



KDIC

ANNUAL REPORT 2003

K O R E A D E P O S I T I N S U R A N C E C O R P O R A T I O N



Annual Report 2003

PUBLISHER

In-Won Lee
President and Chairman

EDITOR

Gi Don Kim
Director
Research Department

Tel : 82-2-758-0114
Fax : 82-2-758-0220
<http://www.kdic.or.kr>





Chairman's Statement

The year 2003 will be remembered for many crises, namely the US-Iraq Crisis on the international front, and domestically, soaring credit card debts that brought with it a period of high unemployment, decreasing domestic demand and a slower pace of growth in the Korean economy. Meanwhile, continuing low interest rates in the financial market enabled stock prices to rise gradually.

In this time of economic difficulties, the KDIC extended its efforts toward finalizing its ongoing financial restructuring initiated following the financial crisis of 1997. It also launched the New Deposit Insurance Fund with the aim of ensuring its future prudence and independence. By faithfully implementing management control strategies and through the resolution of the many insolvent credit unions whose operations were terminated in 2002, the KDIC sought to speed up the pace of structural reform and prevent future cases of failure. In addition, Chohung Bank as well Hyundai Investment Trust & Securities, two financial institutions in which the KDIC was a majority stockholder, were successfully sold, thereby contributing to the recovery of public funds.

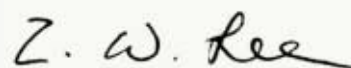
The KDIC hosted the second Annual General Meeting of the International Association of Deposit Insurers (IADI) in Seoul, Korea, that contributed to the strengthening of ties with fellow deposit insurers from around the world.

In addition, Chohung Bank as well Hyundai Investment Trust & Securities, two financial institutions in which the KDIC was a majority stockholder, were successfully sold, thereby contributing to the recovery of public funds. The KDIC hosted the second Annual General Meeting of the International Association of Deposit Insurers (IADI) in Seoul, Korea, that contributed to the strengthening of ties with fellow deposit insurers from around the world.

Furthermore, steady progress was made in the areas of receivership and collection as well as investigations of default debtors. The KDIC has also sought to establish a risk management system that will contribute to maintaining the stability of the financial market.

The Corporation's 2003 Annual Report includes an outline of the events briefly discussed above, and takes a look at the laws and regulations governing deposit insurance in Korea as well as the deposit insurance system itself. The KDIC will strive to achieve prudence in the Deposit Insurance Fund, and introduce an efficient risk management system while upholding the stability of the financial environment.

It is our sincere hope that this Annual Report will serve to strengthen 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 in an efficient and market-friendly manner.



In-Won Lee
Chairman and President

Table of Contents

Chairman's Statement	2
OPERATIONS	9
I. Overview	10
Chapter 1. The Financial Markets	10
Chapter 2. Deposit Insurance	13
Chapter 3. Financial Restructuring	15
II. Procurement and Management of the Deposit Insurance Fund	17
Chapter 1. Separation of the Deposit Insurance Fund	17
Chapter 2. Procurement of the Deposit Insurance Fund	17
Chapter 3. Resolution of Insolvent Financial Institutions	21
Chapter 4. Public Fund Recovery	31
III. Risk Management of Insured Financial Institutions	36
Chapter 1. Establishment of Effective Risk Management System	36
Chapter 2. Post Public Fund Injection Management	38
IV. Management Control of Insolvent Financial Institutions and Management of Bankruptcy Estates and Assets	40
Chapter 1. Management Control of Insolvent Financial Institutions	40
Chapter 2. Management of Bankruptcy Estates	40
Chapter 3. Management of Asset Holdings	43

V. Insolvency Investigations **45**

Chapter 1. Investigations into Insolvent Financial Institutions	45
Chapter 2. Investigations into Default Debtors of Insolvent Financial Institutions	46
Chapter 3. Investigations into Default Debtor Corporations	47

VI. Improvements in the Deposit Insurance System and the Strengthening of KDIC's Competence **48**

Chapter 1. Overhaul of Laws and Regulations Related to Deposit Insurance	48
Chapter 2. Research for a Sounder Deposit Insurance System	49
Chapter 3. KDIC's Long-term Development Plan and Development of Information Infrastructure	50
Chapter 4. Cooperation with International Organizations	51

VII. Organization and Financial Status **52**

Chapter 1. Organization	52
Chapter 2. Fiscal Year 2003 Accounting Settlement Results	55

APPENDIX **65**

A-I. Members of the Deposit Insurance Committee and the Executive Board	67
A-II. Items Deliberated by the Deposit Insurance Committee in 2003	68
A-III. Year 2003 Balance Sheets and Profit & Loss Statements	70
A-IV. 2003 Summary of Events	97
A-V. Introduction to the Korean Deposit Insurance System	100
A-VI. Acts Related to the Korea Deposit Insurance System	110
A. Depositor Protection Act	
B. Enforcement Decree of the Deposit or Protection Act	
C. Public Fund Oversight Special Act	
D. Enforcement Decree of the Public Fund Oversight Special Act	
E. Public Fund Redemption Fund Act	
F. Enforcement Decree of the Public Fund Redemption Fund Act	
A-VII. Statistics	160

Table of Contents

List of Tables

Table I - 1. Insured Deposit Movements by Financial Sector	13
Table I - 2. Number of Financial Institutions Insured	14
Table I - 3. Financial Restructuring Progress	16
Table I - 4. Public Fund Support Provision Status	16
Table II - 1. Special Assessment Revenue Status	17
Table II - 2. Special Assessment by Financial Sector	17
Table II - 3. Issuance of Deposit Insurance Fund Bonds by Financial Sector	18
Table II - 4. Balance of Deposit Insurance Fund Bonds	19
Table II - 5. Issuance of Deposit Insurance Fund Bonds by Maturity	19
Table II - 6. Issuance of Deposit Insurance Fund Bonds by Interest Rate	19
Table II - 7. Borrowings Status of Repayment Fund	19
Table II - 8. Premium Revenue Status	20
Table II - 9. Deposit Insurance Premiums by Financial Sector	20
Table II - 10. Contribution Remittances by Financial Sector	21
Table II - 11. Contribution Remittance Methods and Ratios	21
Table II - 12. Cumulative Financial Assistance Status by the Repayment Fund	22
Table II - 13. Financial Assistance by the Repayment Fund During 2003	22
Table II - 14. Financial Assistance by the (New) Deposit Insurance Fund During 2003	22
Table II - 15. Financial Assistance Provided to Banks	23
Table II - 16. Financial Assistance Provided to Securities Companies	24
Table II - 17. Financial Assistance Provided to Insurance Companies	25
Table II - 18. Status of Dividends Payment and Accounts payable to Woori Investment Bank	26
Table II - 19. Financial Assistance Provided to Merchant Banks	27
Table II - 20. Deposit Payoffs Related to Mutual Savings Banks	28
Table II - 21. Financial Assistance Provided to Mutual Savings Banks	29
Table II - 22. Deposit Claim Payments Made in Respect of Credit Unions	30
Table II - 23. Repayment Funds (Public Funds) Recovered by the KDIC	31
Table II - 24. Status of Preferred Shares Equity Participation	32
Table II - 25. Status of Bankruptcy Dividends Recovery by Financial Sector	34
Table II - 26. Sales Proceeds from Korea First Bank Offshore Branches (M&As)	34
Table II - 27. Recoveries from Asset Sales by the Resolution and Finance Corporation (RFC)	35

