund, and submit it to the National Assembly more than once in every quarter.
(2) The chairman shall appear before the National Assembly, when requested in relation to the report under Paragraph (1), and provide responses to its questions.

Article 16 (Auditing by the Board of Audit and Inspection)

The Board of Audit and Inspection shall conduct audits regarding public fund, under the provisions of the Board of Audit and Inspection Act, and submit the audit report to the National Assembly.

Article 17 (Management Normalization MOU)

(1) When the government would like to inject public fund, it shall enter into a MOU with the public fund recipient institution in respect of its business normalization, as prescribed in the Presidential Decree.
(2) The MOU shall include the items under the following Subparagraphs:
   1. Financial soundness target, as set forth in the Presidential Decree, such as net equity ratio;
   2. Profitability target, as set forth in the Presidential Decree, such as ROA;
   3. Asset quality target, as set forth in the Presidential Decree, such as bad loan ratio;
   4. Detailed implementation plan including human resource, organization and wage restructuring and financing plan, in order to achieve the targets set forth in Subparagraphs 1 through 3;
   5. Consent from the labor union on matters requiring such consent, which are set forth in the implementation plan in Subparagraph 4;
   6. Additional implementation plan such as total labor cost freeze, which shall be undertaken by the relevant financial institution when the targets prescribed in Subparagraphs 1 through 3 are not achieved; and
   7. Other matters prescribed by the Presidential Decree.
(3) The government shall disclose the MOU in Paragraph (1) in electronic and other formats. However, exceptions may be made when required by the Presidential Decree, due to major impact on the management of the relevant financial institution.
(4) The government shall review the implementation status under the MOU on a quarterly basis and report the review results to the Committee.
(5) The government may request the pubic fund recipient financial institution to report on the status of its property/asset, submit data, and relevant person to appear before it to provide testimony on related issues, in order to monitor the MOU implementation status.
(6) The government may request the chief executive of the public fund recipient financial institution to take corrective action against the officers/employees such as their dismissal or suspension from post, or disciplinary action when such officers/employees fall under any of the following Subparagraphs:
   1. Non-compliance to this Act, or regulations, orders, and instructions in respect of this Act;
   2. When the MOU, prescribed in Paragraph (1) is not implemented;
   3. When report or data submitted per request by the KDIC pursuant to this Act or the MOU is found to be falsely made or the submittal is made negligently;
   4. When the officer/employee refuse, interfere or avoid activities conducted by the KDIC pursuant to this Act or the MOU; or
   5. When the officer/employee has negligently implemented the corrective action or disciplinary action mandated by the KDIC.

Article 18 (Entering into MOU with Insolvent Corporation)

(1) When a financial institution that received public fund, pursuant to Article 17 (1), intends to provide fresh capital to an insolvent corporation (designated as such by the Presidential Decree), it shall obtain written consent from the parties related to the restructuring of such corporation and enter into an MOU with the corporation, which incorporates other conditions required by the Presidential Decree.

(2) The details regarding the MOU under Paragraph (1) shall be prescribed by the Presidential Decree.
(3) After signing MOU pursuant to Paragraph (1), the relevant financial institution shall not extend additional loans to the insolvent corporation, when the MOU is not, or is not likely to be implemented.

Article 19 (Disposition of Assets)

(1) The government, KDIC, and KAMCO shall endeavor to minimize the taxpayers' burden by disposing of assets, such as shares of the financial institutions at appropriate price.
(2) In order to review the appropriateness of asset disposal by the government, KDIC, and KAMCO, the Disposal Review Subcommittee (hereinafter referred to as "Subcommittee") shall be established.
(3) The Subcommittee shall report the results of the review, pursuant to Paragraph (2), to the Committee.
(4) The Subcommittee may solicit private sector expert's opinion regarding disposal of assets such as stocks.
(5) Other necessary matters such as composition and operation of the Subcommittee shall be prescribed by the Presidential Decree.

