

Annual Report 2002

KDIC



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Chairman's Statement

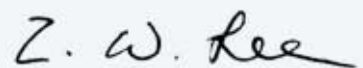
The year 2002 witnessed deterioration in economic conditions both at home and abroad, worldwide recession and possibility of a U.S.-Iraq war. Nevertheless, the Korean economy, fueled by strong domestic demand and exports, was able to maintain sound growth throughout the year. However, the financial markets did experience downturns in interest rates and stock prices, while major indices were generally unstable as they fluctuated sharply in response to internal and external economic situations.

Under such uncertainty and volatility, the Korea Deposit Insurance Corporation ("Corporation") faithfully carried out its role as a financial safety net, promoting stability and lending comprehensive support to the financial restructuring process. We successfully completed the sales of Seoul Bank and Korea Life Insurance, both of which we held a 100% stake in. We also reimbursed the depositors of 148 insolvent financial institutions, including 115 credit unions suspended from operations in November 4, 2002. In addition, a variety of measures were taken to maximize the recovery of public funds. These included expanding the scope of investigation into insolvent financial institutions and default debtors and filing damage claims. A major achievement of the past year include investigations conducted by the Corporation's internal "Special Investigation Mission for Default Debtor Corporations," set up in December 2001. Incumbent and former officers of forty-two default debtor corporations were investigated and were held accountable for possible illegal actions, with preservation measures for claim rights taken.

We successfully completed the sales of Seoul Bank and Korea Life Insurance, both of which we held a 100% stake. We also reimbursed depositors of 148 insolvent financial institutions, including 115 credit unions suspended from operations in November 4, 2002.

The Corporation's 2002 Annual Report outlines such events as well as the KDIC's other major operations during 2002, including mobilization of the Deposit Insurance Fund, the provision and recovery of public funds for the resolution of insolvent financial institutions, as well as risk assessment of insured financial institutions. This report also contains applicable laws and statistics related to the Korean deposit insurance system.

It is our sincere hope that this Annual Report will serve in strengthening the public's trust in the KDIC and in our endeavors. I look forward to your continued support and encouragement, as we carry out our responsibilities for managing public funds in a transparent and efficient manner, protecting depositors and contributing to the stability of the nation's financial system.



In-Won Lee
President and Chairman

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Chapter 1. The Financial Markets

1. Introduction

Despite the delayed recovery of major economies around the world particularly in the U.S. and Japan, the uncovering of accounting fraud at major American corporations, and the dragging global recession prolonged by factors such as a looming U.S.-Iraq war, the Korean economy still managed to overcome sluggish performance of the past year and record sound economic growth in 2002. This rebound was fueled by strong domestic demand driven by increased household lending and an improved trade environment.

In contrast to the real economy, however, the financial markets experienced an overall depression. Due to a surplus in the current account and a continuous inflow of foreign investment, the won/dollar rate plummeted after the second quarter, at one point reaching as low as 1,160 won to the dollar. Interest rates steadily decreased after the second quarter, affected by plentiful liquidity, a drop in stock prices at home and abroad and a worldwide lull in interest rates.

Government bond (3-year maturity) yields stood at 5.13%, a 0.78% drop from 5.91% from the end of 2001. Stock prices continued its upward movement, a trend that started at the end of 2001, but began to shift downward in April when external

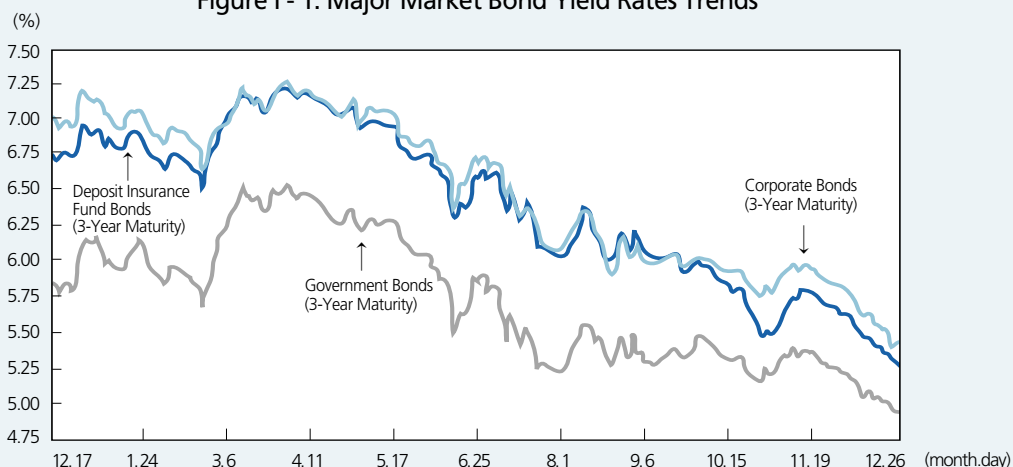
conditions - such as the possibility of a U.S.-Iraq war and high oil prices - worsened. As a result, the Korea Composite Stock Price Index ("KOSPI") dropped by 9.5%, from 693.7 at the end of 2001 to 627.6. Meanwhile, dimmer prospects for economic recovery in the U.S. and its increasing current account deficit and the possibility of a U.S.-Iraq war weakened the dollar, and as a result, the won/dollar rate dropped by 127.3 won, from 1,313.5 won at end of 2001 to 1,186.2 won.

2. Bond Market

Key market bond yields (interest rates) continued to decline, despite the steady domestic recovery of the real economy. This was primarily attributable to falling domestic and international stock prices, the cutting of interest rates by the U.S. Federal Reserve Board ("FRB"), and the overall lowering of interest rates worldwide. Although interest rates showed a slight increase when the Korean economy temporarily picked up in March, the continued decline of exchange rates since late April and the deflated domestic and foreign stock markets caused bond yields to decline in tandem with stock prices until September, a trend that continued until the end of the year.

Bond interest rates, which moved downward early in the year on the heels of a strong buying trend in the market and a reduction in the volume of government bond issuances,

Figure I - 1. Major Market Bond Yield Rates Trends



I. Overview

declined further due to ample liquidity in the market and stabilized consumer prices till the end of February. Interest rates temporarily increased in March when there were expectations of economic recovery at home and abroad, and when the Bank of Korea raised its call rates. Interest rates, however, resumed a downward trend that continued until early July. Exchange rates were also in decline after April as interest rates dropped in the U.S. and other major countries.

There was a short-lived upturn during July when growth forecasts were revised upward, with the market generally believing that interest rates had bottomed out. However, interest rates dropped again and continued to fluctuate until September, because of volatility in the U.S. financial markets, concerns over the possibility of a double dip in the world economy, and the decline of raw and intermediate material prices.

By mid-November, market interest rates increased slightly as domestic and foreign stock prices started to go up. U.S. Treasury bond yields increased, and major economic indicators including industrial output and exports all showed positive signs. The North Korean nuclear issue and other events, however, continued to increase the level of global uncertainty overshadowing the nation's economic conditions as the bond supply shrunk and bond yields subsequently dropped again.

As of the end of December 2002, government bond yields (3-year maturity) were at 5.13% with corporate bond yields (3-year maturity) at 5.69%, a 0.78% and 1.35% decrease, respectively, compared to last year's yields of 5.91% for government bonds and 7.04% for corporate bonds.

3. Stock Market

Active domestic demand, construction project-related investments and expectations of an early economic recovery led to an upturn in stock prices until mid-April. This upswing quickly declined when the external environment deteriorated and domestic and foreign economic forecasts became bleak, with a downward trend persisting until early October. In mid-October, the market started to recover but dropped again in December when the possibility of a U.S.-led war in Iraq became more probable, a situation further exacerbated by the resurgence of the North Korean nuclear issue.

The stock market started out slow in 2002 due to the slow recovery of domestic and foreign economic indicators and the delays in corporate restructuring, but maintained the upward trend that started after October of 2001. The market experienced a downturn in tandem with the U.S. stock market upon revelation of accounting fraud at Enron Corp. among others. Recovery occurred, however, as negotiations

Figure I - 2. KOSPI and KOSDAQ Trends



I. Overview

for the overseas sales of Daewoo Motor Co. and Hynix Semiconductor showed progress and Moody's upgraded Korea's sovereign rating by two notches. As a result, the KOSPI recorded a yearly high of 937.6 in mid-April.

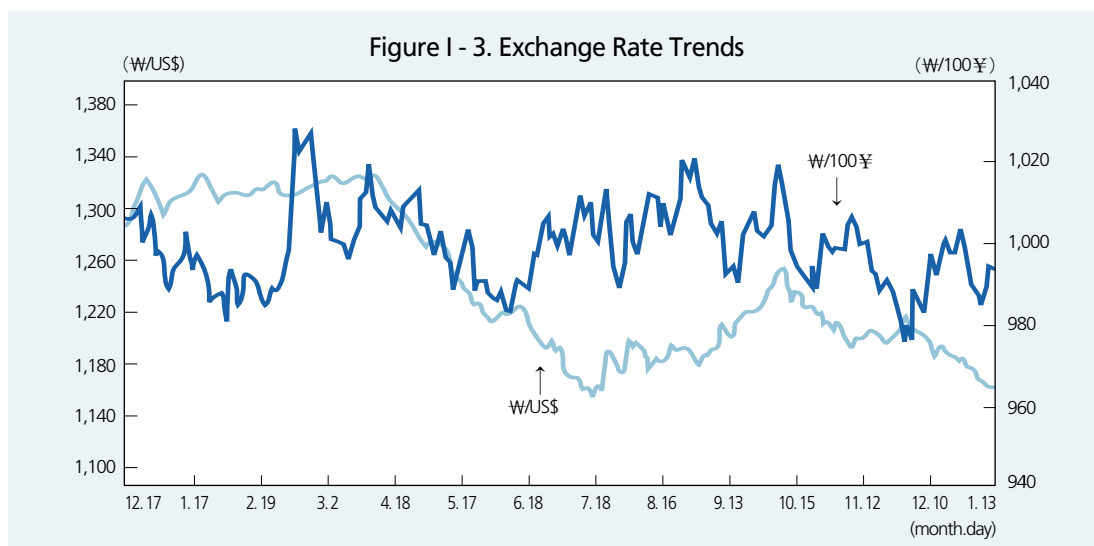
After mid-April, however, domestic stock prices began declining as global conditions worsened with tumbling stock prices in the U.S. and other major markets, climbing oil prices worldwide, falling semiconductor prices and growing concerns over delays in the recovery of the global economy. Stock prices at home dropped even further in June due to increases in available shares, especially when KT, Korea Tobacco and Ginseng Corporation and Woori Financial Group issued additional shares for privatization, and continued to decline as oil prices surged in August over fears of a U.S. strike on Iraq.

Stock prices sustained a short period of upward momentum after mid-October when U.S. stock prices rebounded and the inflow of foreign capital resumed. The possibility of a U.S.-Iraq war and North Korea's nuclear issue, however, led to a resumption of downward movement, with the KOSPI closing at 627.6 at the end of December, down 9.5% from 693.7 at the end of 2001. Meanwhile, the KOSDAQ index moved mostly in tandem with KOSPI, but showed a bigger fall by closing at 44.4 - a 38.6% drop from 72.2 at the end of 2001.

4. Foreign Exchange Market

The foreign exchange market opened in 2002 with the won/dollar rate standing at a relatively high level (1,300 won). The won/dollar rate, however, declined dramatically in the second quarter with the foreign currency supply remaining at a high level and the won/dollar rate moving in tandem with the yen/dollar rate. Subsequently, the won/dollar rate increased slightly until October, yet a strong won was the prevailing trend until the end of the year as uncertainties in the U.S. economy kept the dollar at bay.

The won/dollar rate increased slightly in the first quarter as a result of foreign investors' selling off positions in Korean stocks and an increase in demand for settlement from oil companies. However, upgrading of Korea's sovereign rating by Moody's Investors Service ("Moody's") put an end to the upward movement, and the rate hovered around 1,320 won level. In early April, the outflow of foreigners' portfolio investment funds and the weak yen pushed the rate up to the year's highest 1,332.0 won. Soon afterwards, the dollar weakened again as a result of a bigger U.S. current account deficit and the exposure of more corporate accounting frauds. A weak dollar, combined with the strong performance of Korean exports brought down the won/dollar rate to the lowest level of the year on July 22 when it dropped to 1,165.6 won.



However, in late July, the Japanese government's desire to resuscitate its economy and improve the price competitiveness of its exports worldwide, led to a drive by that government to weaken the yen through market intervention, thereby lowering export prices for Japanese goods overseas. This resulted in a 3-month lull in yen and euro exchange rates against the dollar. Accordingly, Korea's current account surplus decreased as imports increased, as the won/dollar rate began rising. This trend lasted only until the first half of October though, after which the yen strengthened yet again and an influx of foreign investment funds led to another fall in the won/dollar rate. By the latter half of December, the dollar had weakened sharply in the international financial markets as a U.S.-led war with Iraq became imminent, and as the won/dollar rate closed at 1,186.2 won, representing a 9.7% drop from 1,313.5 won as of the end of 2001.

Despite the Japanese government's efforts to weaken the yen and a slowdown in the restructuring process, the yen/dollar rate decreased by a large margin as investors in the U.S. became apprehensive about an increasing U.S. current account deficit and the possibility of war with Iraq. The won/yen rate stayed at the policy guideline level as the two currencies moved in tandem due to the fact that the products of both countries were vying against each other for increased market share in the global export market. The won/yen rate started out at 997.4 won to 100 yen early in the year, went through a few wide fluctuations in March, repeated small fluctuations, then finally ended the year at 999.9 won to 100 yen, an 8.3% decline from the end of 2001.

Chapter 2. Deposit Insurance

Korea currently implements a partial deposit protection system providing limited coverage up to 50 million won per depositor. The financial institutions eligible for protection under the Depositor Protection Act (DPA) include six areas of business: banks, securities companies, insurance companies, merchant banks, mutual savings banks ("MSBs") and credit unions.

The aggregate amount of insured deposits as of the end of 2002 by type of institution totaled 465 trillion won in banks, 101 trillion won in insurance companies, and 22 trillion won in MSBs, representing a 10.1%, 6.1%, 13.0% respective increase over the end of last year. On the other hand, securities companies, merchant banks and credit unions' insured deposits decreased by 3.1%, 13.6% and 15.9%, respectively. In aggregate, insured deposits increased by 8.2% since the end of last year.

The total number of insured financial institutions in Korea by year-end 2002 stood at 1,555. By type, this number included one hundred commercial banks (including forty domestic branch offices of foreign banks and forty-two regional fisheries cooperatives that engage in the credit business), sixty securities companies, forty-three insurance companies, three merchant banks, 116 mutual savings banks ("MSBs") and 1,233 credit unions.

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 2002, six financial sectors under the Korea Deposit Insurance Corporation's ("KDIC") protection paid a total of 877.8 billion won in premiums.

Insurance claim payments made by the Corporation amounted to 28,137.6 billion won as of the end of 2002. Of this, the total of 2,377.7 billion won worth of payments made during 2002 comprised 771.6 billion won for mutual savings banks, and 1606.1 billion won for credit unions.

I. Overview

Table I - 1. Insured Deposit Movements by Financial Sector

As of the end of year

(Unit: billion won, %)

Type	Dec. 2000	Dec. 2001 (A)	Dec. 2002 (B)	Change(B-A) (CHANGE RATE)
Banks	506,275	422,267	465,043	42,776 (10.1)
Securities Companies	7,374	11,230	10,881	△349 (△3.1)
Insurance Companies	95,023	94,747	100,501	5,754 (6.1)
Merchant Banks	6,556	2,223	1,920	△303 (△13.6)
MSBs	18,803	19,764	22,336	2,572 (13.0)
Credit Unions	19,208	21,563	18,134	△3,429 (△15.9)
Total	653,239	571,794	618,815	47,021 (8.2)

- 1) Deposits with insurance companies and securities companies include funds held by public institutions such as government and financial institutions, whose deposits are not covered by Deposit insurance.
- 2) In the case of banks, it included CD, RP, foreign currency deposits, development trusts, household money trusts, corporate money trusts, target oriented reserve trusts, household long-term money trusts, money trusts for workers, special installment money trusts, unit money trusts, supplement money trusts, specified money trusts, and other money trusts until Dec. 31, 2000.
- 3) Deposit insurance premium assessment base for insured deposits of insurance industry is (Premium Revenue + Reserve for Policy Termination) X 1/2. Seoul Guarantee Insurance Company is excluded from 2001.

Table I - 2. Number of Financial Institutions Insured¹⁾

Type	End of Dec. 2000	End of Dec. 2001	End of June 2002	End of Sept. 2002	End of Dec. 2002
Banks	108	105	102	102	100
Domestic	(21)	(20)	(19)	(19)	(18)
Foreign	(43)	(42)	(41)	(41)	(40)
Fisheries Cooperatives	(44)	(43)	(42)	(42)	(42)
Securities Companies	62	62	60	59	60
Insurance Companies	39	40	41	41	43
Life	(23)	(22)	(22)	(22)	(23)
Non-Life	(16)	(18)	(19)	(19)	(20)
Merchant Banks	6	3	3	3	3
MSBs	147	121	117	116	116
Credit Unions	1,317	1,268	1,252	1,242	1,233
Total	1,679	1,599	1,575	1,563	1,555

- 1) The number of insured financial institutions is on the basis of business operation date and business license revocation date.

Chapter 3. Financial 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 following the financial crisis, which placed emphasis on the easing of the corporate sector credit crunch and restoration of the financial system. It was ultimately successful in reducing 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 made 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 from 2000. Additional restructuring of banks and non-bank financial institutions came to be viewed as inevitable moreover, especially in the wake of the insolvency and collapse of the Daewoo Group in 1999. 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 boost its financial sector reforms while at the same time, 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 followed by public funds worth of 64 trillion won procured in 1998.

Table I - 3. Financial Restructuring Progress

Between December 1997 and December 2002

Financial Sector	Number of Companies, Year-end 1997 (A)	Restructuring Status					Newly Opened	Current Total
		No. of License Revocations	No. of Mergers	No. of Liquidations, Transfers to Bridge Banks, and/or Suspensions of Operations	Total (B)	Change (B/A, %)		
Banks	33	5	10	-	15	45.5	1	1
Securities Companies	36	5	3	1	9	25.0	17	44
Insurance Companies	50	8	6	2	16	32.0	12	46
Merchant Banks	30	18	6	4	28	93.3	1	3
ITCs	30	6	1	-	7	23.3	8	31
MSBs	231	74	27	26	127	55.0	12	116
Credit Unions	1,666	2	105	335	442	26.5	9	1,233
Lease Companies	25	9	2	-	11	44.0	4	18
Total	2,101	127	160	368	655	31.2	64	1,510

Notes: Includes financial institutions that are not covered by deposit insurance and excludes foreign institutions (branch offices, etc.).

Source: Public Fund Oversight Committee

I. Overview

The second phase reforms were implemented with an 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.

As a result of these restructuring efforts, 655 financial institutions including leasing corporations were dissolved. This represents approximately 31.2% of all financial institutions nationwide. By 2002 year-end, there were 1,510 financial institutions remaining in operation in Korea. Fifteen out of thirty-three banks underwent the resolution process at the end of 1997 through business license revocations or mergers. Twenty-eight merchant banks, 93.3% of the total, exited the market in late 1997, leaving only two banks behind while a new merchant bank entered the market during that period. As for mutual savings banks and credit unions, 55% and 26.5% of the total (127 and 442, respectively) have been forced to shut down their operations.

Meanwhile, the total amount of public funds disbursed for restructuring stood at 159.0 trillion won as of the end of

2002. This included 60.2 trillion won as equity participation, 44.8 trillion won as contributions and deposit payoffs, 14.9 trillion won as purchases of assets and 39.1 trillion won as purchases of bad loans by the Korea Asset Management Corporation (“KAMCO”). Of these public funds, approximately 53.8 trillion won (33.8% of total recovery) had been recovered as of the end of 2002, through the sale of equity stakes and assets, and collection of bankruptcy estate dividends.

Following enactment of the Public Fund Oversight Special Act at the end of 2000, in particular, the Corporation began 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.

Table I - 4. Public Fund Support Provision Status

Between November 1997 and December 2002

(Unit: trillion won)

Financial Sector		Equity Participation	Contributions	Deposit Payoffs	Asset Purchases	Nonperforming Loan Purchases	Total
Banks		33.9	13.6	-	14.0	24.6	86.1
Non-Banking	Securities Cos. and ITCs	7.7	-	0.01	-	8.5	16.2
	Insurance Cos.	15.9	2.8	-	0.3	1.8	20.8
	Merchant Banks	2.7	0.1	17.2	-	1.6	21.6
	MSBs	-	0.1	7.3	0.6	0.2	8.2
	Credit Unions	-	-	3.7	-	-	3.7
	Subtotal	26.3	3.0	28.2	0.9	12.1	70.5
Foreign Institutions		-	-	-	-	2.4	2.4
Total		60.2	16.6	28.2	14.9	39.1	159.0

I. Overview

2. Year 2002 Operations

Financial restructuring in 2002 focused on enhancing competitiveness through privatization, conglomeration in the financial sector, prevention of further failures and improving soundness of insolvent financial institutions through management control.

First, in the area of privatization of financial institutions, KDIC endeavored to sell off its ownership stake in banks in accordance with the “2002 Plan for Selling Government-Held Bank Shares” established in January. Accordingly, KDIC sold part of its stake in Woori Financial Group and Jeju Bank, and shed its holdings in Seoul Bank by selling it to Hana Bank. Korea Life Insurance was sold to the Hanwha consortium and efforts to sell other failed institutions such as Daishin Life Insurance and Hanil Life Insurance are also currently under way.

The trend of conglomeration in the financial sector, which is still in progress, was first started with the establishment of Shinhan Financial Group and Woori Financial Group in 2001. The Banking Act and the Financial Holding Company Act were amended to raise ownership ceilings for banks or financial holding companies, thus enabling the emergence

of sound financial capital and accountable management of financial institutions.

Management control of insolvent financial institutions continued, and 148 institutions including 140 credit unions were subjected to the Corporation’s intervention in 2002. KDIC took management control of insured credit unions on a comprehensive scale to prevent further insolvency, expedite restructuring, and improve management efficiency in an effort to minimize loss of public funds. KDIC strengthened its prudential supervision with more stringent solvency reviews and by raising the criteria for prompt corrective action of mutual savings and finance companies, which were converted into mutual savings banks (MSBs) in March 2002.

Meanwhile, measures were taken to strengthen the supervision of non-bank financial service companies, and guidelines were outlined for each financial institution in terms of NPL reduction rates and methods. Continued efforts were made to structurally improve the “financial software” by realigning relevant regulations. Proposals were put forth to improve the financial soundness of banks and the methods by which the management of banks was evaluated.

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 and Article 16 of the DPA Enforcement Decree, insured financial institutions are required to pay a given ratio (see Table II-2) of their deposit balance to the Corporation. (Deposit balances

for insurance companies, for example, would be the arithmetical average of the deposit liability reserve fund and the premiums received.) 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 2002, six financial sectors under the Corporation's protection paid a total of 877.8 billion won in premiums.

Table II - 1. Premium Revenue Status

(Unit: billion won)

	Banks	Securities Companies	Insurance Companies		Merchant Banks	MSBs	Credit Unions	Total
			Life	Non-Life				
Amount Remitted ¹⁾	-	-	141.4	37.9	84.8	201.7	40.2	506.0
1997	32.1	-	-	-	-	-	-	32.1
1998	129.2	-	38.6	14.3	13.2	39.0	-	234.3
1999	197.5	5.1	101.1	24.9	33.6	37.7	16.2	416.1
2000	263.0	15.6	140.2	37.9	23.3	32.3	28.1	540.4
2001	413.9	21.8	193.8	47.8	13.9	52.9	40.7	784.8
2002	436.1	26.2	229.5	48.5	13.0	60.4	64.1	877.8
Total	1,471.8	68.7	844.6	211.3	181.8	424.0	189.3	3,391.5

1) Includes the amount transferred from the Credit Management Fund when it was consolidated with the Deposit Insurance Fund in April of 1998.

Table II - 2. Deposit Insurance Premiums by Financial Sector

	Banks	Securities Companies	Insurance Companies	Merchant Banks	MSBs	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.

II. Procurement and Management of the Deposit Insurance Fund

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 2002, the Corporation received contributions from ten newly formed insured financial institutions for a total of 1,345 million won.

Table II - 3. Contribution Remittances by Financial Sector

(Unit: million won)

	Banks	Securities Companies	Insurance Companies		Merchant Banks	MSBs	Credit Unions	Total
			Life	Non-Life				
Amount Remitted ¹⁾	10,000	-	-	-	24,000	7,998	2,871	44,869
1998	-	-	-	-	-	200	9	209
1999	300	1,050	-	30	-	715	3	2,098
2000	60	32,814	-	32	-	-	-	32,906
2001	126	759	30	260	1,500	-	-	2,675
2002	125	500	-	330	-	390	-	1,345
Total	10,611	35,123	30	652	25,500	9,303	2,883	84,102

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 Banks: 5/100 (Legal limit: 10/100).

II. Procurement and Management of the Deposit Insurance Fund

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 seventy-seven different occasions during the 1998-2001 period yielded a total of 83.5 trillion won. DIF Bonds worth 3.66 trillion won were issued four times in order to redeem maturing DIF Bonds. Thus, the total volume of outstanding DIF Bonds issued from 1998 to 2002 amounts to 87.16 trillion 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 government bonds with maturity of five years. Five-year fixed-rate bonds were issued in 2002 in consideration of the need to disperse maturity dates and the burden of bond repayment.

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

(Unit: billion won)

Issue Year	Banks	Securities Companies	Insurance Companies		Merchant Banks	MSBs	Credit Unions	Total
			Life	Non-Life				
1998	12,065.0	14.1	1,153.4	-	5,827.2	1,508.5	446.8	21,015.0
1999	15,859.1	0.3	4,142.2	67.8	-	1,597.7	817.9	22,485.0
2000	6,030.7	-	-	1,000.0	1,260.0	650.0	-	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
2002	3,660.0	-	-	-	-	-	-	3,660.0
Total	45,376.5	3,232.9	7,707.6	7,864.7	14,421.4	7,089.4	1,467.5	87,160.0

Table II - 6. Issuance of Deposit Insurance Fund Bonds by Maturity

(Unit: billion won)

Year Maturity	1998	1999	2000	2001	2002	Total
3 Yr.	-	-	-	2,650.0	-	2,650.0
3 Yr. ¹⁾	-	5,856.0	-	-	-	5,856.0
3 Yr. 3 Mo.	329.5	-	-	-	-	329.5
5 Yr.	8,112.1	6,566.6	8,940.7	14,528.8	3,660.0	41,808.2
5 Yr. 3 Mo.	1,192.3	-	-	-	-	1,192.3
5 Yr. 6 Mo.	1,625.0	-	-	-	-	1,625.0
6 Yr.	1,625.0	-	-	-	-	1,625.0
6 Yr. 6 Mo.	1,625.0	-	-	-	-	1,625.0
7 Yr.	1,625.0	113.3	-	9,926.0	-	11,664.3
7 Yr. ²⁾	4,881.1	9,949.1	-	3,954.5	-	18,784.7
Total	21,015.0	22,485.0	8,940.7	31,059.3	3,660.0	87,160.0

1) 1-year deferred; pay 6.25% every three months seven times for two years and pay 56.25% at maturity.

2) 5-year deferred; pay four equal amounts semiannually for over a 2-year period.

II. Procurement and Management of the Deposit Insurance Fund

Table II - 7. Issuance of Deposit Insurance Fund Bonds by Interest Rate

(Unit: billion won)

Year Maturity	1998	1999	2000	2001	2002	Total
Fixed Rate	9,201.5	4,950.0	8,940.7	25,216.4	3,660.0	51,968.6
Floating Rate ¹⁾	11,813.5	17,535.0	-	5,842.9 ²⁾	-	35,191.4
Total	21,015.0	22,485.0	8,940.7	31,059.3	3,660.0	87,160.0

1) The average yield rate for Type I NHBs (National Housing Bonds) during one month immediately prior to the interest payment period was applied.

2) 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.

Table II - 8. Borrowings Status

(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	-	-	7,601.1	-	7,601.1
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	-	0.8	4,967.2	4,968.0	11,019.6	16,049.3
2002	-	-	5,955.3	5,955.3	0.3	22,004.3
Total	18,320.4	1,445.3	18,559.4	38,325.1	16,320.8	22,004.3

1) International Bank for Reconstruction and Development.

2) Asian Development Bank

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. The DIF Bonds enable KDIC to inject public funds into insolvent or potentially insolvent insured financial institutions. Interests on these bonds are paid by borrowings from the government. The funds are borrowed from the Special Account for Financial Loans at zero-interest and 3-year maturity. The outstanding loan is, therefore, proportionate to outstanding DIF Bonds and increases or decreases with a 3-year lag.

The government borrowings that the KDIC obtained from the government's Special Account for Treasury Loans, specifically for interest payment of DIF Bonds and foreign loans, increased by approximately 6.0 trillion won during 2002 and currently totals 18.6 trillion won. Pursuant to the government's public fund redemption plan, the KDIC has been exempted from its repayment obligation of these loans from 2003.

With the repayment of 11.0 trillion won in 2001, the Corporation has repaid all loans borrowed from financial institutions, except for the loan (2 trillion won) borrowed from the Korea Asset Management Corporation (KAMCO). In 2002, the Corporation rolled over (1 year) its KAMCO loan and repaid 300 million won of its foreign loan (ADB Technical Assistance Loan).

II. Procurement and Management of the Deposit Insurance Fund

Chapter 2. Resolution of Insolvent Financial Institutions

1. Overview

Since the financial crisis, the KDIC has provided public funds worth 102.5 trillion won for the restructuring of financial institutions. This total amount includes 45.7 trillion won in equity participation (44.6%) for management rehabilitation, 16.6 trillion won in contributions (16.2%) for P&As (purchase & assumptions), 28.1 trillion won (27.4%) for payments of

insurance claims and 12.1 trillion won (11.8%) for purchases of assets.

Public funds disbursed for the restructuring of financial institutions during 2002 amounted to a total of 3,358.8 billion won, and included, 315.6 billion won (9.4%) as contributions, 2,377.7 billion won (70.8%) as payments of insurance claims, 665.4 billion won (19.8%) as purchases of assets and 100 million won as equity participation.

Table II - 9. Cumulative Financial Assistance Status by the KDIC

As of December 31, 2002

(Unit: billion won)

Financial Sector	Equity Participation	Contributions	Insurance Claim Payments	Asset Purchases	Loans	Total
Banks	22,137.7	13,680.4	-	9,550.3	-	45,368.4
Securities Companies	4,900.0	-	14.4	-	-	4,914.4
Insurance Companies	15,919.8	2,675.6	-	344.7	-	18,940.1
Merchant Banks	2,705.2	117.3	17,194.9	-	1,291.7	21,309.1
MSBs	10.1	134.0	7,273.1	-	853.3	8,270.5
Credit Unions	-	-	3,655.2	-	36.7	3,691.9
Total¹⁾	45,672.8	16,607.3	28,137.6	9,895.0	2,181.7	102,494.4

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

Table II - 10. Financial Assistance During 2002

(Unit: billion won)

Financial Sector	Equity Participation	Contributions	Insurance Claim Payments	Asset Purchases	Loans	Total
Banks	-	54.7	-	665.4	-	720.1
Securities Companies	-	-	-	-	-	-
Insurance Companies	0.1	86.8	-	-	-	86.9
Merchant Banks	-	117.3	-	-	-	117.3
MSBs	-	56.8	771.6	-	-	828.4
Credit Unions	-	-	1,606.1	-	-	1,606.1
Total	0.1	315.6	2,377.7	665.4	-	3,358.8

Notes : Insurance claim payment is the amount of actual payments as of the end of 2002.

II. Procurement and Management of the Deposit Insurance Fund

2. Banks

In the interest of maintaining stability of the financial market, the Corporation utilizes one of three primary methods for the rehabilitation and resolution of an insolvent bank: (1) direct provision of financial support via capital injection to seek rehabilitation; (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.

Financial support to banks in 2002 amounted to 720.1 billion won, all of which was extended to Korea First Bank on 22 occasions. This included 54.7 billion won as contributions and 665.4 billion won for purchase of assets. This payment was made to execute the put-back provision of the sales agreement signed in late 1999 when KDIC sold its 51% share of Korea First Bank to Newbridge Capital.

Table II - 11. Financial Assistance Provided to Banks

(Unit: billion won)

Names of Banks	Equity Participation			Contributions			Asset Purchases		
	Prior to 2000	2001	2002	Prior to 2000	2001	2002	Prior to 2000	2001	2002
Korea First	4,958.6	-	-	805.9 ¹⁾	64.0	54.7	6,230.0 ²⁾	596.1	665.4
Woori	6,028.6	-	-	-	1,877.2	-	-	-	-
Seoul	4,680.9	-	-	-	221.6	-	-	-	-
Chohung	2,717.9	-	-	-	-	-	-	-	-
Peace	493.0	-	-	-	338.6	-	-	-	-
Kyungnam	259.0	-	-	-	93.8	-	-	-	-
Kwangju	170.4	-	-	-	271.4	-	-	-	-
Jeju	53.1	-	-	-	165.1	-	-	-	-
Kookmin(KB)	200.0	-	-	1,830.5	0.3	-	17.9	-	-
H&CB ³⁾	296.5	-	-	1,799.5	-	-	53.8	-	-
Shinhan	292.5	-	-	2,519.1	-	-	59.1	-	-
Hana	472.8	-	-	1,116.1	-	-	5.4	-	-
KorAm	260.0	-	-	2,435.6	-	-	22.6	-	-
KDB ⁴⁾	-	-	-	-	-	-	1,300.0	-	-
IBK ⁵⁾	-	-	-	-	-	-	600.0	-	-
AC ⁶⁾	-	96.2	-	-	87.0	-	-	-	-
FC ⁷⁾	-	1,158.1	-	-	-	-	-	-	-
Choongbuk	-	-	-	-	-	-	-	-	-
RFC ⁸⁾	0.1	-	-	-	-	-	-	-	-
Total	20,883.4	1,254.3	-	10,506.7	3,119.0	54.7	8,288.8	596.1	665.4

1) Incorporates 407.9 billion won of asset purchase assistance related to post-sale settlement.

2) Excludes 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) Credit business part of Fisheries Cooperatives

8) Resolution and Finance Corporation

II. Procurement and Management of the Deposit Insurance Fund

3. Securities Companies

By year-end 2002, resolution proceedings were under way for six securities companies whose operations were either suspended or put under court receivership. KDIC signed MOUs on Management Rehabilitation Plans with Korea

Investment Trust Management & Securities Co. and Daehan Investment Trust Securities Co. At present, the Rehabilitation Plans are being implemented without any additional funds provided in 2002.