Table III - 1. MOU Contract Status	39
Table IV - 1. Status of Appointed Bankruptcy Trustees	41
Table IV - 2. Status of Asset Acquisition by Resolution Financial Institutions	43
Table IV - 3. Status of Asset Disposition by Resolution Financial Institutions	44
Table V - 1. Insolvency Accountability Investigation Status	45
Table V - 2. Creditor Right Preservation Measures	45
Table V - 3. Status of Ongoing Lawsuits	46
Table V - 4. Default Debtor Investigation Status	46
Table V - 5. Status of Investigations on Concealed Properties	47
Table VI-1 Major Research Papers Published by the KDIC in 2003	49
Table VII - 1. Deposit Insurance Committee Activities	53
Table VII - 2. Designated Number of Staff by Employment Class	54
Table VII - 3. Aggregate Balance Sheet (DIF Account)	57
Table VII - 4. Aggregate Profit and Loss Statement (DIF Account)	58
Table VII - 5. Aggregate Balance Sheet (DIF Bond Repayment Fund Account)	59
Table VII - 6. Aggregate Profit and Loss Statement (DIF Bond Repayment Fund Account)	61
Table VII - 7. Balance Sheet (KDIC Account)	63
Table VII - 8. Profit and Loss Statement (KDIC Account)	63

List of Figures

Figure I - 1. Major Market Bond Yield Rates Trends of 2003	11
Figure I - 2. KOSPI and KOSDAQ Trends of 2003	12
Figure I - 3. Exchange Rate Trends of 2003	12
Figure VII - 1. Organizational Chart	54
Figure VII - 2. The Composition of Main Assets of Deposit Insurance Fund	57
Figure VII - 3. The Composition of Main Liabilities of Deposit Insurance Fund	57
Figure VII - 4. The Composition of Main Assets of DIF Bond Repayment Fund	60
Figure VII - 5. The Composition of Main Liabilities of DIF Bond Repayment Fund	60

Chapter 1. The Financial Markets

1. Introduction

The Korean Economy witnessed an overall depression brought on by a deterioration in domestic demand and investment arising from various causes of instability including the US-Iraq war, North Korean nuclear issue and influx of contagious diseases such as SARS (Severe Acute Respiratory Syndrome) as well as domestic causes of uncertainty like the SK Global Corporation accounting scandal, credit card debt problems and the bankruptcy of LG Card.

In the financial market, market interest rates remained at low levels with 3-year maturity government bonds holding at the 4% mark to record 4.82% at the end of 2003. The stock index continued the downward spiral until March, but the instability surrounding the anticipated US-Iraq War actually lifted with the outbreak of the war. Stock prices gradually increased and the stock index recorded the year's highest level of 822.2 at the end of 2003. Meanwhile, the won/dollar exchange rate increased significantly in March due to such reasons as the North Korean nuclear issue and domestic instability in the financial market. Stability was regained, however, mainly through the inflow of foreign funds into the stock market and the year-end exchange rate stood at 1,192.6 won, a 6.4 won increase on the previous year.

2. Bond Market

Key market bond yields (interest rates) continued to stay at low levels much like the previous year due to the general downturn of the economy and the global trend of low interest rates. Interest rates did rise sharply during March with the proliferation of the credit card problem, but recovered its low level by June and showed little fluctuation until the end of the year.

The trend of declining interest rates continued from the beginning of the year until March due to the deterioration of consumption and investment, possibility of war between the US and Iraq, etc. The SK Global Corporation accounting scandal, coupled with the card debt problem in mid-March had the effect of pushing up bond yields with the movement of funds from money-market funds (MMF) and bond market to bank deposits.

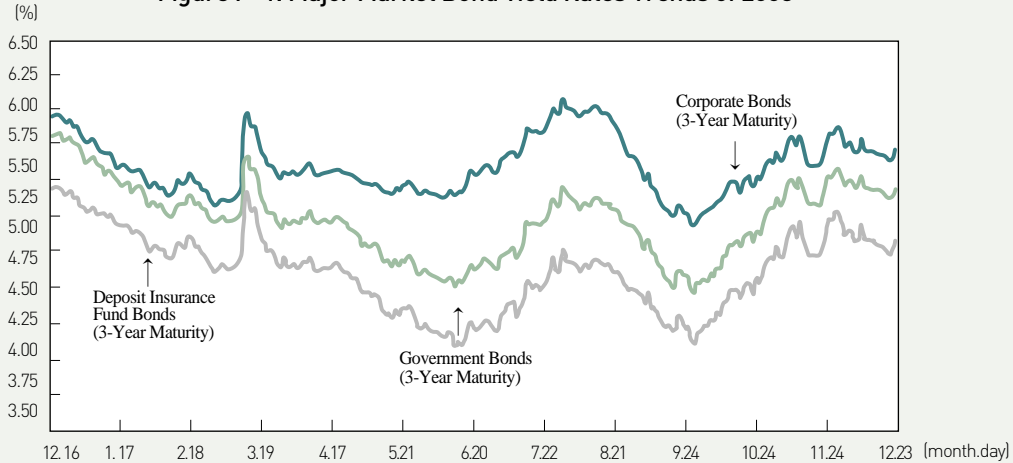
However, the government's rapid answer to the card debt problem and the outbreak of the US-Iraq War removed the causes of uncertainty and the bond market rapidly regained stability. Until mid-June, bond yields continued to drop due to the lack of government bonds and deposit insurance fund bonds issued.

Meanwhile, from the end of June, economic growth rate estimates began to rise and a general expectancy for the upturn of the economy prevailed. In addition, the US economy looked set to make a comeback and this raised the bond yields of US Treasury bonds, which in turn had the effect of maintaining interest rates on an upward trend until mid-August.

US labor market figures and a number of other economic indicators remained dull, however, pushing corporate bond yields down to its lowest level of the year of 4.93% at the beginning of October.

The rise of US Treasury bonds yields, the Bank of Korea's decision to freeze the call rate and the increasing won/dollar exchange rate all contributed to the gradual rise in interest rates until the beginning of December. A sharp fall was recorded towards the end of the year due to dampened domestic demand and government bond yields and corporate bond yields stood at 4.82% and 5.58%, which is equivalent to a 0.29%p and 0.10%p fall respectively, compared to the end of 2002.

Figure I - 1. Major Market Bond Yield Rates Trends of 2003



3. Stock Market

Stock prices continued to fall during the first quarter of 2003 due to instabilities within the domestic market and dampened domestic demand. The US-Iraq War and the rise of stock prices in the US, however, contributed to a rise in domestic stock prices that continued more or less until the end of the year.

The decline of stock prices, which initially began in the second quarter of 2002, continued into the first quarter of 2003. Furthermore, the credit card debt problem, which became apparent from mid-March brought stock prices down to its lowest level of 2003 to stand at 515.2.