Article 20 (Special Provision for Bankruptcy Procedure)

(1) When a financial institution that received public funds (including insured financial institutions whose contract transfer is confirmed pursuant to the Financial Industry Restructuring Act) such as deposit payoff funds pursuant to the Depositor Protection Act, is dissolved or bankrupt, and efficient recovery of the injected public funds is necessary, the court shall appoint the KDIC or its officer/employee as the liquidator or bankruptcy trustee, notwithstanding Article 531 of the Commercial Code, Article 147 of the Bankruptcy Act and the relevant regulations under the Liquidator or Bankruptcy Trustee Appointment Act.
(2) When the KDIC is appointed as the bankruptcy trustee or liquidator pursuant to Paragraph (1), the provisions of Article 539 (2) of the Commercial Code, Article 157, Article 187, Article 188 of the Bankruptcy Act shall not be applied.

Article 21 (Publication of White Paper)

The Committee shall publish a white paper on the status of public fund management by the end of August every year, as prescribed by the Presidential Decree.

CHAPTER IV. SUPPLEMENTARY PROVISION

Article 22 (Collection of Public Opinion)

(1) The Committee may convene a public hearing or seminar, when deemed necessary, regarding public fund.
(2) The expenses for such public opinion gathering as prescribed in Paragraph (1) may be disbursed within the extent of the Committee's budget.

Article 23 (Payment of Expenses)

The private sector members may be reimbursed for their expenses such as allowance, travel expense and other expenses within the extent of the Committee's budget.

Article 24 (Private Sector Member Deemed as Government Official in Respect of Punitive Provisions)

Private sector member shall be deemed as a government official, when a punishment is to be imposed, under the Criminal Code and other laws.

ADDENDA

Article 1 (Enforcement Date)

This Act shall enter into force on the date of its promulgation.

Article 2 (Application Period of Special Provisions on Bankruptcy Procedure)

The special provision to bankruptcy procedure in Article 20 shall remain valid for 5 years from the effective date of this Act. However, regarding bankruptcy trustee or liquidator appointed by court under Article 20, the provision shall remain effective until the expiry of the bankruptcy or liquidation proceedings of the relevant bankruptcy or liquidation foundation.

Article 3 (Interim Measures for Special Provision to Bankruptcy Procedure)

When it is necessary to achieve efficient public fund recovery, the court shall additionally appoint the KDIC or its officer/employee as liquidator or bankruptcy trustee within 3 months from the effective date of this Act for the insured financial institution whose liquidation or bankruptcy proceedings has already been in progress as on the effective date of this Act.

ENFORCEMENT DECREE OF THE PUBLIC FUND OVERSIGHT SPECIAL ACT

Enacted by Presidential Decree Number 17127, Feb. 14, 2001

Article 1 (Purpose)

The purpose of this decree is to prescribe the authorities assigned by the Public Fund Oversight Special Act and necessary enforcement regulations.

Article 2 (Responsibilities of the Committee)

The "matters determined by the Presidential Decree" under Article 2, Paragraph (3), Subparagraph 9 refers to the matters with respect to the publication of Public Fund White Paper described under Article 21 of the Act.

Article 3 (Convocation of the Committee)

Pursuant to Article 5, Paragraph (2) of the Act, when the chairman of the Public Fund Oversight Committee (hereinafter referred to as "the Committee") wants to convene a meeting of the Committee, he shall determine and inform the Committee members of the time, place, and the agenda of the meeting in writing at least seven days before the meeting, except for emergency convocations.

Article 4 (Requesting Reports from Related Government Agencies, etc.)