Table II - 12. Financial Assistance Provided to Securities Companies

(Unit: billion won)

Name	Equity Participation			Insurance Claim Payment ¹⁾		
	Prior to 2000	2001	2002	Prior to 2000	2001	2002
Jangeun Securities	-	-	-	4.0	-	-
Dongbang Peregrine Securities	-	-	-	10.0	-	-
Hannam Investment & Securities	-	-	-	0.1	-	-
Korea Industrial Securities	-	-	-	0.3	-	-
Korea Investment Trust Management & Securities	3,000.0	-	-	-	-	-
Daehan Investment Trust Securities	1,900.0	-	-	-	-	-
Total	4,900.0	-	-	14.4	-	-

1) Based on the amount of required payments.

4. Insurance Companies

A total of 86.8 billion won was provided to insurance companies in 2002, including 12.9 billion won to Daehan Fire & Marine Insurance Co., Ltd. ("Daehan") and 73.9 billion won to Green Fire Insurance Co., Ltd. ("Green Fire"). During 2003, additional funds will be provided to other fire & marine insurance companies such as Samsung, Hyundai, LG, Dongbu and Oriental, the five companies that acquired Regent Fire & Marine Insurance ("Regent"), as payment to reconcile losses incurred as a result of P&As (purchase & assumptions).

The Financial Supervisory Commission ("FSC") had designated Daehan, Green Fire, and Regent ("the three insolvent non-life insurers") as insolvent institutions (March 6, 2001) and gave a management rehabilitation order, requiring them to attain 100% in solvency margins and reducing expense ratios. However, the Management Rehabilitation Plans submitted by the three were rejected (April 25, 2001) as being "unrealistic." The FSC subsequently appointed

a trustee (May 11, 2001) and requested that the KDIC manage the sale of the three companies (May 23, 2001).

The KDIC subsequently received Letters of Intent ("LOI") from domestic and international investors and analyzed them together with its financial and legal advisers (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 the case of Daehan, an acquirer entered into an 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

II. Procurement and Management of the Deposit Insurance Fund

Corporation. An agreement was then signed between the KDIC, Daehan Cement Co. (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, 2001), 42.0 billion won as capital increase by acquirer (December 27, 2001) and 38,014 million won as contributions (December 27, 2001) before completing the sale on December 28, 2001. In accordance with the provisions in Article 11 of the contract, the KDIC made contributions of 12.9 billion won (May 4, 2002) to settle valuation changes occurring with respect to assets and liabilities between the record date (June 30, 2001) and the last date (November 30, 2001) of the month previous to the month on which the date for the completion of acquisition (December 28, 2001) falls.

In the case of Green Fire, an MOU was signed on August 20, 2001, after which a due diligence and corporate valuation was carried out to finalize the figure for net capital loss (79,602 million won, as of the end of June, 2001). The Public Funds Oversight Committee resolved that selling Green Fire to a third party would be the way to minimize cost of public fund injections and loss to the national economy (January 7, 2002). KDIC signed a sales agreement with Green Fire committing to equity participation on the part of the acquiring party and financial support on the part of KDIC. The FSC ordered a full capital write-down on Green Fire's shares and requested that KDIC make an equity investment (January 12, 2002). Following the resolution made by the Policy Committee (January 16, 2002), equity participation by KDIC (January 28, 2002, 50 million won), capital increase by the acquirer (February 7, 2002, 15.7 billion won), and

contribution by KDIC (February 7, 2002, 63,852 million won) took place, and the sale was completed after transferring the shares held by KDIC. Also, 10.1 billion won was provided to settle disparities on Green Fire's assets and liabilities pursuant to Article 13 of the agreement (June 8, 2002).

In relation to the sale of Regent, Mirsat Satellite Broadcasting was initially selected as the preferred investor, but later lost its preferred investor status due to its 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 Regent, the preferred investor, Future and Environment, is currently experiencing some internal conflicts concerning the future management and other matters relative to the takeover. Accordingly, the preferred bidder's exclusive status granted to the Future and Environment consortium was cancelled upon recommendation from Arthur Andersen, the lead manager of the sale, and KDIC's legal advisers, Woo, Yun, Kang, Jeong & Han. Additionally, the FSC was notified of the unsuccessful sale (January 18, 2002), with the Public Fund Oversight Committee resolving to dispose of Regent Fire via P&A (March 14, 2002). The FSC subsequently ordered Regent Fire to suspend operations (March 15, 2002), and decided to execute full P&As to five non-life insurers - Oriental, Samsung, Hyundai, LG and Dongbu (June 7, 2002). As such, due diligence on asset and liabilities and valuation of future profit and loss were conducted and the financial assistance to be provided to the acquiring insurance companies was calculated. Financial assistance will be provided pursuant to Article 38 of the Depositor Protection Act to reconcile capital losses incurred in the process of P&As.

II. Procurement and Management of the Deposit Insurance Fund

Table II - 13. Financial Assistance Provided to Insurance Companies

(Unit: billion won)

Names of Banks	Equity Participation			Contributions			Asset Purchases		
	Prior to 2000	2001	2002	Prior to 2000	2001	2002	Prior to 2000	2001	2002
Seoul Guarantee	4,650.0	5,600.0	-	-	-	-	-	-	-
Korea life	2,050.0	1,500.0	-	-	-	-	-	-	-
Daehan Cement (Acquisition of Daehan Fire)	-	0.05	-	-	38.0	12.9	-	-	-
KunWha Pharmaceutical (Acquisition of Green Fire)	-	-	0.05	-	-	73.9	-	-	-
Kumho Life (Acquisition of Dong-ah life)	1,092.2	-	-	70.0	5.4	-	271.1	-	-
SK Life (Acquisition of Kookmin life)	286.2	-	-	14.3	9.6	-	16.8	-	-
Tongyang Life (Acquisition of Taepyongyang life)	259.7	-	-	41.4	-	-	28.9	-	-
SK Life (Acquisition of Handuck life)	335.0	-	-	36.3	2.1	-	27.9	-	-
Hyundai Life (Acquisition of Chosun life)	116.6	-	-	11.1	-	-	-	-	-
Korea Life (Acquisition of Doowon life)	30.0	-	-	295.5	1.2	-	-	-	-
Samsung Life (Acquisition of Kookje life)	-	-	-	435.1	-	-	-	-	-
Kyobo Life (Acquisition of BYC life)	-	-	-	241.1	-	-	-	-	-
Heungkook Life (Acquisition of Taeyang Life)	-	-	-	279.2	-	-	-	-	-
Jeil Life (Acquisition of Koryo life)	-	-	-	208.7	-	-	-	-	-
Korea Life (Acquisition of Hyundai life)	-	-	-	-	754.8	-	-	-	-
Korea Life (Acquisition of Samshin life)	-	-	-	-	145.0	-	-	-	-
Total	8,819.7	7,100.05	0.05	1,632.7	956.1	86.8	344.7	-	-

II. Procurement and Management of the Deposit Insurance Fund

5. Merchant Banks

In the period following the end of 1997, licenses of twenty-two of the thirty merchant banks in existence were revoked. For sixteen of the twenty-two (including Kyungil Merchant Bank), their depositor contracts have been transferred to Hanareum Banking Corporation ("HBC") via P&A, as 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 HBC, without a separate P&A. Six merchant banks including Hanwoi were merged severally (see Table

II-14), and four merchant banks, including Korea had assets and liabilities transferred to Woori Investment Bank. Currently, three merchant banks including Woori are in normal operation.

As a way of supporting Woori's management rehabilitation, KDIC, in accordance with a Credit & Obligations Transfer Agreement, paid 117.3 billion won out of the 743.1 billion won of accounts payable with the dividends received from the bankruptcy estates of four merchant banks.

Table II - 14. Number of Restructured Merchant Banks

As of December 31, 2002

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 Ulsan Merchant Banking Corp.

Regent Merchant Bank → Tongyang Merchant Bank, Tongyang Hyundai Merchant Bank → Tongyang Securities.

2) Kumho Merchant Bank, Hanbul Merchant Bank, and Woori Investment Bank.

Table II - 15. Status of Dividends Payment and Accounts Payable to Woori Investment Bank

(Unit: billion won)

Category	Date	Amounts (in billion won)	Notes
Total Amounts of Accounts Payable	Mar. 31, 2001	742.4	Enter into Transfer Agreements
Changes of Accounts Payable	Apr. 2001- Mar. 2002	0.7 ¹⁾	Adjustment of Transfer Agreement (Mar. 2002)
Total Amounts of Accounts Payable after Adjustment	-	743.1	-
Paid Amounts	-	117.3	-
(Korea Merchant Bank)	Mar. 2002	(17.7) ²⁾	First
(Hans Merchant Bank)	-	-	-
(Joongang Merchant Bank)	Feb. 2002 / Nov. 2002	(23.4)	First: 0, Second: 23.4
(Youngnam Merchant Bank)	Dec. 2001 / Nov. 2002	(76.2) ²⁾	First: 34.3, Second: 41.9
Balance of Accounts Payable	-	625.8	As of Dec. 2002

1) Woori Investment Bank's asset/liability transfer proceeds changed in accordance with the changes in the P&A agreements (due diligence reports) of the four merchant banks.

2) Total of 23.0 billion won, including 17.7 billion won from Korea Merchant Bank and 5.3 billion won (of the second dividend of 41.9 billion won) from Youngnam Merchant Bank, which were post-transfer settlement amount resulting from errors in the due diligence reports, was recovered by setting off with KDIC accounts payable.

II. Procurement and Management of the Deposit Insurance Fund

6. Mutual Savings Banks (MSBs)

In 2002, seven MSBs - Kyungin, Kookmin, Daeyang, Daehan, Moonkyung, Samwha, Hannam - were involved in insured risk events. Of these, two MSBs - Daehan and Hannam - submitted Management Rehabilitation Plans to the Financial Supervisory Service ("FSS") and received approval thereof. For the remaining five MSBs, the FSS made an unsuccessful effort

to facilitate P&As by third parties on the condition that the KDIC provide financial assistance. As a result, insurance claims were paid out by the Corporation. A total of 771.6 billion won has been paid out to depositors of eight MSBs including Mirae Mutual Savings Bank, which was dissolved in 2001. There were no P&As to third parties in 2002.

Table II - 16. Deposit Payoffs Related to Mutual Savings Banks

(Unit: billion won)

Year	Number of Institutions	Payment Amount	Assessment Amount ¹⁾
1998	17	1,470.5	1,470.5
1999	19	1,427.2	1,427.2
2000	11	650.0	312.6
2001	22	2,953.8	3,190.4
2002	8	771.6	872.6
Total	77	7,273.1	7,273.3

1) Assessed amounts of insurance claim payments based on payment year.

II. Procurement and Management of the Deposit Insurance Fund

Table II - 17. Financial Assistance Provided to Mutual Savings Banks

(Unit: billion won)

Names of Banks	Equity Participation			Contributions			Asset Purchases		
	Prior to 2000	2001	2002	Prior to 2000	2001	2002	Prior to 2000	2001	2002
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	0.3	0.3	41.3	-	-
Daewon	-	-	-	-	-	-	56.3	-	-
Choongil	-	-	-	-	-	-	8.9	-	-
Daejeon	-	-	-	-	-	-	10.2	-	-
Haedong	-	-	-	-	-	-	26.3	-	-
Choongnam	-	-	-	-	-	-	4.5	-	-
Pusan 2	-	-	-	-	-	-	27.1	-	-
Union	-	-	-	-	-	-	51.8	-	-
Arim	-	-	-	-	-	-	61.5	-	-
Dongwon	-	-	-	-	-	-	-	78.3	-
Choil	-	-	-	-	-	-	-	73.8	-
Domin	-	-	-	-	-	-	-	70.9	-
Kyunggi	-	-	-	-	-	-	-	165.4	-
Boomin	-	-	-	2.8	2.9	2.8	-	-	-
Hanmaeum	-	-	-	6.9	14.3	14.0	-	-	-
Kyungbuk	-	-	-	0.7	1.2	1.1	-	-	-
Telson	-	-	-	3.0	10.5	9.7	-	-	-
Hanaro	-	-	-	1.7	6.0	5.5	-	-	-
Solomon	-	-	-	2.6	8.7	8.7	-	-	-
J-1	-	-	-	-	4.9	4.6	-	-	-
Sangup	-	-	-	-	10.5	10.1	-	-	-
HMSF ¹⁾	0.1	-	-	-	-	-	-	-	-
Total	10.1	-	-	17.9	59.3	56.8	464.9	388.4	-

1) HMSF (Hanareum Mutual Savings & Finance Corporation) is a resolution financial institution established by the KDIC to effectively carry out resolution activities for insolvent mutual savings and finance companies.

II. Procurement and Management of the Deposit Insurance Fund

7. Credit Unions

In 2002, 140 credit unions experienced insured risk events as a result of suspended operations. Of the insurance claims payable totaling 2,031.3 billion won, 1,606.1 billion was paid out to 624,128 depositors of 129 credit unions.

On November 4, 2002, 115 credit unions nationwide, including the Bongduk Credit Union, were simultaneously suspended from operations. The event put a halt to all deposit and withdrawal transactions for approximately 700,000 depositors causing substantial confusion and chaos. It also greatly inconvenienced local residents, as credit unions are region-based in nature and serve as mutual aid associations for local residents. As these unions were closed, the KDIC immediately announced protection measures for depositors through radio and newspapers in order to assure depositors and minimize socioeconomic-related repercussions of the event.

Meanwhile, eighteen Special Investigation Teams for Insurance Claims were activated to handle claims from aggrieved depositors by determining the appropriate claim amounts

to be paid out. As a result, on November 28, 2002, less than a month since the suspension of operations, depositors started receiving payment on claims. In addition, preliminary payments were made to depositors with 5 million won or less in deposits in the 34 credit unions where payments were being delayed because of ongoing management rehabilitation efforts. By November 4, a total of 1,670.5 billion won had been paid out to 501,854 depositors/claimants from 86 out of 115 suspended credit unions. Additionally, preliminary claim payments of 6.9 billion won have been paid to 5,548 depositors of credit unions under management rehabilitation processes.

The promptness of such claim payments to depositors of credit unions were successful in alleviating concerned depositors, thus preventing a run on the banks, while also contributing to building stable regional financial systems.

As for the twenty credit unions undergoing management rehabilitation, the KDIC plans to immediately pay out claims and complete the resolution process if rehabilitation efforts should fail.

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

(Unit: billion won)

Year	Number of Institutions	Payment Amount	Assessment Amount ¹⁾
1998	39	431.3	458.5
1999	77	829.9	852.1
2000	41	398.7	393.5
2001	31	389.2	372.6
2002	129	1,606.1	2,031.3 ²⁾
Total	317	3,655.2	4,108.0

1) Assessed amounts of deposit claim payments based on payment year.

2) Includes preliminary claim payments of 6.9 billion won.

II. Procurement and Management of the Deposit Insurance Fund

Chapter 3. Public Fund Recovery

1. Status of Recovery

By the end of 2002, the KDIC had recovered 18,756.4 billion won of the total public fund support it had provided to financial institutions. 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 assumed and loans it extended to financial institutions, 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 2002 is shown in Table II-19.

Table II - 19. Public Funds Recovered by the KDIC

As of December 31, 2002

(Unit: billion won)

Type	Bank	Securities Companies	Insurance Companies	Merchant Banks	MSBs	Credit Unions	Total
Equity Participation	4,520.1	-	438.7	33.5	-	-	4,992.3
Contributions	62.1	-	0.5	-	19.3	-	81.9
Bankruptcy Dividends ¹⁾	1,414.1	6.8	183.9	4,866.5	588.7	1,078.0	8,138.0
Bankruptcy Dividends for Deposit Payoffs	-	(6.8)	-	(4,756.1)	(571.9)	(1,076.9)	(6,411.7)
Contributions	(1,414.1)	-	(183.9)	-	(16.8)	(1.1)	(1,615.9)
Loans	-	-	-	(110.4)	-	-	(110.4)
Loans ²⁾	-	-	-	1,044.5	37.4	35.4	1,117.3
Asset Sales ³⁾	4,309.1	-	117.8	-	-	-	4,426.9
Total	10,305.4	6.8	740.9	5,944.5	645.4	1,113.4	18,756.4

1) Includes bankruptcy dividend resources reimbursed by resolution financial institutions, i.e., the Resolution and Finance Corporation.

2) Includes sales proceeds of claim rights of 418.0 billion won in respect of Saehan and Hangil Merchant Banks.

3) Includes asset sale proceeds reimbursed by resolution financial institutions.

II. Procurement and Management of the Deposit Insurance Fund

2. Recovery by Disposition of Equity Stakes

The equity investment KDIC has recovered until now can be categorized into recovery made by equity participation in Korea First Bank, selling preferred shares of banks that acquired the five failed banks, proceeds from selling Jeju Bank and Woori Financial Group shares, the sale of Seoul Bank and proceeds from selling Korea Life Insurance shares.

First, the KDIC's recovery with respect to equity participation in Korea First Bank ("KFB") refers to recoveries made on the total KFB equity participation (4,958.6 billion won). On December 29, 1999, KFB reduced capital when it sold its equity stake overseas, as the Corporation recovered 1,418.1 billion won thereof. 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.

Second, the KDIC has invested 1,521.8 billion won to purchase the preferred stocks of five acquiring banks (Kookmin, H&CB, Shinhan, Hana, KorAm) that had purchased the distressed assets of the five failed banks in 1998. This investment in preferred stocks is to be redeemed on an annual basis starting from 2000 through 2004, pursuant to an investment agreement. By year-end 2002, the Corporation had recovered 1,484.1 billion won including 40.3 billion won in dividends.

Third, pursuant to the merger agreement signed between Shinhan Bank (January 11, 2001) and the Corporation, KDIC's equity stake (51% of outstanding shares) in Jeju Bank was sold to Woori Financial Group after deliberation by the Disposal Review Subcommittee of the Public Fund Oversight Committee. On April 29, 2002, the Corporation recovered 22.8 billion won by selling its 5,656,911 shares of Jeju Bank to Woori Financial Group.

Fourth, in accordance with the "2002 Plan for Selling Government-Held Bank Shares" announced on January 25, 2002, Woori Financial Group pursued its initial public offering.

Fifty-four million shares held by the Corporation was disposed through the public offering at 6,800 won per share and 361.6 billion won (net of cost) was recovered.

Fifth, following the Public Fund Oversight Committee's "plan to sell or merge Seoul Bank" (February 8, 2002), Hana Bank, which had previously proposed a merger with Seoul Bank, was selected as the preferred investor, thus paving the way for detailed negotiations. As a result, a merger agreement was concluded that shares would be swapped at a ratio of two Seoul Bank shares to one Hana Bank share. In addition, the agreement guaranteed that 18 months from the day of registering the merger, sale proceeds of shares held by the Corporation would amount to a minimum of 1,150 billion won. After the merger took place on the condition of guaranteeing a minimum amount for recovery of funds, KDIC sold 10% (6,108,000 shares) of its 60% stakeholding to Hana Bank pursuant to the agreed upon sales schedule in the form of treasury stocks, and a total of 115 billion won has been recovered as of December 26, 2002.

Sixth, according to the "Resolution on the Final Sales of Korea Life Insurance to Hanwha consortium" at the 32nd Public Fund Oversight Committee" (September 23, 2002), the Corporation has carried out negotiations with Hanwha consortium on the detailed terms of the sales agreement. The agreement was signed (October 28, 2002) and the Corporation's share of 51% was sold. Thus, half of the sales proceed of 823.6 billion won, or 411.8 billion won - the balance of 411.8 billion won is to be received after two years - has been recovered as of December 12, 2002.

Recovery in forms other than disposal of shares includes an off-setting with Woori Investment Bank. Eight billion won in adjustments of P&A statements and 15 billion won for settlement of a legal dispute over Youngnam Merchant bank were off-set with the bankruptcy estate dividend of 17.7 billion won from Korea Merchant Bank and 5.3 billion won from Youngnam Merchant Bank, payable to Woori Investment Bank.

II. Procurement and Management of the Deposit Insurance Fund

Table II - 20. Status of Preferred Shares Equity Participation

As of December 31, 2002

(Unit: billion won)

Bank	Equity Participation Amount	Current Period Recovery (2000 ~ 2002)	Estimated Future Recovery (2003 ~ 2004)
Kookmin	200.0	200.0	-
Shinhan	292.5	292.5	-
H&CB	296.5	296.5	-
KorAm	260.0	182.0	78.0
Hana	472.8	472.8	-
Dividends	-	40.3	-
Total	1,521.8	1,484.1	78.0

3. Recovery by Bankruptcy Dividends

The KDIC provides funding to cover net capital loss for those financial institutions undertaking the assets and liabilities of insolvent institutions, as well as protecting depositors by making deposit payoff payments. The Corporation recovers funds by participating in the 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 subsequently exercised creditor rights pertaining to these contributions and had received 1,414.1 billion won worth of bankruptcy estate dividends by year-end 2002.

In 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 (Taeyang, Koryo, Kukje, BYC, Doowon, Samshin and Hyundai). By the end of 2002, it had collected dividends of 183.9 billion won from the respective bankruptcy estates.

The KDIC had also disbursed a total of 14.4 billion won as deposit payoff payments for four insolvent securities companies (Korea Industrial, Jangeun, Dongbang Peregrine and Hannam),

and has received dividends of 6.8 billion won from the respective bankruptcy estates by year-end 2002.

The assets and liabilities of eighteen merchant banks, including Kyungnam Merchant Bank, which were shuttered before the first half of 2000, were assumed by Hanareum Banking Corp. ("HBC") - a bridge merchant bank - through the P&A. HBC reimbursed 23,151.3 billion won to depositors and recovered 11,807.9 billion won through bankruptcy dividends. Meanwhile, KDIC lent HBC the funds required for deposit payoff and HBC used 4,638.8 billion won that it received as bankruptcy dividends to repay the loan. The KDIC became the direct creditor and debtor of the bankruptcy estate by assuming its P&A receivable claims (5,195.4 billion won in bankruptcy claims) and P&A payable debts (2,166.9 billion won) that occurred as assets and debts of the 4 merchant banks that went bankrupt in May 2001, and were transferred to Woori Investment Bank (formerly known as f/k/a Hanaro). As of the end of December 2002, the Corporation has paid the bankruptcy estates 1,536.5 billion won and collected 1,656.6 billion won as bankruptcy dividends, of which 117.3 billion won was repaid as transfer proceeds (743.1 billion won) for Woori Investment Bank.

A reimbursement of 6,752.3 billion won was made through Hanareum Mutual Savings and Finance Corporation ("HMSF") to depositors of sixty-seven insolvent MSBs. HMSF recovered 3,025.1 billion won through bankruptcy dividends, which were

II. Procurement and Management of the Deposit Insurance Fund

Table II - 21. Status of Bankruptcy Dividends Recovery by Financial Sector

As of December 31, 2002

(Unit: billion won)

Financial Sector	Support Type	KDIC Support	Total Support Amount	Recovered by KDIC	Total Recovery via Bankruptcy Dividends
Banks	Contribution	9,701.1	9,701.1	1,414.1	1,414.1
Securities Cos.	Deposit Payoff	14.4	14.4	6.8	6.8
Insurance Cos.	Contribution	2,360.6	2,360.6	183.9	183.9
Merchant Banks	Deposit Payoff	17,194.9 ¹⁾	28,346.7 ²⁾	4,756.1 ³⁾	13,464.5
	Loan	297.4	297.4	110.4	110.4
MSBs	Deposit Payoff	7,254.0 ¹⁾	7,952.8 ²⁾	571.9 ³⁾	3,262.5
	Loan	160.9	160.9	16.8	16.8
Credit Unions	Deposit Payoff	3,655.2	3,655.2	1,076.9	1,076.9
	Loan	1.3	1.3	1.1	1.1
Total	-	40,639.8	52,490.4	8,138.0	19,537.0

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.

used to pay back the Corporation, as the KDIC had used public funds to extend a loan to HMSF for paying out claims made on deposits. HMSF subsequently repaid the KDIC a total of 334.6 billion won for that loan out of its bankruptcy dividends. From the 1,198.3 billion won KDIC directly paid to depositors from eight MSBs in claims, a total of 237.3 billion won was later recovered through bankruptcy dividends.

In addition to carrying out the resolution of insolvent credit unions, the Corporation has also made deposit payoff payments worth 3,655.2 billion won to 328 credit unions, and had achieved recovery of 1,076.9 billion won by the end of 2002.

4. Recovery by Disposition of Assets

The KDIC disbursed public funds mostly in the form of equity participation, contributions and 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 2002, it had recovered 4,426.9 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 4,411.1 billion won recovered from the disposition of assets held by the Resolution and Finance Corporation ("RFC")*.

II. Procurement and Management of the Deposit Insurance Fund

Table II - 22. Sales Proceeds from Korea First Bank Offshore Branches (M&A)

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	Chohung Bank

Table II - 23. Recoveries from Asset Sales by the Resolution and Finance Corporation (RFC) ¹⁾

As of December 31, 2002

(Unit: billion won)

Assets Sold	Sales Method	Sale Amount	Purchaser
Stocks (Ileun Securities)	M&A	119.5 ²⁾	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	701.4	KAMCO
Real Estates Foreign Currency	Public Sale Consignment	193.7	Domestic Investors
Debentures	SAMDA	39.5	Foreign Investors
Loans/Securities	Principle/Interest Call, Market Sale	1,647.9	-
RFC Total		4,411.1	-

1) Counts only assets of banks and insurance companies.

2) Includes 10.2 billion won of received dividends.

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 2002, the RFC had repaid KDIC a total of 4,411.1 billion won including 940.8 billion won of 2002.

5. Recovery of Loans

Of the 2,181.7 billion won that the Corporation extended in loans to merchant banks, mutual savings banks (MSBs) and credit unions, a total of 1,245.6 billion won had been recovered by the end of 2002. A total of 1,117.3 billion won was recovered by ways other than bankruptcy dividends. Of this, the total amount recovered in 2002 was 53.7 billion won, including 38 billion won recalled from Daegu Merchant bank and 7.9 billion won from Saehan Merchant 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 which KFB can exercise put-back rights, and other residual assets of the financial restructuring process.

III. Risk Management of Insured Financial Institutions

Chapter 1. Establishment of Effective Risk Management System

1. Improvements in the Deposit Insurance Premium System

A. Introduction of a Special Assessment

The government announced a draft of its “Public Fund Redemption Plan” on June 28, 2002 with the aim of allaying concerns over lost public funds and to ensure that future repayment of public funds proceed as scheduled. After collecting opinions and convening a public hearing on the matter, the plan was finalized and announced on September 5, 2002.

The government’s plan identified the repaying institution, the repayment period and the repayment method. Additionally, the burden of 69 trillion won was divided between the financial sector and the government, with each assuming 20 trillion won and 49 trillion in repayment obligations, respectively.

The Special Assessment for Repayment of Deposit Insurance Fund Bonds was devised as a method for the financial sector to fulfill its responsibility under this scheme. The government considered the sector’s payment capability, the analysis of foreign case studies as well as the institutional role of deposit insurance and decided to levy a Special Assessment equivalent to 0.1% of the aggregate amount of insured deposits for 25 years from 2003. The Special Assessment was levied in order to repay the past cost of reorganizing insolvent financial institutions, and therefore, is fundamentally different from regular premiums that are accumulated as funds for potential insolvencies in the future.

The assessment of 0.1% of insured deposits is to be imposed on all insured financial institutions. The justification for the levying of the assessment was that since all financial institutions have become direct beneficiaries of the government’s efforts toward stabilizing the nation’s financial system, those same institutions should share some of the costs as well.

B. Preparations for Introducing Differential Premium System

As financial sector restructuring efforts based on large injections of public funds neared completion, the government amended the Depositor Protection Act on December 26, 2002 to specify the redemption schedule of the public funds in the future and to set up a new Public Fund Redemption Fund to recover past losses. The new fund will wholly assume the assets and obligations of the existing Deposit Insurance Fund while a new Deposit Insurance Fund will be launched to cover new deposit insurance needs.

It is important to prevent future insolvencies through market discipline in order to keep the (new) Deposit Insurance Fund sound and help make the financial system become more stable. It is for this purpose that the Corporation is working on the introduction of a differential premium system that is differentiated by the degree of risks of financial institutions.

The Corporation had commissioned outside professional entities to study this issue so as to introduce a more objective and transparent differential premium system. However, the plan had been temporarily postponed in consideration of the increased burden that will be imposed on insured institutions with the introduction of the Special Assessments.

Currently, conditions are ripening for the introduction of a differential premium system as the level of financial soundness and accounting transparency is improving at individual institutions. Therefore, plans for an early adoption of the system are under way. Implementation will begin with sectors that are prepared to carry it out in an objective and transparent manner so as to minimize any negative impact on the financial market.

2. Establishment and Management of an Ongoing Monitoring System

KDIC has made an effort to enhance and further develop its risk analysis and assessment capabilities to enable early detection of any potential failure of institutions and the reporting of such signs to the supervisory authorities so that appropriate measures can be taken.

III. Risk Management of Insured Financial Institutions

Regular in-depth analysis is done on current issues of the industry to ensure structured risk analysis of insured institutions. In addition, the Corporation utilizes financial and non-financial information to do regular business analyses and risk assessments based on internal valuation models. In addition, in order to prevent risk events, the Corporation checks developments in deposit-taking by financial institutions every five days and requests related documents if any extraordinary signs are detected.

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

KDIC has endeavored to build an advanced infrastructure to support efficient risk management based on the promotion of active information sharing among related institutions, thus improving its business information collection capabilities, in addition to integrating technology into its management.

In March of 2001, the Information-Sharing Council ("the Council") and the Information-Sharing Working-level Council ("the Working-level Council") were established with the participation of the KDIC, the Financial Supervisory Service ("FSS") and the Bank of Korea. From March 2001 to the end of 2002, the Council met three times and the Working-level Council met five times, not including ad hoc meetings between working-level officers. The meetings served to create a common understanding on the need for more information sharing and the establishment of a standing council for this purpose.

KDIC now has access to the Bank of Korea's foreign exchange network and a substantial quantity of reports written by the FSS on insured institutions as part of its supervisory information. The corporation is also expanding the sharing of non-financial information such as results of inspections and supervisory information to lessen the work of insured institutions, and is generating more material on deposit statistics while expanding information providing services, as well.

Along with increased information sharing, the Corporation is building a management information infrastructure to enable ongoing monitoring of insured institutions and to enhance

the efficiency of risk management practices. In conjunction with such efforts, a plan to build a management information system for the insured financial institutions was prepared, with development partners selected and a Working-Level Committee established. The development of the system is scheduled to be completed by the latter half of 2003.

4. Investigations and Joint Examinations

As failure prevention and loss minimization issues became more important, the Corporation has been focusing its efforts on conducting more effective investigations and joint examinations of insured institutions.

In 2002, the Corporation prepared a Basic Plan for Investigations and (joint) Examinations, with requests made to the Financial Supervisory Service ("FSS") for cooperation. A system of close cooperation was also built with the FSS and other related organizations to enable more efficient joint investigations and to reduce the burden on insured institutions.

At the end of 2002, the legal provisions governing investigations and joint examinations were revised. The new provision provided that once a joint examination is resolved by the Deposit Insurance Committee, the FSS will accept any request for joint examinations, and the scope of investigations will be limited to institutions designated for prompt corrective action (PCA) by the Presidential Decree.

The Corporation will be focusing on improving its own capacity by reviewing foreign case studies, developing investigation and examination methodologies, and providing professional training to examiners. This will minimize the workload on insured institutions, improve on-site examinations skills and lead to better and effective prevention of insolvencies.

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 loss of deposit insurance funds.

III. Risk Management of Insured Financial Institutions

Until now, existing risk assessment models such as FICALS (Financial Institution's Capital Adequacy, Asset Quality, Liquidity, Sensitivity to Market Risk), were used every quarter to analyze and assess the business risks of individual banks. However, to better respond to changes in the financial environment and to address problems observed during the process of running the models, the Corporation developed a predictive model for bank insolvencies. Upon the implementation of recommendations based on outside experts' opinions, the model will be finalized, put through a test period and utilized for managing bank risks.

At the present, a solvency assessment model called CAEL (Capital Adequacy, Asset quality, Earnings, Liquidity), is used to measure the business risk of securities companies. Additionally, a business risk assessment model called SEAL (Stability, Earnings, Adequacy of assets and capital, Liquidity) and an insolvency predictive model called LITE (Life & non-life Insurers in Trouble Excavation), were developed and are test run in order to improve its stability and predictive power.

The existing solvency assessment model (CAEL) is being improved in collaboration with outside experts for MSBs, while a new multi-model risk assessment system called MuREX (Mutual savings bank Risk Evaluation eXpert system), is under development and near completion. After a test operation period, the new model will be applied on risk management of MSBs.

In order to enhance and further develop the organization's risk analysis capabilities, the Corporation has encouraged its employees involved in risk assessment to participate in various seminars held by the Corporation and other entities, in addition to reinforcing its own in-house training. Also in line with this effort and in cooperation with the U.S. FDIC, specialists have been encouraged to take part as observers in actual FDIC investigations conducted in the United States, in order to help KDIC employees learn advanced methods of analysis and inspection procedures of financial institutions. In addition, the Corporation has made considerable efforts to develop a more reliable risk assessment system by conducting research in risk management and subsequently making the results public through published material 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) who have received public fund assistance, with the aim of hastening rehabilitation of their operations. The Corporation has entered into memorandums of understanding (MOUs) with support recipients and monitored their adherence in order to recover the public funds injected as early as possible.

The overall efficiency of supervision regarding the rehabilitation efforts of public fund-injected financial institutions is improving thanks to the Public Fund Oversight Special Act ("the Act"). The MOUs signed with institutions that received public funds before the Act, including entities such as Chohung Bank, Korea Investment Trust Management & Securities Co. and Daehan Investment Trust Securities Co., were replaced with new MOUs in accordance with the Act. Accordingly, their target financial indices were streamlined as the Corporation took a central role in initiating measures against unsatisfactory implementation of the terms of MOUs. An example of this was the unsatisfactory performance of the entity formerly known as Peace Bank, which was unable to attain its financial goals set forth by the Corporation and thus was rated as unsatisfactory in terms of its overall business rehabilitation. As a result, the entity's banking unit was merged with Woori Bank, and its credit-card unit became Woori Credit Card Co., which later went on to acquire the credit-card business of Woori Bank in addition to consolidating Woori Financial Group's card operations group-wide. Accordingly, in the aftermath of these mergers, a new MOU was signed due to these changes.