However, the outbreak of the US-Iraq War removed any uncertainties that existed in the market and coupled with the strength of the US stock exchange, domestic stock prices began to rise. The government's positive announcement regarding the credit card debt problem raised market expectations even further and stock prices continued its upward trend until September. There were brief periods of weakness in the stock market due to the drop in stock prices in Southeast Asia (mainly brought on by SARS) in April and Hyundai Group's ownership struggle in August, but these did not last for long.

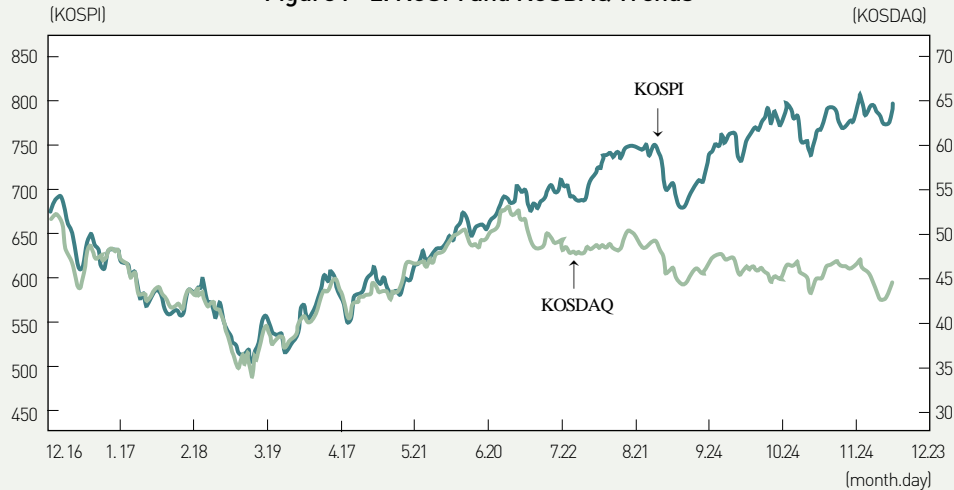
The sharp decline of interest rates and concern about rising oil

prices brought the stock market index to below the 700 mark in September. However, the market responded to the recovery of stock markets in the US as well as most other major financial centers and thereby achieved a swift recovery.

Terrorism in the Middle East as well as the liquidity problems of LG Card had the effect of bringing down stock prices in mid-November, but recovery was soon made. This trend continued until the end of the year when the KOSPI recorded 810.7, a 29.2% rise compared to the end of 2002.

Meanwhile, the KOSDAQ Index, which moved in unison with KOSPI during the first half of 2003, remained weak following July and stood at 44.9, a 0.5p rise compared to the end of 2002.

Figure I - 2. KOSPI and KOSDAQ Trends



4. Foreign Exchange Market

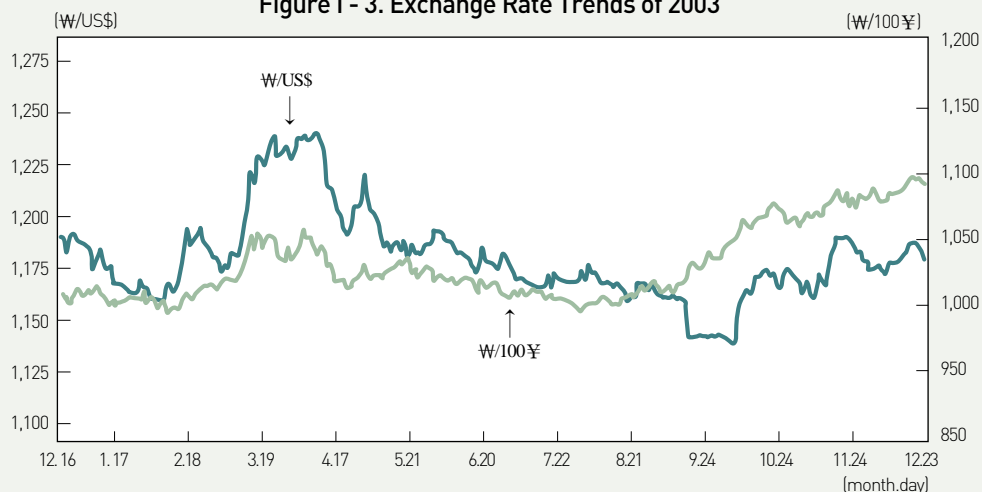
The foreign exchange market started the year with a weak dollar due to the likelihood of a war with Iraq, but soon began to rise rapidly in the aftermath of domestic financial market instability brought on mainly by the credit card debt problem. A period of relative stability continued until November, when the liquidity crisis in some credit card companies had the effect of pushing up exchange rates. The year-end exchange rate was similar to that of the end of 2002.

The possibility of a war between the US and Iraq as well as a weakened dollar (mainly due to large fiscal and trade deficits) led to a weak dollar at the beginning of the year. However, the North Korean nuclear issue and SK Global Corporation's accounting scandal contributed to market instability, bringing the won/dollar exchange rate up to the 1,258.0 won mark.

Expectations for a quick conclusion of the US-Iraq War and a peaceful solution to the North Korean nuclear issue brought the exchange rate down in April and this trend continued until mid-September.

The decision to adopt a market-oriented flexible exchange rate policy by the G-7 nations in September brought the value of the dollar down even further and the won/dollar exchange rate fell to its lowest point in 2003 to 1,147.2 won during mid-October. However, a slight rise in the yen/dollar exchange rate and other factors pushed the won/dollar exchange up. This rising trend continued until the end of 2003, when the won/dollar exchange rate stood at 1,192.6 won, a 0.5% increase compared to the previous year.

Figure I - 3. Exchange Rate Trends of 2003



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 (life and non-life insurance), merchant banks, mutual savings banks (“MSBs”) and credit unions (until the end of 2003); credit unions were excluded from coverage from January 2004.

Insured deposits refer to those deposits provided by the KDIC in cases where the financial institution is unable to make payments due to bankruptcy, etc. The scope of coverage is defined in Article 2 of the Depositor Protection Act and in Article 3 of the Enforcement Decree to that Act.

The aggregate amount of insured deposits as of the end of 2003 by type of institution totaled 493 trillion won in banks, 16 trillion won in securities companies, 110 trillion won in insurance companies, 27 trillion won in MSBs, and 18 trillion in credit unions, representing a 5.9%, 48.9%, 9.7%, 19.7%, and 0.9% respective increase over the end of last year. On the other hand, insured deposits in merchant banks decreased by 70.8% to stand at 0.5 trillion won. In aggregate, insured deposits increased by 7.4% since the end of last year.