(1) Pursuant to Article 11, Paragraph (1), when the Committee requests related government agencies to submit reports or documents, it shall provide the desired information and submission deadline or timeframe in writing.
(2) Pursuant to Article 11, Paragraph (2), when the Committee mandates appearance of or submission of opinion by stakeholders, witnesses, or relevant civil servants, it shall inform the person(s) of the desired action in writing at least seven days before the meeting.
(3) The stakeholders, witnesses, or relevant civil servants who received a request for action pursuant to Paragraph (2) may appear before the Committee and provide opinions or submit written opinion to the Committee at least one day before the meeting.
(4) When the Committee performs an actual investigation in respect of a related government agency pursuant to Article 11, Paragraph (3) of the Act, the Committee shall inform the agency in writing the purpose and location of the investigation and identification information pertaining to the investigator except for emergency situations or for a case where disclosure of such information could impede the purpose of the investigation.
(5) The person who conducts an actual investigation of a related government agency pursuant to Article 4 shall carry a proof of investigation authority and show it to relevant persons.

Article 5 (Operation Regulation)

Any regulation deemed necessary for the operation of the Committee other than those prescribed by this Decree shall be deliberated by the Committee and determined by the chairman.

Article 6 (Lease Cost Principle)

(1) When the government or the Korea Deposit Insurance Corporation created pursuant to the Depositor Protection Act (hereinafter referred to as "Korea Deposit Insurance Corporation") provides public fund assistance in accordance with Article 13, Paragraph (1) of the Act, it shall do so in consideration of each of the following Subparagraphs to minimize the injection cost public funds.
    1. In respect of a financial institution receiving public fund assistance, if the Committee deems that bankruptcy or liquidation of the financial institution has a real potential to threaten the stability of the financial system considering the customer pool and market share of the institutions – the loss to the national economy that may be caused by such problem.
    2. Whether or not the relevant public fund provision method would yield the least cost "X" when X= required public fund amount –

expected recovery amount.

(2) The report submitted by the Financial Supervisory Committee, the Government, or the KDIC (hereinafter referred to as "the government") in accordance with Article 13, Paragraph (2) of the Act, shall include the items prescribed under each of the following Subparagraphs:
  1. Document (information) proving the participation in the equity ownership of the insolvent financial institution or purchase of securities is appropriately in line with the least cost principle prescribed under Paragraph (1).
  2. Most recent due diligence report of the insolvent financial institution.

Article 7 (Exceptions to Parcel Assistance Provision)

The phrase "when required by the Presidential Decree" under Article 14, Paragraph (2) of the Act refers to circumstances prescribed under each of the following Subparagraphs:

1. When insurance money or advance insurance money payment is made pursuant to Article 31, Paragraph (1) or Paragraph (2) of the Depositor Protection Act, or pursuant to Article 35-2 of the same Act;
2. When providing pubic fund support to a resolution financial institution established pursuant to Article 36-3 of the Depositor Protection Act;
3. When providing financial support pursuant to Article 38, Paragraph (1), Subparagraph 1 of the Depositor Protection Act except for the case that the support recipient is an insolvent financial institution or is at risk of insolvency according to the Depositor Protection Act (hereinafter referred to as "insolvent financial institution");
4. When providing public fund assistance by way of purchasing the recipient financial institution equity;
5. When providing public fund assistance to the Korea Development Bank – established pursuant to the Korea Development Bank Act, the Export-Import Bank of Korea – established pursuant to the Export-Import Bank of Korea Act, or the Industrial Bank of Korea – established pursuant to the Industrial Bank of Korea Act by way of purchasing their equity, in accordance with the Public Property In-Kind Investment Act;
6. When providing public fund assistance to make up for net asset deficit (Refers to the difference when the total liabilities exceed the total assets) of a financial institution;
7. When providing pubic fund assistance, pursuant to Article 10, Paragraph (1) or Article 12, Paragraph (3) of the Financial Industry Restructuring Act, to prevent the recipient's capital adequacy ratio from falling below the minimum required level set out by Article 329, Paragraph (1) of the Commercial Act in the event of capital reduction, retirement of a portion or all shares, or consolidation of shares; and
8. When providing pubic fund assistance via the Committee's resolution in the case that public fund assistance provision is deemed inevitable to maintain stability of the financial system.