In April 2002, MOUs signed with Jeju Bank, Korea Life Insurance and Seoul Bank were terminated as the Corporation's stake held in these institutions was sold to Woori Financial Group, Hanwha consortium and Seoul Bank respectively. As a result, the total number of institutions in active MOUs with the KDIC, dropped from fourteen, at the end of 2001, to eleven as of the end of 2002.

III. Risk Management of Insured Financial Institutions

In order to increase the quality of the Corporation's MOU management, the KDIC inspects the operational statuses of institutions injected with public funds as often as possible. In addition, the Corporation has sought to enhance the inspection process by utilizing certified public accountants as inspectors. Furthermore, to ensure transparency and objectivity in measures taken against institutions for non-compliance of MOUs, a "Compliance Review Committee" composed of financial, legal and accounting professionals was established, while a "Loan Loss Provision Evaluation Committee" staffed with accounting experts, was established to ensure more equitable levels of loan loss provisioning. In addition, the "Management Rehabilitation Compliance Related Rules" was revised to clarify non-compliance measures (November,

2002), as well as to provide a basis to take stronger measures when such non-compliances are repeated. As such, the process and standards for signing, compliance review and post-management of MOUs has been overhauled.

The Corporation will consider the financial state and the degree of progress in management rehabilitation of Woori Financial Group and its five subsidiaries - Woori Bank, Kwangju Bank, Kyungnam Bank, Woori Credit Card and Woori Investment Bank - at the end of 2002, when their Management Rehabilitation Plans expires. Afterwards, a two-year management rehabilitation plan will be added. The Corporation will continue to work toward achieving management rehabilitation goals and also to enhance its corporate values.

Table III - 1. MOU Contract Status

Financial Institution	MOU Contract	Amendment	Addition	Notes
Woori Financial Group	July 2, 2001	-	Jan. 22, 2003	-
Woori Bank	Jan. 22, 1999	Dec. 30, 2000	Jan. 22, 2003	(f/k/a Hanvit Bank)
Kwangju Bank	Dec. 30, 2000	-	Jan. 22, 2003	-
Kyungnam Bank	Dec. 30, 2000	-	Jan. 22, 2003	-
Jeju Bank	Dec. 30, 2000	-	-	Termination (Sale to Shinhan Financial Group on Apr. 2002)
Seoul Bank	Dec. 30, 2000	Jun. 29, 2001	-	Termination (Sale to Hana Bank on Dec. 2002)
Chohung Bank	Nov. 12, 1999	Jan. 31, 2002	-	-
Credit Business Part of National Federation of Fisheries Cooperatives	Apr. 25, 2001	-	Feb. 12, 2003	-
Daehan Investment Trust Securities	Sept. 25, 2000	Feb. 20, 2002	-	-
Korea Investment Trust Management & Securities	Sept. 25, 2000	Feb. 20, 2002	-	-
Seoul Guarantee Insurance	Apr. 12, 2000	June 9, 2001 July 10, 2002	-	-
Korea Life Insurance	Apr. 12, 2000	Sept. 5, 2001	-	Termination (Sale to Hanwha consortium on Dec. 2002)
Woori Credit Card	June 7, 2000	Dec. 30, 2000 Mar. 25, 2002	-	(f/k/a Peace Bank)
Woori Investment Bank	Dec. 9, 2000	June 29, 2001	-	-

1) After entering into an MOU, quarterly inspection is conducted according to the Public Fund Oversight Special Act (Article 17, Paragraph 4).

IV. Management Control of Insolvent financial Institutions and Management of Bankruptcy Estates and Assets

Chapter 1. Management Control of Insolvent financial Institutions

1. Improvement of Management Supervision Efficiency

In 2002, the Corporation exercised management control over a total of 148 insolvent financial institutions including one non-life insurance company (Regent Fire & Marine Insurance Co.), seven mutual savings banks (including Kyungin Mutual Savings Bank), and 140 credit unions (including Bongduk Credit Union). The Corporation successfully intervened in the management of the 115 credit unions whose operations all ceased as of November 4. In order to increase the efficiency of management supervision, the Corporation published the management supervision manual by standardizing the control procedures for different target institution.

With the goal of maximizing the recovery of public funds, the Corporation departed from the previous passive asset management and adopted a more aggressive approach including timely sales of real assets held by the failed financial institutions under its management control. The Corporation disposed of a total fifteen real estate assets worth 36.9 billion won including those of Daeyang Mutual Savings Bank.

Based on its accumulated experience, the Corporation plans to implement management changes when necessary, establish a top-notch workforce by attracting qualified personnel as well as strengthening employee training and install a task force to handle public complaints that arise during management control activities.

2. The Prevention of Credit Events During Management Control

In order to prevent the occurrence of credit events (bankruptcies, defaults, restructuring, insolvencies, M&As, P&As, etc.) during management control, a total of eight meetings were held in 2002 where the management supervisors (or their support staff) were instructed on matters to attend to while on duty. In addition, in an effort to reduce

the occurrence of credit events during management control, the Administration and Insurance Department organized joint training sessions comprising all related departments such as the Receivership and Collection Department (in charge of bankruptcy estates), the Investigations Department (in charge of investigating accountability for insolvencies), and the Office of the Auditor (in charge of establishing corporate ethics and discipline among public officials).

Furthermore, in the effort to prevent credit events and more effectively handle management control activities, answers to frequently asked questions (FAQs) were given in real-time through the Corporation's Intranet, the "KDIC-Office," which is the internal communication network of the Corporation.

Chapter 2. 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 into effect 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. The relevant provision in the Public Fund Oversight Special Act was intended to be temporary, effective for five years from the date of enforcement. However, with the amendment to the Depositor Protection Act in 2002, the time limit on appointing officers or employees of the Corporation as trustees of bankruptcy estates has been lifted.

Since March 15, 2001, when the Constitutional Court of Korea ruled that the appointment of the Corporation's officers and employees as bankruptcy trustees was constitutional, KDIC trustees have been appointed as trustees of 218 of 227 bankruptcy estates nationwide (as of the end of 2002). However, there are still 61 bankruptcy estates where KDIC trustees are appointed conjointly with attorneys. Also, most of

IV. Management Control of Insolvent financial Institutions and Management of Bankruptcy Estates and Assets

Table IV - 1. Status of Appointed Bankruptcy Trustees

As of December 31, 2002

	Total	Trustees			
		KDIC Employees		Attorneys	Conjoint ²⁾
		Corporation	Employees		
Number of Bankruptcy Estates	227 ¹⁾	145	12	9	61

1) Excludes bankruptcy estates in completion or in process of completion (89), including Coryo and the Dongseo security companies that were not injected with public funds.

2) Conjoint bankruptcy trusteeships jointly held by KDIC (or employees) and lawyers.

the 130 financial institutions under management control as of the end of 2002 are expected to be integrated into bankruptcy estates sometime during the first half of 2003. Therefore, the Corporation plans to aggressively pursue a system where only the Corporation's officers and employees can be appointed as trustees for speedier and more efficient bankruptcy proceedings.

B. Downsizing and Introduction of Performance-based Criteria

The KDIC has carried out reductions in force at relevant bankruptcy estates and has made an effort to instill good corporate ethics and discipline. Accordingly, the Corporation instructs its appointed trustees to focus on individual performance of employees when managing bankruptcy estates and to discharge staff members exhibiting substandard performance.

To facilitate debt collection by the support staff of bankruptcy estates and to encourage voluntary efforts to recover debts, the Corporation provides special bonuses of up to 10 million won for those support staff making considerable contributions in real estate sales, recovery of NPLs, etc. At the time of distribution of bankruptcy proceeds, support staff will also be eligible for monetary incentives of up to 100% of the highest monthly salary.

Recognizing the need to manage bankruptcy estates strictly based on their performance in an effort to achieve more efficient recovery of public funds, the KDIC has introduced a performance-based assessment system for 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. 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 year-end 2002, a total of 227 bankruptcy estates were being run out of 93 offices, which constituted a decrease of 28 offices compared with the end of December 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 2002, the KDIC examined the status of debenture sales regarding 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 75.7 billion won of additional recoveries were made.

IV. Management Control of Insolvent financial Institutions and Management of Bankruptcy Estates and Assets

The Corporation, in conjunction with bankruptcy estates, conducted due diligence investigations of insolvent debtor corporations and, as a result, recovered about 8.3 billion won in 2002 through M&As, asset transfers, and bankruptcy filings among other methods.

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 by clearly explaining possible measures that could be taken against them for failing to pay and by inducing voluntary redemption of loans. In addition, the Corporation requested the help of government agencies such as the Ministry of Government Administration and Home Affairs, the Ministry of Construction and Transportation, the National Tax Service, etc., in conducting investigations to locate hidden assets of debtors and guarantors, as well as in seizing the property of those identified.

B. Disposition of Other Asset Holdings

The KDIC began providing information on real estate held by bankruptcy estates via its Web site (www.kdic.or.kr) in an effort to attract public attention to those assets.

Consequently, the number of properties sold increased sharply from 156 in 2001 (83.3 billion won) to 430 in 2002 (421.8 billion won).

For early recovery of public funds, small-sized normal loans held by bankruptcy estates were sold to financial institutions in good standing. Such efforts produced 32 billion won on sales of 27,309 loans in 2002.

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, works of calligraphy and antiques, it considered the difficulties of disposition and charges for custody of each estate. Therefore, the Corporation entrusted a professional auction company to dispose of all seized artwork. In 2002, a total of 641 pieces of artwork were sold for approximately 600 million won.

3. Promotion of Expeditious Completion of Bankruptcy Proceedings

Since March 2001, when KDIC officers and employees were appointed as bankruptcy trustees under the Public Fund Oversight Special Act to intensify efforts to recover public funds, the assets of some bankruptcy estates were substantially reduced, resulting in their maintenance costs that exceeded the amount of recoverable funds. To fully administer such bankruptcy estates as quickly as possible, the Corporation established an early closure system through which target bankruptcy estates were designated based on KDIC criteria on residual assets held by bankruptcy estates. The system also enabled the Corporation to play a leading role throughout the entire bankruptcy proceeding including asset sales, final distribution of bankruptcy proceeds, final creditor meetings, the court's final decree, and document storage and other post-proceeding management following the full administration of the bankruptcy proceedings.

Due to the above efforts, the length of bankruptcy proceedings has been drastically reduced from an average of ten years to just three to four years today. The Corporation sought resolution in 159 out of a total 316 bankruptcy estates. As of the end of December 2002, the disposition of forty-three estates is ready to be concluded pending the final disposition of ongoing litigation. Additionally, the affairs of another forty-six estates were declared closed with the entry of the final decree by the courts.

After a financial institution is declared bankrupt, the Corporation prepares for each bankruptcy estate that has been fully administered a 'Bankruptcy Work Report and Related Documents' that records key steps of the bankruptcy proceedings and categorizes all the important documents in storage. These are to be used as reference materials by related agencies including the courts and the Corporation.

IV. Management Control of Insolvent financial Institutions and Management of Bankruptcy Estates and Assets

Chapter 3. Management of Asset Holdings

1. Acquisition of Assets

By year-end 2002, the KDIC had acquired a total of 19.8 trillion won in assets. Of that amount, 7.9 trillion won worth of assets had been acquired by the Resolution and Finance Corporation ("RFC") through borrowings from the KDIC, 10.6 trillion won by Hanareum Banking Corporation ("HBC") and 1.3 trillion won by Hanareum Mutual Savings and Finance Corporation ("HMSF").

At the end of 2002, through borrowings from the KDIC, the RFC had acquired assets worth a total of 7,872.8 billion won. This included 7,328.1 billion won from Korea First Bank, 158.8 billion won from five acquirer banks (Kookmin, H&CB, Shinhan, Hana and KorAm), 348.4 billion won from four life insurance companies (Taepyeongyang, Dong-ah, Kookmin and Handuk) and 37.5 billion won from 101 bankruptcy estates of credit unions.

2. Disposition of Acquired Assets

To facilitate the 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.

In June 2002, an agreement between the Corporation and KAMCO was reached on the sales of workout claims based on valuations by accounting firms. Consequently claims worth 4,257.8 billion won (claim value) were sold for 713.7 billion won. In November, after an attempt to sell claims by bidding, loan receivables (general and special) worth 405.1 billion won (loan value) were sold for 60.8 billion won and in accordance with valuations by accounting firms and as instructed by the Disposal Review Subcommittee of the Public Fund Oversight Committee.

Through asset-backed securitization, the Corporation recovered, in 2002, principal and interest of 85.5 billion won on won-denominated subordinated ABS debt issued in December of 2000. The amount of final fund recovery will be determined by the performance of the subordinated debt held by the Resolution and Finance Corporation.

As for its foreign currency-denominated bonds, the KDIC appointed a consortium consisting of Arthur Andersen GCF and Total Companies, specialized in the resolution of NPLs,

Table IV - 2. Status of Asset Acquisition by Resolution Financial Institutions

As of December 31, 2002

(Unit: billion won)

Type		Debt Amount	Purchase Price	Notes
Resolution and Finance Corporation	Banks	9,313.0	7,486.9	6 Banks (including KFB)
	Insurance Cos.	396.4	348.4	4 Insurance companies
	Bankruptcy Estates	589.3	37.5	101 Bankruptcy Estates (1 Bank, 4 Insurance, 1 Securities Co., 20 MSFCs, 75 Credit Unions)
(f/k/a) Hanareum Banking Corporation	Merchant Banks	11,022.5	10,626.2	16 Merchant Banks
(f/k/a) Hanareum Mutual Savings and Finance Corporation	MSFCs	2,843.0	1,310.5	41 MSFCs
Total		24,164.2	19,809.5	-

IV. Management Control of Insolvent financial Institutions and Management of Bankruptcy Estates and Assets

Table IV - 3. Status of Asset Disposition by Resolution Financial Institutions¹⁾

Jan. 2002- December. 2002

(Unit: billion won)

Disposition Project	Date	Sale Amounts	Purchaser	Advisor
Bulk Sale of Loans (Hanareum 2001-2)	Feb. 27, 2002	193.2	Five companies including GE Capital, etc.	Samjong KPMG
Transfer Loans to KAMCO	June 14, 2002	713.7	KAMCO	Samil Accounting
Bulk Sale of KT&G ²⁾ Shares	Sept. 12, 2002	168.1	KT&G	-
Transfer Loans to KAMCO	Nov. 21, 2002	60.8	KAMCO	Samjong KPMG
Total		1,135.8	-	-

1) Hanareum Mutual Savings and Finance Corporation is not reflected on KDIC's recovery because it was used for repayment of debt.

2) Korea Tobacco and Ginseng Corporation

with management and disposition of these assets. By year-end 2002, 138 million dollars had been recovered including 5.7 million dollars of 2002.

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. Furthermore, the Corporation has assigned KAMCO and Nara Credit Service to carry out the public sales of acquired real estate and has been successful in recovering public funds worth 293.3 billion won as of the end of 2002.

3. Guidance and Supervision of the Resolution and Finance Corporation

The RFC took over Hanareum Mutual Savings & Finance Corporation on December 31, 2001 and subsequently completed, without a hitch, all required follow-up measures including account settlement and public disclosure. Additionally, the Corporation took the necessary measures to adjust the budget and applicable rules governing staff organization and other matters to ensure the smooth operation of the combined entity.

Prior to expiration of the RFC's statutory authority on December 26, 2002, the Corporation considered whether to disband the RFC or to extend its operation. After a thorough evaluation, the KDIC concluded that the RFC should continue to exist to complete the disposition of assets and debts in its custody and to expedite bankruptcy proceedings. The Corporation subsequently secured approval from the minister of Finance and Economy to extend the RFC's operation by one year.

V. Insolvency Investigations

Chapter 1. Investigations into Insolvent Financial Institutions

1. Investigations into Insolvencies and the Securing of Assets for Damage Redemption

By the end of 2002, the KDIC had conducted investigations into 343 insolvent financial institutions injected with public funds. As a result, damage-claim proceedings were initiated against 3,701 officers, employees and other persons whose actions, in whole or in part, were attributed to the insolvent states of their respective institutions.

In order to carry out prompt investigations into the 115 insolvent credit unions that were collectively suspended from operations

on November 4, 2002, the KDIC divided the country into 9 administrative regions including Busan and Daejeon and held briefing sessions with the regional authorities to prevent the parties responsible for the insolvencies from concealing their assets, and to allow for more effective investigations.

KDIC has secured and is making full use of property information databases compiled by governmental agencies such as the Ministry of Government and Home Affairs to call culpable parties to account and to step up the recovery of public fund. In addition, wide-ranging efforts including setting up and operating the Concealed Property Report Center resulted in the seizures of 4,453 assets valued at 1,185.9 billion won and laid preliminary injunctions on 707 cases.

Table V - 1. Insolvency Accountability Investigation Status

As of December 31, 2002

Type	Banks	Securities Companies	Insurance Companies	Merchant Banks	MSBs	Credit Unions	Total
No. of Companies	15	4	15	22	85	202	343
No. of Persons	173	31	222	160	768	2,347	3,701

Table V - 2. Creditor Right Preservation Measures

As of December 31, 2002

	Banks	Securities Companies	Insurance Companies	Merchant Banks	MSBs	Credit Unions	Total
Number of Provisional Seizures	147	41	279	244	890	2,852	4,453
Amounts of Provisional Seizures (in billions of won)	35.0	8.1	166.7	152.8	440.6	382.7	1,185.9
Number of Provisional Disposals	30	4	77	87	232	277	707

V. Insolvency Investigations

Table V - 3. Status of Ongoing Lawsuits

As of December 31, 2002

	Banks	Securities Companies	Insurance Companies	Merchant Banks	MSBs	Credit Unions	Total
Number of Institutions	15	4	15	22	81	192	329
Number of Defendants	158	48	213	157	902	3,302	4,780
Amounts Claimed (in billions of won)	73.6	9.7	169.7	269.9	435.1	361.1	1,319.1

2. Investigation Results Deliberations on Liability upon Comment

In the course of filing for damage claims, the Investigation Results Review Committee, which is composed of lawyers and other legal experts, conducted a thorough and comprehensive assessment regarding the seriousness of illegalities or irregularities, the degree of involvement or responsibility, the final determination of material evidence and circumstantial issues, the chances of winning in court, among other things. This careful assessment was made so that the KDIC's liability deliberations are carried out in a fair and objective manner.

In order to prevent innocent parties from being implicated, those under investigation are granted sufficient opportunity to comment and will be able to submit further comments even after notification of investigation results.

As a result, as of the end of December 2002, the Investigation Results Review Committee held a total of 73 meetings and reviewed the comments submitted by 413 individuals.

3. Damage Claim Proceedings

As mentioned above, 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 4,780 persons from 329 institutions, for compensation worth 1,319.1 billion won in total.

Chapter 2. Investigations into Default Debtors of Insolvent Financial Institutions

1. Improvement of System

With the legal basis established by the amendment of the Depositor Protection Act on December 30, 2000, investigations into the assets/properties of default debtors of financial institutions injected with public funds were carried out based on the real estate and other such property-related information databases compiled by governmental agencies. Since then, with the enactment of the Civil Enforcement Law, the Property Inquiry System was newly instituted on January 26, 2002, allowing for more effective investigations into the financial and other assets of default debtors.

2. Investigation into Hidden Assets

Pursuant to Article 21-3 of the Depositor Protection Act, the Corporation, exercising its authorized right to access governmental agency information on the assets/properties of individuals, performed investigations into properties (each worth more than one hundred million won) held by 51,304 default debtors of 163 financial institutions injected with public funds. Based on its findings (total: 73,930 cases, worth: 8.4 trillion won), the KDIC submitted requests to the pertinent institutions for seizure of the identified assets from the debtors.

The KDIC also conducted special investigations into default debtors suspected of having transferred their own assets/

V. Insolvency Investigations

Table V - 4. Default Debtor Investigation Status

As of December 31, 2002

	Banks	Securities Companies	Insurance Companies	Merchant Banks	MSBs	Credit Unions	Total
Number of Companies	13	5	7	18	52	68	163
Number of Persons	3,584	130	33,775	2,383	9,789	1,643	51,304
Number of Cases	7,413	412	37,257	6,579	19,645	2,624	73,930
Amounts (in billions of won)	2,324.3	208.8	2,937.8	1,452.0	1,426.0	79.9	8,428.8

Table V - 5. Status of Investigations on Concealed Properties

As of December 31, 2002

	Banks	Insurance Companies	Merchant Banks	MSBs	Credit Unions	Total
Number of Companies	4	3	11	8	2	28
Number of Persons	23	47	76	133	2	281
Number of Cases	37	78	248	252	5	620
Amounts (in billions of won)	4.7	5.4	64.4	52.6	0.1	127.2

properties to third parties through spurious transactions and contributions or disposition. As a result, the Corporation identified 620 assets with an estimated total value of 127.2 billion won. Furthermore, the KDIC called on pertinent institutions to take necessary measures, such as preliminary injunctions, in order to preserve creditors' claim rights.

Chapter 3. Investigations into Default Debtor Corporations

1. Institutional Improvements to Ensure Effective 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. To make it possible to hold default debtors responsible in a more efficient and effective manner, the Special Investigation

Mission for Default Debtor Corporations was organized on December 24, 2001. This body is staffed by personnel representing the Supreme Public Prosecutor's Office, the National Police Agency, the National Tax Service, the Korea Customs Service, the Financial Supervisory Service and the KDIC. Also, with the amendment of the relevant law on December 26, 2002, the scope of culpable parties to be investigated was clarified.

2. Investigations into Default Debtor Institutions

As of December 31, 2002, KDIC's Special Investigation Mission for Default Debtor Corporations has conducted investigations into forty-two companies and completed on-site investigations of thirty-nine companies including Daewoo Corporation. Meanwhile, on-site investigations of Kunyoung Corporation and two other companies are currently in progress.

V. Insolvency Investigations

The scope of the investigations encompassed collecting and assessing evidence of illegal or irregular activities of former and current officers or employees of the default debtor companies. The aim of the investigations was to hold liable in civil court those individuals found culpable for having caused losses to their companies or creditor institutions. Accordingly, KDIC called on the creditor financial institutions to file damages claims against the majority shareholders and 198 officers of 13 companies including Kohap Corporation. Currently, 137.5 billion won in damage claims have been filed by creditor institutions against 128 individuals. In addition, claims against several other companies are either in the preliminary stages of being filed or in arbitration.

Meanwhile, measures to preserve creditor rights have been taken on the 165.5 billion won worth of assets uncovered during the series of investigations, including provisional attachment on 214 assets and preliminary injunctions on 75 assets. The eighty-three individuals suspected of fraud and/or embezzlement were referred to the Joint Enforcement Team on Public Funds Misappropriation for investigation.

3. Cooperation with Related Institutions

Related institutions maintain close cooperation with the Special Investigation Mission for Default Debtor Corporations by dispatching personnel and providing investigation material. In addition, Investigation Department 3, previously responsible for follow-up measures to deliberations, was renamed the Special Investigation Planning Department and made part of the above Task Force. The staffing of the Task Force was expanded to create an Investigation Team.

Now, close cooperation is maintained with the Joint Enforcement Team on Public Funds Misappropriation created within the Central Investigation Department of the Supreme Public Prosecutor's Office. Parties charged with criminal offenses are referred to the Joint Task Force for investigation while information relating to the hidden assets of the responsible parties are provided to the KDIC, based on which measures to preserve claim rights were taken.

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

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

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

1. Overhaul of Major Laws and Regulations Related To KDIC

A. Depositor Protection Act (December 26, 2002 Amendment)

(1) Purpose

The Depositor Protection Act was amended on December 26, 2002 to facilitate the recovery of public funds and to improve on deficiencies in the current system identified during the course of normal operations. The DIF Bond Repayment Fund is created for the management of assets and liabilities of the Depositor Insurance Fund. The amendment also requires insured institutions to pay Special Assessment for Repayment of DIF Bonds.

(2) Key Points

The key points of the amendment are as follows. First, the exclusion of the Fishery Cooperatives and the Credit Unions from the list of institutions eligible for deposit protection, as both are mutual aid associations. In the case of Credit Unions, deposit protection will be provided only until the end of 2003.

Second, in the event that the KDIC requests the Financial Supervisory Service ("FSS") to conduct a joint examination based on the resolution of Deposit Insurance Committee (formerly known as Policy Committee) resolution, the Chairman of the FSS is obligated to respond. Furthermore, a request for information verification provided by the FSS should be fulfilled when it is deemed necessary to determine the possibility of an insured risk event. If the information is not confirmed within a month of the request, the KDIC is authorized to investigate the operations and assets of insured financial institutions.

Third, to ensure that those directly responsible for causing the financial insolvencies are held accountable, the KDIC is

authorized to investigate insolvent financial institutions, default debtors corporations as well as their former and current officers and employees.

Fourth, the DIF Bond Repayment Fund was created within the KDIC to repay debts incurred by the Depositor Insurance Fund in the course of assisting the restructuring of insured financial institutions.

Fifth, to finance resources for the recovery of public funds, the insured financial institutions will be required to pay Special Assessment for Repayment of DIF Bonds. The amount will be computed by multiplying the deposit balance with a rate determined by a Presidential Decree, insofar as the total does not exceed 3/1000 of the deposit balance.

B. Enforcement Decree of the Depositor Protection Act (December 30, 2002 Amendment)

(1) Purpose

The Amendment to the DPA Enforcement Decree was intended to address shortfalls in the existing system and prescribe details regarding the Special Assessment for Repayment of DIF Bonds. These include payment period, method, ratio and other matters delegated to KDIC in accordance with the amendment of the Depositor Protection Act on December 26, 2002 (Act No. 6807).

(2) Key Points

The key points of the decree are as follows: First, the criteria for designating financial institutions at risk of insolvency will be based on those set by the Financial Supervisory Commission ("FSC") to ensure the effective operation of the prompt corrective action system instituted by the Act on the Structural Improvement of the Financial Industry.

Second, Special Assessment for the Repayment of DIF Bonds to be paid to KDIC by insured financial institutions will be computed by multiplying 1/1000 to the total balance of deposits.

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

Third, in the event that KDIC extends financial assistance to insured financial institutions, an agreement obligating the concerned institution to carry out a Memorandum of Understanding shall be signed before the financial assistance is actually given.

C. Public Fund Redemption Fund Act (December 26, 2002 Enactment)

(1) Purpose

The enactment is intended to enable the government to assume partial responsibility in repaying some of the irrecoverable public funds in accordance with the government's public fund recovery plans, through the creation of the Public Fund Redemption Fund. With the necessary capital raised mostly through the issuance of government bonds, the Public Fund Redemption Fund will make financial contributions to the DIF Bond Repayment Fund and Non-Performing Claim Resolution Fund.

(2) Key Points

First, to facilitate the repayment of the debt principal by the "DIF Bond Repayment Fund" and the "Non-Performing Claim Resolution Fund" pursuant to the "Depositor Protection Act" and the "Act on Efficient Disposal of Non-performing Assets of Financial Institutions and Establishment of the Korea Asset Management Corporation," the enactment mandates the creation of the "Public Fund Redemption Fund" to extend financial contributions to the above-mentioned two funds.

Second, the enactment prescribes that the resources for the public funds should be raised from the deposits made by the Public Fund Management Fund, surplus tax revenue pursuant to the "Budget and Accounting Act," contributions from government accounting, contributions from the "Telecommunications Business Special Accounting" pursuant to the "Corporate Budget Accounting Act" and "Postal Insurance Special Accounting" pursuant to the "Postal Insurance Special Accounting Act."

Third, the enactment stipulates that while at least 30/100 of the surplus tax revenue be provided as contributions to the Public Fund Redemption Fund annually to recover the liabilities of Public Fund Redemption Fund, the ratio of contributions can be adjusted for a given year in the event natural disasters or conditions in the national economy make such adjustments unavoidable.

Fourth, contributions from the Telecommunications Business Special Accounting will be computed by multiplying the average balance of the preceding year with a rate set by a Presidential Decree, the total of which will not exceed 3/1000 of the average balance. In the case of the Postal Insurance Special Accounting, contributions will be computed by multiplying a set amount determined by a Presidential Decree, taking into consideration the size of the previous year's insurance reserve, and applying the rate also set by a Presidential Decree. The total contribution is not to exceed 3/1000 of the amount set by the Presidential Decree.

Fifth, the minister of Finance and Economy is required to submit the details of the public funds repayment statement and repayment plans every year to the National Assembly.

Sixth, the enactment has set December 31, 2027 as the statutory expiration date of the Public Fund Redemption Fund Act and stipulated that in the event the Public Fund Redemption Fund is liquidated the residual assets will be reverted to the National Treasury.

Seventh, the enactment waived the KDIC's and the Korea Asset Management Corporation's obligation to pay back loans from the government's special accounting for financing.

D. Enforcement Decree of the Public Fund Redemption Fund Act (December 30, 2002 Enactment)

(1) Purpose

The decree prescribes the details for the management of the Public Fund Redemption Fund including the scope of debt to

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

be assumed by the Fund and other matters delegated to KDIC following the enactment of the Public Fund Redemption Fund Act on December 26, 2002 (Act No. 6804)

(2) Key Points

First, while the scope of the debt to be assumed by the Public Fund Redemption Fund is limited to the bonds to be repaid by the Non-performing Claim Resolution Fund and DIF Bond Repayment Fund, the amount of bond principal and interest to be assumed should not exceed 49 trillion won at par value.

Second, if contributions made by the Public Fund Redemption Fund to the Non-performing Claim Resolution Fund and the DIF Bond Repayment Fund need to be settled, any funds received after settlement will serve as funding for the Public Fund Redemption Fund.

Third, contributions from the Telecommunications Business Special Accounting and Postal Insurance Special Accounting will be computed by multiplying 1/1000 to the average balance of deposits, and will be contributed within 3 months from the end of every fiscal year.

Fourth, the Management Review Committee for the Public Fund Redemption Fund will be headed by the deputy minister of Finance and Economy and will be composed of up to 10 members.

2. Amendments to Other Statutes Related to KDIC

A. Enforcement Decree of Corporate Income Tax Act (December 30, 2002 Amendment)

(1) Purpose (Related to the KDIC)

The amendment was intended to supplement the existing system through measures such as not classifying deposit insurance business and NPL disposition business as profit generating businesses. This is to avoid government contributions to be considered as gains from contributed assets and be subjected to taxation.

(2) Key Points (Related to KDIC)

In accordance with the Depositor Protection Act, the insurance business is no longer considered as a profit-generating business, while government funds provided to assist the NPL disposition business of the Korea Asset Management Corporation pursuant to the Public Fund Redemption Fund Act, were also exempted from taxation on gains from contributed assets.

Chapter 2. Research for a Sounder Deposit Insurance System

KDIC focused its research efforts on assessing the achievement of Korea's financial restructuring process and deposit insurance system and studying the deposit insurance and financial supervisory systems of major countries as well as ways for effectively managing and recovering public funds. (Refer to Table VI-1 for detailed research results.)

In an effort to improve the existing deposit insurance system and to strengthen its role in the financial restructuring process, the KDIC has held symposiums and workshops focused on deposit insurance and financial restructuring. In October 2002, KDIC sponsored the International Finance Symposium, which was attended by many distinguished scholars from around the world. Entitled "Overcoming the Financial Crisis: Asia's Financial Reform" the symposium discussed the Japanese experience with its banking sector crisis and China's introduction and implementation of the deposit insurance system. Ways to prevent and overcome future financial crisis and the possibility of a monetary integration in East Asia were also a major part of the agenda. In November of the same year, a policy symposium entitled "Financial Corporate Governance" was held and focused on examining the existing corporate governance structures of domestic banks and non-bank financial institutions as well as to provide solutions for improvement.

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

Meanwhile, deposit insurance-related workshops were held twice in August and in November of 2002, to provide a forum for KDIC staff and outside experts to come together and exchange views on major issues concerning deposit insurance. In-depth and productive discussions took place during the workshops, under the themes of "Challenges

facing KDIC after assuming partial responsibility for public fund losses" and "Financial Safety Net and Revision of the role of Deposit Insurance." Many valid views regarding KDIC's future conduct of business and policymaking were presented at the workshops.

Table VI-1 Major Research Papers Published by the KDIC in 2002

Subject	Title
The Outcome of Financial Restructuring	<ul style="list-style-type: none"> - Financial Restructuring and Government Expenditure. - The Management of Financial Crisis and the Restructuring outcome.
Deposit Insurance System and Financial Supervisory System of Major Countries	<ul style="list-style-type: none"> - Financial Crisis and Financial Restructuring of Japan. - Introduction of Financial Safety Net and its development of U.S. - Research on the Birth of Financial Crisis of Developing Countries. - Discussion on Decentralization of Financial Supervisory Service. - Integration of Banking Sector and Financial Risk.
Development Plans of Deposit Insurance System	<ul style="list-style-type: none"> - System Development Plans of Deposit Insurance Fund Bond Market. - Direction for Development of Deposit Insurance System. - Funding, Target Reserve Ratio of Deposit Insurance Fund and Credit Risk Model. - Financial Supervisory Rights of Deposit Insurers
Efficient Management and Fast Recovery Plans of Public Funds	<ul style="list-style-type: none"> - The Cases of The Privatization of Banks in Developing Countries and Implications - The Influence on Banking Sector Due to the Market Participation of Foreign Banks.
Examples of Resolution of Insolvent Financial Institutions and Fund Recoveries in Major Countries	<ul style="list-style-type: none"> - Resolution and Asset Disposition System of Each Country's Failed Banks. - Ex-Post Dealing Methods when Financial Institutions Go Bankrupt. - The Disposition Status of NPL through AMC.
Differential Premium System and Risk Assessment Methods	<ul style="list-style-type: none"> - Differential Premium System of the CDIC. - Differential Premium System of the FDIC. - Subsidy Value of Deposit Insurance and Differential Premium System. - Research on Estimates of Insurance Premiums Based on Bank Risk.
Strengthening Plans of the Capability of Ex Ante Risk Management	<ul style="list-style-type: none"> - Deposit Insurance and Ex-Ante Risk Management.
Main issues of Finance and Economy	<ul style="list-style-type: none"> - Upward Adjustment of Moody's Sovereign Rating and its Influences. - Recent Status of Consumer Loan and implications. - Background on Low Interest Rate Trends. - Public Fund Injection and the Outcome of Financial Restructuring.

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

Chapter 3. KDIC's Long-term Development Plan and Development of Information Infrastructure

1. KDIC's Long-term Development Plan

Although lacking in experience and knowledge during the financial crisis of '97, the KDIC concentrated its resources in supporting the nation's financial restructuring process, thus paving the way for significant contributions subsequently made by the Corporation during that period. However, the government-led efforts in financial sector restructuring resulted in the Financial Supervisory Commission ("FSC") assuming overall authority to make decisions on the reorganization of insolvent financial institutions while KDIC served as a mere "Pay-Box," executing the public funds in accordance with the decisions made. This made it structurally difficult for the Deposit Insurance Fund to maintain financial soundness.