Table I - 1. Insured Deposit Movements by Financial Sector¹⁾

As of the end of year

(Unit: billion won, %)

Type	2001	2002(A)	2003(B)	Change(B-A) (CHANGE RATE)
Banks ²⁾	422,267	465,043	492,615	27,572(5.9)
Securities Companies	11,230	10,881	16,197	5,316(48.9)
Insurance Companies ³⁾	94,747	100,501	110,219	9,718(9.7)
Life	77,186	80,586	88,318	7,732(9.7)
Non-Life	17,561	19,915	21,901	1,986(9.6)
Merchant Banks	2,223	1,920	560 ⁴⁾	△1,360(△70.8)
MSBs	19,764	22,336	26,730	4,394(19.7)
Credit Unions	21,563	18,134	18,306	172(0.9)
Total	571,794	618,815	664,627	45,812(7.4)

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 includes 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, 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.

4) It excluded the deposits of Woori Investment Bank which was merged to Woori Bank as of Aug. 1, 2003.

I. Overview

The total number of insured financial institutions in Korea by year-end 2003 stood at 1,361. By type, this number includes 58 commercial banks (including 40 domestic branch offices of foreign banks), 58 securities companies, 43 insurance companies, 2 merchant banks, 114 mutual savings banks ("MSBs") and 1,086 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 2003, six financial sectors under the Korea Deposit Insurance Corporation's ("KDIC") protection paid a total of 954.5 billion won in premiums.

Insurance claim payments made by the Corporation amounted to 29,463.9 billion won as of the end of 2003. Of this, a total of 1,326.3 billion won worth of payments made during 2003 comprised 0.1 billion for merchant banks, 76.9 billion won for mutual savings banks, and 1,249.3 billion won for credit unions.

Table I - 2. Number of Financial Institutions Insured¹⁾

Type	End of 1999	End of 2000	End of 2001	End of 2002	End of 2003
Banks	112	108	105	100	58
Domestic	(22)	(21)	(20)	(18)	(18)
Foreign	(46)	(43)	(42)	(40)	(40)
Others ²⁾	(44)	(44)	(43)	(42)	-
Securities Companies	54	62	62	60	58
Insurance Companies	45	39	40	43	43
Life	(29)	(23)	(22)	(23)	(23)
Non-Life	(16)	(16)	(18)	(20)	(20)
Merchant Banks	10	6	3	3	2
MSBs	186	147	121	116	114
Credit Unions	1,423	1,317	1,268	1,233	1,086
Total	1,830	1,679	1,599	1,555	1,361

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

2) Fisheries cooperatives that conduct credit business were excluded from deposit protection as of January 1, 2003.

Chapter 3. Financial Restructuring

The government-led financial restructuring that has been ongoing since the financial crisis in late 1997 has been carried out in two phases. The first phase dealt with financial industry restructuring following the financial crisis, and placed emphasis on the easing of the corporate sector credit crunch and the 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 economic conditions overseas 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, stabilizing the financial market by procuring sufficient additional public funds as a means 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; this move followed the procurement of public funds worth 64 trillion won carried out in 1998.

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.

The restructuring of the financial sector through injection of public funds was, to a certain extent, finalized by 2002. With

the recovery of public funds in full fledge, the “Recovery Plan of Public Funds” was established in September 2002 which set out a plan to share the costs of the restructuring efforts following the financial crisis of 1997~98. This plan is now in operation. In addition, from 2003 the existing deposit insurance fund was transferred to the Deposit Insurance Fund Bond Repayment Fund (Public Fund Redemption Fund) and a new Deposit Insurance Fund was established.

Meanwhile, the privatization of financial institutions was ongoing throughout 2003. The continued restructuring of the non-bank financial sector has helped the recovery of prudence across the financial market as a whole. In April, Daishin Life Insurance was sold to Green Cross Life Insurance and in July, Chohung Bank, previously owned by the KDIC, was sold (and privatized) to Shinhan Financial Holding Company. In August, Woori Investment Bank was merged into Woori Bank and in November, Hyundai Investment Trust was sold to Prudential.

As a result of these restructuring efforts, 809 financial institutions, including leasing corporations, were dissolved. This represents approximately 38.5% of all financial institutions nationwide. By 2003 year-end, there were 1,363 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-nine merchant banks, 96.7% of the total, exited the market in late 1997, leaving only one bank behind, while a new merchant bank entered the market during that period. As for mutual savings banks and credit unions, 55.8% and 35.4% of the total (129 and 589, respectively) were forced to shut down their operations.

Meanwhile, the total amount of public funds disbursed for restructuring stood at 161.1 trillion won as of the end of 2003. This included 60.3 trillion won as equity participation, 46.4 trillion won as contributions and deposit payoffs, 15.4 trillion won as purchases of assets and 39.0 trillion won as purchases of bad loans by the Korea Asset Management Corporation (“KAMCO”). Of these public funds, approximately 62.9 trillion won had been recovered as of the end of 2003 through the sale of equity stakes and assets, and the collection of bankruptcy estate dividends.

I. Overview

Table I - 3. Financial Restructuring Progress

Between November 1997 and December 2003

Financial Sector	Number of Companies, Yearend 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 ¹⁾	-	15	45.5	1	19 ²⁾
Merchant Banks	30	22 ³⁾	7 ⁴⁾	-	29	96.7	1	2
Securities Companies	36	5	3 ⁵⁾	2	10	27.8	18	44
Insurance Companies	50	9	6 ⁶⁾	2	17 ⁷⁾	34.0	17	50
ITCs ⁸⁾	30	6	1	-	7	23.3	9	32
MSBs	231	101 ⁹⁾	27	1	129	55.8	12	114
Credit Unions	1,666	2	107	480	589	35.4	9	1,086
Lease Companies	25	10	2 ¹⁰⁾	1	13	52.0	4	16 ¹¹⁾
Total	2,101	160	163	486	809	38.5	71	1,363

1) Hana(Hana+Boram)+Seoul], Chohung(Chohung+Choongbuk+Kangwon), Agricultural Cooperative (Agricultural Cooperative+Livestock Cooperative), Woori(Hanvit(Commercial Bank of Korea+Hanil)+Peace], Newly opened Kookmin[Kookmin(Kookmin+Korea Long Term Credit Bank)+H&CB]

2) There are 15 concerning 3 Banks(Woori, Kyongnam, Kwangju) incorporated into Woori Financial Group and 3 Banks(Shinhan, Cheju, Chohung)

3) 16(P&A+License Revocation to Hanareum Mutual Savings & Finance Corporation), 2(License revocation), 4(P&A)

4) Hyundai Merchant Bank+Kangwon Bank(Feb. 99), Hanwoi Merchant Bank+KEB(Jan. 99), LG Merchant bank+LG Securities Companies(Mar. 01), Regent Merchant Bank+Tongyang-Hyundai Merchant Bank(Jun. 01), Tongyang Securities Co.+Tongyang-Hyundai Merchant Bank(Nov. 01), Woori Bank+Woori Investment Bank(Jul. 03)

5) Samsung Securities Co.+Samsung Investment Trust & Securities, Regent Securities Co. + Ilseon Securities Co.=Bridge Securities Co., Goodmorning Securities Co.+ Shinhan Securities Co.=Goodmorning Shinhan Securities Co.