Article 8 (Operation Normalization Memorandum of Understanding)

(1) When the government wants to provide public fund assistance to a financial institution pursuant to Article 17, Paragraph (1) of the Act, a memorandum of understanding aiming to normalize the operation of the recipient institution must be entered into prior to the actual provision of public fund assistance except for the cases that fall under Article 7 of the Act (precluding Subparagraph 6) with an announcement of such exception by the Minister of the Ministry of Finance and Economy.

(2) The phrase "financial soundness target, as set forth in the Presidential Decree" of Article 17, Paragraph (2), Subparagraph 1 of the Act refers to the financial soundness standard set forth within the law which facilitate the establishment of the relevant financial institutions, which is determined by the Financial Supervisory Commission.

(3) The phrase "profitability target, as set forth in the Presidential Decree" of Article 17, Paragraph (2), Subparagraph 2 of the Act refers to each of the following Subparagraphs:
  1. The ratio of profits versus the assets or the capital of the financial institution;
  2. The ratio of profits versus the expenses of the financial institution; and
  3. The per capita productivity of each employee/officer of the financial institution.

(4) The phrase "Asset quality target, as set forth in the

Presidential Decree" of Article 17, Paragraph (2), Subparagraph 3 of the Act refers to the ratio of nonperforming loans versus total loans of the financial institution.

Article 9 (Non-disclosure of MOU Terms)

The phrase "exceptions may be made when required by the Presidential Decree" of Article 17, Paragraph (3) of the Act refers to each of the following Subparagraphs:
1. Issues relating to issuance of stocks, debentures, or securities;
2. Issues relating to sale of assets such as real estate, debentures, etc.; and
3. Issues relating to the method of operation normalization.

Article 10 (Scope of Applicable MOU Counterparty-Corporations)

(1) The term "insolvent corporation (designated as such by the Presidential Decree)" of Article 18, Paragraph (1) of the Act refers to a corporation whose total liabilities with respect to financial institutions exceed 50 billion won and whose liabilities with respect to public fund assistance recipient financial institution (precluding the financial institutions of which the KDIC owns less than 50/100 of the total outstanding voting shares) exceeds 10 billion won and falls under each of the following Subparagraphs:
   1. A corporation that has revival potential and is trying to come up with a corporate improvement plan through negotiations and adjustments with the creditor financial institution despite financial difficulties;
   2. A corporation approved for workout procedures pursuant to the Composition Act; and
   3. A corporation approved for corporate reorganization pursuant to the Corporation Reorganization Act.

(2) The phrase "other conditions required by the Presidential Decree" of Article 18, Paragraph (1) of the Act refers to issues related to the restructuring plan of the relevant insolvent corporation.

(3) The financial institution that enters into a written memorandum of understanding with a corporation pursuant to Article 18, Paragraph (1) of the Act may enter into a written memorandum of understanding conjointly with a financial institution that newly provides financial support to the same corporation.

Article 11 (Organization of Disposal Review Subcommittee)

(1) The Disposal Review Subcommittee (hereinafter referred to as "Subcommittee") established pursuant to Article 19, Paragraph (2) of the Act shall be made up of the persons falling under each of the following Subparagraphs:
   1. A person mutually elected among the committee members prescribed under Article 4, Paragraph (1), Subparagraph 4 through Subparagraph 6 of the Act;
   2. The head of the Secretariat Office established pursuant to Article 10, Paragraph (1) of the Act;
   3. A person who is knowledgeable and experienced in sale of assets – commissioned by the chairman of the Committee.

(2) The chairman of the Subcommittee shall be a person prescribed under Paragraph (1), Subparagraph 1.

(3) Matters necessary for the operation of the Subcommittee that are not prescribed under this Decree shall be determined by the chairman of the Subcommittee following deliberation and voting by the Subcommittee.