Meanwhile, following amendments to the Depositor Protection Act in December 12, 2002, the former Deposit Insurance Fund was absorbed into the DIF Bond Repayment Fund thus forming a new Deposit Insurance Fund, which was established on January 1, 2003. As a result, financial restructuring costs incurred in the future will be funded by insurance premiums paid into the new Fund. This will ensure the financial soundness of the new Deposit Insurance Fund, an issue that emerged as a key challenge for the deposit insurance system to sustain credibility and minimize the burden placed on the general populace.

However, in order for the new Deposit Insurance Fund to effectively function as a safety net for the financial market, maintaining adequate revenue remains a prerequisite. Accordingly, this necessitates the introduction of accumulative reserve funds such as a "Target Fund System" that is found in many countries with developed financial systems. In addition, strengthening the risk management of potentially insolvent financial institutions can prevent insured risk events, while an overhaul of the relevant regulation is necessary to allow swift reorganizations of insolvent financial

institutions based on the least cost principle. Moreover, such measures will ensure that losses to the fund will be kept at a minimal level.

Furthermore, differential premiums should be introduced, in order to provide for premium payment responsibility among financial institutions and promote the soundness of insured financial institutions based on market principles.

Accordingly, to better serve the public and member institutions, KDIC will also focus on the training and recruiting of professionals, in order to solidify its role as a leading deposit insurance organization that engenders the trust of the financial industry and the public.

2. Application of Information Technology

A. Establishment of an Information Sharing System

(1) Establishment of EDMS (Electronic Document Management System)

KDIC's introduced its groupware in July 2000, and built an electronic approval system. The system operated successfully for 18 months and radically improved the internal approval process and enhanced technology awareness among the organization's members. In addition, an Electronic Document Management System (EDMS) was activated in June of 2002, as an interoperable system with the electronic approval system that supported the government's policy and vision of building an e-government. EDMS manages all documents from its initial generation to final disposition and provides accessibility and availability.

Also, a knowledge map based on operational analysis was developed to classify documents according to subjects. A Library Management System, Report/Press Release Data System, and External Document Receipt Management System were all built in parallel in order to diversify forms of recorded data.

These contents were integrated into the KDIC's portal and can be accessed through a Single Sign-on, offering a fast and easy way to obtain needed information.

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

B. Development of Systems for Productivity Improvement

(1) Establishment of Insolvency Investigations/Litigation Management Systems

In November of 2002, the KDIC developed an information system that manages the amassment of documents related to investigations on the causes, accountability and assets of the insolvent financial institutions. The system not only speeds up the work process for better efficiency, but also compiles data on civil proceedings that directly or indirectly involves the KDIC, thus providing a support infrastructure that enables faster and more consistent decision-making.

(2) Construction of a Web-enabled Human Resource Management/Remuneration System

In the past, the Corporation's internal information system was inaccessible to outsiders because of its security protocol and network structure. Since May of 2002, however, the existing HR Management/Remuneration System was Web-enabled, thus making the system accessible to users outside the KDIC through a Virtual Personal Network (VPN). By changing the Web Application Server and improving performance, now outside users can enjoy the same response time as internal users. Other features including queries on year-end settlement status and individual monthly salaries, which were added to better respond to the information needs of the users. Notably, the system was developed internally based on development standards laid out by the Corporation, thus allowing for efficient systems maintenance in the future.

(3) Development of a Management Information System

With a new information sharing arrangement between Financial Supervisory Service and the KDIC in place, the Corporation has access to the latest raw data submitted by the insured financial institutions. Accordingly, in order to build an IT infrastructure that will provide structured support of the differential premium system, the KDIC embarked on a project to develop the Insured Financial Institutions' Management Information System on December 2002. The system allows for stable acquisition of a wide-range of source material and

establishes an integrated organization-wide database for the first time, thus permitting for the automatic generation of reports critical to the business analysis and continuous monitoring of insured financial institutions.

C. Strengthening of the Security System

Since June 2002, KDIC has introduced the PKI (Public Key Infrastructure)-based SSO (Single Sign-on) system through which Electronic Document Management, Library Automation System, Human Resource Management/Remuneration System, and Insolvency Investigations/Litigation Management System can all be accessed. SSO allows for the implementation of consistent and efficient security policies through organization-wide user authorization. In addition, unauthorized access to the system is prevented by encryption authentication and other security-related measures.

Along with the SSO, a network-based Intrusion Detection System was established in December 2002 to secure the safe operation and management of the information network. The Intrusion Detection System, deployed at two contact points of KDIC's information network, will detect any attacks launched from either inside or outside while also permitting real-time tracking of unauthorized usage that is undetected by the firewall. As a result, in conjunction with the current hybrid-type firewall already in the place, the Intrusion Detection System will automatically cut off any unauthorized intruder, thus significantly enhancing the overall security of the network.

Chapter 4. Cooperation with International Organizations

Among its numerous activities in 2002, KDIC placed heavy emphasis on developing cooperative relations with deposit insurance-related agencies around the world in an effort to enhance KDIC's operations and to share Korea's accrued experience related to its deposit insurance system and successes in its financial restructuring efforts. A perfect example of KDIC's cooperative efforts was its participation in the inaugural annual meeting of the International Association of Deposit Insurers (IADI).

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

The Corporation is a founding member and has presented to members Korea's experience in implementing the partial deposit protection system. The KDIC was also successful in winning the bid to host the 2003 IADI Annual Meeting & Conference in Seoul.

Meanwhile the KDIC engaged in close cooperation and exchanges with the Federal Deposit Insurance Corporation (FDIC) in the United States, and the Canada Deposit Insurance Corporation (CDIC), while participating in a variety of related international conferences. The KDIC actively exchanged

information with the FDIC on issues such as the Least Cost Principle, valuation, disposal timing and methods of the shares held by KDIC in the course of financial restructuring. The KDIC has also actively promoted Korea's successful restructuring efforts and the performance of its deposit insurance system in its consultations with the IMF-BCP (Basel Core Principle) Mission, the investigation team from IMF's FSAP (Financial Sector Assessment Program), the EU Commission's Subsidies Fact-finding Mission, the Bank Indonesia, the Deposit Insurance Corporation of Japan, the French Embassy in Japan, and the President of London Stock Exchange.

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

- > Financial support for Resolution Financial Institutions
- > Financial support for insured financial institutions.

The Committee is comprised of nine individuals in all, including the president of the KDIC, who serves as committee chairman. Other members are: the vice minister of Finance and Economy, the vice minister of Planning and Budget, the vice chairman of the Financial Supervisory Commission ("FSC"), and the deputy governor of the Bank of Korea ("BOK"). The four remaining committee members are appointees commissioned by the minister of the Finance and Economy. Of that number, one committee member is commissioned directly by the minister of the Finance and Economy with the remainder recommended by the minister of the Planning and Budget, the chairman of the FSC, and the governor of the BOK - all of whom are each allowed to recommend one committee member apiece. The recommended members are then commissioned by the minister of the Finance and Economy.

Table VII - 1. Policy Committee Activities

Items for Resolution	Items for Decision	Items for Review	Designated Items
<ul style="list-style-type: none"> * 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 * Financial support to Resolution Financial Institutions * Financial support for insured financial institutions * Operational guidelines of the committee * Requests for necessary actions regarding P&As, bankruptcy filing, etc. 	<ul style="list-style-type: none"> * Determination of insolvent financial institutions * Determination of financial institutions at risk of insolvency * Transactions between Deposit Insurance Fund accounts * Publication method of meeting minutes. * Necessary actions in respect of Deposit Insurance Fund Bonds * Payments of service fees for third party operations * Provisional payments within the limit of insurance claim payments. 	<ul style="list-style-type: none"> * Operational plan of the Deposit Insurance Fund * Adoption and revision of rules and regulations related to KDIC operation. 	<ul style="list-style-type: none"> * Operation of reserve funds * Designation and purchase of securities * Designation of insured institutions for deposits.

* Since Jan. 2003, the name is changed to Deposit Insurance Committee.

VII. Organization and Financial Status

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. While the auditor may express opinions at board meetings, such a person cannot participate in the Board's voting process.

- > 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.

The Board renders decisions on various matters including the following:

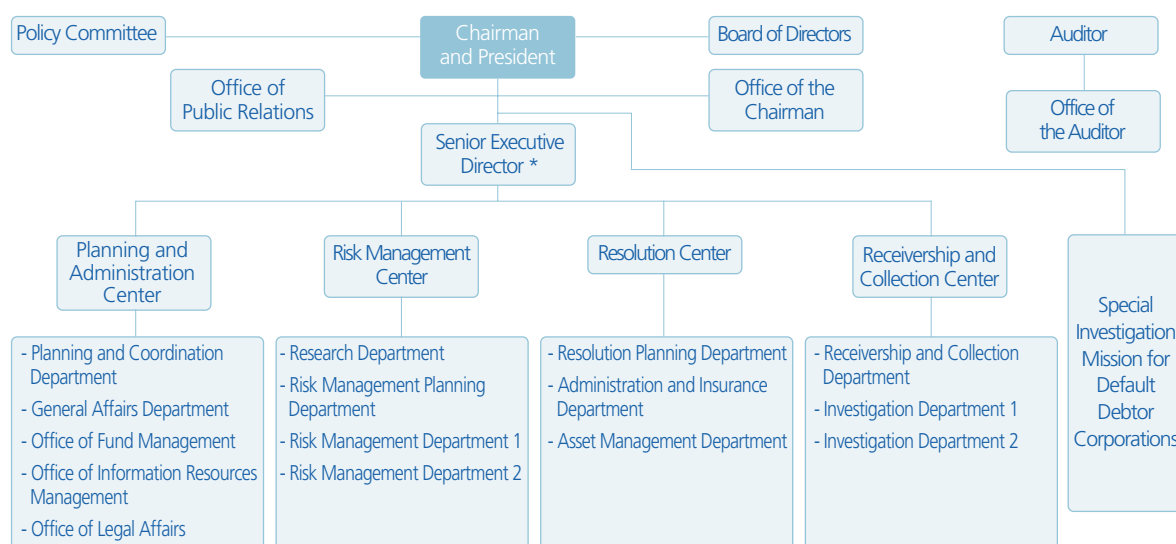
- > Matters that require deliberation and decision-making by the Policy Committee
- > Enactment, amendment and nullification of rules and regulations related to the operation of the Corporation
- > Matters related to the Corporation's organization and system

3. Organization

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 protecting depositors and maintaining the stability of the nation's financial system. It is composed of four centers, which encompass thirteen departments, five offices and one mission.

Figure VII - 1. Organizational Chart

As of December 31, 2002



* Changed to vice President as of January 1, 2003.

VII. Organization and Financial Status

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

As of December 31, 2002

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	13	19	47	108	124	28	339	439	778

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

Chapter 2. Fiscal Year 2002 Accounting Settlement Results

1. Overview of Account Settlement

The original Deposit Insurance Fund was divided into the DIF Bond Repayment Fund and the new Deposit Insurance Fund with the amendment of the Depositor Protection Act on December 26, 2002. For clearer distinction and imputation, as well as more transparent and credible management of funds, KDIC had outside accounting firms audit the funds' accounting reports for fiscal year 2002. Samil Accounting Corp., as the auditor, held on-site audits from February 24 to 28, 2003 and issued a "qualified opinion" on the conclusion.

Starting from fiscal year 2002, the KDIC replaced the 'Internal Accounting Standards,' which was an adaptation of the accounting rules applicable to government-invested organizations, with the 'Generally Accepted Accounting Principles (GAAP)' applicable to corporations. The aim was to better account for the two separate funds and equally apply the valuation criteria for equity holdings and indemnity receivables held by KDIC set out in the "Government's Measures for Recovering Public Funds," announced in September of last year.

According to GAAP, fair market prices are to be entered for evaluation of marketable shares, whereas, the purchasing prices are to be entered for non-marketable shares. However, when net asset prices erode beyond any possibility of recovery, purchasing prices of the shares are to be replaced by net asset prices.

Thus, in the past, non-listed shares were valued on the basis of purchasing price, because it was assumed that the purpose of the Corporation's equity holdings was not to exercise management rights, with a future possibility for net asset prices to recover. However, for this report, the valuation method used for the estimation of public fund recoveries was applied, and thus, net asset prices were reflected. As such, the financial status and profit and losses for 2002 fiscal year showed significant changes from the previous fiscal year, including impairment loss of 18.4 trillion won in investment securities.

However, according to GAAP, the losses from decreased share prices are to be recorded as profits in the future if the target company's business is rehabilitated and the net asset prices are recovered. Therefore, these losses are only estimated losses and not finalized losses at the present moment.

2. Criteria for Account Settlement

A. Accounting for Assets and Liabilities

(1) (Evaluation of Investment on Equities.) Fair market prices are to be entered for marketable shares and bonds, while purchasing prices are to be entered for non-marketable securities. However, if and when net asset prices erode beyond any possibility of recovery, purchasing prices are to be replaced by net asset prices.

(2) (Evaluation of Loans etc.) For loans, contributions or indemnity receivables, the estimated unrecoverable amount was established as loan-loss reserves in estimation of the

VII. Organization and Financial Status

expected rate of recovery as of the date of settlement of account, based on past loan loss rates. Contributions without indemnity receivable 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 account settlement.

B. Accounting for Revenues and Expenses

(1) (Total Entering of Revenue and Expense.) Revenues and expenses were entered on the basis of the total amount, without setoffs.

(2) (Periods covering Revenue and Expense.) Revenues and expenses were entered as follows, on the accrual basis:

- (a) (Deferment of Expense.) If an expense belonging to the next 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 Revenue.) A revenue belonging to the next term or thereafter, but which has already been earned, was marked "advanced revenue" and deducted from income.
- (d) (Entering of Revenue.) A revenue belonging to the current term that has not been realized as income in cash as of the date of account settlement was marked as "Accrued Revenue" and added to profit. Revenue from loans provided to insured financial institutions under suspensions of operations was excluded from the calculation.

3. Account Settlement Status

A. Deposit Insurance Fund Accounting

(1) Financial Status

(A) Asset

The total assets of the Fund at the end of the current term stood at 19,814.7 billion won, a 26,426.6 billion won decrease from the total assets of 46,241.3 billion won at the end of the preceding year. This was a result of 1,665.3 billion won decrease in current assets, including 933.7 billion won in short-term loans and 701.1 billion won in reserve funds such as deposits and securities. There was also a 24,761.3 billion won decrease in fixed assets due to factors such as a 23,007.8 billion won loss on investment securities and decrease of 2,052.9 billion won in other indemnity receivables.

Looking at the composition of assets on hand, current assets stood at 7,681.5 billion won (39% of total assets), including 1,600.1 billion won in deposits, 2,261.9 billion won in securities, 22,956.1 billion won in short-term loans (19,615.6 billion won in allowance for credit losses) and 442.2 billion won in uncollected premiums. Fixed assets stood at 12,133.2 billion won (61% of total assets), including 8,321.3 billion won in investment securities and 935.9 billion won in long-term loans (310.3 billion won in allowance for doubtful accounts)

(B) Liability

The total liabilities of the Fund at the end of the current term stood at 107,347 billion won, a 3,643.4 billion won increase from 103,703.6 billion won at the end of the previous term. The rise was due to increase of 5,930.2 billion won in government borrowings for payment of interest on bonds even though there are decreases from 1,116.7 billion won in DIF Bonds, 1,269.4 billion won in accounts payable and 388.5 billion won in inherent business reserve.

Looking at the composition of liabilities on hand, current liabilities stood at 30,989.3 billion won (29% of total liabilities), including 2 trillion won in borrowings from financial institutions, 9,737.2 billion won in DIF Bonds, 18,599.4 billion won in government borrowings, and 683.6 billion won in accrued expenses. Fixed liabilities stood at 76,357.7 billion won (71% of total liabilities), with DIF Bonds standing at 70,451.2 billion won, long-term borrowings at 1,442.3 billion won and exchangeable bonds at 1,842.8 billion won.

VII. Organization and Financial Status

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

As of December 31, 2002

(Unit: billion won)

ASSETS	Amount	LIABILITIES and CAPITALS	Amount
Current Assets	7,681.5	Current Liabilities	30,989.3
1. Operating Assets	1,536.7	1. Contributed Liabilities	30,296.6
Deposits	637.0	Short-term Borrowings	20,559.4
Securities	899.7	Outstanding DIF Bond	9,737.2
2. Sinking Fund Assets	2,326.9	2. Other Current Liabilities	692.7
Deposits	963.1	Long-term Liabilities	76,357.7
Securities	1,362.2	1. Contributed Liabilities	75,555.6
Others	1.6	Long-term Borrowings	1,442.3
3. Contributed Assets	3,340.5	Outstanding DIF Bonds	70,451.2
Short-term Loans	22,956.1	Premium on Bonds	440.0
Allowance for Doubtful Accounts	△19,615.6	Discount on Bonds	△18.1
4. Other Current Assets	477.4	Exchangeable Bonds	1,842.8
Fixed Assets	12,133.2	Accrued Expenses	144.0
1. Contributed Assets	9,038.0	Accounts Payable	1,253.4
Investment Securities	8,321.3	2. Reserve for Outstanding Claims	802.1
Long-term Loans	935.9	Total Liabilities	107,347.0
Allowance for Doubtful Accounts	△310.3	Capitals	
Purchased Assets	91.1	1. DIF	1,520.3
2. Indemnity Receivables	2,721.7	2. DIF Surplus	△86,381.2
Indemnity Receivables	17,549.8	(Net Income)	(△28,404.5)
Allowance for Doubtful Accounts	△14,828.1	3. Capital Adjustments	△2,671.4
3. Other Fixed Assets	373.5	Total Capitals	△87,532.3
Total Assets	19,814.7	Total Liabilities and Capitals	19,814.7

Figure VII-2. Asset Composition of Deposit Insurance Fund(DIF)

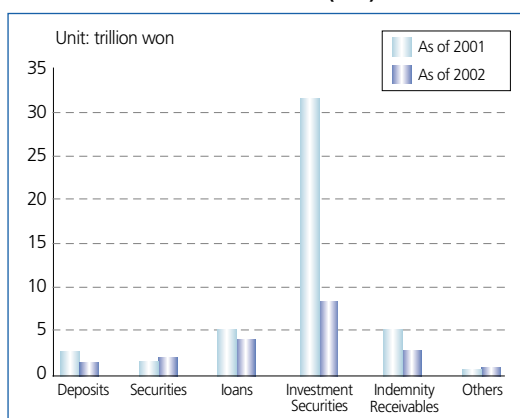
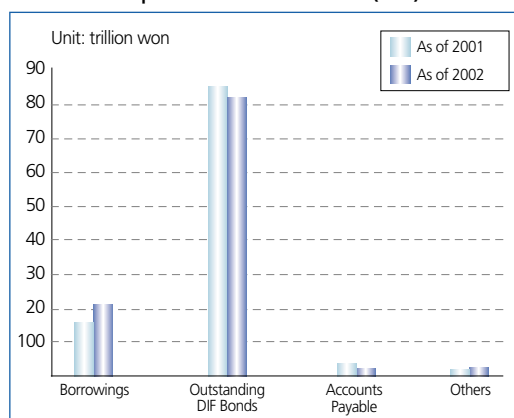


Figure VII-3. Liabilities Composition of Deposit Insurance Fund(DIF)



VII. Organization and Financial Status

(2) Status of Profit and Loss

The current term net loss of the Fund came to 28,404.5 billion won, as total revenue was 1,499.9 billion won while total expense accumulated to 29,904.4 billion won for the period. The biggest contributing factor were impairment losses on investment securities (18,390.1 billion won, accounting for 62% of aggregate costs), Interest on outstanding DIF bonds (5,961 billion won, accounting for 20.1% of aggregate costs) and bad-debt expenses (2,957.2 billion won, accounting for 10% of aggregate costs).

Revenues comprised of 903.2 billion won from insurance premiums and contribution revenues, 181.2 billion won in reserve fund utilization revenues, 53.9 billion won in gains on sale of investment securities, 30.5 billion won in interests on loans and 152.4 billion won in gains on currency translation.

Expenses consisted of 5,961 billion won in interest on outstanding DIF Bonds, 18,390.1 billion won in impairment losses on investment securities, 2,957.2 billion won in bad debt expenses, 1,113.7 billion won in losses on sale of investment securities and 198.3 billion won in contribution expenses.

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

January 1, 2002 ~ December 31, 2002

(Unit: billion won)

EXPENSES	Amount	REVENUES	Amount
Fund Operation Expenses	7,629.1	Revenues on Fund	903.2
1. Expenses on KDIC Operations	61.4	1. Insurance Premiums	901.8
2. Contribution Related Expenses	7,567.7	2. Contributions	1.4
Contribution Expenses	198.3	Revenues on Fund Operation	355.4
Interest on Loans	281.2	1. Revenue on Reserve Fund Operation	181.2
Interest on Outstanding DIF Bonds	5,961.0	Interest on Deposit	89.3
Losses on Sale of Investment Securities	1,113.7	Interest on Securities	79.6
Others	13.5	Others	12.3
Expenses Outside of DIF	22,275.3	2. Revenues on Contribution Operation	174.2
1. Bad Debt Expenses	2,957.2	Dividends Earnings	4.9
2. Impairment Losses on Investment Securities	18,390.1	Interest on loans	30.5
3. Losses on Foreign Currency Translation	125.9	Gains on Sale of Investment Securities	53.9
4. Contribution to Reserve for Outstanding Claims	802.1	Others	84.9
		Revenues Outside of DIF	241.3
		1. Gains on Foreign Currency Translation	152.4
		2. Others	88.9
Total Expenses	29,904.4		
Net Income	△28,404.5	Total Revenues	1,499.9

VII. Organization and Financial Status

B. KDIC Accounting

(1) Financial Status

The total assets of the KDIC at the end of the current term stood at 17,400 million won, an increase of 6,598 million won from the total of the preceding term of 10,802 million won. Major items showing increases were short-term current assets (3,564 million won) and investment assets (3,109 million won). Looking at the state of assets on hand, the total amount of current assets stood at 7,171 million won (41.2% of the total assets). Broken down, they consisted of 7,139 million won in cash and deposits, and 30 million won in accrued revenue. Total fixed assets stood at 10,230 million won (58.8% of assets), consisting of 7,578 million won in guaranteed deposits, 20 million won in investment securities,

98 million won in other investment assets, 590 million won in buildings, 36 million won in vehicles and 1,909 million won in other tangible assets.

Total liabilities of the KDIC at the end of the current term stood at 17,177 million won, an increase of 7,280 million won from the 9,897 million won total of the preceding term. The rise was due to increases of 3,810 million won in current liabilities and 3,470 million won in long-term liabilities.

Major liability items were 11,702 million won (67.3% of total liabilities) in current liabilities including 10,223 million won in contribution to the capital budget, 993 million won in deposits, and 5,475 million won (31.5% of total liabilities) in long-term liabilities.

Table VII - 5. Balance Sheet (KDIC Account)

As of December 31, 2002

(Unit: million won)

ASSETS	Amount	LIABILITIES and CAPITALS	Amount
Current Assets	7,171	Current Liabilities	11,702
1. Current Assets	7,171	1. Contribution to Capital Budget	10,223
Cash and Deposits	7,139	2. Deposits	993
Prepaid Expenses	2	3. Accounts Payable	158
Accrued Revenues	30	4. Accrued Expenses	328
Fixed Assets	10,230	Long-term Liabilities	5,475
1. Investment Assets	7,695	1. Provision for Severance Benefits	6,672
Deposits Provided	7,578	2. (Contribution to National Pension Plan)	△38
Investment Securities	20	3. (Deposits for Severance Benefits)	△1,158
Other Investments	98	Total Liabilities	17,177
2. Property, Plant, & Equipment	2,535	DIF Reserves	223
Buildings	1,843	1. DIF	-
Vehicles	131	2. Retained Earnings	223
Other Tangible Assets	7,064	(Net Surplus)	(△681)
(Accumulated Depreciation)	△6,503		
Total Assets	17,400	Total Liabilities and Reserves	17,400

VII. Organization and Financial Status

(2) Status of Profit and Loss

The total revenue of the KDIC in 2002 stood at 61,678 million won, consisting of 61,401 million won in revenues on fund and 277 million won in fund operation revenues.

Total KDIC operating expenses accumulated to 62,359 million won. Major items were 33,559 million won (53.9% of the total) in wages, 22,817 million won (36.6%) in general expenses,

2,106 million won (3.4%) in depreciation expenses, and 3,837 million won (6.2%) in transferred-in group severance allowance reserves.

The net surplus of the KDIC accounting came to △681 million won, after deduction of 62,359 million won in total expense from the total revenue of 61,678 million won.

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

January 1, 2002 - December 31, 2002

(Unit: million won)

EXPENSES	Amount	REVENUES	Amount
Fund Operation Expenses	62,359	Revenues on Fund	61,401
1. Wages	33,599	1. Contribution Revenue to Fund	61,401
2. General Expenses	22,817	Revenues on Fund Operation	277
3. Depreciation Expenses	2,106	1. Interest on Deposits	210
4. Contribution to Provision for Severance Benefits	3,781	2. Interest on Investment Securities	2
5. Contribution to Deposit for Severance Benefits	56	3. Others	57
Total Expenses	62,359	4. Gains on Previous Fiscal Year's Error Corrections	8
Net Surplus	△681	Total Revenues	61,678

APPENDIX →

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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, 2002

TITLE	NAME
President of KDIC (Chairman)	In-Won LEE
Vice Minister of MOFE	Jin-Sik YOON
Vice Minister of MPB	Bong-Heum PARK
Vice Governor of FSC	Ji-Chang YOO
Deputy Governor of BOK	Cheul PARK
Commissioned Member	Man-Woo LEE
Commissioned Member	Sung-Il CHO
Commissioned Member	Su-Keun KWAK
Commissioned Member	Hang-Mo MUHN

Table A-I-2. Executive Board Members

As of December 31, 2002

TITLE	NAME
Chairman and President	In-Won LEE
Senior Executive Director	Seok-Won KIM
Auditor	Bang-Kil SON
Executive Director	Seung-Hee PARK
Executive Director	Soo-Hwan CHOI
Executive Director	Won-Keun YANG
Executive Director	Yeon-Soo YOO

A-II. Items Deliberated by the Policy Committee in 2002

Date	Items
Jan. 16	<ul style="list-style-type: none"> - Payment of insurance claims to Mirae Mutual Savings and Finance Company and use of Sinking Fund - Financial support to Kookje Fire and Marine Insurance Inc., inter-account transactions and use of Sinking Fund - Memorandum of Understanding ("MOU") for Kookje Fire and Marine Insurance Co. - MOU for Chohung Bank - Measures with respect to third quarter MOU inspection results
Jan. 30	<ul style="list-style-type: none"> - Revised standards for due diligence on assets and liabilities of mutual savings and finance company - MOU draft for Korea Investment Trust Management & Securities Co. ("KITC") and Daehan Investment Trust Securities Co. ("DITC")
Feb. 19	<ul style="list-style-type: none"> - Insurance claims payments to depositors of Jinjam Credit Union and use of Sinking Fund - MOU draft for KITC and DITC
Feb. 27	<ul style="list-style-type: none"> - Account Settlement Report for FY 2001 (6th period) - Preliminary claim payment and financing of insurance claims to depositors of Daeyang (Kyunggi) and five other mutual savings and finance companies.
Mar. 20	<ul style="list-style-type: none"> - Financial support for Korea First Bank
Mar. 25	<ul style="list-style-type: none"> - Deposit payoff with respect to Masan Dairy, Mukho Sangroksu, New Busan Credit Union and use of Sinking Fund - Additional contributions in Daehan Fire and Marine Insurance Co. and financing - Amendments to operational guidelines of inter-account transaction - Financing for DIF Bond repayment - Revision of MOU for Woori Credit Card Co. (f/k/a Peace Bank) - Partial sales of Jeju Bank shares to Shinhan Financial Group
Apr. 17	<ul style="list-style-type: none"> - Additional contributions in Daehan Fire and Marine Insurance Co. and financing - Measures against implementation results of MOU for the forth quarter, 2001
May 3	<ul style="list-style-type: none"> - Additional contributions in Daehan Fire and Marine Insurance Co. and financing - Guidelines of DIF Bond Repayment Fund management - Amendments to operational guidelines of Reserve Fund
May 15	<ul style="list-style-type: none"> - Payment and financing of insurance claims to depositors of Daeyang (Kyunggi) and 3 other MSBs - Issuance of DR of Chohung Bank's secondary shares (DR: Depository Receipts) - Initial Public offering of KDIC's share of Woori Financial Group - Establishment of Concealed Property Report Center for insolvency-related parties and introduction of a reward system
June 5	<ul style="list-style-type: none"> - Additional contributions in Green Fire and Marine Insurance Co. and financing - Request for approval on extending repayment date of loan and funding for interest payment

A-II. Items Deliberated by the Policy Committee in 2002

Date	Items
June 26	- Financing for DIF Bond repayment
July 10	- Payment and financing of insurance claims to depositors of Daegu Gosung Credit Union and Shindoan Credit Union - Revision of MOU draft for Seoul Guarantee Insurance Company - Progress report on sale of Korea Life Insurance Company
July 24	- Measures against implementation results of MOU for the first quarter, 2002 - Financial support and related financing for Korea First Bank
Aug. 28	- Payment and financing of insurance claims to depositors of Moodeung Ilbo Credit Union and Yangsan Credit Union - Use of the Fund's Reserve
Sept. 11	- Temporary payment and financing of insurance claims to depositors of Kyungin (Incheon) Mutual Savings Bank - Acquisition and sale of Korea Tobacco and Ginseng Corporation's shares owned by Resolution and Finance Corporation
Sept. 25	- DIF Bond Issuance - Payment and financing of insurance claims to depositors of Daegu Ichon Credit Union and Dongrae Credit Union
Oct. 9	- Agreement signed with Hanwha Consortium on sale of Korea Life Insurance Company - Measures against implementation results of MOU for the second quarter, 2002
Oct. 23	- Payment and financing of insurance claims to depositors of Taegojong Credit Union and Wonju Free Credit Union
Nov. 13	- Payment and financing of insurance claims to depositors of Kyungin Mutual Savings Bank
Nov. 18	- Revision of 2002 KDIC budget
Nov. 22	- Payment and financing of insurance claims to depositors of 119 credit unions including Youngju Credit Union
Nov. 27	- Amendments to operational guidelines for oversight on MOU
Dec. 18	- Amendments to guidelines of Policy Committee - Operational guidelines for DIF Bond Repayment Fund management - Amendments to operational guidelines of Reserve Fund, Amendments to guidelines of inter-account transactions, Amendments to guidelines of Sinking Fund management, Amendment to guidelines of Operation Cost Allocation - 2003 KDIC budget
Dec. 26	- Article of Incorporation Amendment - Board of Directors Rules Amendment - Operational Plans for DIF Bond Repayment Fund and Deposit Insurance Fund for FY 2003 (8th period)

A-III. Year 2002 Balance Sheets and Profit & Loss Statements

Balance Sheet *As of December 31, 2002*

Aggregate Deposit Insurance Fund Accounts

(Unit: won)

ASSETS	Amount	LIABILITIES and CAPITALS	Amount
Current Assets	7,681,497,130,378	Current Liabilities	30,989,311,611,369
1. Operating Assets	1,536,701,769,445	1. Contributed Liabilities	30,296,575,999,370
Deposits	637,062,969,445	Short-term Borrowings	20,559,431,999,370
Securities	899,638,800,000	Outstanding DIF Bonds	9,737,144,000,000
2. Sinking Fund Assets	2,326,918,883,638	2. Other Current Liabilities	692,735,611,999 ¹⁾
Deposits	963,072,594,170	Long-term Liabilities	76,357,711,569,568
Securities	1,362,231,400,000	1. Contributed Liabilities	75,555,651,219,568
Others	1,614,889,468	Long-term Borrowings	1,442,289,843,376
3. Contributed Assets	3,340,541,534,348	Outstanding DIF Bonds	70,451,213,000,000
Short-term Loans	22,956,125,296,803	Premium on Bonds	440,012,227,831
Allowance for Doubtful Accounts	△19,615,583,762,455	Discount on Bonds	△18,125,751,257
4. Other Current Assets	477,334,942,947 ¹⁾	Exchangeable Bonds	1,842,760,720,000
Fixed Assets	12,133,228,659,168	Accrued Expenses	144,077,470,701
1. Contributed Assets	9,037,950,848,077	Accounts Payable	1,253,423,708,917
Investment Securities	8,321,317,697,490	2. Reserve for Outstanding Claims	802,060,350,000
Long-term Loans	935,849,602,673	Total Liabilities	107,347,023,180,937
Allowance for Doubtful Accounts	△310,292,752,086	Capitals	
Purchased Assets	91,076,300,000	1. DIF	1,520,341,576,948
2. Indemnity Receivables	2,721,714,129,182	2. DIF Surplus	△86,381,186,504,608
Indemnity Receivables	17,549,832,873,249	(Net Income)	(△28,404,466,651,614)
Allowance for Doubtful Accounts	△14,828,118,744,067	3. Capital Adjustments	△2,671,452,463,731
3. Other Fixed Assets	373,563,681,909 ¹⁾	Total Capitals	△87,532,297,391,391
Total Assets	19,814,725,789,546	Total Liabilities and Capitals	19,814,725,789,546

A-III. Year 2002 Balance Sheets and Profit & Loss Statements

Profit and Loss Statement *January 1, 2002 - December 31, 2002*

Aggregate Deposit Insurance Fund Accounts

(Unit: won)

EXPENSES	Amount	REVENUES	Amount
Fund Administrative Expenses	7,629,033,908,457	Revenues on Fund	903,165,308,149
1. KDIC Operation Expenses	61,401,148,773	1. Insurance Premium	901,820,308,149
2. Contribution Related Expenses	7,567,632,759,684	2. Contributions	1,345,000,000
Contribution Expenses	198,320,236,359	Revenues on Fund Operation	355,399,071,860
Interest on Loans	281,196,121,955	1. Revenues on Reserve Fund Operation	181,200,749,273
Interest on Outstanding DIF Bonds	5,960,975,783,083	Interest on Deposits	89,346,545,592
Losses on Sale of Investment Securities ²⁾	1,113,642,233,183	Interest on Securities	79,591,604,962
Others	13,498,385,104	Others	12,262,598,719
Expenses Outside of DIF ³⁾	22,275,303,097,613	2. Revenues on Contribution Operation	174,198,322,587
1. Bad Debt Expenses	2,957,223,122,660	Dividends	4,901,413,348
2. Impairment Losses on Investment Securities	18,390,093,364,953	Interest on loans	30,524,323,635
3. Losses on Foreign Currency Translation	125,926,260,000	Gains on Sale of Investment Securities ²⁾	53,933,640,000
4. Contribution to Reserve for Outstanding Claims	802,060,350,000	Others	84,838,945,604
Total Expenses	29,904,337,006,070	Revenues Outside of DIF ³⁾	241,305,974,447
Net Income	△28,404,466,651,614	1. Gains on Foreign Currency Translation	152,455,777,922
		2. Others	88,850,196,525
		Total Revenues	1,499,870,354,456

1) Transaction amount (10,635,812,000 won) between accounts is post-setoff amount.