6) Seoul Guarantee(Korea+Hankuk), Hyundai Life(Hyundai+Chosun), Kumho Life(Kumho+Dong-ah), Tongyang Life(Tongyang+Taepyongyang), SK Life(SK+Kookmin+Handuck)

7) Excludes Daehan Fire(sold on Dec. 01), Kookje Fire(sold on Feb. 02), Korea Life(sold on Dec. 02)

8) Includes Investment Trust Management Companies.

9) Includes 25(P&A)

10) Hanvit Lease(Hanil Lease+KCB Lease), Han Kook Capital(Han Kook Capital+Kyungnam Lease)

11) Includes KDB Capital

Source: Public Fund Oversight Committee

Table I - 4. Public Fund Support Provision Status

Between November 1997 and December 2003

(Unit: trillion won)

Financial Sector	Equity Participation	Contributions	Deposit Payoffs	Asset Purchases	Nonperforming Loan Purchases	Total
Banks	34.0	13.8	-	14.4	24.6	86.8
Non-Banking	Merchant Banks	2.7	0.2	17.2	-	21.6
	Securities Cos. and ITCs	7.7	-	0.01	8.5	16.2
	Insurance Cos.	15.9	3.0	-	1.8	21.1
	Credit Unions	-	-	4.7	-	4.7
	MSBs	-	0.2	7.3	0.2	8.3
	Subtotal	26.3	3.4	29.2	12.0	71.9
Foreign Institutions	-	-	-	-	2.4	2.4
Total	60.3	17.2	29.2	15.4	39.0	161.1

Source: Public Fund Oversight Committee

II. Procurement and Management of the Deposit Insurance Fund (DIF)

Chapter 1. Separation of the Deposit Insurance Fund

In an effort to overcome the difficult economic conditions that followed the financial crisis of 1997~98, the Korean government extended its efforts to procuring and injecting a vast amount of public funds. It was regrettable, however, that the government was not able to completely alleviate the public concern over the loss of public funds and the problem of recovery. Thus, the Public Fund Redemption Plan ("Redemption Plan") was established as a means to ease these concerns and recover the independence of the Deposit Insurance Fund, allowing it to function in the proper manner.

As of January 1, 2003, the Redemption Plan separated the assets and liabilities of the existing DIF, arising from the financial restructuring process, and established the Deposit Insurance Fund Bond Repayment Fund ("Repayment Fund"). The Repayment Fund has been given the task of completing the ongoing financial restructuring efforts and conducting recovery and repayment of public funds. The new Deposit Insurance Fund began collecting insurance premiums from insured financial institutions from 2003, and will conduct the day-to-day operations of the fund relating to insolvencies from 2003 onwards.

The total amount of debt in the Repayment Fund stands at 84.5 trillion won as of January 1, 2003. Of this amount, 18.8 trillion won has been designated for recovery, while the remaining 65.7 trillion won will be paid for by the government (45.7 trillion won) and financial institutions (20 trillion won). The government will come up with this 45.7 trillion won through contributions from the Public Fund Redemption Fund by 2006; and, insured financial institutions will make special assessment payments over the next 25 years.

Chapter 2. Procurement of the Deposit Insurance Fund

1. Deposit Insurance Fund Bond Repayment Fund

A. Income from Special Assessments

Pursuant to paragraph 3 of Article 30 of the Depositor Protection Act and paragraph 2 of Article 16 of the DPA Enforcement Decree, insured financial institutions (including credit unions to be excluded from coverage from 2004) 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), as special assessment for repayment of deposit insurance fund bonds ("special assessment"). At present, banks are required to pay this special assessment within one month from the end of each quarter. Other insured financial institutions are required to pay their special assessments within three months from the end of each business year. In 2003, five financial sectors under the Corporation's protection paid a total of 624.9 billion won in special assessments.

B. Income from Contributions from the Public Fund Redemption Fund

In accordance with paragraph 3 of Article 26 of the Depositor Protection Act, the KDIC shall receive contributions from the repayment fund from 2003 (fiscal portion of the debt in the redemption fund totaling 45.7 trillion won). The total contributions received in 2003 came to 12,689 billion won, which was used to pay for the principal of Deposit Insurance Fund Bonds issued before the end of December 2002.

Table II - 1. Special Assessment Revenue Status

(Unit: billion won)

Year	Banks	Securities Companies	Insurance Companies		Merchant Banks	MSBs	Credit Unions ¹⁾	Total
			Life	Non-Life				
2003	477.5	15.6	88.9	18.5	2.1	22.3	-	624.9

1) Credit Unions will make payment from 2006 to 2017.

Table II - 2. Special Assessment by Financial Sector

	Banks	Securities Companies	Insurance Companies	Merchant Banks	MSBs	Credit Unions
Applied Special Assessment Rate	1/1,000	1/1,000	1/1,000	1/1,000	1/1,000	1/1,000
Legal Upper Limit	3/1,000	3/1,000	3/1,000	3/1,000	3/1,000	3/1,000

II. Procurement and Management of the Deposit Insurance Fund (DIF)

C. Issuance and Redemption of Deposit Insurance Fund

Bonds and Deposit Insurance Fund Bond Repayment Fund Bonds

Under Article 26-2 and 26-3 of the Depositor Protection Act, the KDIC is authorized to issue DIF Bonds and DIF Repayment Bonds. DIF Bonds issued on seventy-seven different occasions during the 1998-2001 period yielded a total of 83.5 trillion won. Since 1998, the KDIC has thus issued DIF Bonds (previously issued, now under the Repayment Fund) amounting to a total of 87.16 trillion, including bonds worth 3.66 trillion issued in 2002.

This DIF Bond issuance amount was placed under the Repayment Fund in 2003. The principal amount of DIF Bonds that matured during 2003, which came to a total of 9.73 trillion won, was repaid with contributions from the Redemption Fund. No further DIF Bonds and DIF Bond Repayment Fund Bonds have since been issued.

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 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 a 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.

D. 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 KDIC therefore borrowed a total of 18.6 trillion won from the government's Special Account for Treasury Loans, specifically for interest payment of DIF Bonds until 2002. Other borrowings include those made from the IBRD, ADB and financial institutions in order to procure capital needed in the process of financial structural reform.

By repaying previous borrowings from financial institutions amounting to 11 trillion won in 2001, the KDIC has repaid all borrowings with the exception of borrowings from the Resolution and Finance Corporation (RFC), IBRD and ADB. In 2002, it extended the maturity of borrowings from the KAMCO for another year and repaid technical assistance loan of 300 million won (US \$238,635) to the ADB.

The previous borrowings of the KDIC were placed under the Repayment Fund, established in 2003. In accordance with the Public Fund Redemption Fund Act, the KDIC's was exempted from repaying all previous fiscal borrowings. Furthermore, the KDIC repaid 1 trillion won of its borrowings from KAMCO and extended the maturity of the remaining 1 trillion won for another year in 2003. It also repaid a total of 1,700 million won (US \$ 1,625,767) in technical assistance loans to the ABD.