Article 12 (Publication of White Paper)

The white paper published by the Committee pursuant to Article 21 of the Act shall include details of public fund assistance provisions and recoveries.

Addendum

This Decree shall enter into force on the date of its promulgation.

Commented [kdic1]: must talk about singular or plurality of the 10 billion won liability holding FI.

Commented [kdic2]: 도모한 기업???

Commented [kdic3]: Workout or reconciliation "Composition Law"??

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A-VI. Statistics

1. Number of Insured Financial Institutions

Financial Sector	End of 1999	End of 2000	End of June 2001	End of Sep. 2001	End of Dec. 2001
Banks	112	108	108	109	105[1)]
Securities Companies	54	62	63	63	62
Insurance Companies	45	39	39	37	40
(Life Insurance)	(29)	(23)	(23)	(21)	(22)
(Non-life Insurance)	(16)	(16)	(16)	(16)	(18)
Merchant Banks	10	6	4	4	3
Mutual Savings and Finance Companies	186	147	125	125	121
Credit Unions	1,423	1,317	1,280	1,274	1,268
Total	**1,830**	**1,679**	**1,619**	**1,612**	**1,599**

1) Includes 43 regional fisheries cooperatives that conduct credit businesses.

2. Insured Deposits per Financial Sector

(Unit: billion won)

Sector	End of 1999	End of 2000	End of June 2001	End of Sep. 2001	End of Dec. 2001
Banks	436,576	506,275	390,494	410,270	422,267
Securities Companies	13,194	7,374	9,254	9,628	9,628[1)]
Insurance Companies	116,131	130,070	130,918	134,986	133,208
Merchant Banks	16,738	6,556	3,968	4,292	2,223
MSFCs	22,635	18,803	18,299	19,144	19,764
Credit Unions	18,477	19,208	20,589	21,126	21,563
Total	**623,751**	**688,286**	**573,522**	**599,446**	**608,653**

Note: The figures are the balance as at the close of the last business day in each year.

3. Premium Revenues

(Unit: billion won)

Financial Sector		Prior to 1999[1)]	1999	2000	2001	Total
Banks		161.3	197.5	263.0	413.9	1,035.7
Securities Companies		-	5.1	15.6	21.8	42.5
Insurance Companies		232.2	126.0	178.1	241.6	777.9
	(Life Insurance)	(180.0)	(101.1)	(140.2)	(193.8)	(615.1)
	(Non-life Insurance)	(52.2)	(24.9)	(37.9)	(47.8)	(162.8)
Merchant Banks		98.0	33.6	23.3	13.9	168.8
Mutual Savings and Finance Companies		240.7	37.7	32.3	52.9	363.6
Credit Unions		40.2	16.2	28.1	40.7	125.2
Total		**772.4**	**416.1**	**540.4**	**784.8[2)]**	**2,513.7**

1) The insurance premium revenue for 1998 is inclusive of the applicable funds transferred from the Insurance Supervisory Board, Korea Non-Deposit Insurance Corporation, National Federation of Credit Unions on April 1, 1998 as result of the consolidation of the funds into the Deposit Insurance Fund in the beginning of 1998 with the exception of the Securities Investor Protection Fund which was dismantled subsequent to the consolidation.

2) Includes bankruptcy dividends received with respect to claim right assigned debentures in respect of unpaid insurance premiums.

4. Status of Deposit Insurance Fund Bond Issuance *As of December 31, 2001*

(Unit: billion won)

Financial Sector		1998	1999	2000	2001	Total
Banks		12,065.0	15,859.1	6,030.7	7,761.7	41,716.5
Securities Companies		14.1	0.3	0	3,218.5	3,232.9
Insurance Companies		1,153.4	4,210.0	1,000.0	9,208.9	15,572.3
	(Life Insurance)	(1,153.4)	(4,142.2)	0	(2,412.0)	(7,707.6)
	(Non-life Insurance)	0	(67.8)	(1,000.0)	(6,796.9)	(7,864.7)
Merchant Banks		5,827.2	0	1,260.0	7,334.2	14,421.4
Mutual Savings and Finance Companies		1,508.5	1,597.7	650.0	3,333.2	7,089.4
Credit Unions		446.8	817.9	0	202.8	1,467.5
Total		**21,015.0**	**22,485.0**	**8,940.7**	**31,059.3**	**83,500.0**