2) In the process making entries in the consolidated financials in respect of the disposal of Woori Financial Group shares held by both Bank Account and Merchant Bank account, 99,220,061,975 won in disposal loss and profit was setoff due to application of weighted average evaluation.

3) Between-account-transaction loss and profit (3,851,324,229 won) is post-setoff amount.

A-III. Year 2002 Balance Sheets and Profit & Loss Statements

Balance Sheet *As of December 31, 2002*

Banks Account

(Unit: won)

ASSETS	Amount	LIABILITIES and CAPITALS	Amount
Current Assets	2,888,707,854,228	Current Liabilities	12,359,253,701,300
1. Operating Assets	676,796,577,618	1. Contributed Liabilities	12,187,779,368,383
Deposits	354,053,847,618	Short-term Borrowings	9,424,503,665,576
Securities	322,742,730,000	Outstanding DIF Bond	2,763,275,702,807
2. Sinking Fund Assets	791,790,611,932	2. Other Current Liabilities	171,474,332,917
Deposits	369,106,411,740		
Securities	421,912,170,000	Long-term Liabilities	34,194,267,950,700
Other Assets	772,030,192	1. Contributed Liabilities	34,194,267,950,700
3. Contributed Assets	1,287,798,999,977	Long-term Borrowings	240,770,726,173
Short-term Loans	4,451,982,296,803	Outstanding DIF Bonds	31,863,479,539,852
Allowance for Doubtful Accounts	△3,164,183,296,826	Premium on Bonds	103,179,493,974
4. Other Current Assets	132,321,664,701	Discount on Bonds	-
		Exchangeable Bonds	1,842,760,720,000
Fixed Assets	7,128,120,972,602	Accrued Expenses	144,077,470,701
1. Contributed Assets	7,041,014,917,235	Accounts Payable	-
Investment Securities	6,949,938,617,235	2. Reserve for Outstanding Claims	-
Long-term Loans	-		
Allowance for Doubtful Accounts	-	Total Liabilities	46,553,521,652,000
Purchased Assets	91,076,300,000		
2. Indemnity Receivables	87,106,055,367	Capitals	
Indemnity Receivables	8,284,610,171,705	1. DIF	228,662,270,600
Allowance for Doubtful Accounts	△8,197,504,116,338	2. DIF Surplus	△36,317,275,759,030
3. Other Fixed Assets	-	(Net Income)	(△5,644,786,674,757)
		3. Capital Adjustments	△448,079,336,740
Total Assets	10,016,828,826,830	Total Capitals	△36,536,692,825,170
		Total Liabilities and Capitals	10,016,828,826,830

A-III. Year 2002 Balance Sheets and Profit & Loss Statements

Profit and Loss Statement *January 1, 2002 - December 31, 2002*

Banks Account

(Unit: won)

EXPENSES	Amount	REVENUES	Amount
Fund Administrative Expenses	2,766,857,641,799	Revenues on Fund	448,695,145,323
1. KDIC Operation Expenses	25,824,095,179	1. Insurance Premium	448,570,145,323
2. Contribution Related Expenses	2,741,033,546,620	2. Contributions	125,000,000
Contribution Expenses	54,862,614,359	Revenues on Fund Operation	318,742,260,753
Interest on Loans	119,001,177,763	1. Revenues on Reserve Fund Operation	71,382,404,113
Interest on Outstanding DIF Bonds	2,546,842,623,150	Interest on Deposits	41,802,979,214
Losses on Sale of Investment Securities	10,731,160,167	Interest on Securities	26,412,924,026
Others	9,595,971,181	Others	3,166,500,873
Expenses Outside of DIF	3,797,958,576,938	2. Revenues on Contribution Operation	247,359,856,640
1. Bad Debt Expenses	885,225,457,214	Dividends	4,901,413,348
2. Impairment Losses on Investment Securities	2,786,510,000,000	Interest on loans	29,102,039,550
3. Losses on Foreign Currency Translation	125,926,260,000	Gains on Sale of Investment Securities	153,153,701,975
4. Contribution to Reserve for Outstanding Claims	-	Others	60,202,701,767
5. Others	296,859,724	Revenues Outside of DIF	152,592,137,904
Total Expenses	6,564,816,218,737	1. Gains on Foreign Currency Translation	151,138,589,457
Net Income	△5,644,786,674,757	2. Others	1,453,548,447
		Total Revenues	920,029,543,980

A-III. Year 2002 Balance Sheets and Profit & Loss Statements

Balance Sheet *As of December 31, 2002*

Securities Companies Account

(Unit: won)

ASSETS	Amount	LIABILITIES and CAPITALS	Amount
Current Assets	93,088,701,190	Current Liabilities	2,554,251,484,774
1. Operating Assets	22,273,196,848	1. Contributed Liabilities	2,461,204,564,704
Deposits	2,118,296,848	Short-term Borrowings	2,347,026,607,161
Securities	20,154,900,000	Outstanding DIF Bonds	114,177,957,543
2. Sinking Fund Assets	52,505,069,038	2. Others	93,046,920,070
Deposits	22,234,009,038	Long-term Liabilities	3,218,953,125,232
Securities	30,271,060,000	1. Contributed Liabilities	3,218,953,125,232
Others	-	Long-term Borrowings	105,952,585
3. Contributed Assets	-	Outstanding DIF Bonds	3,218,847,172,647
Short-term Loans	-	Premium on Bonds	-
Allowance for Doubtful Accounts	-	Discount on Bonds	-
4. Other Current Assets	18,310,435,304	Exchangeable Bonds	-
Fixed Assets	1,949,667,527	Accrued Expenses	-
1. Contributed Assets	-	Accounts Payable	-
Investment Securities	-	2. Reserve for Outstanding Claims	-
Long-term Loans	-	Total Liabilities	5,773,204,610,006
Allowance for Doubtful Accounts	-	Capitals	
Purchased Assets	-	1. DIF	6,804,183,773
2. Indemnity Receivables Assets	1,947,069,420	2. DIF Surplus	△5,684,970,425,062
Indemnity Receivables	8,871,890,926	(Net Income)	(△5,199,851,396,041)
Allowance for Doubtful Accounts	△6,924,821,506	3. Capital Adjustments	-
3. Other Fixed Assets	2,598,107	Total Capitals	△5,678,166,241,289
Total Assets	95,038,368,717	Total Liabilities and Capitals	95,038,368,717

A-III. Year 2002 Balance Sheets and Profit & Loss Statements

Profit and Loss Statement *January 1, 2002 - December 31, 2002*

Securities Companies Account

(Unit: won)

EXPENSES	Amount	REVENUES	Amount
Fund Administrative Expenses	325,796,846,137	Revenues on Fund	23,601,699,597
1. Expenses on KDIC Operation	4,269,221,869	1. Insurance Premium	23,101,699,597
2. Expenses Related to Contribution	321,527,624,268	2. Contributions	500,000,000
Expenses on Contribution	-	Revenues on Fund Operation	4,419,787,832
Interest on Loans	119,467,949,426	1. Revenues on Reserve Fund Operation	3,532,067,696
Interest on Outstanding DIF Bonds	202,059,209,008	Interest on Deposits	2,497,620,863
Losses on Sale of Investment Securities	-	Interest on Securities	891,184,373
Others	465,834	Others	143,262,460
Expenses Outside of DIF	4,902,089,901,753	2. Revenues on Contribution Operation	887,720,136
1. Bad Debt Expenses	1,815,755,038	Dividends	-
2. Impairment Losses on Investment Securities	4,900,000,000,000	Interest on loans	-
3. Losses on Foreign Currency Translation	-	Gains on Sale of Investment Securities	-
4. Contribution to Reserve for Outstanding Claims	-	Others	887,720,136
5. Others	274,146,715	Revenues Outside of DIF	13,864,420
Total Expenses	5,227,886,747,890	1. Gains on Foreign Currency Translation	11,094,835
Net Income	△5,199,851,396,041	2. Others	2,769,585
		Total Revenues	28,035,351,849

A-III. Year 2002 Balance Sheets and Profit & Loss Statements

Balance Sheet *As of December 31, 2002*

Life Insurance Companies Account

(Unit: won)

ASSETS	Amount	LIABILITIES and CAPITALS	Amount
Current Assets	1,061,670,185,146	Current Liabilities	2,490,920,411,250
1. Operating Assets	248,209,352,161	1. Contributed Liabilities	2,448,426,785,933
Deposits	4,698,762,161	Short-term Borrowings	1,732,153,058,372
Securities	243,510,590,000	Outstanding DIF Bonds	716,273,727,561
2. Sinking Fund Assets	517,281,576,412	2. Others	42,493,625,317
Deposits	257,166,470,232	Long-term Liabilities	6,844,256,145,245
Securities	260,040,300,000	1. Contributed Liabilities	6,819,816,795,245
Other Assets	74,806,180	Long-term Borrowings	383,013,164
3. Contributed Assets	120,333,231,493	Outstanding DIF Bonds	6,819,433,782,081
Short-term Loans	227,000,000,000	Premium on Bonds	-
Allowance for Doubtful Accounts	△106,666,768,507	Discount on Bonds	-
4. Other Current Assets	175,846,025,080	Exchangeable Bonds	-
Fixed Assets	1,203,308,548,347	Accrued Expenses	-
1. Contributed Assets	791,472,500,000	Accounts Payable	-
Investment Securities	791,472,500,000	2. Reserve for Outstanding Claims	24,439,350,000
Long-term Loans	-	Total Liabilities	9,335,176,556,495
Allowance for Doubtful Accounts	-	Capitals	
Purchased Assets	-	1. DIF	122,743,923,356
2. Indemnity Receivables	40,962,897,799	2. DIF Surplus	△7,192,941,746,358
Indemnity Receivables	2,178,316,818,228	(Net Income)	(△2,452,135,054,542)
Allowance for Doubtful Accounts	△2,137,353,920,429	3. Capital Adjustments	-
3. Other Fixed Assets	370,873,150,548	Total Capitals	△7,070,197,823,002
Total Assets	2,264,978,733,493	Total Liabilities and Capitals	2,264,978,733,493

A-III. Year 2002 Balance Sheets and Profit & Loss Statements

Profit and Loss Statement *January 1, 2002 - December 31, 2002*

Life Insurance Companies Account

(Unit: won)

EXPENSES	Amount	REVENUES	Amount
Fund Administrative Expenses	1,621,983,444,566	Revenues on Fund	237,596,705,600
1. Expenses on KDIC Operation	13,111,790,618	1. Insurance Premium	237,596,705,600
2. Expenses Related to Contribution	1,608,871,653,948	Revenues on Fund Operation	35,568,349,498
Expenses on Contribution	-	1. Revenues on Reserve Fund Operation	35,566,920,543
Interest on Loans	31,709,473	Interest on Deposits	15,469,994,069
Interest on Outstanding DIF Bonds	580,991,043,658	Interest on Securities	17,254,848,641
Losses on Sale of Investment Securities	1,027,842,609,732	Others	2,842,077,833
Others	6,291,085	2. Revenues on Contribution Operation	1,428,955
Expenses Outside of DIF	1,103,589,253,651	Dividends	-
1. Bad Debt Expenses	130,714,963,982	Interest on loans	-
2. Impairment Losses on Investment Securities	948,027,500,000	Gains on Sale of Investment Securities	-
3. Losses on Foreign Currency Translation	-	Others	1,428,955
4. Contribution to Reserve for Outstanding Claims	24,439,350,000	Revenues Outside of DIF	272,588,577
5. Others	407,439,669	1. Gains on Foreign Currency Translation	40,107,260
Total Expenses	2,725,572,698,217	2. Others	232,481,317
Net Income	△2,452,135,054,542	Total Revenues	273,437,643,675

A-III. Year 2002 Balance Sheets and Profit & Loss Statements

Balance Sheet *As of December 31, 2002*

Non-Life Insurance Companies Account

(Unit: won)

ASSETS	Amount	LIABILITIES and CAPITALS	Amount
Current Assets	438,250,654,604	Current Liabilities	2,261,436,228,296
1. Operating Assets	141,973,368,485	1. Contributed Liabilities	2,178,483,554,732
Deposits	141,973,368,485	Short-term Borrowings	1,212,580,799,850
Securities	-	Outstanding DIF Bonds	965,902,754,882
2. Sinking Fund Assets	254,873,238,367	2. Others	82,952,673,564
Deposits	37,280,798,023	Long-term Liabilities	9,810,399,323,343
Securities	217,535,460,000	1. Contributed Liabilities	9,571,778,323,343
Others	56,980,344	Long-term Borrowings	1,200,493,377,087
3. Contributed Assets	-	Outstanding DIF Bonds	8,389,359,997,513
Short-term Loans	-	Premium on Bonds	-
Allowance for Doubtful Accounts	-	Discount on Bonds	△18,075,051,257
4. Other Current Assets	41,404,047,752	Exchangeable Bonds	-
Fixed Assets	494,444,135,047	Accrued Expenses	-
1. Contributed Assets	494,444,135,047	Accounts Payable	-
Investment Securities	494,444,135,047	2. Reserve for Outstanding Claims	238,621,000,000
Long-term Loans	-	Total Liabilities	12,071,835,551,639
Allowance for Doubtful Accounts	-	Capitals	
Purchased Assets	-	1. DIF	27,155,281,621
2. Indemnity Receivables	-	2. DIF Surplus	△11,166,296,043,609
Indemnity Receivables	295,769,230	(Net Income)	(△10,615,094,139,364)
Allowance for Doubtful Accounts	△295,769,230	3. Capital Adjustments	-
3. Other Fixed Assets	-	Total Capitals	△11,139,140,761,988
Total Assets	932,694,789,651	Total Liabilities and Capitals	932,694,789,651

A-III. Year 2002 Balance Sheets and Profit & Loss Statements

Profit and Loss Statement *January 1, 2002 - December 31, 2002*

Non-Life Insurance Companies Account

(Unit: won)

EXPENSES	Amount	REVENUES	Amount
Fund Administrative Expenses	774,342,742,350	Revenues on Fund	54,689,445,340
1. Expenses on KDIC Operation	3,235,037,215	1. Insurance Premium	54,359,445,340
2. Expenses Related to Contribution	771,107,705,135	2. Contributions	330,000,000
Expenses on Contribution	86,856,000,000	Revenues on Fund Operation	11,754,535,226
Interest on Loans	42,650,847,161	1. Revenues on Reserve Fund Operation	11,107,673,497
Interest on Outstanding DIF Bonds	641,600,429,568	Interest on Deposits	4,111,641,753
Losses on Sale of Investment Securities	-	Interest on Securities	3,450,352,959
Others	428,406	Others	3,545,678,785
Expenses Outside of DIF	9,994,995,765,923	2. Revenues on Contribution Operation	646,861,729
1. Bad Debt Expenses	-	Dividends	-
2. Impairment Losses on Investment Securities	9,755,555,864,953	Interest on loans	-
3. Losses on Foreign Currency Translation	-	Gains on Sale of Investment Securities	-
4. Contribution to Reserve for Outstanding Claims	238,621,000,000	Others	646,861,729
5. Others	818,900,970	Revenues Outside of DIF	87,800,388,343
Total Expenses	10,769,338,508,273	1. Gains on Foreign Currency Translation	1,209,777,990
Net Income	△ 10,615,094,139,364	2. Others	86,590,610,353
		Total Revenues	154,244,368,909

A-III. Year 2002 Balance Sheets and Profit & Loss Statements

Balance Sheet *As of December 31, 2002*

Merchant Banks Account

(Unit: won)

ASSETS	Amount	LIABILITIES and CAPITALS	Amount
Current Assets	660,265,179,452	Current Liabilities	6,627,837,419,175
1. Operating Assets	375,212,543,557	1. Contributed Liabilities	6,404,512,287,770
Deposits	112,691,213,557	Short-term Borrowings	3,889,908,149,810
Securities	262,521,330,000	Outstanding DIF Bonds	2,514,604,137,960
2. Sinking Fund Assets	264,562,166,553	2. Others	223,325,131,405
Deposits	194,508,748,921	Long-term Liabilities	15,014,759,303,088
Securities	69,982,430,000	1. Contributed Liabilities	14,475,759,303,088
Other Assets	70,987,632	Long-term Borrowings	192,607,733
3. Contributed Assets	-	Outstanding DIF Bonds	12,885,310,252,581
Short-term Loans	12,556,074,000,000	Premium on Bonds	336,832,733,857
Allowance for Doubtful Accounts	△12,556,074,000,000	Discount on Bonds	-
4. Other Current Assets	20,490,469,342	Exchangeable Bonds	-
Fixed Assets	1,236,754,842,641	Accrued Expenses	-
1. Contributed Assets	85,909,553,099	Accounts Payable	1,253,423,708,917
Investment Securities	85,459,080,208	2. Reserve for Outstanding Claims	539,000,000,000
Long-term Loans	136,733,246,420	Total Liabilities	21,642,596,722,263
Allowance for Doubtful Accounts	△136,282,773,529	Capitals	
Purchased Assets	-	1. DIF	986,501,916,023
2. Indemnity Receivables	1,148,612,571,251	2. DIF Surplus	△18,508,705,489,202
Indemnity Receivables	3,538,798,649,430	(Net Income)	(△1,772,075,326,587)
Allowance for Doubtful Accounts	△2,390,186,078,179	3. Capital Adjustments	△2,223,373,126,991
3. Other Fixed Assets	2,232,718,291	Total Capitals	△19,745,576,700,170
Total Assets	1,897,020,022,093	Total Liabilities and Capitals	1,897,020,022,093

A-III. Year 2002 Balance Sheets and Profit & Loss Statements

Profit and Loss Statement *January 1, 2002 - December 31, 2002*

Merchant Banks Account

(Unit: won)

EXPENSES	Amount	REVENUES	Amount
Fund Administrative Expenses	1,448,443,568,461	Revenues on Fund	1,963,535,000
1. Expenses on KDIC Operation	3,792,134,943	1. Insurance Premium	1,963,535,000
2. Expenses Related to Contribution	1,444,651,433,518	Revenues on Fund Operation	55,333,231,018
Expenses on Contribution	-	1. Revenues on Reserve Fund Operation	31,525,305,696
Interest on Loans	15,945,466	Interest on Deposits	10,988,895,085
Interest on Outstanding DIF Bonds	1,267,645,290,905	Interest on Securities	19,401,403,623
Losses on Sale of Investment Securities	174,288,525,259	Others	1,135,006,988
Others	2,701,671,888	2. Revenues on Contribution Operation	23,807,925,322
Expenses Outside of DIF	540,954,695,742	Dividends	-
1. Bad Debt Expenses	-	Interest on loans	804,659,134
2. Impairment Losses on Investment Securities	-	Gains on Sale of Investment Securities	-
3. Losses on Foreign Currency Translation	-	Others	23,003,266,188
4. Contribution to Reserve for Outstanding Claims	539,000,000,000	Revenues Outside of DIF	160,026,171,598
5. Others	1,954,695,742	1. Gains on Foreign Currency Translation	20,168,937
Total Expenses	1,989,398,264,203	2. Reversal of Allowance for Doubtful Accounts ¹⁾	157,810,631,858
Net Income	△ 1,772,075,326,587	3. Others	2,195,370,803
		Total Revenues	217,322,937,616

1) Since a loss-provision expense was not incurred, entry for "Reversal of Allowance for Doubtful Accounts" was made. Under the consolidated DIF Account, the same amount was setoff against "Bad Debt Expenses."

A-III. Year 2002 Balance Sheets and Profit & Loss Statements

Balance Sheet *As of December 31, 2002*

Mutual Savings Banks Account

(Unit: won)

ASSETS	Amount	LIABILITIES and CAPITALS	Amount
Current Assets	2,192,322,202,724	Current Liabilities	2,909,765,483,259
1. Operating Assets	59,414,629,425	1. Contributed Liabilities	2,836,297,670,942
Deposits	8,705,379,425	Short-term Borrowings	1,481,256,353,153
Securities	50,709,250,000	Outstanding DIF Bonds	1,355,041,317,789
2. Sinking Fund Assets	165,792,567,419	2. Others	73,467,812,317
Deposits	55,178,954,747	Long-term Liabilities	5,943,888,337,174
Securities	110,478,500,000	1. Contributed Liabilities	5,943,888,337,174
Other Assets	135,112,672	Long-term Borrowings	204,389,094
3. Contributed Assets	1,932,409,302,878	Outstanding DIF Bonds	5,943,724,751,530
Short-term Loans	5,721,069,000,000	Premium on Bonds	-
Allowance for Doubtful Accounts	△3,788,659,697,122	Discount on Bonds	△40,803,450
4. Other Current Assets	34,705,703,002	Exchangeable Bonds	-
Fixed Assets	1,116,585,804,997	Accrued Expenses	-
1. Contributed Assets	625,106,165,000	Accounts Payable	-
Investment Securities	3,365,000	2. Reserve for Outstanding Claims	-
Long-term Loans	798,919,968,339	Total Liabilities	8,853,653,820,433
Allowance for Doubtful Accounts	△173,817,168,339	Capitals	
Purchased Assets	-	1. DIF	115,774,188,200
2. Indemnity Receivables	491,387,474,567	2. DIF Surplus	△5,660,520,000,912
Indemnity Receivables	961,012,867,013	(Net Income)	(△1,637,044,213,778)
Allowance for Doubtful Accounts	△469,625,392,446	3. Capital Adjustments	-
3. Other Fixed Assets	92,165,430	Total Capitals	△5,544,745,812,712
Total Assets	3,308,908,007,721	Total Liabilities and Capitals	3,308,908,007,721

A-III. Year 2002 Balance Sheets and Profit & Loss Statements

Profit and Loss Statement *January 1, 2002 - December 31, 2002*

Mutual Savings Banks Account

(Unit: won)

EXPENSES	Amount	REVENUES	Amount
Fund Administrative Expenses	639,589,924,858	Revenues on Fund	65,847,577,227
1. Expenses on KDIC Operation	5,868,107,782	1. Insurance Premium	65,457,577,227
2. Expenses Related to Contribution	633,721,817,076	2. Contributions	390,000,000
Expenses on Contribution	56,601,622,000	Revenues on Fund Operation	14,504,458,002
Interest on Loans	16,920,894	1. Revenues on Reserve Fund Operation	14,035,095,327
Interest on Outstanding DIF Bonds	576,576,264,575	Interest on Deposits	7,698,671,334
Losses on Sale of Investment Securities	-	Interest on Securities	5,878,941,593
Others	527,009,607	Others	457,482,400
Expenses Outside of DIF	1,078,666,818,959	2. Revenues on Contribution Operation	469,362,675
1. Bad Debt Expenses	1,078,567,537,550	Dividends	-
2. Impairment Losses on Investment Securities	-	Interest on loans	375,796,708
3. Losses on Foreign Currency Translation	-	Gains on Sale of Investment Securities	-
4. Contribution to Reserve for Outstanding Claims	-	Others	93,565,967
5. Others	99,281,409	Revenues Outside of DIF	860,494,810
Total Expenses	1,718,256,743,817	1. Gains on Foreign Currency Translation	21,402,624
Net Income	△ 1,637,044,213,778	2. Others	839,092,186
		Total Revenues	81,212,530,039

A-III. Year 2002 Balance Sheets and Profit & Loss Statements

Balance Sheet *As of December 31, 2002*

Credit Unions Account

(Unit: won)

ASSETS	Amount	LIABILITIES and CAPITALS	Amount
Current Assets	357,828,165,034	Current Liabilities	1,796,482,695,315
1. Operating Assets	12,822,101,351	1. Contributed Liabilities	1,779,871,766,906
Deposits	12,822,101,351	Short-term Borrowings	472,003,365,448
Securities	-	Outstanding DIF Bonds	1,307,868,401,458
2. Sinking Fund Assets	280,113,653,917	2. Others	16,610,928,409
Deposits	27,597,201,469	Long-term Liabilities	1,331,187,384,786
Securities	252,011,480,000	1. Contributed Liabilities	1,331,187,384,786
Other Assets	504,972,448	Long-term Borrowings	139,777,540
3. Contributed Assets	-	Outstanding DIF Bonds	1,331,057,503,796
Short-term Loans	-	Premium on Bonds	-
Allowance for Doubtful Accounts	-	Discount on Bonds	△9,896,550
4. Other Current Assets	64,892,409,766	Exchangeable Bonds	-
Fixed Assets	952,064,688,007	Accrued Expenses	-
1. Contributed Assets	3,577,696	Accounts Payable	-
Investment Securities	-	2. Reserve for Outstanding Claims	-
Long-term Loans	196,387,914	Total Liabilities	3,127,670,080,101
Allowance for Doubtful Accounts	△192,810,218	Capitals	
Purchased Assets	-	1. DIF	32,699,813,375
2. Indemnity Receivables	951,698,060,778	2. DIF Surplus	△1,850,477,040,435
Indemnity Receivables	2,577,926,706,717	(Net Income)	(△1,083,479,846,545)
Allowance for Doubtful Accounts	△1,626,228,645,939	3. Capital Adjustments	-
3. Other Fixed Assets	363,049,533	Total Capitals	△1,817,777,227,060
Total Assets	1,309,892,853,041	Total Liabilities and Capitals	1,309,892,853,041

A-III. Year 2002 Balance Sheets and Profit & Loss Statements

Profit and Loss Statement *January 1, 2002 - December 31, 2002*

Credit Unions Account

(Unit: won)

EXPENSES	Amount	REVENUES	Amount
Fund Administrative Expenses	151,239,802,261	Revenues on Fund	70,771,200,062
1. Expenses on KDIC Operation	5,300,761,167	1. Insurance Premium	70,771,200,062
2. Expenses Related to Contribution	145,939,041,094	Revenues on Fund Operation	14,296,511,506
Expenses on Contribution	-	1. Revenues on Reserve Fund Operation	14,051,282,401
Interest on Loans	11,571,772	Interest on Deposits	6,776,743,274
Interest on Outstanding DIF Bonds	145,260,922,219	Interest on Securities	6,301,949,747
Losses on Sale of Investment Securities	-	Others	972,589,380
Others	666,547,103	2. Revenues on Contribution Operation	245,229,105
Expenses Outside of DIF	1,018,710,040,734	Dividends	-
1. Bad Debt Expenses	1,018,710,040,734	Interest on loans	241,828,243
2. Impairment Losses on Investment Securities	-	Gains on Sale of Investment Securities	-
3. Losses on Foreign Currency Translation	-	Others	3,400,862
4. Contribution to Reserve for Outstanding Claims	-	Revenues Outside of DIF	1,402,284,882
5. Others	-	1. Gains on Foreign Currency Translation	14,636,819
Total Expenses	1,169,949,842,995	2. Others	1,387,648,063
Net Income	△ 1,083,479,846,545	Total Revenues	86,469,996,450

A-III. Year 2002 Balance Sheets and Profit & Loss Statements

Balance Sheet *As of December 31, 2002*

KDIC Account

(Unit: won)

ASSETS	Amount	LIABILITIES and CAPITALS	Amount
Current Assets	7,170,918,620	Current Liabilities	11,701,948,526
1. Quick Assets	7,170,918,620	1. Contribution to Capital Budgets	10,223,245,437
Cash and Deposits	7,139,075,312	2. Deposits	992,781,354
Prepaid Expenses	1,940,969	3. Accounts Payable	158,218,029
Accrued Revenues	29,902,339	4. Accrued Expenses	327,703,706
Fixed Assets	10,229,517,437	Long-term Liabilities	5,475,018,071
1. Investments	7,694,743,200	1. Provision for Severance Benefits	6,671,438,827
Deposits Provided	7,577,598,200	(Contribution to National Pension Plan)	△38,147,721
Investment Securities	19,545,000	(Deposits for Severance Benefits)	△1,158,273,035
Other Investments	97,600,000	Total Liabilities	17,176,966,597
2. Property & Equipments	2,534,774,237	DIF Reserves	223,469,460
Buildings	1,842,866,890	1. DIF	-
Vehicles	131,220,370	2. Retained Earnings	223,469,460
Other Tangible Assets	7,064,048,700	(Net Surplus)	(△681,356,510)
(Accumulated Depreciation)	△6,503,361,723		
Total Assets	17,400,436,057	Total Liabilities and Reserves	17,400,436,057

A-III. Year 2002 Balance Sheets and Profit & Loss Statements

Profit and Loss Statement *January 1, 2002 - December 31, 2002*

KDIC Account

(Unit: won)

EXPENSES	Amount	REVENUES	Amount
KDIC Administrative Expenses	62,359,236,167	Revenues on Fund	61,401,148,773
1. Wages	33,598,820,791	1. Contribution Revenue to Fund	61,401,148,773
2. General Expenses	22,816,853,584	Revenues on Fund Operation	276,730,884
3. Depreciation Expenses	2,106,152,407	1. Interest on Deposits	210,056,222
4. Contribution to Provision for Severance Benefits	3,781,331,910	2. Interest on Investment Securities	1,482,434
5. Contribution to Deposits for Severance Benefits	55,707,576	3. Others	56,949,413
6. Other Administrative Expenses	41,899	4. Gains on Previous Fiscal Year's Error Corrections	8,242,815
7. Loss on Previous Fiscal Year's Error Corrections	328,000		
Total Expenses	62,359,236,167		
Net Surplus	△681,356,510	Total Revenues	61,677,879,657

A-IV. 2002 Summary of Events (Jan. 1~Dec. 31)

- Jan. 2 Terminated bankruptcy estate for Jeonju Daeil Credit Union
- Jan. 12 Signed Green Fire Insurance Acquisition Agreement with KunHwa Pharmaceuticals Company and others
- Jan. 15 Requested the Corporation's equity participation in Green Fire Insurance (FSC)
- Jan. 15 Provided post-sale financial assistance to Korea First Bank (8 billion won)
- Jan. 15 Announced closing of Sunggeul Credit Union's bankruptcy estate
- Jan. 16 Decided to provide financial assistance to Green Fire Insurance Policy Committee)
- Jan. 16 Announced closing of Kijang Credit Union's bankruptcy estate
- Jan. 17 Began making insurance claim payments in respect of Samchunpo Credit Union (35,324 million won)
- Jan. 17 Announced closing of Ahyun Methodist Church Credit Union's bankruptcy estate
- Jan. 18 Notified FSC of the failure of Regent Fire Insurance
- Jan. 18 Began making insurance claim payments for Mirae Mutual Savings and Finance Company (136,884 million won)
- Jan. 18 Declared bankruptcy of Songchon Credit Union
- Jan. 28 Made 50 million won of equity participation (minimum capital required by the Commerce Act) in Green Fire Insurance
- Jan. 30 Provided post-sale financial assistance to Korea First Bank (68.8 billion won)
- Jan. 30 Redeemed 276 billion won of preferred shares of Hana Bank and KorAm Bank
- Jan. 31 Guaranteed Korea First Bank's fixed-rate bond's principal and interest (9.7 billion won)
- Jan. 31 Announced closing of Gonjam Credit Union's bankruptcy estate

- Feb. 1 Began making insurance claim payments for Paju Credit Union (79,605 million won)
- Feb. 4 Provided post-sale financial assistance to Korea First Bank (253.5 billion won)
- Feb. 4 Held the first Advisory Committee
- Feb. 7 The acquirer of Green Fire Insurance injected capital (42 billion won) with sales proceeds and KDIC made capital contribution (38,014 million won)
- Feb. 8 Concluded transfer and sales of Green Fire Insurance shares held by KDIC
- Feb. 8 Decided on <Sales Plan of KDIC-owned Bank Shares> (Public Fund Oversight Committee)
- Feb. 15 Provided post-sale financial assistance to Korea First Bank (1.4 billion won)
- Feb. 20 Declared bankruptcy of Mirae Mutual Savings and Finance Company and Paju Credit Union
- Feb. 28 Announced closing of Youngchun Credit Union's bankruptcy estate

- Mar. 14 Decided to resolve Regent Fire Insurance by P&A method (Public Fund Oversight Committee)
- Mar. 15 Suspended of Operation of Regent Fire Insurance (FSC)
- Mar. 15 Provided post-sale financial assistance to Korea First Bank (1 billion won)
- Mar. 20 Financial assistance of Korea First Bank due to FLC-based loan classification (323.6 billion won)
- Mar. 20 Announced closing of Choongil Credit Union and Jaewon Duksan Credit Union's bankruptcy estates
- Mar. 30 Recovered 17.7 billion won in bankruptcy estate dividends from Korea Merchant Bank, offsetting unpaid obligations to KDIC

A-IV. 2002 Summary of Events (Jan. 1~Dec. 31)

- Apr. 4 Signed of 「Jeju Bank Shares Sales Agreement」 between the KDIC and Shinhan Financial Group
- Apr. 15 Provided post-sale financial assistance to Korea First Bank (1.5 billion won)
- Apr. 15 Began making insurance claim payments for Masan Dairy Credit Union (3,346 million won)
- Apr. 19 Declared bankruptcy of Samchunpo Credit Union
- Apr. 23 Restores Korea First Bank fixed-rate bond's principal and interest (2.3 billion won)
- Apr. 26 Began making insurance claim payments for Jinjam Credit Union (29,663 million won)
- Apr. 29 Executed disposition of Jeju Bank's shares and received sales proceeds (22.76 billion won)

- May 4 Made contribution to settle changes in Daehan Fire Insurance's asset and liabilities (12,929 million won)
- May 9 Selected advisory companies (Goldman Sachs and Samsung Securities) for international bidding for the sale of Seoul Bank
- May 17 Began making insurance claim payments for New Busan Credit Union (16,963 million won)
- May 22 Declared bankruptcy of Masan Dairy Credit Union
- May 23 Established <Concealed Property Report Center>
- May 31 Held Second Advisory Committee