Table II - 3. 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	16.0	1,153.4	-	6,512.0	991.7	276.9	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	3,234.8	7,707.6	7,864.7	15,106.2	6,572.6	1,297.6	87,160.0

II. Procurement and Management of the Deposit Insurance Fund (DIF)

Table II - 4. Balance of Deposit Insurance Fund Bonds

(Unit: billion won)

Issue Year	Issued Amount	Repaid Amount	Balance
1998	21,015.0	-	21,015.0
1999	22,485.0	-	43,500.0
2000	8,940.7	-	52,440.7
2001	31,059.3	1,464.0	82,036.0
2002	3,660.0	4,721.5	80,974.5
2003	-	9,737.1	71,237.4
Total	87,160.0	15,922.6	-

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

(Unit: billion won)

Maturity	Year	1998	1999	2000	2001	2002	2003	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.

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

(Unit: billion won)

Interest Rate	Year	1998	1999	2000	2001	2002	2003	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 ¹⁾	17,535.0 ¹⁾	-	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 - 7. Borrowings Status of Repayment Fund

(Unit: billion won)

	Borrowed Amounts and Sources				Repaid Amount	Outstanding Balance
	Financial Institutions	IBRD ¹⁾ and ADB ²⁾	Government	Total		
Amount Received	7,601.1	-	-	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
2003	-	-	-	-	19,561.1	2,443.2
Total	18,320.4	1,445.3	18,559.4	38,325.1	35,881.9	-

1) International Bank for Reconstruction and Development.

2) Asian Development Bank

II. Procurement and Management of the Deposit Insurance Fund (DIF)

2. Deposit Insurance Fund

A. Income from 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 of their deposit balance to the KDIC. Deposit balances for insurance companies, for example, would be the arithmetic 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. The deposit insurance premiums up to 2002 were placed under the Repayment Fund in line with its establishment. The New DIF started collecting deposit insurance premiums from 2002 from 6 financial sectors totaling 954.5 billion won.

B. 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. Due to the Redemption Plan and set-up of the Repayment Fund, contributions made up to 2002 were incorporated into the Repayment Fund. In 2003, the KDIC received contributions from 4 newly formed insured financial institutions for a total of 880 million won.

C. Borrowings

Pursuant to Article 26 of the Depositor Protection Act and Article 15 of the DPA Enforcement Decree, the New DIF is authorized to, when necessary, for payment of insurance claims or resolution of insolvent financial institutions, borrow funds from various entities including the government, the Bank of Korea, insured financial institutions or institutions stipulated by Presidential Decree. In accordance with this, the KDIC borrowed a total of 104.6 billion won during 2003 to make insurance claim payments to depositors of credit unions.

Table II - 8. Premium Revenue Status¹⁾

(Unit: billion won)

	Banks	Securities Companies	Insurance Companies		Merchant Banks	MSBs	Credit Unions	Total
			Life	Non-Life				
Amount Remitted ²⁾	-	-	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
2003	477.5	31.2	258.0	53.5	7.3	66.7	60.3	954.5
Total	1,949.3	99.9	1,102.6	264.8	189.1	490.7	249.6	4,346.0

1) Premium Revenues until 2002 are transferred to DIF Bond Repayment Fund.

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

Table II - 9. 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 (DIF)

Table II - 10. 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⁾	-	-	-	-	24,000	7,998	2,871	34,869
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 ²⁾	125	500	-	330	-	390	-	1,345
2003	30	-	650	200	-	-	-	880
Total	641	35,123	680	852	25,500	9,303	2,883	74,982

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

Excludes 100 million won of government's contribution

2) Contributions until 2002 are transferred to DIF Bond Repayment Fund.

Table II - 11. Contribution Remittance Methods and Ratios

	Method and Ratio
Insured Financial Institutions	<ul style="list-style-type: none"> ▽ 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 (New) 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. <ul style="list-style-type: none"> - 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).

Chapter 3. Resolution of Insolvent Financial Institutions

1. Overview

The KDIC provides public funds, in the form of insurance claim payments and equity participation etc., to enable the resolution of insolvent financial institutions. In accordance with the DPA, the Repayment Fund is responsible for costs arising from the resolution of financial institutions that have become, or were designated as, insolvent financial institutions before 2002 year-end.

The total amount of public funds provided by the Repayment Fund comes to 104.7 trillion won. This amount includes 45.8 trillion won in equity participation (43.6%) for management

rehabilitation, 17.2 trillion won in contributions (16.4%) for P&As (purchase & assumptions), 29.2 trillion won (28.0%) for payments of insurance claims and 12.5 trillion won (12.0%) for purchases of assets.

The Repayment Fund provided a total of 2.2 trillion won in public funds during 2003, of which 607.7 billion won (27.2%) was for equity participation, 1.09 trillion won (49.1%) in insurance claim payments and 461 billion won (20.7%) was used to purchase other assets.

Meanwhile, the New DIF spent a total of 231 billion won on insurance claim payments to depositors of insolvent MSBs and credit unions during 2003.

II. Procurement and Management of the Deposit Insurance Fund (DIF)

Table II - 12. Cumulative Financial Assistance Status by the Repayment Fund

As of December 31, 2003

(Unit: billion won)

Financial Sector	Equity Participation	Contributions	Insurance Claim Payments	Asset Purchases	Loans	Total
Banks	22,203.9	13,774.6	-	10,006.4	-	45,984.9
Securities Companies	4,900.0	-	14.4	-	-	4,914.4
Insurance Companies	15,919.8	3,080.8	-	349.5	-	19,350.1
Merchant Banks	2,705.2	182.0	17,195.0	-	1,291.7	21,373.9
MSBs	10.1	177.6	7,273.6	-	853.3	8,314.6
Credit Unions	-	-	4,750.3	-	36.7	4,787.0
Total	45,739.0	17,215.0	29,233.3	10,355.9	2,181.7	104,724.9

Table II - 13. Financial Assistance by the Repayment Fund During 2003

As of December 31, 2003

(Unit: billion won)

Financial Sector	Equity Participation	Contributions	Insurance Claim Payments	Asset Purchases	Loans	Total
Banks	66.2	94.2	-	456.1	-	616.5
Securities Companies	-	-	-	-	-	-
Insurance Companies	-	405.2	-	4.8	-	410.0
Merchant Banks	-	64.7	0.1	-	-	64.8
MSBs	-	43.6	0.5	-	-	44.1
Credit Unions	-	-	1,095.1	-	-	1,095.1
Total	66.2	607.7	1,095.7	460.9	-	2,230.5

Table II - 14. Financial Assistance by the (New) Deposit Insurance Fund During 2003

(Unit: billion won)

Financial Sector	Equity Participation	Contributions	Insurance Claim Payments	Asset Purchases	Loans	Total
MSBs	-	-	76.4	-	-	76.4
Credit Unions	-	-	154.2	-	-	154.2
Total	-	-	230.6	-	-	230.6

II. Procurement and Management of the Deposit Insurance Fund (DIF)

2. Banks

In the interest of maintaining the 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 2003 amounted to 615.2 billion won, all of which was extended to Korea First Bank on 32

occasions. This included 66.2 billion won equity participation, 92.9 billion won contributions, and 456.1 billion won purchase of assets. This payment was made to purchase newly issued shares and 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.