Note: All of the 43.5 trillion won in Deposit Insurance Fund Bonds, for which the National Assembly's payment guarantees were obtained between 1998 and 1999 has been fully issued. The National Assembly's payment guarantee for an additional 40 trillion won has been obtained in 2000.

5. Status of the Public Fund Provision *As of December 31, 2001*

(Unit: billion won)

Sector	Equity Participation	Contribution	Deposit Payoff	Asset Acquisition	Loan	Total
Banks	22,137.7 (1.8)[1]	13,625.7 (1.3)	0	8,884.9 (0.8)	0	44,648.3 (2.0)
Securities Companies	4,900.0 (0.2)	0	14.4 (0.4)	0	0	4,914.4 (0.6)
Insurance Companies	15,919.7 (0.9)	2,588.8 (1.0)	0	344.7 (0.4)	0	18,853.2 (1.7)
(Life Insurance)	5,669.7 (0.7)	2,550.8 (0.9)	0	344.7 (0.4)	0	8,565.2 (1.5)
(Non-life Insurance)	10,250.0 (0.1)	38.0 (0.1)	0	0	0	10,288.0 (0.2)
Merchant Banks	2,705.2 (0.7)	0	17,194.9 (1.8)	0	1,291.7 (1.4)	21,191.8 (2.9)
Mutual Savings and Finance Companies	10.1 (0.2)	77.2 (1.0)	6,501.5 (6.2)	0	853.3 (1.9)	7,442.1 (8.4)
Credit Unions	0	0	2,049.1 (18.8)	0	36.7 (3.9)	2,085.8 (21.2)
Total[2]	**45,672.7 (3.8)**	**16,291.7 (3.3)**	**25,759.9 (27.2)**	**9,229.6 (1.2)**	**2,181.7 (7.2)**	**99,135.6 (36.8)**

1) Figures in the parentheses represent the number of financial institutions (Institutions that received multiple public fund injections (i.e. the five-acquirer banks received both capital injection and contribution) are counted as one institution).
2) Includes 1,606.9 billion won of public fund support provided prior to the consolidation under the KDIC.

6. Recovery Performance per Each Type of the Public Fund Provisions

As of December 31, 2001

(Unit: billion won)

Sector	Equity Participation	Bankruptcy Estate Dividends, etc.[1]	Asset Sale[2]	Reimbursement of Loans[3]	Total
Banks	3,714.9	1,302.9	3,388.3	0	8,406.1
Securities Companies	0	5.9	0	0	5.9
Insurance Companies	26.9	126.7	97.8	0	251.4
Merchant Banks	0	4,638.8	0	1,101.5	5,740.3
MSFCs	0	334.6	0	54.1	388.7
Credit Unions	0	756.2	0	36.3	792.5
Total[4]	**3,741.8**	**7,165.1**	**3,486.1**	**1,191.9**	**15,584.9**

1) Included recoveries made by the resolution financial institutions (Hanareum Banking Corporation and Hanareum Mutual Savings and Finance Company).
2) Included recoveries made through the sale of assets initially acquired by the Resolution and Finance Corporation.
3) The loan reimbursements from the resolution financial institutions to the KDIC are included in Asset Sale and Bankruptcy Estate Dividends.
4) Includes 1,156.7 billion won of public funds recovered prior to the consolidation of protection funds under the KDIC's Deposit Insurance Fund.