- June 1 Began making insurance claim payments for Mookho Credit Union (24,705 million won)
- June 1 Bankruptcy declaration of Jinjam Credit Union
- June 7 Decided on P&A of Regent Fire Insurance (FSC)
- June 8 Made additional account settlement contribution to Green Fire Insurance (10,075 million won)
- June 11 Executed disposition of Woori Financial Group and shares and receives sale proceeds (361.6 billion won)
- June 14 Bankruptcy declaration of New Busan Credit Union
- June 21 Announced closing of Kongju Kumsung Credit Union's bankruptcy estate
- June 24 Woori Financial Group became a listed company and its shares began trading in the market
- June 27 Selected Hanwha Consortium as preferred bidder for the sales of Korea Life Insurance at the 26th Public Fund Committee
- June 30 Revaluated bankrupt estate owned assets (valuation date: 2002.03.31)

- July 5 Declared bankruptcy of Mookho Sangroksu Credit Union
- July 12 Announced closing of Shinyang, Ungbong and Daejeon Tobacco Retailer Credit Union's bankruptcy estates
- July 22 Announced closing of Jijuk and Kwangyang Milal Credit Union's bankruptcy estates
- July 25 Fund Support and restoration of fixed-rate bond's principal and interest for Korea First Bank, after FLC-based loan classification (27.8 billion won)
- July 25 Announced closing of bankruptcy case of Seoul Wonkwang Credit Union
- July 26 Announced closing of bankruptcy case of Haksan Church Credit Union, Baekwoon Credit Union and Songhak Credit Union
- July 30 Began making insurance claim payments for 4 MSBs: Daeyang (485,412 million won), Kookmin (75,904 million won), Munkyeong (56,023 million won) and Samhwa (16,568 million won)

A-IV. 2002 Summary of Events (Jan. 1~Dec. 31)

- Aug. 1 Began making insurance claim payments for Daegu Kosung and Shindoan Credit Union (21,205 million won)
- Aug. 21 Bankruptcy declaration of Daeyang Mutual Savings and Finance Company
- Aug. 29 Held first Deposit Insurance Workshop
- Aug. 30 Bankruptcy declaration of Moonkyung Mutual Savings and Finance Company

- Sept. 4 Announced closing of Changwon Joongang Credit Union and Kajo Credit Union's bankruptcy estates
- Sept. 5 Bankruptcy declaration of Daegu Kosung Credit Union
- Sept. 9 Began making insurance claim payments for Moodeung Ilbo Credit Union (273 million won)
- Sept. 12 Held third Advisory Committee
- Sept. 13 Hana Bank selected as final acquirer of Seoul Bank
- Sept. 17 Began making insurance claim payments for Yangsan Credit Union (31,964 million won)
- Sept. 23 Hanwha Consortium selected as final acquirer of Korea Life Insurance at 32nd Public Fund Oversight Committee
- Sept. 27 Agreement signed for merger of Seoul Bank and Hana Bank
- Sept. 30 The 78th Issuance of DIF Bonds (360 billion won)

- Oct. 4 Bankruptcy declaration of Shindoan Credit Union
- Oct. 10 Bankruptcy declaration of Moodeung Ilbo Credit Union
- Oct. 14 Announced closing of Songtan Daegun and Jangheung Credit Union's bankruptcy estates
- Oct. 16 Announced closing of Kyungju Jeil Credit Union, Wondae 1·2 Gadong Credit Union's bankruptcy estates and Daegu Kangbuk Credit Union
- Oct. 21 79th Issuance of DIF Bonds (1.1 trillion won)
- Oct. 23 Restoration of Korea First Bank fixed-rate bond principal and interest (19.7 billion won)
- Oct. 24 Began making insurance claim payments to Daegu Ichon and Dongrae Credit Union (37,731 million won)
- Oct. 25 Held International Financial Symposium
- Oct. 28 Signed agreement for the sale of Korea Life Insurance to Hanhwa Consortium
- Oct. 30 Announced closing of Janggun Credit Union's bankruptcy estate

- Nov. 1 Began making insurance claim payments for Taegojong Credit Union (3,698 million won)
- Nov. 1 Announced closing of Hongsan Credit Union's bankruptcy estate
- Nov. 4 Suspension of operations of 115 Credit Unions including Bongduk Credit Union and starts management control
- Nov. 4 Announced closing of Moonwha Credit Union and Sangdang Credit Union's bankruptcy estates
- Nov. 7 Began making insurance claim payments for Wonju Free Credit Union (8,246 million won)
- Nov. 7 Announced closing of Taegojong and Daegu Ichon Credit Union's bankruptcy estates
- Nov. 14 Announced closing of Jogaesa Credit Union's bankruptcy estate
- Nov. 15 Announced closing of Daehoon Credit Union's bankruptcy estate
- Nov. 18 80th Issuance of DIF Bonds (1.1 trillion won)
- Nov. 19 Bankruptcy declaration of Kookmin Mutual Savings and Finance Company
- Nov. 19 Held Policy Symposium

A-IV. 2002 Summary of Events (Jan. 1~Dec. 31)

- Nov. 20 5.3 billion won of required recovery amount was received by offsetting with unpaid obligations of KDIC with part of Youngnam Merchant Bank's bankruptcy estate dividends of 41.9 billion won. Remaining 36.6 billion won is given to Woori Investment Bank
- Nov. 21 Announced closing of Hambaek Credit Union and Wonduk Credit Union's bankruptcy estates
- Nov. 26 Bankruptcy declaration of Yangsan Credit Union
- Nov. 27 Gave 23.4 billion won of Joongang Merchant Bank bankruptcy estate dividends to Woori Investment Bank
- Nov. 28 Began making insurance claim payments for 28 Credit Unions as well as for the Chiak Credit Union (295,431 million won)
- Nov. 29 Held Second Deposit Insurance Workshop

- Dec. 3 Declared bankruptcy of Dongrae Credit Union
- Dec. 4 Announced closing of Wonju Free Credit Union's bankruptcy estate
- Dec. 5 Began making insurance claim payments for 29 Credit Unions as well as for the Kamsam Credit Union (500,174 million won)
- Dec. 9 Issued 81st DIF Bonds (1.1 trillion won)
- Dec. 9 Announced closing of Juan 3 Dong Credit Union
- Dec. 11 Began making provisional insurance claim payments for 26 Credit Unions as well as for Kwangju Bokgae Credit Union (2,837 million won)
- Dec. 12 Completed the sale of Korea Life Insurance : Received sale proceeds and transferred shares
- Dec. 12 Began making insurance claim payments for 25 Credit Unions as well as for Kyungbok Credit Union (712,578 million won)
- Dec. 12 Held Fourth Advisory Committee
- Dec. 13 Initial Public Offering of Merged Seoul Bank and Hana Bank
- Dec. 13 Bankruptcy declaration of Samhwa Mutual Savings and Finance Company
- Dec. 16 Provided post-sale financial assistance to Korea First Bank (1.1 billion won)
- Dec. 17 Announced closing of Palduk Credit Union and Junbuk Gosan Credit Union's bankruptcy estates
- Dec. 18 Began making insurance claim payments for 2 Credit Unions as well as for Daejeon Jeil Credit Union (191,473 million won), starts insurance claim provisional payment to Kwangju Bokgae and 24 other credit unions (4,054 million won)
- Dec. 26 Enacted Public Fund Redemption Fund Act
- Dec. 26 Amended Depositor Protection Act
- Dec. 26 Sold 10% of KIDC-owned Hana Bank shares (115 billion won) to Hana Bank
- Dec. 26 Began making insurance claim payments for Samgol and Chungdo Credit Union (32,589 million won)
- Dec. 27 Began making insurance claim payments for Kyungin Mutual Savings Bank (23,599 million won)
- Dec. 30 Enacted Enforcement Decree of the Public Fund Redemption Fund Act
- Dec. 30 Amended Enforcement Decree of the Corporate Tax Act
- Dec. 30 Amended Enforcement Decree of the Depositor Protection Act
- Dec. 30 Declared bankruptcy of Namdong Industrial Complex Credit Union

A-V. Introduction to the Korean Deposit Insurance System

Chapter 1. Insured Financial Institutions and Products Subject to KDIC Protection

A. Insured Financial Institutions

The term “insured financial institutions” refers to financial institutions that 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 (MSBs), and credit unions (only until December 31, 2003) are included in the category. The nation applicable laws require that all financial institutions operating in Korea must obtain deposit insurance. Therefore, securing deposit insurance coverage is mandatory for all banking and financial institutions wishing to do business 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 companies and domestic branches of foreign securities companies, as well as all insurance companies with the exception of reinsurance companies are within the scope of protection of the KDIC.

Other merchant banks and mutual savings banks and credit unions can obtain protection from the KDIC after being approved under the pertinent laws and acknowledged as KDIC-insurable financial institutions.

Table A-V-1. Number of Insured Financial Institutions¹⁾

As of December 31, 2002

Type	Banks	Securities Companies	Insurance Companies		Merchant Banks	MSBs	Credit Unions	Total
			Life	Non-Life				
Domestic	18	43	12	13	3	116	1,233	1,438
Foreign	40	17	11	7	-	-	-	75
Others ²⁾	42	-	-	-	-	-	-	42
Total	100	60	23	20	3	116	1,233	1,555

1) The number of financial institution is on the basis of business operation date and business license revocation date.

2) Includes regional fisheries cooperatives that conduct credit business.

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

Financial instruments covered by KDIC are deposits, savings and installment deposits, as well as deposits from 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 after May 1, 1996 excluded from the scope of KDIC-insured financial products, along with target-oriented reserve trusts and performance based trust accounts opened after May 1, 1996. Foreign currency denominated deposits, 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, 2001.

(2) Securities Companies

Deposits received by securities companies from investors for the purpose of purchasing securities are fully protected. However, funds set aside for taxes incurred with respect to securities including beneficiary certificates, bonds issued by securities companies and customer deposits do not fall within the coverage scope. RPs issued before July 25, 1998, deposits trusted to Korea Securities Finance Corporation among both funds held by securities companies for the purchase and subscription of securities placed and sold pursuant to the Securities and Exchange Act and collateral funds for loaned securities, were all removed from the scope of protection as of January 1, 2001.

(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 contracts 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, 2001.

(4) Merchant Banks

Deposits received by merchant banks through issuance of notes and financial instruments collected from unspecified persons to invest in securities and to pay the proceeds are protected, as are notes that were guaranteed by merchant banks before October 1, 1998. Bills, however, with the exception of beneficiary certificates, bonds issued by merchant bank, RPs and secured bills sold before October 1, 1998, are not covered.

(5) Mutual Savings Banks

Funds and supplied by loan brokers, annuities, deposits, savings, installment deposits, etc and issued notes are protected.

(6) Credit Unions

Share subscriptions, deposits and savings are covered. However, certain excluded insurance related financial products sold by credit unions through consignments are not covered by the KDIC. According to the amendment of Depositor Protection Act (December 26, 2002), credit unions will be excluded from the insured financial institutions as of January 1, 2004.

A-V. Introduction to the Korean Deposit Insurance System

Table A-V-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 Denominated Deposits, CDs, Development Bank Trusts, Bonds Issued by Bank	Performance Based Trusts, RPs	RPs issued before 7/25/98 were covered until the end of 2000
Securities Companies	Customers Deposits, Securities Savings	Subscriber Deposits, Collateral for Loaned Securities	Tax Liability Withholdings, Beneficiary Certificates, RPs, Bonds Issued by Stock Companies	RPs issued before 7/25/98 were covered until the end of 2000
Insurance Companies	Individual Policies, Severance Benefits Policies	Corporate Insurance Policies	Surety Policies, Reinsurance Policies, Variable Benefit Contracts	Surety Policies issued before 8/1/98 were covered until the end of 2000
Merchant Banks	Notes Payable, Issued Notes, CMAs		Bills Sold, Foreign Currency Borrowings, Beneficiary Certificates, RPs, Bonds issued by Merchant Banks	Secured Bills sold before the 10/1/98 check date remain covered
MSBs	Installments, Deposits, Savings, Issued Notes			
Credit Unions	Share Subscriptions, Deposits, Savings		Insurance related financial products	Exclude from the insured financial institutions as of Jan. 1, 2004.

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

A-V. Introduction to the Korean Deposit Insurance System

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 of Depositor Protection Act in December of 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 banks and credit unions are protected up to 50 million won, covering the principal and designated interest. For insurance companies, the lesser of either the sum of the paid-in premium plus designated interest or the sum of the cancellation refund received (or insurance payments on maturity), plus other related obligations up to 50 million won, are covered. However, insurance payment on loss compensations is protected up to 50 million won not compared with the amount of paid-in premium plus designated interest.

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

	Until December 31, 2000			Purchased on or after January 1, 2001
	Purchased on or before July 31, 1998	Purchased on or after August 1, 1998		
		Principal or paid-in premium: Less than or equal to 20 million won	Principal or paid-in premium: Greater than or equal to 20 million won	
Banks; Securities Companies; Merchant Banks; MSBs; Credit Unions	Principal and Committed Interest fully covered.	Sum of Principal and Designated Interest ¹⁾ covered up to 20 million won.	Only Principal covered.	Sum of Principal and Designated Interest covered up to 50 million won.
Insurance Companies	Sum of cancellation refund received (insurance payments on maturity or loss compensation) and other payments fully covered.	Lower of the sum of cancellation refund received (insurance payments on maturity) and Other Payments, and sum of Paid-in Premium and Designated Interest, covered up to 20 million won.	Lower of the sum of cancellation refund received (insurance payments on maturity) and other Payments, and sum of Paid-in Premium and Designated Interest, covered.	Lower of the sum of cancellation refund received (insurance payments on maturity) and Other Payments, and sum of Paid-in Premium and Designated Interest, covered up to 50 million won (Insurance payments on loss compensation are covered up to 50 million won).
		If maturation or claim triggering incident occurs before a payment freeze or a bankruptcy of the insurance company occurs, insurance payments on loss compensation will be fully covered.		

* According to the amendment of Depositor Protection Act (Dec. 26, 2002), credit unions will be excluded from the insured financial institutions as of Jan. 1, 2004.

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 banks, 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. However, in case of banks, it is on quarterly basis.

(3) Calculation of Premiums

Insurance Premium = Balance of Insurable Deposits X Premium Rate
(in the case of banks, the result shall be divided by four,
as banks’ premiums are calculated 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) 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 fiscal year (within one month from the end of each quarter, for banks).

(5) Insurance Premium Payment Methods

All insured financial institutions must pay their insurance premiums in cash, cashier’s checks or account transfers (including

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 clearing house. Units lower than 1,000 won are rounded off.

(6) Data Submission 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 fiscal 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 insurance revenues and total amount of premiums received by the end of fiscal year. Each insured financial institution must comply with requests for additional information pertaining to calculation of premiums, made by the President of the KDIC.

(7) Delinquent Charge

The formula for calculating a deposit insurance premium delinquent charge is the following:

Delinquent Charge = 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 general purpose 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.

A-V. Introduction to the Korean Deposit Insurance System

(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 share subscriptions of the institution, the applicable rates by financial sector are in the following table.

Table A-V-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	5/100	5/100	1/100

(3) Due Date for Contribution Payment

The insured financial institution must pay 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 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 Deposit Insurance 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 the 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 claim 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 on daily newspapers, etc. 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 (temporary deposits and current 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 guaranty obligations 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 1 insured risk event, in MSBs, payment of deposits are suspended for generally 5 to 6 months because of P&As and related activities. In order to alleviate the inconveniences that depositors must undergo for a lengthy period, provisional payments within the insurance limits may be made as determined by the Deposit Insurance Committee. Also, provisional payments may be made to small depositors with 5 million won or less in deposits in credit unions. This system was introduced to minimize the burden on the mostly working-class retail depositors, when a large number of insolvent credit unions were suspended from operations on November 4th.

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 and vice versa (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 or potentially 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 NPL.
- 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 financial support or additional borrowings from outside institutions (excluding borrowings 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 or requesting P&A and bankruptcy filing, 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 KDIC 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 potentially insolvent 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 Deposit Insurance 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 insolvent financial institution with another, or has been requested by the parties involved in such merger; 2) is required for the 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 Act on the Structural Improvement of the Financial Industry.

A-V. Introduction to the Korean Deposit Insurance System

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 Banks 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 debt obligations are suspended (see Article 2, Paragraph 5 of the Depositor Protection Act and Article 2, Paragraph 3 of the Act on the Structural Improvement of the Financial Industry). If the Deposit Insurance Committee of KDIC 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 potentially insolvent (see Articles 2 and 5-2 of the Depositor Protection Act).

The Financial Supervisory Commission appoints an administrator when mutual savings banks and credit unions are designated to be insolvent (potentially insolvent) financial institutions because of impossibility of management rehabilitation (see Article 14-3, 14-6 of the Act on the Structural Improvement of the Financial Industry, Article 24-3 of the Mutual Savings Banks Act and Article 86 of the Credit Union Act). Appointed administrators conduct duties that manage and dispose its business and assets for mutual savings banks and credit unions.

Also, there are resolution methods of M&A through the financial support, rehabilitation through P&As and deposit payoff method for insolvent mutual savings banks. In case of mutual savings banks unlike other financial institutions, Financial Supervisory Commission promote P&A to third parties at first according to the regulations of article 24-8, 24-9 and 24-11 of the Mutual Savings Banks Act. Furthermore, the KDIC should report the contents and conditions of

the financial support to make this process smooth (see Article 37 and 38 of the Depositor Protection Act). If P&A to third parties is not successful regardless of the efforts by the Financial Supervisory Commission and the KDIC, the Corporation pays off deposits and make mutual savings bank go bankrupt for the protection of depositors. On the other hand, considering its characteristics as a mutual association, P&As are not suitable means for resolving credit union insolvencies. Neither is it feasible to hold the investors accountable. Therefore, bankruptcy proceedings following insurance claim payments are more viable option for these cases.

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' found to be insolvent or potentially insolvent. 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.

In cases necessary for the protection of depositors, KDIC may submit a request to the Governor of the Financial Supervisory Service asking for provision of data related to the insured financial institutions within a determined scope. When the KDIC finds it necessary to confirm the data supplied by the Financial Supervisory Service ("FSS") to assess the risk of insured risk events for insured institutions, the KDIC may ask the Governor of FSS to confirm the data, allowing a one-month period to examine the institution. If the data fails to be confirmed, the Corporation may conduct investigations on the operations and asset status of the insured institutions to confirm the data.

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 FSS to perform an official investigation into specific areas of the pertinent financial institution's operations and to inform the Corporation of the results. The KDIC may also make request to the FSS to have KDIC employees conjointly participate in such investigation through the decision of Deposit Insurance Committee. Also, the Governor of the FSS is obligated to respond to these requests.

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 and major shareholders 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 debt management 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 potentially insolvent within the scope of investigation.

The fundamental purpose of the KDIC's investigation 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 Act.

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 related parties culpable in its insolvency such as default debtor corporations 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.

D. Operation of the Concealed Property Report Center of Insolvency-related Parties

In order to strengthen investigations on those accountable for insolvent financial institutions that receive public fund injections, and to realize effective recovery of public funds, the KDIC established in May the 「Concealed Property Report Center」 to receive information from citizens on hidden assets in and out of Korea regarding those responsible for the insolvencies.

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

A. DEPOSITOR PROTECTION ACT

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

Amended by:

> Act No. 5257, Jan. 13, 1997

(The Act on the Structural Improvement of the Financial Industry)

> Act No. 5403, Aug. 30, 1997

(The Act to Repeal the Housing and Commercial Bank Act)

> Act No. 5421, Dec. 13, 1997

> Act No. 5492, Dec. 31, 1997

> Act No. 5556, Sept. 16, 1998

> Act No. 5702, Jan. 29, 1999

> Act No. 6018, Sept. 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)

> Act No. 6807, Dec. 26, 2002

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 contingencies where a financial institution is unable to pay its depositors due to bankruptcies, insolvencies, or other financial failures. *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. 5492, Dec. 31, 1997; Act No. 5556, Sept. 16, 1998; Act No. 6018, Sept. 7, 1999; Act No. 6323, Dec. 30, 2000; Act No. 6429, Mar. 28, 2001.*

1. The term “insured financial institutions” refers to 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 pursuant to the Korea Development Bank Act;
- (c) The Industrial Bank of Korea established pursuant to 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; *Amended by Act No. 6807, Dec. 26, 2002*
- (g) *Deleted by Act No. 6018, Sept. 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, Paragraph (8), Subparagraphs 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);
- (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;
- (n) *Deleted by Act No. 6807, Dec. 26, 2002.*

2. The term “deposits” refers to categories of monies that fall under any of the following Subparagraphs; provided that the scope may be restricted by the Presidential Decree:

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

- (a) Money which insured financial institutions (hereinafter referred to as “banks”) as provided in Subparagraph 1 (a) (i) 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 premium revenues which insured financial institutions as provided in Subparagraph 1 (k) (hereinafter referred to as “insurance companies”) have received according to insurance contracts;
 - (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;
 - (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.;
 - (f) *Deleted by Act No. 6807, Dec. 26, 2002.*
3. The term “depositors” refers to those who have deposits and other claims on insured financial institutions.
4. The term “deposits and other claims” refers to 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” refers to 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 Deposit Insurance Committee mentioned in [Article 8];
Amended by Act No. 6807, Dec. 26, 2002
 - (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 Deposit Insurance 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);
Amended by Act No. 6807, Dec. 26, 2002.
- 5-2. The term “failing or insolvency-threatened financial institutions” refers to insured financial institutions whose financial structures are so unsound that the Deposit Insurance Committee mentioned in [Article 8] deems insolvency is imminent. *Amended by Act No. 6807, Dec. 26, 2002.*
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)] or Deposit Insurance Fund Bond Repayment Fund (hereinafter referred to as “the Repayment Fund”) mentioned in [Article 26, Paragraph (3)]:
Amended by Act No. 6807, Dec. 26, 2002.
- (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” refers to 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 a "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 a non-specified capital base.
- (2) The KDIC shall be operated in accordance with the Act, the mandates issued under the 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 that need to be registered pursuant to Paragraph (1) cannot challenge a third party until after their registration is complete.

Article 5-2. Offices

- (1) The KDIC shall have its main office in Seoul.
- (2) When deemed necessary, the KDIC may establish a regional or satellite office in accordance with its Articles of Incorporation. [Article inserted by Act No. 6807, Dec. 26, 2002.]

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 and the Repayment Fund; *Amended by Act No. 6807, Dec. 26, 2002.*
 - 5. Matters relating to the Deposit Insurance Committee; *Amended by Act No. 6807, Dec. 26, 2002.*
 - 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 Finance and Economy, after a resolution has been passed by the Deposit Insurance Committee established pursuant to [Article 8]. *Amended by Act No. 5556, Sept. 16, 1998; Act No. 6807, Dec. 26, 2002.*

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. Deposit Insurance Committee

Amended by Act No. 6807, Dec. 26, 2002.

Article 8. Deposit Insurance Committee

- (1) A Deposit Insurance Committee (hereinafter referred to as the "Committee") shall be established within the KDIC. *Amended by Act No. 6807, Dec. 26, 2002.*
- (2) The Committee shall determine and establish the basic guiding principles and general direction relating to the operation of the KDIC, in accordance with the Act, the orders issued thereunder or the Articles of Incorporation, and shall deliberate such matters as the operational 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, Sept. 16, 1998, Act No. 6173, Jan 21, 2000, Act No. 6323, Dec. 30, 2000.

1. President of the KDIC;
2. Vice Minister of Finance and Economy;
3. Vice Minister of Planning and Budget;
4. Vice Chairman of the Financial Supervisory Commission (hereinafter referred to as the "FSC");
5. Deputy Governor of the Bank of Korea;
6. ~ 12. *Deleted by Act No. 6323, Dec. 30, 2000.*
13. One committee member will be commissioned by the minister of Finance and Economy. Additionally, the minister of Planning and Budget, the chairman of the Financial Supervisory Commission, and the governor of the Bank of Korea will recommend one committee member each who will then be commissioned by the minister of Finance and Economy.

(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 9-2. Prohibition of Political Activities

Notwithstanding the Political Party Act, the Committee members prescribed under [Article 9, Paragraph 1, Subparagraph 13] shall not engage in any political activities. [Article inserted by Act No. 6807, Dec. 26, 2002.]

Article 9-3. Status Guarantee for Committee Members

(1) The Committee members prescribed under [Article 9, Paragraph 1, Subparagraph 13] shall not be dismissed or discharged against his/her own will, except pursuant to the following three Subparagraph.

1. When the member falls under each Subparagraph of [Article 16].

2. When the member cannot perform his / her duties due to physical and / or mental problem.

3. When it becomes inappropriate for the member to perform the duties due to the member's violation of fiduciary duty under this Act.

(2) When the member prescribed under [Article 9, Paragraph 1, Subparagraph 13] 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 inserted by Act No. 6807, Dec. 26, 2002.]

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. However, with respect to resolutions related to the financial support pursuant to [Article 38-4, Paragraph (3)], two-thirds affirmative vote of the registered members will be required.

Proviso inserted by Act No. 6807, Dec. 26, 2002.

(5) ~ (9) *Deleted by Act No. 6323, Dec. 30, 2000.*

(10) The Deposit Insurance Committee shall maintain minutes of meetings and also make them publicly available following its decisions. *Inserted by Act No. 6323, Dec. 30, 2000.*

(11) If deemed necessary, the Deposit Insurance Committee may allow an expert or 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, one vice president, not more than four executive directors, and one statutory auditor
Amended by Act No. 5492, Dec. 31, 1997; Act No. 6807, Dec. 26, 2002.
- (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 Finance and Economy.
Amended by Act No. 5556, Sept. 16, 1998.
- (3) The vice president and the executive directors shall be appointed and dismissed by the minister of Finance and Economy upon the recommendation of the president of the KDIC.
Amended by Act No. 5556, Sept. 16, 1998; Act No. 6807, Dec. 26, 2002.
- (4) A statutory auditor shall be appointed and dismissed by the minister of Finance and Economy.
Amended by Act No. 5556, Sept. 16, 1998.
- (5) The term of office of the president, the vice president, the executive directors, and the statutory auditor (hereinafter referred to as "officers") shall be three years, and they may be re-appointed. *Amended by Act No. 6807, Dec. 26, 2002.*
- (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 vice president shall assist the president, the executive directors shall assist the president and vice president, and each shall take charge of the relevant business of the KDIC, pursuant to the Articles of Incorporation.
Amended by Act No. 6807, Dec. 26, 2002.
- (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 for 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 becomes 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, vice president, and executive directors.
Amended by Act No. 6807, Dec. 26, 2002.
- (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 of Representative

- (1) The president of the KDIC may appoint the vice president, officer(s) or employee(s) of the KDIC to represent the KDIC in legal hearings or other official proceedings.
Amended by Act No. 6807, Dec. 26, 2002.
- (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. [Article inserted by Act No. 6173, Jan. 21, 2000.]

Article 15-3. Request for Staff Dispatch

- (1) When deemed necessary to carry out the fiduciary duties, the president of the KDIC may request related administrative agency, legal entity, or organizations to dispatch applicable government employee or officer/employee of organizations to the KDIC (hereinafter referred to as "dispatched staff"). In this case, prior consultation with the minister of Finance and Economy shall be conducted.
- (2) When requesting prior consultation pursuant to Paragraph (1), the president of the KDIC shall submit a document containing the number of dispatch staff, the detachment period, reason for the request and qualification to the minister of Finance and Economy.
- (3) The dispatched staff performing duties pursuant to [Article 18] shall be construed as an employee of the KDIC. [Article inserted by Act No. 6807, Dec. 26, 2002.]

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 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 under Article 33 of the National Public Service Act.

Article 17. Prohibition on Concurrent Holding of Posts

- (1) Except for his duties as an officer or employee of the KDIC, an officer of the KDIC shall not be engaged in profit-making business unless he or she receives permission from the relevant supervisor with the appointing power.
Amended by Act No. 5556, Sept. 16, 1998; Act No. 6807, Dec. 26, 2002.
- (2) *Deleted by Act No. 6807, Dec. 26, 2002.*
- (3) An officer or employee of the KDIC, or a person who has previously held such positions in the KDIC, shall not divulge to outside sources or unauthorized persons any information acquired or made privy to during the course of employment or while carrying out 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; Act No. 6323, 1997, Dec. 30, 2000.*
 1. Management and operation of the Deposit Insurance Fund;
 - 1-2. Management and operation of the Repayment Fund;
Inserted by Act No. 6807, Dec. 26, 2002.
 - 1-3. Vicarious exercise of damage claim rights pursuant to [Article 21-2];
 2. Receipt of insurance premiums and Special Assessment for Repayment of Deposit Insurance Fund Bonds (hereinafter referred to as "special assessment") pursuant to [Articles 30 and 30-3]; *Amended by Act No. 6807, Dec. 26, 2002.*
 3. Payments of insurance money pursuant to [Articles 31 and 32];
 4. Resolution of failed financial institutions pursuant to [Articles 35-2 through 38];
 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, Sept. 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

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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 and the special assessment pursuant to [Articles 30 and 30-3], 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; Act No. 6807, Dec. 26, 2002.

- (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 pursuant to the standards prescribed under the Presidential Decree or has not been confirmed pursuant to Paragraph (5).

Amended by Act No. 5492, Dec. 31, 1997; Act No. 6274, Oct. 23, 2000;

Act No. 6323, Dec. 30, 2000; Act No. 6807, Dec. 26, 2002.

- (3) The KDIC, upon a resolution of the Committee, may ask the Governor of the Financial Supervisory Service (hereinafter referred to as “the Financial Supervisory Service Governor”), established pursuant to 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. In this case, notwithstanding Article 66, Paragraph 3 of the Act on the Establishment of Financial Supervisory Organization, the

Financial Supervisory Service Governor shall comply with the request. *Amended by Act No. 5492, Dec. 31, 1997; Act No.*

6274, Oct. 23, 2000; Act No. 6807, Dec. 26, 2002.

- (4) When deemed necessary for the protection of depositors, the KDIC may request 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. In this case, the Financial Supervisory Service Governor shall comply with the request.

Inserted by Act No. 5556, Sept. 16, 1998; Amended by Act No. 6274, Oct. 23,

2000; Act No. 6807, Dec. 26, 2002.

- (5) When it is deemed necessary to confirm the contents of the data received pursuant to Paragraph 4 in order to determine the risk of insured risk event with respect to insured financial institutions, the KDIC may request the Financial Supervisory Service Governor to conduct an examination of the applicable insured financial institution and the parent financial holding company of the insured financial institution pursuant to the Financial Holding Company Act within one month and confirm the trueness of the received data. *Inserted by Act No. 6807, Dec. 26, 2002.*

- (6) 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

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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 may 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 may participate in the litigation in an effort to aid the institution. In such cases, Civil Litigation Code Articles 71 through 77 shall be applied mutatis mutandis.
- Amended by Act No. 6626, Jan. 26, 2002.*
- (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 conduct investigations regarding the operations and asset status of the relevant insolvent institution and the insolvency related entities. However, among the insolvency related entities, third parties that can be subjected to the examination are limited to accountancy firms and public accountants.

Amended by Act No. 6323, Dec. 30, 2000; Act No. 6807, Dec. 26, 2002.

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

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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 Finance and Economy upon a resolution of the Committee. *Amended by Act No. 5556, Sept. 16, 1998.*

Article 24. Establishment of Deposit Insurance Fund

(1) The Deposit Insurance Fund 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, Sept. 16, 1998; Act No. 6323, Dec. 30, 2000; Act No. 6807, Dec. 26, 2002.*

(2) The following Subparagraphs shall be the sources of revenue for the Deposit Insurance Fund: *Amended by Act No. 5492, Dec. 31, 1997; Act No. 5556, Sept. 16, 1998; Act No. 6807, Dec. 26, 2002.*

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 recovered in respect of the liabilities that have been acquired pursuant to [Article 35];
Inserted by Act No. 6807, Dec. 26, 2002.
- 4-3. Funds collected from deposits and other claims purchased under [Article 35-2];

5. Funds recovered in respect of the funds provided for the resolution of failed financial institutions pursuant to [Article 36-5, Paragraph (3), or Article 38];

6. Operating profits of the Deposit Insurance Fund and other revenues. *Amended by Act No. 6807, Dec. 26, 2002.*

(3) The expenditures of the Deposit Insurance Fund 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, Sept. 16, 1998;

Act No. 6323, Dec. 30, 2000; Act No. 6807, Dec. 26, 2002.

(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 under Article 44 of the same Act.

(2) The transfer under Paragraph (1) shall be subject to the prior consent of the National Assembly after a review by the Cabinet 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. 13, 1997.]

Article 24-3. Separate Accounting

- (1) The Deposit Insurance Fund and the Repayment Fund shall manage accounts separately from each other and from the funds necessary for the operation of the KDIC. *Inserted by Act No. 5556, Sept. 16, 1998; Amended by Act No. 6807, Dec. 26, 2002.*
- (2) The Deposit Insurance Fund and the Repayment Fund 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; Act No. 6807, Dec. 26, 2002.
- (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, Sept. 16, 1998.
- (4) The Deposit Insurance Fund and the Repayment Fund shall not conduct any transactions with each other. *Inserted by Act No. 6807, Dec. 26, 2002. [Article inserted by Act No. 5492, Dec. 31, 1997.]*

Article 25. Operation of Surplus Cash

When there is a cash surplus in the Deposit Insurance Fund or the Repayment Fund, the KDIC may use such surplus in accordance with the methods prescribed under the following Subparagraphs:

Amended by Act No. 5492, Dec. 31, 1997; Act No. 5556, Sept. 16, 1998; Act No. 6807, Dec. 26, 2002.

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 Finance and Economy.

Article 26. Borrowings

- (1) When deemed necessary for the execution of duties prescribed under the following Subparagraphs, notwithstanding

the provisions under Article 79 of the Bank of Korea Act, the KDIC may allow the Deposit Insurance Fund or the Repayment Fund to borrow funds from the government, the Bank of Korea, insured financial institutions or other institutions as designated by the Presidential Decree, as prescribed by the Presidential Decree with pre-approval of the minister of Finance and Economy. However, the duration of borrowing is limited to one year; *Amended by Act No. 6807, Dec. 26, 2002.*

1. Execution of the duties prescribed under [Article 18, Paragraphs (1), Subparagraphs 3 and 4];
2. Repayment of principal and interest of the funds borrowed by the Deposit Insurance Fund or the Repayment Fund;
3. Payment of expenses pursuant to [Article 26-3, Paragraph (3), Subparagraphs 1 through 3.