Meanwhile, Shinhan Bank brought a law suit against the KDIC concerning the beneficiary certificates it purchased in the process of its P&A of Donghwa Bank in June 1998. As a result, the KDIC provided 1.3 billion won to Shinhan Bank in May 2003 to make up for any reserve payments.

Table II - 15. Financial Assistance Provided to Banks

As of December 31, 2003

(Unit: billion won)

Names of Banks	Equity Participation			Contributions			Asset Purchases		
	Prior to 2001	2002	2003	Prior to 2001	2002	2003	Prior to 2001	2002	2003
Korea First	4,958.6	-	66.2	869.9 ¹⁾	54.7	92.9	6,826.1 ²⁾	665.4	456.1
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	-	-	1,830.8	-	-	17.9	-	-
H&CB ³⁾	296.5	-	-	1,799.5	-	-	53.8	-	-
Shinhan	292.5	-	-	2,519.1	-	1.3	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	22,137.7	-	66.2	13,625.7	54.7	94.2	8,884.9	665.4	456.1

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 (DIF)

3. Securities Companies

The year 2003 saw no cases of financial support to insolvent securities companies. The KDIC signed a Memorandum of Understanding (MOU) on management rehabilitation plans with KITC and DITC. Plans for achieving an early rehabilitation of these two companies are in the works. Also, the government has conducted negotiations with Prudential Financial (U.S.) to

rehabilitate the management of Hyundai Investment Trust and Securities Co. An MOU was signed in March 2003, and following the approval of the Public Fund Management Committee in November 2003, a formal agreement was made with Prudential Financial for the sale of Hyundai Investment Trust and Securities Co.

Table II - 16. Financial Assistance Provided to Securities Companies

As of December 31, 2003

(Unit: billion won)

Name	Equity Participation			Insurance Claim Payment ¹⁾		
	Prior to 2001	2002	2003	Prior to 2001	2002	2003
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

Financial assistance provided to insurance companies during 2003 include contributions worth 238.6 billion won provided to five companies that acquired Regent Fire & Marine Insurance ("Regent"), contribution of 139.3 billion won to Green Cross Life Insurance with regard to its acquisition of Daishin Life, contribution and asset purchase of 28.4 billion won to Korea Life Insurance in its acquisition of Hyundai Life and Samshin Life as well as contribution of 3.7 billion won during Tongyang Life's acquisition of Taepyeongyang Life.

On June 7, 2002, the Financial Supervisory Commission (FSC) made a decision to transfer Regent's insurance contracts to 5 insurance companies (Tongyang, Samsung, Hyundai, LG, Dongbu). Accordingly, the KDIC carried out due diligence on Regent's assets and liabilities and made contributions amounting to 238.6 billion won to make up the disparities on Regent's assets and liabilities.

The FSC requested the KDIC to find a suitable acquirer for Daishin Life in July 2001. The KDIC selected Green Cross Life and finalized the deal in April 2003. The FSC ordered the transfer of Daishin life's contracts to Green Cross Life in June 2003, which was followed by the KDIC's injection of 139.3 billion won in contributions to make up the disparities in Daishin's assets and liabilities.

In the case of Hyundai and Samshin, the KDIC made contributions worth 28.4 billion won to Korea Life, which acquired Hyundai and Samshin in March 2003.

As for Taepyeongyang Life, the Deposit Insurance Committee of KDIC confirmed and made up Tongyang Life's expenditure of 3.7 billion won in employment adjustment costs, as previously agreed in the purchase contract between Tongyang and FSC.

II. Procurement and Management of the Deposit Insurance Fund (DIF)

Table II - 17. Financial Assistance Provided to Insurance Companies

As of December 31, 2003

(Unit: billion won)

Names of Insurance Companies		Equity Participation			Contributions			Asset Purchases		
		Prior to 2001	2002	2003	Prior to 2001	2002	2003	Prior to 2001	2002	2003
Seoul Guarantee		10,250.0	-	-	-	-	-	-	-	-
Korea life		3,550.0	-	-	-	-	-	-	-	-
Korea Life (Acquisition of Hyundai life)		-	-	-	754.8	-	16.8	-	-	4.8
Korea Life (Acquisition of Samshin life)		-	-	-	145.0	-	6.8	-	-	-
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	-	-	75.4	-	-	271.1	-	-
SK Life (Acquisition of Kookmin life)		286.2	-	-	23.9	-	-	16.8	-	-
Tongyang Life (Acquisition of Taepyongyang life)		259.7	-	-	41.4	-	3.7	28.9	-	-
SK Life (Acquisition of Handuck life)		335.0	-	-	38.4	-	-	27.9	-	-
Hyundai Life (Acquisition of Chosun life)		116.6	-	-	11.1	-	-	-	-	-
Korea Life (Acquisition of Doowon life)		30.0	-	-	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	-	-	-	-	-
Acquisition of Regent Fire	Tongyang Fire	-	-	-	-	-	22.5	-	-	-
	Samsung Fire	-	-	-	-	-	152.6	-	-	-
	Hyundai Fire	-	-	-	-	-	43.7	-	-	-
	LG Fire	-	-	-	-	-	19.3	-	-	-
	Dongbu Fire	-	-	-	-	-	0.5	-	-	-
Green Cross Life (Acquisition of Daishin Life)		-	-	-	-	-	139.3	-	-	-
Total		15,919.75	0.05	-	2,588.8	86.8	405.2	344.7	-	4.8

II. Procurement and Management of the Deposit Insurance Fund (DIF)

5. Merchant Banks

During 2003, the KDIC paid out 64.6 billion won to Woori Investment Bank, due to its transferal of assets and liabilities to Woori Bank. As a way of supporting Woori Investment Bank's management rehabilitation, KDIC, in accordance with a Credit

& Obligations Transfer Agreement signed in March 2001, paid 182 billion won out of the 743.1 billion won of accounts payable, leaving the remainder at 561.1 billion won.

Table II - 18. Status of Dividends Payment and Accounts payable to Woori Investment Bank

As of December 31, 2003

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
Total Amounts of Accounts Payable after Adjustment (A)		743.1	
Paid Amounts (B)		182.0	
(Korea Merchant Bank)	Mar. 2002	17.7	
(Hans Merchant Bank)	Feb. 2003	16.8	
(Joongang Merchant Bank)	Nov. 2002	23.4	
	Jun. 2003	26.9	
(Youngnam Merchant Bank)	Dec. 2001	34.3	
	Nov. 2002	41.9	
	Jun. 2003	21.0	
Balance of Accounts Payable (A-B)		561.1	

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(Mar 31, 2002).