7. Detailed Status of the Public Fund Injection (Aggregate Amount Basis)

As of December 31, 2001 (Unit: billion won)

Injection Type		Recipient Institution	Amount
Equity Participation		Seoul Bank	4,680.9
		Korea First Bank (KFB)	4,958.6
		Hanvit Bank	6,028.6
		The five acquirer banks	1,192.3
		Hana Bank (Merger: Hana Bank and Boram Bank)	329.5
		Cho Hung Bank	2,717.9
		Peace Bank	493.0
		Kyungnam Bank	259.0
		Kwangju Bank	170.4
		Cheju Bank	53.1
		Fisheries Cooperatives	1,158.1
		Agricultural Cooperatives	96.2
		Hanareum Banking Corporation	30.0
		Chungsol Merchant Bank	12.1
		Hanaro Merchant Bank	2,491.2
		Hans Korea Joongang Merchant Bank	0.15
		Youngnam Merchant Bank	171.7
		New Choongbuk MSFC	10.0
		Hanareum Mutual Savings and Finance Company	0.1
		Seoul Guarantee Insurance Company	10,250.0
		Korea Life Insurance Company	3,550.0
		Kookmin, Taepyongyang, Doowon, Dong-ah, Handuck, Chosun Life Insurance Companies	2,119.7
		Korea Investment Trust Co. Ltd.	3,000.0
		Daehan Investment Trust Securities Co., Ltd.	1,900.0
		Resolution and Finance Corporation	0.1
		Daehan Fire Insurance Company	0.05
		Sub Total	**45,672.7**
Contribution		The five acquirer banks including Kookmin Bank	9,701.1
		The six banks including Hanvit Bank	2,967.7
		Agricultural Cooperatives	87.0
		The four acquirer insurance companies including Samsung	1,164.1
		Korea First Bank	869.9
		Korea, Hyundai, Kumho, Dongyang and SK Life insurance companies	1,386.7
		The ten MSFCs including Boomin MSFC.	77.2
		Daehan Fire Insurance Company	38.0
		Sub Total	**16,291.7**
Insurance Claim Payments	Direct	188 Credit Unions	2,049.1
		4 Securities Companies	14.4
		4 MSFCs	445.8
	Through RFIs	HBC (in resolving 18 merchant banks)	14,026.8
		HMSF (in resolving 18 merchant banks)[1]	3,168.1
		HMSF (in resolving 59 MSFCs.)	6,055.7
		Sub Total	**25,759.9**
Asset Purchases	Direct	KFB (BW)	91.1
		KFB (Shares of KFB's Vietnam and New York subsidiaries)	16.5
		Korea Development Bank (KDB)	1,300.0
		Industrial Bank of Korea (IBK)	600.0
	Through RFIs	The five acquirer banks including Kookmin	158.8
		KFB	6,718.5
		Dong-ah, Kookmin, Taepyongyang, SK life insurance companies	344.7
		Sub Total	**9,229.6**
Loan		To 14 merchant banks	1,291.7
		To 19 MSFCs.	853.3
		To 39 credit unions	36.7
		Sub Total	**2,181.7**
Aggregate Total[2]			**99,135.6**

1) The subrogation deposit payoff payment of HBC made through HMSF upon liquidation of HBC in December 2001.
2) Includes 1,606.9 billion won provided prior to the consolidation of protection funds under the KDIC's Deposit Insurance Fund.

8. Recovery of Public Funds per Year

(Unit: billion won)

Year		Amount
1998		**1,008.4**
1999		**4,308.8**
2000		**6,106.9**
2001		**4,160.8**[1]
	January	564.8
	February	90.6
	March	123.1
	April	150.3
	May	175.9
	June	214.7
	July	300.2
	August	371.8
	September	276.2
	October	368.5
	November	146.6
	December	1,378.1
Total[2]		**15,584.9**

1) Claim right assigned debentures in respect of unpaid insurance premiums are excluded from the recovery calculation since they are treated as earnings.
2) Includes 1,156.7 billion won of public funds recovered prior to the consolidation of protection funds under the KDIC's Deposit Insurance Fund.