- (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 based on the Deposit Insurance Fund accounts through a decision by the Committee to raise funds necessary for the protection of depositors and stability of the credit order. *Amended by Act No. 6807, Dec. 26, 2002.*
- (2) Where the KDIC intends to issue the Deposit Insurance Fund Bond, it shall determine the amount, terms and methods of issuance and redemption at every issuance and report them to the minister of Finance and Economy.
Amended by Act No. 5556, Sept. 16, 1998; Act No. 6807, Dec. 26, 2002.
- (3) The requisite considerations for the issuance of the Deposit Insurance Fund Bond shall be determined by the Committee.
- (4) The prescription of the Deposit Insurance Fund Bond 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 the Deposit Insurance Fund Bond.
- (6) the Deposit Insurance Fund Bond 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.]

Article 26-3. Establishment of Deposit Insurance Fund Bond Repayment Fund

- (1) In order to resolve the Deposit Insurance Fund Bond liabilities generated in the process of supporting restructuring of insured financial institutions (limited to liabilities generated up until December 31, 2002), Deposit Insurance Fund Bond Repayment Fund shall be established under the KDIC.
- (2) The Repayment Fund shall use the financial resources under the following Subparagraphs as the source of revenue.
 1. Contributions provided from the Pubic Fund Redemption Fund pursuant to Article 4 of the Pubic Fund Redemption Fund Act;
 2. Funds mobilized by issuing the Deposit Insurance Fund Bond Repayment Fund Bond (hereinafter referred to as "Repayment Fund Bond" or "DIFB Repayment Fund") under Paragraph (4);
 3. Borrowings pursuant to [Article 26, Paragraph (1)];
 4. Special assessments collected pursuant to [Article 30-3];
 5. Funds recovered in respect of the liabilities that have been acquired pursuant to [Article 35];
 6. Funds recovered in respect of deposits acquired pursuant to [Article 35-2];
 7. Funds recovered in respect of the funds provided for the resolution of failed financial institutions pursuant to [Article 36-5, Paragraph (3) or Article 38];
 8. Income other than operation earnings of the Repayment Fund.
- (3) The Repayment Fund shall be expended for the cases falling under the following Subparagraphs:
 1. Making payments in respect of principal and interest of the Deposit Insurance Fund Bonds (limited to those issued on or before December 31, 2002) and the Repayment Fund Bond;
 2. Making payments in respect of insurance claims, money payable to depositors pursuant to [Article 35-2], support funds provided for the resolution of failed financial institutions pursuant to [Article 36-5, Paragraph (3), or Article 38];
 3. Making payments in respect of principal and interest of borrowings;

4. Transferring funds to the accounts that manage funds necessary to operate the KDIC pursuant to [Article 24-3, Paragraph (1)];

- (4) When deemed necessary to make payments on principal and interest of the Deposit Insurance Fund Bond and the Repayment Fund Bond, the KDIC, through a resolution of the Committee, may issue Repayment Fund Bonds. In this case, [Article 26-2, Paragraph (2) through (6)] shall be applied mutatis mutandis. [Article inserted by Act No. 6807, Dec. 26, 2002.]

SECTION 6. Supervision

Article 27. Supervision

- (1) The minister of Finance and Economy shall guide and supervise the duties of the KDIC, and may give necessary orders. *Amended by Act No. 5556, Sept. 16, 1998.*
- (2) When a disposition taken by the KDIC under this Act is unlawful, or when the minister 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.

Amended by Act No. 5556, Sept. 16, 1998.

Article 28. Report and Examination

- (1) When deemed necessary, the minister of Finance and Economy may have the KDIC report matters pertaining to its businesses, accounting, and assets, 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, Sept. 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, Sept. 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 forth 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, Sept. 16, 1998.

- (2) Notwithstanding Paragraph (1), the KDIC may either reduce all or part of the contribution under [Article 24, Paragraph (2), Subparagraph 1], the insurance premiums and arrears under Paragraph 1 and 3, or defer such payment for a specified period for the insured financial institutions which fall under any of the following Subparagraphs upon a resolution of the Committee:

Amended by Act No. 5492, Dec. 31, 1997; Act No. 6807, Dec. 26, 2002.

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) Subordinate only to the national and local tax obligations of the institution, the KDIC has the priority as a creditor above the general creditors of an insured financial institution which suffered an insured risk event in respect of the contribution under [Article 24, Paragraph (2), Subparagraph 1], the insurance premiums and arrears under Paragraph 1 and 3.
- Inserted by Act No. 6323, Dec. 30, 2000; Amended by Act No. 6807, Dec. 26, 2002.*

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 30-3. Special Assessment for Repayment of Deposit Insurance Fund Bonds

- (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

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underwriting reserve pursuant to Article 98 of the Insurance Business Act) by the ratio as determined by the Presidential Decree not exceeding 0.3 percent (one hundred thousand won where the calculated premium amount is less than one hundred thousand won) as a special assessment.

- (2) [Article 30, Paragraphs (2) through (5)] shall be applied mutatis mutandis for the necessary matters related to the payment of the special assessment under Paragraph (1). [Article inserted by Act No. 6807, Dec. 26, 2002.]

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 respect of applying Paragraph (1) with respect to an insured financial institution, which is newly established, continues to exist, or is converted, as a consequence of a merger or conversion, each of the related insured financial institution shall be construed as independent insured financial institutions for a period of one year from the merger registration date or the conversion date. *Amended by Act No. 6807, Dec. 26, 2002.*

- (5) In respect of applying Paragraph (1) with respect to a category II insured risk event that follows a category I insured risk event, such category II insured risk event shall not be deemed as an independent insured risk event.

Inserted by Act No. 5556, Sept. 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 statute of limitation of that right is deemed to be expunged. *Inserted by Act No. 6173, Jan. 21, 2000.*
- (8) When paying the insurance money pursuant to Paragraph (1), the KDIC may confront the insurance money claimant in the same way as an insured financial institution. *Inserted by Act No. 6807, Dec. 26, 2002.*

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 [Article 31, 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, Sept. 16, 1998, Act No. 6323, Dec. 30, 2000.*
- (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. 5702, Jan. 29, 1999.*
- (2) Where one of the following events occurs, the minister 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, Sept. 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 a 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 Finance and Economy. *Amended by Act No. 5556, Sept. 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, Sept. 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 [Article 35-2, Paragraph (2)], obtain approval from the

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minister of Finance and Economy through the decision of the Committee by determining the Estimate Payment Rate mentioned in [Article 35-3], the period and method, etc. of purchasing deposits and other claims. *Amended by Act No. 5556, Sept. 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, Sept. 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 Act on the Structural Improvement of the Financial Industry, [Article 21-3] shall be applied mutatis mutandis to the duties of such administrator. *Amended by Act No. 6807, Dec. 26, 2002. [Article inserted by Act No. 6173, Jan. 21, 2000.]*

Article 35-8. Liquidator or Bankruptcy Administrator Affairs

(1) In the case that an insured financial institution, with respect to which the KDIC has or is making deposit payoff payments or providing financial support, (including the case in which the KDIC intends to provide financial support in respect of an insured financial institution, whereof contract transfer has been decided to be undertaken pursuant to Act on the Structural Improvement of the Financial Industry) becomes liquidated or bankrupt, and efficient recovery of supported funds is necessary, the court shall appoint the KDIC or its officer/employee as the liquidator or bankruptcy trustee of the financial institution, notwithstanding Article 531 of Commercial Code, Article 147 of Bankruptcy Act, or the Act Concerning Appointment of Bankruptcy Trustees. *Amended by Act No. 6807, Dec. 26, 2002.*

(2) When the KDIC becomes the liquidator or bankruptcy trustee pursuant to Paragraph (1), Article 539, Paragraph 2 of the Commercial Code and Articles 157, 187, and 188 shall not apply. *Amended by Act No. 6807, Dec. 26, 2002.*

(3) If a general meeting of stockholders, under Article 533, Paragraph 1 and Article 540, Paragraph 1 of the Commercial Code, does not take place after an officer or an employee of the KDIC has been appointed as the liquidator pursuant to Paragraph (1), 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; Act No. 6807, Dec. 26, 2002.*

(4) In the case that an officer or an employee of the KDIC has been appointed as the liquidator or bankruptcy trustee pursuant to Paragraph (1), [Article 21, Paragraph (3)] shall apply mutatis mutandis to the appointee's duties.

Amended by Act No. 6323, Dec. 30, 2000; Act No. 6807, Dec. 26, 2002.

(5) The officer or the employee of the KDIC who is appointed as the liquidator or the bankruptcy trustee pursuant to Paragraph (1) cannot request any compensation with respect to the specified role. However, expenses incurred in the process of performing that role may be requested. *Amended by Act No. 6323, Dec. 30, 2000; Act No. 6807, Dec. 26, 2002. [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 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, Sept. 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:

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 Deposit Insurance Fund. *Amended by Act No. 5556, Sept. 16, 1998; Act No. 6807, Dec. 26, 2002.*
- (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 executive directors, and one statutory auditor.
- (2) The president, executive directors, and statutory auditor shall be appointed by the KDIC. In this case, it shall obtain approval from the minister of Finance and Economy in appointing the president. *Amended by Act No. 5556, Sept. 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, executive directors, or statutory auditor. In this case, it shall obtain approval from the minister of Finance and Economy in dismissing the president. *Amended by Act No. 5556, Sept. 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 Finance and Economy.

Amended by Act No. 5556, Sept. 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 [Article 32]. *Amended by Act No. 5556, Sept. 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.
- (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 inserted by Act No. 5492, Dec. 31, 1997.]*

Article 36-6. Registration of Establishment and Announcement

- (1) The KDIC shall, when it establishes a Resolution Financial Institution pursuant to [Article 36-3], 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 Finance and Economy. *Amended by Act No. 5556, Sept. 16, 1998.*
- (2) The KDIC shall dissolve a Resolution Financial Institution upon approval from the minister of Finance and Economy in the 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, Sept. 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 Finance and Economy. *Amended by Act No. 5556, Sept. 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 Articles 288, 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, Sept. 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, Sept. 16, 1998; Act No. 6323, Dec. 30, 2000. [Wholly amended by Act No. 5492, Dec. 31, 1997.]

Article 38. Financial Support for 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: *Amended by Act No. 6323, Dec. 30, 2000.*

1. When there is an application for financial assistance pursuant to [Article 37] or when it is deemed necessary to ensure that a merger involving a failed financial institution is undertaken smoothly.
2. When deemed 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. *Inserted by Act No. 5492, Dec. 31, 1997; 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 disclosure requirements under 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 make appeals to 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].

Amended by Act No. 6807, Dec. 26, 2002.

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 38-4. Least Cost Principle

- (1) When the KDIC is making insurance money or providing financial support in respect of an insured financial institution and the parent financial holding company of the insured financial institution pursuant to the Financial Holding Company Act, it shall apply a method that minimizes loss to the Deposit Insurance Fund.
- (2) The KDIC shall produce and retain data that proves the insurance money payment or financial support provision has been undertaken pursuant to Paragraph (1).
- (3) When the Committee deems that liquidation or bankruptcy of an insolvent financial institution may significantly threaten the stability of the financial system, the KDIC may utilize methods other than those prescribed under Paragraph (1) to make insurance money payment or provide financial support.
- (4) Details such as standard and procedure of least cost principle under Paragraphs (1) through (3) shall be prescribed by the Presidential Decree. [Article inserted by Act No. 6807, Dec. 26, 2002]

Article 38-5. Equitable Loss Sharing Principle

- (1) When the KDIC is providing financial assistance to an insured financial institution, equitable loss sharing by parties of the recipient institution responsible for its insolvency shall be preconditioned.
- (2) When the KDIC is providing financial assistance to an insured financial institution, it shall enter into a written agreement (hereinafter referred to as “agreement”) with the recipient institution for rehabilitation of the institution in accordance with the Presidential Decree. In this case, the agreement shall include the items under the following Subparagraphs for the rehabilitation of the relevant insured financial institution:

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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 KDIC shall disclose the agreement in electronic and other forms. However, exceptions to the disclosure may be made when required by the Presidential Decree, due to potentially major impact the disclosure might have on the management of the relevant insured financial institution.
- (4) The KDIC shall review the implementation status of the agreement on a quarterly basis and report the review results to the Committee.
- (5) The KDIC may request the insured financial institution that received financial assistance 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 agreement fulfillment status under Paragraph (4).
- (6) The KDIC may request the chief executive of the insured financial institution that received financial assistance to take corrective action such as dismissal or removal from post, or disciplinary action against officers or employees of the institution when such persons fall under any of the following Subparagraphs:
- A. When the agreed terms of the agreement are not implemented;
 - B. When report or data submitted per request by the KDIC

pursuant to this Article or the agreement is found to be falsely made or the submittal is made negligently;

- C. When the activities conducted by the KDIC pursuant to this Article or the agreement is refused, interfered or avoided;
- D. When the corrective action or disciplinary action mandated by the KDIC is negligently implemented. [Article inserted by Act No. 6807, Dec. 26, 2002.]

Article 39. Special Provision Regarding Continuation of Business

Article 9, Paragraph 1 of the Act on the Structural Improvement of the Financial Industry 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 [Article 37]. *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 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 an advertisement is thereby in violation of [Article 30, Paragraph (2)]. [*Wholly 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 imprisonment of 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)]. [*Wholly amended by Act No. 6173, 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; Act No. 6173, 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. 6273, Jan. 21, 2000.
 1. A person in violation of [Article 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 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, Sept. 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 Finance and Economy within thirty days from the date of receiving the notice of such disposition.
Amended by Act No. 5556, Sept. 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 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, Sept. 16, 1998.*

- (5) When no objection is filed and no negligence fine is paid within the period mentioned in Paragraph (3), the minister 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, Sept. 16, 1998.*

ADDENDA Amended by Act No. 5042, Dec. 29, 1995

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 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 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.

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Article 3. Amendment of Other Acts

The following amendments shall be made to the Fund Management Act.

Item number 116 shall be added to the table as below.

116. Depositor Protection Act.

ADDENDA Act on the Structural Improvement of the Financial Industry: Act No. 5257, Jan. 13, 1997

Article 1. Enforcement Date

This Act shall enter into force on March 1, 1997.

Articles 2 and 3. Omitted.

Article 4. Amendment of Other Acts

(1) ~ (2) Omitted.

(3) The following amendments shall be made to the Depositor Protection Act. Under [Article 39], "Article 8, Paragraph 1 of the Act Concerning Merger and Conversion of Financial Institutions" shall be amended to "Article 9, Paragraph 1 of the Act on the Structural Improvement of the Financial Industry."

(4) Omitted.

Article 5. Omitted.

ADDENDA Housing and Commercial Bank Act: 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 7. Omitted.

Article 8. Amendment of Other Acts and Relationship With Other Acts

(1) ~ (7) Omitted.

(8) The following amendments shall be made to the Depositor Protection Act. [Article 2, Paragraph 1, Subparagraph (d)] shall be deleted.

(9) and (10) 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 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 (l) 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. The KDIC's authority 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 Deposit Insurance Committee's

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authorities and business prerogative with respect to insured financial institutions under Subparagraphs 1 (a) through (i) of [Article 2] shall be exercised by the Deposit Insurance Committee of the Korea Deposit Insurance Corporation. The Deposit Insurance 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 Deposit Insurance 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 Deposit Insurance 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 Deposit Insurance Committee Deposit Insurance Committee Members and Officers of the Korea Deposit Insurance Corporation

Members commissioned under [Article 9, Paragraph (1), Subparagraph 6] of the previous provisions and officers of the KDIC before the enforcement of this Act shall perform their duties until the 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

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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 Finance and Economy through a decision by the Deposit Insurance Committee within one month after the enforcement of this Act.

Article 6. Special Provisions Regarding Operation of Funds Created through Bond Issuance

- (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 under 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. Amendment of Other Acts

The following amendments shall be made to the Credit Management Fund Act. Under [Article 24, Paragraph 1, Subparagraph 4], the word “loans” shall be amended to “equity participation, loans, and purchase of securities issued by mutual savings and finance companies.”

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 prescribed 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, Sept. 16, 1998.

Article 1. Enforcement Date

This Act shall enter into force on the date of its promulgation, provided that amendment to Subparagraph 2 (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, Paragraph (1), Subparagraphs 1 through 6] shall apply until August 31, 2008 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. *Amended by Act No. 6807, Dec. 26, 2002.*

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 Subparagraph 2 (d) of [Article 2].

Article 6. Special Provisions Regarding Resolution Financial Institutions

- (1) Financial institutions established with authorization from the minister 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 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 Agricultural Cooperatives Act: Act No. 6018, Sept. 7, 1999.

Article 1. Enforcement Date

This Act shall enter into force beginning on July 1, 2000.

<Proviso Omitted>

Article 2 through 17. Omitted.

Article 18. Amendment of Other Acts

- (1) ~ (5) Omitted.
- (6) The following amendments shall be made to the Depositor Protection Act. [Article 2, Paragraph 1], Subparagraph (e) shall be amended as "(e) The National Agricultural Cooperatives Federation under the Agricultural Cooperatives Act" and Subparagraph (e) shall be deleted.
- (7) Omitted.

Article 19 through 21. Omitted.

ADDENDA Act No. 6173, 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 Financial Holding Company Act: 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."

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

ADDENDA Mutual Savings Bank Act: 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.

ADDENDA Civil Litigation Code: Act No. 6626, Jan. 26, 2002.

Article 1. Enforcement Date

This Act shall enter into force beginning on July 1, 2002.

Articles 2 through 5. Omitted.

Articles 6. Amendment of Other Acts

- (1) ~ (16) Omitted.
- (17) The following amendments shall be made to the Depositor Protection Act. Under Article [21-2, Paragraph (4)], “Civil Litigation Code Articles 65 through 71” shall be amended as “Civil Litigation Code Articles 71 through 77.”
- (18) ~ (29) Omitted.

Articles 7. Omitted.

ADDENDA Act No. 6807, Dec. 26, 2002.

Article 1. Enforcement Date

- (1) This Act shall enter into force beginning on January 1, 2003. Provided, that the amendment to [Article 2, Paragraph 1, Subparagraph (n), Article 2, Paragraph 2, Subparagraph (f), and Article 35-7] shall enter into force on January 1, 2004.
- (2) In respect of applying the amendment to [Article 35-7] with respect to officers or employees of the KDIC who have been appointed as the manager pursuant to Article 86-2, Paragraph 5 of the Credit Union Act prior to January 1, 2004, the version of relevant regulation prior to the latest amendment shall apply.

Article 2. Expiration Date

Effectiveness of the amendment to [Article 30-3] shall expire on December 31, 2027.

Article 3. Regarding Appointment of Vice President

- (1) With respect to the amendment to [Article 11], until the minister of Finance and Economy appoints the vice president of the KDIC, the previously relevant regulations shall apply.
- (2) In the case that an executive director is appointed as the inaugural vice president at the time this Act is put into effect pursuant to the amendment to [Article 11], the term of office of the inaugural vice president shall be the remaining term of the relevant executive director.

Article 4. Regarding the Revenue Source of Repayment Fund

The amendments to [Article 26-3, Paragraph (2), Subparagraphs 5 through 7 and Paragraph (3), Subparagraph 2 of the same Article] shall only apply under the following Subparagraphs:

1. For insured risk events that occurred before January 1, 2003;
2. For insured financial institutions that have been determined or deemed to be insolvent by the Committee or the FSC before January 1, 2003.

Article 5. Regarding Liquidator and Bankruptcy Trustee

In the case that the KDIC or its officer/employee is appointed as the liquidator or bankruptcy trustee pursuant to Article 20, Paragraph (1) of the Public Fund Oversight Special Act, the version of [Article 35-8, Paragraphs (3) through (5)] prior to the latest amendment, shall apply.

Article 6. Regarding Payment of Special Assessment by Credit Unions

In respect of applying the amendment to [Article 30-3], notwithstanding the amendments to [Article 2, Paragraph 1, Subparagraphs (n) and Paragraph 2, Subparagraph (f)], the version of [Article 2, Paragraph 1, Subparagraphs (n) and Paragraph 2, Subparagraph (f)] prior to the latest amendment shall apply between January 1, 2006 and December 31, 2017.

Article 7. Interim Measures Regarding Name Change of the Policy Committee

The Policy Committee pursuant to the version of the Act prior to the latest amendment shall be construed as the Deposit Insurance

Committee pursuant to this Act. In this case, the persons commissioned as the members of the Policy Committee pursuant to the version of the Act prior to the latest amendment shall be construed as having been commissioned as the members of the Deposit Insurance Committee pursuant to this Act.

Article 8. Interim Measures Regarding Dispatch of Government Employees

Personnel dispatched to the KDIC at the time this Act is put into effect, shall be construed as having been dispatched pursuant to [Article 15-3].

Article 9. Interim Measures Regarding Accounting of the Repayment Fund

The assets, liabilities, rights, and obligations (except for the premiums whose due date is after the effective date of this Act) of the Deposit Insurance Fund at the time this Act is put into effect shall be assumed by the Repayment Fund pursuant to the amendment to [Article 26-3]. However, the Credit Union Account of the Deposit Insurance Fund at the time this Act is put into effect shall be terminated as of January 1, 2004, and on same day, pursuant to Article 61 of the Credit Union Act, the assets, liabilities, rights, and obligations of the account shall be transferred to the National Federation of Credit Unions in accordance with the standard, method, and procedure determined by the minister of Finance and Economy.

Article 10. Liquidation of Repayment Fund

The Repayment Fund shall be liquidated by December 31, 2027, and the minister of Finance and Economy shall select either the National Treasury or the Deposit Insurance Fund as the transferee of the residual assets, liabilities, rights, and obligations of the Repayment Fund following the liquidation.

Article 11. Amendment of Other Act

- (1) The following amendments shall be made to the Fund Management Act. Subparagraph 9-2 shall be newly inserted to Article 2-3 as follows:
 - 9-2. Deposit Insurance Fund Bond Repayment Fund pursuant to the Depositor Protection Act.

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- (2) The following amendments shall be made to the Financial Industry Restructuring Act. The “Policy Committee” under Article 2, Paragraph 3, Subparagraphs (a) and (c) shall be amended to “Deposit Insurance Committee.”
- (3) The following amendments shall be made to the Public Fund Oversight Special Act. The “Deposit Insurance Fund” under “Article 2, Paragraph 1, Subparagraph (a) shall be amended to “Deposit Insurance Fund Bond Repayment Fund.”
- (4) The following amendments shall be made to the Framework Act on Non-tax Payments Management. Subparagraph 103 shall be newly inserted to the table as follows:
103. Special Assessment for Repayment of Deposit Insurance Fund Bonds pursuant to Article 30-3 of the Depositor Protection Act.

B. ENFORCEMENT DECREE OF THE DEPOSITOR PROTECTION ACT

Wholly Amended by Presidential Decree No. 15842, July 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, June 7, 2000
- > Presidential Decree No. 16936, Aug. 5, 2000
- > Presidential Decree No. 16993, Oct. 31, 2000
- > Presidential Decree No. 17149, Mar. 17, 2001
- > Presidential Decree No. 17823, Dec. 30, 2002

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 Subparagraph 2 of [Article 2] (hereinafter referred to as "deposits"):
1. The government or local government;
 2. The Bank of Korea, the Financial Supervisory Service established pursuant to the Act on the Establishment of Financial Supervisory Organization (hereinafter referred to as "the FSS"), or the Korea Deposit Insurance Corporation established pursuant to 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 Subparagraph 2 (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;

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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 a securities finance company established pursuant to 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. Paragraphs (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 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: Amended by Presidential Decree No. 17823, Dec. 30, 2002.
 1. Purpose;
 2. Trade name;
 3. Location of its main office;
 4. Name, address, and citizen registration number of the president;
 5. Names, addresses, and citizen registration numbers of the vice president, executive directors and statutory auditor; and
 6. Methods of public notification.

Article 4-2. Establishment of Regional Office

When the KDIC established a regional or satellite office, it shall register the items under the following Subparagraphs:

1. At the location of the main office, the location and establishment date of regional or satellite office within two weeks;
2. At the location of the regional or satellite office, items under [Article 4, Paragraph (2), Subparagraphs 1 through 4 and 6] within three weeks. [Article inserted by Presidential Decree No. 17823, Dec. 30, 2002.]

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) When the KDIC transfers its regional or satellite office to a location under the jurisdiction of a different registry office, it shall register the transfer date within three weeks at the location of the main office and old location, at the new location, the matters mentioned in each Subparagraph of [Article 4, Paragraph (2)] shall be registered. Inserted by Presidential Decree No. 17823, Dec. 30, 2002.
- (3) The KDIC shall, when it relocates its main, regional, or satellite office within the jurisdiction of the same registry office, make a registration of relocation within two weeks thereafter only the purport of the move.

Amended by Presidential Decree No. 17823, Dec. 30, 2002.

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. However, if any changes occur with respect to the items under [Article 4, Paragraph (2), Subparagraphs 1 through 4 and 6], such change must be registered at the location of the regional or satellite office within three weeks. [Proviso inserted by Act No. 17823, Dec. 30, 2002.]

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, regional, or satellite with office with the representative within two weeks thereafter. This provision shall also apply to the case of any change in registered matters.

Amended by Presidential Decree No. 16827, June 7, 2000; Presidential Decree No. 17823, Dec. 30, 2002.

1. Name, resident registration number and address of the representative;
 2. Deleted by Presidential Decree No. 17823, Dec. 30, 2002.
 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, June 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 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 Deposit Insurance Committee

- (1) Meetings of the Deposit Insurance 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; Presidential Decree No. 17823, Dec. 30, 2002.*

- (2) The vice president, executive 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; Presidential Decree No. 17823, Dec. 30, 2002.*
- (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 a resolution of the Committee. *Amended by Presidential Decree No. 17149, Mar. 17, 2001.*

Article 11. Qualifications for Commissioned Members of Deposit Insurance Committee

Members commissioned by the minister of Finance and Economy pursuant to [Article 9] of the Act shall be those who are not disqualified as executive 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. *Amended by Presidential Decree No. 17823, Dec. 30, 2002.*

Article 12. Agencies

- (1) Acting agencies prescribed in [Article 20] of the Act (hereinafter referred to as "agencies") shall be as follows: *Amended by Feb. 14, 2000.*
1. The Korea Asset Management Corporation established pursuant to 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 Korea Federation of Savings Banks established pursuant to the Mutual Savings Bank Act (hereinafter referred to as "Korea Federation of Savings Banks"); and *Amended by Presidential Decree No. 17823, Dec. 30, 2002.*
 4. The Credit Unions Federation established pursuant to the Credit Union Act.

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- (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. Standard for Determining “Potential Insolvency”

The phrase “standards prescribed under the Presidential Decree” under [Article 21, Paragraph 2] of the Act, refers to standards set forth by the FSS pursuant to Article 10, Paragraph 2 of the Act on the Structural Improvement of the Financial Industry. [Article inserted by Presidential Decree No. 17823, Dec. 30, 2002.]

Article 12-3. 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 the hiring and firing rights of the corporation’s officers and employees. [Article inserted by Presidential Decree No. 17149, Mar. 17, 2001.]

Article 12-4. 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 and insolvency related entities prescribed under [Article 21-2, Paragraph (1)] as and when deemed necessary. *Amended by Presidential Decree No. 17823, Dec. 30, 2002.*
- (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 cannot 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 12-5. 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 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 Finance and Economy within three months after the closing of the fiscal year. *Amended by Presidential Decree No. 17823, Dec. 30, 2002.*

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;

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5. Insured financial institutions mentioned in Paragraph 1 (m) of [Article 2] of the Act (hereinafter referred to as "Mutual Savings Banks"): 5/100; and *Amended by Presidential Decree No. 17823, Dec. 30, 2002.*
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 Deposit Insurance Fund") 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 Finance and Economy upon a 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; Presidential Decree No. 17823, Dec. 30, 2002.*
- (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) *Deleted by Presidential Decree No. 17823, Dec. 30, 2002.*
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 under the account of the Deposit Insurance Fund or under the Deposit Insurance Fund Bond Repayment Fund 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, June 7, 2000; Presidential Decree No. 17823, Dec. 30, 2002.*
1. The Korea Federation of Savings Banks; *Amended by Presidential Decree No. 17823, Dec. 30, 2002.*
 2. Securities finance companies;
 3. The Export and Import Bank of Korea established pursuant to 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 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 Finance and Economy:
1. Reasons for borrowing;
 2. Amount to be borrowed;
- (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) In the case that an insured financial institution fails to pay the insurance premium before the due date pursuant to Paragraph (1), it shall pay to the KDIC arrears penalty, which is calculated by multiplying the number of days past the payment due date by an interest rate determined by the Committee based on the overdue interest rate the insured financial institution charges in respect of a general loan it makes. *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

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the Act refers to the sum of each of the below classification amounts and arithmetic mean of the “insurance premium revenues” under [Article 2, Paragraph 2, Subparagraph (c)] (the insurance premium revenues 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 [Article 7, 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 16-2. Payment of Special Assessment for Repayment of Deposit Insurance Fund Bonds

- (1) Pursuant to [Article 30-3, Paragraph (1)], insured financial institutions shall pay Special Assessment for Repayment of Deposit Insurance Fund Bonds (hereinafter referred to as “special assessment” in accordance with the formulas under Table 1-2 within three months from the end of each fiscal

year. However, insured banks shall pay the special assessment within one month from the end of each quarter.

- (2) In the case that an insured financial institution fails to pay the special assessment before the due date pursuant to Paragraph (1), it shall pay to the KDIC arrears penalty, which is calculated by multiplying the number of days past the payment due date by an interest rate determined by the Committee based on the overdue interest rate the insured financial institution charges in respect of a general loan it makes.
- (3) The phrase “an amount as determined by the Presidential Decree” in the first sentence of [Article 30-3, Paragraph (1)] of the Act refers to the sum of each of the below classification amounts under [Article 16, Paragraph (3)] of the Act and arithmetic mean of the “insurance premium revenues” under [Article 2, Paragraph 2, Subparagraph (c)] (the insurance premium revenues earned during the fiscal period in which the special assessment is due). [Article inserted by Presidential Decree No. 17823, Dec. 30, 2002.]

Article 17. Advance Payment

- (1) The KDIC may pay depositors in advance an amount as set forth 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 banks 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. *Amended by Presidential Decree No. 17823, Dec. 30, 2002.*

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 under 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. 17823, Dec. 30, 2002.*
- (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, June 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 may 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; Presidential Decree No. 17823, Dec. 30, 2002.

1. When depositors’ interests are damaged or the Deposit Insurance 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 Deposit Insurance 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 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 executive 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. Operation Rehabilitation Memorandum of Understanding

- (1) When the KDIC wants to provide financial assistance to an insured financial institution pursuant to [Article 38-5, Paragraph (2)] of the Act, a memorandum of understanding (hereinafter referred to as "MOU") aiming to rehabilitate the operation of the recipient institution must be entered into prior to the actual provision of the financial assistance except for the cases that fall under the following Subparagraphs:
 1. When providing financial assistance with respect to resolution financial institution;
 2. When providing financial assistance pursuant to [Article 38, Paragraph (1), Subparagraph 1] of the Act, except for the case in which the recipient of the assistance is an insolvent financial institution;

3. When providing financial assistance by way of purchasing assets of financial institutions;
4. When providing financial assistance, pursuant to Article 10, Paragraph (1) or Article 12, Paragraph (3) of the Act on the Structural Improvement of the Financial Industry, to prevent the recipient insured financial institution's capital adequacy ratio from falling below the minimum required level set forth 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;

- (2) The phrase "financial soundness target, as set forth in the Presidential Decree" under [Article 38-5, 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" under [Article 38-5, 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 officer/employee of the financial institution.
- (4) The phrase "Asset quality target, as set forth in the Presidential Decree" under [Article 38-5, Paragraph (2), Subparagraph 3] of the Act refers to the ratio of non-performing loans versus total loans of the financial institution. [Article inserted by Presidential Decree No. 17823, Dec. 30, 2002.]

Article 24-3. Non-Disclosure of MOU Terms

The phrase "exceptions may be made when required by the Presidential Decree" under [Article 38-5, 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 rehabilitation. [Article inserted by Presidential Decree No. 17823, Dec. 30, 2002.]

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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 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 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 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, July 25, 1998.

Article 1. Enforcement Date

This Decree shall enter into force on the date of its promulgation. However, the amendments to [Article 3, Paragraph (4), Subparagraph 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, Paragraph 2, Subparagraph (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 claims¹" 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 Regarding 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

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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, June 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 Regarding 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 Provisions Regarding 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 forth and announced by the minister 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.

[ADDENDUM Presidential Decree No. 17823, Dec. 30, 2002.](#)

This Decree shall enter into force beginning on January 1, 2003.

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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 Banks	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:

- 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.
- 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:
 - Raise the standard rate by 5/100 if the insurance company was established less than 10 years ago.
 - 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.
 - 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 1-2. Formula for Calculating Special Assessment for Repayment of Deposit Insurance Fund Bonds (relating to [Article 16-2, Paragraph (1)])

Inserted by Presidential Decree No. 17823, Dec. 30, 2002.

Insured Financial Institutions	Formula
1. Banks	Quarterly Special Assessment = Quarterly average balance of deposits, etc. x 1/1000 x 1/4
2. Securities Companies	Annual Special Assessment = Annual average balance of deposits, etc. x 1/1000
3. Insurance Companies	Annual Special Assessment = Amount as stated in [Article 16-2, Paragraph (3)] x 1/1000
4. Merchant Banks	Annual Special Assessment = Annual average balance of deposits, etc. x 1/1000
5. Mutual Savings Banks	Annual Special Assessment = Annual average balance of deposits, etc. x 1/1000
6. Credit Unions	Annual Special Assessment = Annual average balance of deposits, etc. x 1/1000

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

C. 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" refers to 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 Management Fund, under the Public Fund Management 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" refers to 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 Finance and Economy;
 2. The minister 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 Finance and Economy; 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-chairman cannot 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 cannot 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 for Committee Members

- (1) The members of the Committee shall not be dismissed or discharged against his/her own will, except for pursuant to the following two Subparagraphs:
1. When the member falls under Article 7 (1).
 2. When the member cannot 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 Act on the Structural Improvement of the Financial Industry, 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 standard and procedure of least cost principle 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 Finance and Economy, 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 Rehabilitation Memorandum of Understanding

- (1) When the government would like to inject public fund, it shall enter into a memorandum of understanding (hereinafter referred to as “MOU”) with the public fund recipient institution in respect of its business rehabilitation, 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;

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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 under Paragraph (1) in electronic and other forms. However, exceptions to the disclosure may be made when required by the Presidential Decree, due to potentially major impact the disclosure might have on the management of the relevant financial institution.
- (4) The government shall review the implementation status of the MOU under Paragraph (1) on a quarterly basis and report the review results to the Committee.
- (5) The government may request the public 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 fulfillment status under Paragraph (3).
- (6) The government may request the chief executive of the financial institution that public fund assistance to take corrective action such as their dismissal or suspension from post, or disciplinary action against the officers/employees when such persons 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 activities conducted by the KDIC pursuant to this Act or the MOU is refused, interfered or avoided; or
5. When the corrective action or disciplinary action mandated by the KDIC is negligently implemented.

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 Act on the Structural

Improvement of the Financial Industry) 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 under 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 Reports

The Committee shall publish a white paper report 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 deemed 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.

D. 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 of the Public Fund Oversight Special Act (hereinafter referred to as “the Act”) refers to the matters with respect to the publication of Public Fund White Paper prescribed 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. Least 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 public 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 public fund assistance, pursuant to Article 10, Paragraph (1) or Article 12, Paragraph (3) of the Act on the

Structural Improvement of the Financial Industry, to prevent the recipient’s capital adequacy ratio from falling below the minimum required level set forth 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 public 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 (hereinafter referred to as “MOU”) 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 Finance and Economy.
- (2) The phrase “financial soundness target, as set forth in the Presidential Decree” under 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” under 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 officer/employee of the financial institution.
- (4) The phrase “Asset quality target, as set forth in the Presidential Decree” under Article 17, Paragraph (2), Subparagraph 3 of the Act refers to the ratio of non-performing loans versus total loans of the financial institution.

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Article 9. Non-Disclosure of MOU Terms

The phrase “exceptions may be made when required by the Presidential Decree” under 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 rehabilitation.

Article 10. Scope of Applicable MOU Counterparty-Corporations

- (1) The term “insolvent corporation (designated as such by the Presidential Decree)” under 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” under 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 MOU with a corporation pursuant to Article 18, Paragraph (1) of the Act may enter into a written MOU 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 Reports

White paper reports 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.

E. PUBLIC FUND REDEMPTION FUND ACT

Enacted by Act No. 6807, Dec. 26, 2002.

Article 1. Purpose

The purpose of the Public Fund Redemption Fund Act (hereinafter referred to as "the Act") is to prescribe matters necessary for the establishment, operation and management of the Public Fund Redemption Fund so as to efficiently repay the debts incurred by Korea Deposit Insurance Corporation (hereinafter referred to as "KDIC") established pursuant to the Deposit Protection Act (hereinafter referred to as "DPA") and of Korea Asset Management Corporation (hereinafter referred to as "KAMCO") established pursuant to the Act on Efficient Disposal of Non-Performing Assets of Financial Institutions and Establishment of Korea Asset Management Corporation during the financial restructuring.

Article 2. Definitions

The phrase "the liabilities of Deposit Insurance Fund Bond Repayment Fund and the Non-performing Asset Management Fund" refers to each of the following Subparagraphs:

1. The principal and accrued interest of bonds prescribed under the Presidential Decrees among the bonds that have to be repaid by the Deposit Insurance Fund Bond Repayment Fund pursuant to the Depositor Protection Act (hereinafter referred to as "DIF Bond Repayment Fund") and by the Non-performing Asset Management Fund pursuant to the Act on Efficient Disposal of Non-Performing Assets of Financial Institutions and Establishment of KAMCO (hereinafter referred to as "Non-performing Asset Management Fund");
2. The outstanding loans the DIF Bond Repayment Fund and the Non-performing Asset Management Fund borrowed from the Special Treasury Loan Account.

Article 3. Establishment of Public Fund Redemption Fund

- A. The government shall establish the Public Fund Redemption Fund (herein after "the Fund") to conduct businesses including

but not limited to capital injection into the DIF Bond Repayment Fund and the Non-performing Asset Management Fund for smooth repayment of outstanding balance of the two funds.

- B. The Fund shall be mobilized through the resources prescribed under the following Subparagraphs:
 - i. Deposits from the Public Fund Management Fund established pursuant to the Framework Act on Fund Management;
 - ii. Annual settlement surplus pursuant to Article 47 of the Budget and Accounts Act;
 - iii. Capital contributions from the Treasury account pursuant to Article 6 of the Act;
 - iv. Annual settlement surplus of the Fund;
 - v. Capital contributions from Communication Service Special Account pursuant to the Enterprise Budget and Accounts Act;
 - vi. Capital contributions from the Postal Insurance Service Special Account pursuant to the Postal Insurance Service Special Account Act;
 - vii. Short-term borrowings pursuant to Article 9 of the Act;
 - viii. Other funds prescribed under the Presidential Decree.

Article 4. Management and Operation of Public Fund Redemption Fund

- (1) The Fund shall be operated and managed by deputy prime minister & minister (hereinafter referred to as "the minister") of Finance and Economy (hereinafter referred to as "the MOFE")
- (2) The Fund shall be used in accordance with the following Subparagraphs:
 1. Contributions to the DIF Bond Repayment Fund and the Non-performing Asset Management Fund;
 2. Repayment for the Fund's debts;
 3. Expenditures necessary for the operation and management of the Fund;
- (3) When providing contributions in accordance with Article 2 - Paragraph (1) and recalculation is conducted in accordance with Article 7, the minister of Finance and Economy may enter into an agreement with respect to the items subject to settlement.

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- (4) The accounting practice of the Fund shall be governed by the principles prescribed under Article 5 of the Enterprise Budget and Accounts Act.
- (5) In accordance with the relevant Presidential Decree, the minister of Finance and Economy may entrust the matters regarding the operation and management of the Fund to the Governor of the Bank of Korea.
- (6) When there is a cash surplus in the Fund, the minister of the MOFE may use such surplus within one year in accordance with the following Subparagraphs:
 - 1. Purchase of securities such as government bonds;
 - 2. Deposits or loans to financial institutions;
 - 3. Other methods determined by the minister of Finance and Economy.
- (7) Other matters regarding the operation and management of the Fund are subject to the Presidential Decree.

Article 5. Capital Contributions to the Fund

- (1) Annual settlement surplus, prescribed under Article 3, Paragraph (2), Subparagraph 2 may be contributed to the Fund until the following year of the year surplus occurred, irrespective of budget expenditure of the current fiscal year after a review by the Cabinet and the approval of the President of the Republic of Korea. In this case, notwithstanding Article 8, Paragraph 2 of the Framework Act on Fund Management, the Fund may use the capital contributions in accordance with Article 4, Paragraph (2), Subparagraphs 1 and 2.
- (2) The minister of Finance and Economy shall contribute more than 30/100 of the previous annual settlement surplus (settlement surplus pursuant to other Acts and the balance after deducting the amount carried forward pursuant to Article 47, Paragraph 1 of the Budget and Accounts Act) to the Fund in accordance with Paragraph (1).
- (3) In case of natural disaster or inevitable circumstances in respect of the operation of national economy, the minister of Finance and Economy may make changes in the existing budget without exceeding 70/100 of the annual settlement surplus. In this case, notwithstanding Article 2, the minister shall contribute the residual outstanding balance of the annual settlement surplus to the Fund.

- (4) Each year, the Communication Service Special Account shall contribute an amount determined by multiplying a ratio (not exceeding 3/1,000) prescribed under the Presidential Decree by the previous year's average deposit balance of the Postal Deposit Service established pursuant to the Act on Postal Deposit and Insurance Services (one hundred thousand won where the calculated amount is less than one hundred thousand won).
- (5) Each year, the Postal Insurance Service Special Account shall contribute an amount determined by multiplying a ratio (not exceeding 3/1,000) prescribed under the Presidential Decree by an amount determined by the Presidential Decree in consideration of previous year reserves, among others (one hundred thousand won where the calculated amount is less than one hundred thousand won).
- (6) Matters necessary to determine the method and time of the capital contributions pursuant to Paragraphs (4) and (5) shall be prescribed by the Presidential Decree.

Article 6. Items to be Reflected in the Budget

- (1) The government shall reflect the costs and funding sources under each of the following Subparagraphs to the budget every fiscal year.
 - 1. Expenses prescribed under Article 4, Paragraph (2), Subparagraph 3;
 - 2. Funding sources necessary for the full repayment of the outstanding debt of the Fund by the end of 2027.
- (2) Each year, the minister of Finance and Economy shall request the minister of Planning and Budget ("the MPB minister") to reflect the support amount necessary in consideration of the following year's management status of the Fund to the Treasury's expenditure budget.
- (3) The MPB minister shall endeavor to comply with the request made pursuant to Paragraph (2). In case it is difficult for the MPB minister to reflect the support to the expenditure budget in consideration of the financial condition of the Treasury account, the deficient financial resources shall be appropriated from the deposits of the Public Fund Management Fund, among others.

Article 7. Recalculation System

- (1) The minister of Finance and Economy shall conduct a due diligence on the assets and liabilities of both DIF Bond Repayment Fund and the Non-performing Asset Management Fund every five years after the establishment of the Fund. However, the minister of Finance and Economy may conduct the due diligence whenever deemed necessary.
- (2) When deemed necessary after having conducted the due diligence pursuant to Paragraph (1), the minister of Finance and Economy shall take measure such as the adjustment of the debts of DIF Bond Repayment Fund and the Non-performing Asset Management Fund, etc.
- (3) When taking measures pursuant to Paragraph (2), the minister of Finance and Economy shall endeavor to consider the ratio between the capital contribution made by the Fund in accordance with Article 4, Paragraph (2), Subparagraph 1 and the fund mobilized by collecting the Special Assessment for Repayment of DIF Bonds in accordance with Article 30-3 of the DPA.
- (4) The minister of Finance and Economy shall report the result of the due diligence on the assets and liabilities of DIF Bond Repayment Fund and the Non-performing Asset Management Fund, conducted pursuant to Paragraphs (1) and (2) as well as the relevant measures to be taken, to the National Assembly.

Article 8. Submission of Repayment Plan for Principal and Accrued Interest of Public Fund

The minister of Finance and Economy shall submit to the National Assembly by December 31st of each year, the particulars and redemption plan of public funds pursuant to Article 2, Paragraph (1) of the Act on Public Fund Oversight Special Act, which shall be produced based on procedures prescribed by the Presidential Decree.

Article 9. Short-term Borrowings

When funds become temporarily insufficient over the course of operating the Fund, the minister of Finance and Economy may borrow funds necessary for the operation of the Fund on short-term basis (subject to maturity less than one year) from the Bank of Korea and other institutions designated by the Presidential Decree to be repaid by the Fund.

Article 10. Fund Operation Review Committee

- (1) Fund Operation Review Committee (the "Review Committee") shall be established to review major issues regarding the operation and management of the Fund.
- (2) Regarding the operation and management of the Fund, the Review Committee shall review items under the following Subparagraphs:
 1. Major policies on the operation and management of the Fund;
 2. Establishment of the Fund operation plan in accordance with Article 5, Paragraph 1 of the Framework Act on Fund Management;
 3. Changes in the major expenditure amount in accordance with Article 8, Paragraph 2 of the Framework Act on Fund Management;
 4. Establishment of the Fund's annual settlement report in accordance with Article 8 of the Framework Act on Fund Management;
 5. Items determined by the Presidential Decree as major items for the operation and management of the Fund;
 6. Other items submitted to Review Committee for approval as deemed necessary by the Chairperson of the Review Committee.
- (3) Matters necessary for the composition and operation of the Review Committee shall be prescribed by the Presidential Decree.

Article 11. Establishment of the Fund Account

The minister of Finance and Economy shall open the Fund Account in the Bank of Korea for the transparency of the revenue and expenditure of the Fund.

Article 12. Accounting Firm of the Fund

- (1) The minister of Finance and Economy shall appoint a revenue collection officer, a finance officer, an expenditure officer, and an accounting staff of the Fund among government employees to perform administrative duties regarding revenue and expenditure of the Fund.
- (2) In the case that the administrative matters regarding the operation and management of the Fund are entrusted to the Governor of the Bank of Korea in accordance with the Article

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4, Paragraph (5), the minister of Finance and Economy may appoint an assistant deputy governor to be in charge of Fund revenue and another assistant deputy governor to be in charge of Fund expenditure among the assistant deputy governors of the Bank of Korea. In addition, the minister of Finance and Economy may appoint a Bank of Korea staff to be in charge of Fund expenditure and another Bank of Korea staff to be in charge of the Fund accounts. In this case, the assistant deputy governors in charge of the Fund revenue and Fund expenditure shall perform the duties of the Fund revenue collection officer and the Fund finance officer respectively. Also, the officials in charge of the Fund expenditure and the accounts shall perform the duties of the Fund expenditure officer and the accounting staff, respectively.

Article 13. Profit and Loss Management of the Fund

- (1) When there is an annual settlement surplus of the Fund, all such surplus shall be reserved.
- (2) When there is an annual settlement loss of the fund, such loss shall be made up by the accumulated surplus in accordance with Article 13, Paragraph (1), and if the surplus reserve is inadequate to cover the loss, the government may make up the deficient portion by the general accounts.

Article 14. Supervision and Mandate

When the administrative duties regarding the operation and management of the Fund are entrusted to a third party in accordance with Article 4, Paragraph (5), the minister of Finance and Economy may supervise the entrusted administrations and issue necessary mandates.

Article 15. Liquidation of the Fund

When the Fund is liquidated, the residual assets shall be returned to National Treasury.

Article 16. Statue Application Regarding Fund Management

The other matters regarding the operation and management of the Fund not prescribed by this Act shall be subject to the Framework Act on the Fund Management.

ADDENDA

Article 1. Enforcement Date

This Act shall enter into force on January 1, 2003, provided that the Article 5, Paragraphs (4) and (5) shall enter into force on January 1, 2004.

Article 2. Expiration Date

This Act shall remain in force until December 31, 2027.

Article 3. Special Provisions Regarding 2003 Fund Operation Plan

- (1) Notwithstanding, Article 10, Paragraph 1 of the Public Fund Management Act, Article 8 of the Framework Act on Fund Management and Article 84, Paragraph 2 of the National Assembly Act, the Public Fund Management Fund may issue government bonds and deposit them in the Fund within the amount appropriated as the source of the Fund under the FY 2003 budget. Notwithstanding Article 10, Paragraph (2), Article 7 of the Framework Act on Fund Management and Article 84, Paragraph 2 of the National Assembly Act, the Fund may use the deposits from the Public Fund Management Fund and the capital contribution from the general account in accordance with Article 4, Paragraph (2).
- (2) Immediately upon the establishment of the Fund, the minister of Finance and Economy shall provide the 2003 fund operation plan and the 2003 amended fund operation plan of the Public Fund Management Fund (hereinafter referred to as "Fund Operation Plan, etc.") to the minister Planning and Budget following the review and resolution of the relevant Fund Operation Review Committee (the Fund Operation Committee in the case of the Public Fund Management Fund). Then, the minister Planning and Budget shall submit the Fund Operation Plan, etc. to the National Assembly after a review by the Cabinet and the approval of the President of the Republic of Korea. When these procedures are completed, the Fund Operation Plan, etc. shall be construed as having been confirmed.
- (3) The Fund Operation Plan, etc. pursuant to Paragraph (2) shall be drafted within the limit appropriated by the FY2003's budget that has been reviewed and determined by the National Assembly.

Article 4. Discharge of Obligation

The obligation to repay the loans (limited to the outstanding balance as of December 31, 2002) pursuant to Article 2, Paragraph (2) of the Act shall be discharged.

Article 5. Amendment of Other Acts

- (1) The following amendments shall be made to the Framework Act of Fund Management. Clause 134 shall be newly inserted to the Table as follows; Clause 134. Act on the Public Fund Redemption Fund Act.
- (2) The following amendments shall be made to the Framework Act on Non-tax Payments Management. Clause 102 shall be newly inserted to the Table as follows; Clause 102. Capital contribution provided pursuant to Article 3, Paragraph (2), Subparagraphs 5 and 6 of the Act on the Public Fund Redemption Fund.

F. ENFORCEMENT DECREE OF THE PUBLIC FUND REDEMPTION FUND ACT

Enacted by Presidential Decree No. 17822, Dec. 30, 2002.

Article 1. Purpose

The purpose of this Decree is to prescribe matters delegated by the Public Fund Redemption Fund Act and matters necessary for the enforcement thereof.

Article 2. Definition of the Liabilities of the Deposit Insurance Fund Bond Repayment Fund and the Non-performing Loan Resolution Fund

The phrase “bonds prescribed under the Presidential Decrees” under Article 2, Paragraph 1 of the Public Fund Redemption Fund Act (hereinafter referred to as “the Act”) refers to bonds prescribed under each of the following Subparagraphs, which are determined and notified by the minister of Finance and Economy upon consultation with the minister of Planning and Budget.

- A. Up to 3.3 trillion won worth of bonds, based on par value, among the bonds to be redeemed by the Non-performing Asset Management Fund established pursuant to the Act on Efficient Disposal of Non-performing Assets of Financial Institutions and Establishment of Korea Asset Management Corporation (hereinafter referred to as “the Non-performing Asset Management Fund”);
- B. Up to the amount determined by deducting the par value amount prescribed under Paragraph 1 from 49 trillion won worth of bonds, based on par value, among the bonds to be redeemed by the Deposit Insurance Fund Bond Repayment Fund established pursuant to the Depositor Protection Act (hereinafter referred to as “the DIF Bond Repayment Fund”).

Article 3. Revenue Source of the Public Fund Redemption Fund

The phrase “other funds prescribed under the Presidential Decree” under Article 3, Paragraph (2), Subparagraph 8 the Act refers to the amount returned to the Public Fund Redemption Fund Act (hereinafter referred to as “the Fund”) by the Non-performing

Asset Management Fund and DIF Bond Repayment Fund among the capital contributions the Fund provided to the two funds in accordance with Article 4, Paragraphs (2) and (3) of the Act.

Article 4. Assignment of Business Related to Management and Operation of the Fund

- (1) The minister of Finance and Economy shall entrust the administrative matters on the operation and management of the Fund to the Governor of the Bank of Korea in accordance with Article 4, Paragraph (5) of the Act.
- (2) The Governor of the Bank of Korea shall produce monthly status report regarding the operation and management of the Fund and submit it to the minister of Finance and Economy by the 20th day of the subsequent month.
- (3) The Governor of the Bank of Korea shall submit annual settlement report of the Fund, along with each of the following documents as attachments, to the minister of Finance and Economy by February 20th of the subsequent fiscal year:
 1. Documents related to the overview and analysis on the Fund;
 2. Balance Sheet;
 3. Income Statement;
 4. Documents verifying the cash inflow and outflow, such as revenue and expenditure statements, etc.;
 5. Other relevant documents regarding the annual settlement of the Fund.
- (4) The matters not prescribed by this Enforcement Decree but deemed to be necessary for the Bank of Korea to conduct business regarding the operation and management of the Fund shall be determined by the Governor of the Bank of Korea subject to the approval of the minister of Finance and Economy.

Article 5. Contribution to the Fund

- (1) The phrase “ratio prescribed under the Presidential Decree” under Article 5, Paragraph (4) of the Act refers to 1/1,000.
- (2) The phrase “amount determined by the Presidential Decree” under Article 5, Paragraph (5) of the Act refers to the amount calculated by applying Article 16, Paragraph (3) of the Enforcement Decree of the Deposit Protection Act, and the

“ratio prescribed under the Presidential Decree” refers to 1/1,000.

- (3) The Communication Service Special Account and Postal Insurance Service Special Account shall contribute the amount prescribed by Paragraphs (4) and (5), respectively, within three months after the end of each fiscal year.

Article 6. Repayment Plan for Principal and Accrued Interest of Public Fund

The repayment status of the public fund, the repayment amount due during the subsequent fiscal year as well as plans to secure funding resources to repay the public fund shall be included in the plan to repay the principal and accrued interest of the fund submitted to the National Assembly by the minister of Finance and Economy in accordance with Article 8 of the Act.

Article 7. Potential Lenders of Short-Term Borrowings

The phrase “institutions designated by the Presidential Decree” under Article 10 of the Act refers to the insured financial institutions under the Deposit Protection Act.

Article 8. Fund Operation Review Committee

- (1) The Fund Operation Review Committee (hereinafter referred to as “the Review Committee”) prescribed under Article 10 of the Act shall be composed of not more than ten members including the chairman of the committee.
- (2) The minister of Finance and Economy shall be the chairman of the Review Committee.
- (3) The members of the Review Committee shall be the persons under each of the following Subparagraph:
1. The secretary general of the Public Fund Oversight Committee’s secretariat office;

2. A person designated by the minister Planning and Budget among class 2 or class 3 employees of the MPB;
 3. A person commissioned by the minister of Finance and Economy who is regarded as being knowledgeable and experienced in management and operation of the Fund;
 4. The assistant deputy governor of the Bank of Korea in charge of the management of the Fund;
 5. The executive director of the Korea Deposit Insurance Corporation person in charge of the management of the DIF Bond Repayment Fund;
 6. The executive director of Korea Asset Management Corporation in charge of the management of the Non-performing Asset Management Fund;
- (4) The term of office of the Review Committee members under Paragraph (3), Subparagraph 3 shall be two years.
- (5) The phrase “items determined by the Presidential Decree” under Article 10, Paragraph (2), Subparagraph 5 refers to the new establishment of three newly inserted items pursuant to Article 5, Paragraph 1 of the Enforcement Decree of the Framework Act on Fund Management and the amendment of expenditure amount for major items pursuant to Article 5, Paragraph 3 of the same Decree.
- (6) The matters necessary for the operation of the Review Committee, that are not prescribed by this Enforcement Decree shall be determined by the chairman of the Review committee subject to deliberation of the Review Committee.

ADDENDUM

This Enforcement Decree shall enter into force from January 1, 2003, provided that Article 5 shall enter into force from January 1, 2004.

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1. Number of Insured Financial Institutions¹⁾

Financial Sector	End of 2000	End of 2001	End of June 2002	End of Sept. 2002	End of Dec. 2002
Banks ²⁾	108	105	102	102	100
Securities Companies	62	62	60	59	60
Insurance Companies	39	40	41	41	43
(Life Insurance)	(23)	(22)	(22)	(22)	(23)
(Non-life Insurance)	(16)	(18)	(19)	(19)	(20)
Merchant Banks	6	3	3	3	3
Mutual Savings Banks	147	121	117	116	116
Credit Unions	1,317	1,268	1,252	1,242	1,233
Total	1,679	1,599	1,575	1,563	1,555

1) The number of insured financial institutions is on the basis of business operation date and business license revocation date.

2) Includes regional fisheries cooperatives that conduct credit business.

2. Insured Deposits per Financial Sector

(Unit: billion won)

Sector	End of 2000	End of 2001	End of June 2002	End of Sept. 2002	End of Dec. 2002
Banks	506,275	422,267	442,834	453,187	465,043
Securities Companies	7,374	11,230	12,032	10,881	10,881
Insurance Companies	95,023	94,747	100,624	98,369	100,501
Merchant Banks	6,556	2,223	2,126	1,954	1,920
MSBs	18,803	19,764	21,382	21,364	22,336
Credit Unions	19,208	21,563	21,891	21,845	18,134
Total	653,239	571,794	600,889	607,600	618,815

Note: Deposit insurance premium assessment base for insured deposits of insurance industry is (Premium Revenue + Reserve for Policy Termination) X 1/2. Seoul Guarantee Insurance Company is excluded from 2001.

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3. Premium Revenues

(Unit: billion won)

Financial Sector	Prior to 1998 ¹⁾	1999	2000	2001	2002	Total
Banks	161.3	197.5	263.0	413.9	436.1	1,471.8
Securities Companies	-	5.1	15.6	21.8	26.2	68.7
Insurance Companies	232.2	126.0	178.1	241.6	278.0	1,055.9
(Life Insurance)	(180.0)	(101.1)	(140.2)	(193.8)	(229.5)	(844.6)
(Non-life Insurance)	(52.2)	(24.9)	(37.9)	(47.8)	(48.5)	(211.3)
Merchant Banks	98.0	33.6	23.3	13.9	13.0	181.8
Mutual Savings Banks	240.7	37.7	32.3	52.9	60.4	424.0
Credit Unions	40.2	16.2	28.1	40.7	64.1	189.3
Total	772.4	416.1	540.4	784.8	877.8	3,391.5²⁾

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 indemnity receivables in respect of unpaid insurance premiums.

4. Status of Deposit Insurance Fund Bond Issuance

(Unit: billion won)

Financial Sector	1998	1999	2000	2001	2002	Total
Banks	12,065.0	15,859.1	6,030.7	7,761.7	3,660.0	45,376.5
Securities Companies	14.1	0.3	-	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)	-	(2,412.0)	-	(7,707.6)
(Non-life Insurance)	-	(67.8)	(1,000.0)	(6,796.9)	-	(7,864.7)
Merchant Banks	5,827.2	-	1,260.0	7,334.2	-	14,421.4
Mutual Savings Banks	1,508.5	1,597.7	650.0	3,333.2	-	7,089.4
Credit Unions	446.8	817.9	-	202.8	-	1,467.5
Total	21,015.0	22,485.0	8,940.7	31,059.3	3,660.0	87,160.0¹⁾

1) Cumulative amounts of whole issuance that includes conversion issuance

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5. Status of the Public Fund Provision

As of December 31, 2002

(Unit: billion won)

Sector	Equity Participation	Contribution	Deposit Payoff	Asset Purchase	Loan	Total ¹⁾
Banks	22,137.7 (18)	13,680.4 (13)	-	9,550.3 (8)	-	45,368.4 (20)
Securities Companies	4,900.0 (2)	-	14.4 (4)	-	-	4,914.4 (6)
Insurance Companies	15,919.8 (10)	2,675.6 (11)	-	344.7 (4)	-	18,940.1 (18)
(Life Insurance)	5,669.7 (7)	2,550.8 (9)	-	344.7 (4)	-	8,565.2 (15)
(Non-life Insurance)	10,250.1 (3)	124.8 (2)	-	-	-	10,374.9 (3)
Merchant Banks	2,705.2 (7)	117.3 (1)	17,194.9 (18)	-	1,291.7 (14)	21,309.1 (29)
Mutual Savings Banks	10.1 (2)	134.0 (10)	7,273.1 (69)	-	853.3 (19)	8,270.5 (91)
Credit Unions	-	-	3,655.2 (317)	-	36.7 (39)	3,691.9 (339)
Total²⁾	45,672.8 (39)	16,607.3 (35)	28,137.6 (409)	9,895.0 (12)	2,181.7 (72)	102,494.4 (503)

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, 2002

(Unit: billion won)

Sector	Equity Participation	Bankruptcy Estate Dividends, etc. ¹⁾	Asset Sale ²⁾	Reimbursement of Loans ³⁾	Total
Banks	4,520.1	1,476.2	4,309.1	-	10,305.4
Securities Companies	-	6.8	-	-	6.8
Insurance Companies	438.7	184.4	117.8	-	740.9
Merchant Banks	33.5	4,866.5	-	1,044.5	5,944.5
MSBs	-	608.0	-	37.4	645.4
Credit Unions	-	1,078.0	-	35.4	1,113.4
Total⁴⁾	4,992.3	8,219.9	4,426.9	1,117.3	18,756.4

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 1,635.6 billion won of public funds recovered prior to the consolidation of protection funds under the KDIC's Deposit Insurance Fund.

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7. Detailed Status of the Public Fund Injection (Aggregate Amount Basis)

As of December 31, 2002

(Unit: billion won)

Injection Type	Sector	Recipient Institution	Amount
Equity Participation	Banks	Korea First (KFB)	4,958.6
		Woori	6,028.6
		Seoul	4,680.9
		Chohung	2,717.9
		Peace	493.0
		Kyungnam	259.0
		Kwangju	170.4
		Jeju	53.1
		Kookmin (KB)	200.0
		H&CB	296.5
		Shinhan	292.5
		Hana	472.8
		KorAm	260.0
		National Agricultural Cooperative Federation	96.2
		National Federation of Fisheries Cooperatives	1,158.1
		Resolution and Finance Corporation	0.1
		Sub total	22,137.7
	Securities Companies	Korea Investment Trust Management & Securities	3,000.0
		Daehan Investment Trust Securities	1,900.0
		Sub total	4,900.0
	Insurance Companies	Seoul Guarantee Insurance Company	10,250.0
		Korea Life Insurance Company	3,550.0
		Daehan Cement (Acquisition of Daehan Fire)	0.05
		KunWha Pharmaceutical (Acquisition of Green Fire)	0.05
		Kumho Life (Acquisition of Dong-ah life)	1,092.2
		SK Life (Acquisition of Kookmin life)	286.2
		Tongyang Life (Acquisition of Taepyongyang life)	259.7
		SK Life (Acquisition of Handuck life)	335.0
		Hyundai Life (Acquisition of Chosun life)	116.6
		Korea Life (Acquisition of Doowon life)	30.0
		Sub total	15,919.8
	Merchant Banks	Hanareum Banking Corporation	30.0
		Chungsol	12.1
		Hanaro	2,491.2
		Hans	0.05
		Korea	0.05
		Joongang	0.05
		Youngnam	171.7
		Sub total	2,705.2
	Mutual Savings Banks	New Choongbuk MSFC	10.0
		Hanareum Mutual Savings and Finance Company	0.1
		Sub total	10.1
	Total (Equity Participation)		45,672.8

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As of December 31, 2002

(Unit: billion won)

Injection Type	Sector	Recipient Institution	Amount
Contribution	Banks	Korea First (KFB)	924.6
		Woori	1,877.2
		Seoul	221.6
		Peace	338.6
		Kyungnam	93.8
		Kwangju	271.4
		Jeju	165.1
		Kookmin (KB)	1,830.8
		H&CB	1,799.5
		Shinhan	2,519.1
		Hana	1,161.1
		KorAm	2,435.6
		National Agricultural Cooperative Federation	87.0
		Sub Total	13,680.4
	Insurance Companies	Daehan Cement (Acquisition of Daehan Fire)	50.9
		KunWha Pharmaceutical (Acquisition of Green Fire)	73.9
		Kumho Life (Acquisition of Dong-ah life)	75.4
		SK Life (Acquisition of Kookmin life)	23.9
		Tongyang Life (Acquisition of Taepyongyang life)	41.4
		SK Life (Acquisition of Handuck life)	38.4
		Hyundai Life (Acquisition of Chosun life)	11.1
		Korea Life (Acquisition of Doowon life)	296.7
		Samsung Life (Acquisition of Kookje life)	435.1
		Kyobo Life (Acquisition of BYC life)	241.1
		Heungkook Life (Acquisition of Taeyang Life)	279.2
		Jeil Life (Acquisition of Koryo life)	208.7
		Korea Life (Acquisition of Hyundai life)	754.8
		Korea Life (Acquisition of Samshin life)	145.0
		Sub Total	2,675.6
	Merchant Banks	Hanaro	117.3
	Mutual Savings Banks	Kyungbuk (f/k/a Hanwoori)	3.0
		Boomin (Busan)	8.5
		Sangup (f/k/a Hyundai)	20.6
		Saenuri	0.8
		Solomon (f/k/a Gold)	20.0
		J-1	9.5
		Telson (f/k/a New Korea)	23.2
		Hanaro	13.2
		Hanmaeum	35.2
		Sub Total	134.0
	Total (Contribution)		16,607.3
Insurance Claim Payments	Direct	Securities Companies	14.4
		MSBs	1,217.4
		Credit Unions	3,655.2
	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
	Total (Insurance Claim Payments)		28,137.6

A-VII. Statistics

As of December 31, 2002

(Unit: billion won)

Injection Type		Recipient Institution		Amount	
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 RFC	Banks	Kookmin (KB)	17.9	
			Shinhan	59.1	
H&CB			53.8		
Hana			5.4		
KorAm			22.6		
Insurance Companies	Korea First (KFB)	7,383.9			
	Dong-ah	271.1			
		Taepyongyang	28.9		
		Kookmin	16.8		
		SK (Handuck)	27.9		
Total (Asset Purchases)				9,895.0	
Loan	Merchant Banks	Kumho Daegu Tongyang Samyang Saehan Asia Youngnam Ulsan Jeil Chungsol Korea Hangil Hanwoi Hyundai Subtotal	37.5		
			50.2		
			120.0		
			25.0		
			423.8		
			30.0		
			37.0		
			20.0		
			111.8		
			127.5		
			91.4		
			113.9		
			53.1		
			50.5		
			1,291.7		
			Mutual Savings Banks	Kyunggi (f/k/a Kyunggi Comet) Kyungbuk Kumkang Kisan Daewon Daechun (Present Daejeon) Dong-ah Dongwon Dongwha (Kyungju) Pusan 2 Saenuri New Choongbuk Arim Union Ilshin Choil Choongnam (f/k/a Saeonyang) Choongil Haedong (Kyunggi) Subtotal	165.4
					17.0
					70.9
	54.1				
	56.3				
	10.2				
	10.4				
	78.3				
	63.9				
	27.1				
	41.3				
	16.1				
61.5					
51.8					
15.5					
73.8					
4.5					
8.9					
26.3					
853.3					

A-VII. Statistics

As of December 31, 2002

(Unit: billion won)

Injection Type	Recipient Institution		Amount	
Loan	Credit Unions	Kosan	0.5	
		Kochang	0.3	
		Kwawoo	0.5	
		Kwangyang Milal	0.2	
		Kwangju Shinwoo	0.5	
		Kumkang	0.2	
		Kilum	0.2	
		Namchun	0.5	
		Nonsan	0.5	
		Daegu Joongang	5.0	
		Daenam	0.3	
		Daesa	0.3	
		Daewha	0.2	
		Moohak	0.3	
		Moonhwa	1.0	
		Pangojin	8.0	
		Baekwoon	0.1	
		Sasang Joongang	0.4	
		Saha	2.0	
		Songrimdong	0.3	
		Songwon	0.4	
		Suwon Nambu	0.2	
		Shintanjin Jeil	0.2	
		Shinhyun Joongang	0.2	
		Youngsanpo	2.0	
		Onyang	1.7	
		Yuchon	0.3	
		Inje	0.2	
		Incheon Sunrin	0.7	
		Incheon Sungam	0.5	
		Jangan	0.3	
		Jangjae	0.1	
		Jangheung	0.1	
		Jochiwon Joongang	0.5	
		Jido	0.3	
		Chuncheon	7.0	
		Pyungchang	0.2	
		Haemi	0.5	
			Subtotal	36.7
			Total (Loan)	
	Aggregate Total ²⁾			102,494.4

1) The subrogation deposit payoff payment of HBC made through HMSF upon liquidation of HBC in December 2000.

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

A-VII. Statistics

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
2002	3,171.5
January	347.0
February	41.9
March	204.7
April	198.2
May	221.9
June	868.6
July	46.9
August	68.2
September	210.8
October	71.0
November	143.3
December	749.0
Total 2)	18,756.4

1) Indemnity receivables in respect of unpaid insurance premiums are excluded from the recovery calculation since they are treated as earnings.

2) Includes 1,635.6 billion won of public funds recovered prior to the consolidation of protection funds under the KDIC's Deposit Insurance Fund.



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