II. Procurement and Management of the Deposit Insurance Fund (DIF)

Table II - 19. Financial Assistance Provided to Merchant Banks

As of December 31, 2003

(Unit: billion won)

Names of Merchant banks	Equity Participation	Contributions			Deposit Payoff		Loans
	Prior to 2001	Prior to 2001	2002	2003	Prior to 2001	2003	Prior to 2001
Kyungnam	-	-	-	-	565.2	-	-
Kyungil	-	-	-	-	299.0	-	-
Koryo	-	-	-	-	470.6	-	-
Kumho	-	-	-	-	-	-	37.5
Nara	-	-	-	-	1,701.1	-	-
Daegu	-	-	-	-	672.5	-	50.2
Daehan	-	-	-	-	2,590.3	-	-
Tongyang	-	-	-	-	-	-	120.0
Samsam	-	-	-	-	814.5	-	-
Samyang	-	-	-	-	319.4	-	25.0
Saehan	-	-	-	-	788.9	-	423.8
Shinsegae	-	-	-	-	752.0	-	-
Shinhan	-	-	-	-	2,224.2	-	-
Ssangyong	-	-	-	-	666.2	-	-
Youngnam	171.7	-	-	-	-	0.1	37.0
Ulsan	-	-	-	-	-	-	20.0
Jeil	-	-	-	-	1,652.9	-	111.8
Joongang	0.05	-	-	-	-	-	-
Chungsol	12.1	-	-	-	147.7	-	127.5
Hanaro	2,491.2	34.3	83.0	64.7	-	-	-
Korea	0.05	-	-	-	-	-	91.4
Hangil	-	-	-	-	654.7	-	113.9
Hansol	-	-	-	-	922.0	-	-
Hans	0.05	-	-	-	-	-	30.0
Hanareum	30.0	-	-	-	-	-	-
Hanwoi	-	-	-	-	-	-	53.1
Hanwha	-	-	-	-	1,434.3	-	-
Hangdo	-	-	-	-	519.4	-	-
Hyundai	-	-	-	-	-	-	50.5
Total	2,705.2	34.3	83.0	64.7	17,194.9	0.1	1,291.7

1) There was no equity participation or loans to merchant banks in 2002 and 2003.

II. Procurement and Management of the Deposit Insurance Fund (DIF)

6. Mutual Savings Banks (MSBs)

In 2003, Gimcheon Mutual Savings Bank experienced an insured risk event. Its Management Rehabilitation Plan was not approved by the FSS, which pursued a transfer of assets and liabilities to a third party on condition of financial assistance by KDIC. However, this again did not prove successful and the KDIC paid out insurance claims totaling 76.9 billion won.

During 2003, a total of 43.6 billion won was provided to 8 mutual savings banks, to which financial assistance was decided prior to 2000. This includes Boomin MSB, which acquired

Shindonghwa MSFC (March 2000), Kyungbuk MSB, which acquired Shinheung MSFC (June 2000), Hanmaeum MSB, which acquired Hanil MSFC (June 2000) and Booil (July 2000) MSFC, Telson MSB, which acquired Hankook MSFC (July 2000), Hanaro MSB, which acquired New Choongbuk MSFC (July 2000), Solomon MSB, which acquired Woopoong MSFC (September 2000), J-1 MSB, which acquired Shinhan MSFC (November 2000) and Sangup MSB, which acquired Yeosoo MSFC (November 2000). It was agreed that the net asset deficit provision would be made every 3 months for a period of 7 years.

Table II - 20. Deposit Payoffs Related to Mutual Savings Banks

As of December 31, 2003

(Unit: billion won)

Year	Number of Institutions	Payment Amount	Assessment Amount
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	3,190.7
2002	8	771.6	872.7
2003	1	76.9 ²⁾	76.1
Total	78	7,350.0	7,349.8

1) Based on payment year.

2) Sum of insurance payment (76.4 billion won) from (New) DIF and insurance payment (0.5 billion won) from Repayment Fund.

II. Procurement and Management of the Deposit Insurance Fund (DIF)

Table II - 21. Financial Assistance Provided to Mutual Savings Banks

As of December 31, 2003

(Unit: billion won)

Names	Equity Participation				Contributions				Loans			
	Prior to 2000	2001	2002	2003	Prior to 2000	2001	2002	2003	Prior to 2000	2001	2002	2003
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	2.1	-	-	-	-
Hanmaeum	-	-	-	-	6.9	14.3	14.0	10.6	-	-	-	-
Kyungbuk	-	-	-	-	0.7	1.2	1.1	0.8	-	-	-	-
Telson	-	-	-	-	3.0	10.5	9.7	7.7	-	-	-	-
Hanaro	-	-	-	-	1.7	6.0	5.5	4.4	-	-	-	-
Solomon	-	-	-	-	2.6	8.7	8.7	6.4	-	-	-	-
J-1	-	-	-	-	-	4.9	4.6	3.7	-	-	-	-
Sangup	-	-	-	-	-	10.5	10.1	7.9	-	-	-	-
HMSF ¹⁾	0.1	-	-	-	-	-	-	-	-	-	-	-
Total	10.1	-	-	-	17.9	59.3	56.8	43.6	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 (DIF)

7. Credit Unions

In 2003, 14 credit unions experienced insured risk events as a result of suspended operations. Insurance claims payable came to 748.1 billion won and 1,249.3 billion was paid out to 208,574 depositors of 41 credit unions.

In the second quarter of 2003, the KDIC successfully completed the management rehabilitation of 115 unions whose operations had been suspended in November 2002. It also succeeded in minimizing the injection of public funds by normalizing the operations of 6 credit unions.

A “management rehabilitation team” was set up to simultaneously conduct management rehabilitation efforts and investigations on causes of insolvency with calculation of depositor insurance claim amounts.

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.

Table II - 22. 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	459.0
1999	77	829.9	858.1
2000	41	398.7	395.4
2001	31	389.2	374.9
2002	129	1,606.1	2,068.7 ²⁾
2003	41	1,249.3 ³⁾	748.1
Total	358	4,904.5	4,904.2

1) Based on payment year.

2) Includes preliminary claim payments of 6.9 billion won.

3) Sum of 154.2 billion won from (New) DIF and 1,095.1 billion won from Repayment Fund

II. Procurement and Management of the Deposit Insurance Fund (DIF)

Chapter 4. Public Fund Recovery

1. Status of Recovery

By the end of 2003, the KDIC had recovered 24,271.1 billion won of the 104.7 trillion won total public fund support it had provided to financial institutions. It has also 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 assets or collection of loans using a variety of methods. The status of recovery by sector as of the end of 2003 is shown in Table II-23. There has not yet been any recovery made on public funds injected from the new Deposit Insurance Fund.

Table II - 23. Repayment Funds(Public Funds) Recovered by the KDIC

As of December 31, 2003

(Unit: billion won)

Type	Bank	Securities Companies	Insurance Companies	Merchant Banks	MSBs	Credit Unions	Total
Equity Participation	5,752.3	-	438.7	11.5	-	-	6,202.5
Contributions	30.2	-	3.7	-	19.8	0.4	54.1
Bankruptcy Dividends ¹⁾	1,524.0	7.3	264.6	4,941.9	3,108.7	2,359.9	12,206.4
Bankruptcy Dividends for Deposit Payoffs	-	(7.3)	-	(4,638.8)	(3,086.0)	(2,358.8)	(10,090.9)
Contributions	(1,524.0)	-	(264.6)	(182.0)	-	-	1,970.6
Loans	-	-	-	(121.1)	(22.7)	(1.1)	(144.9)
Loans ²⁾	-	-	-	1,044.5	51.0	35.4	1,130.9
Asset Sales ³⁾	4,549.4	-	127.8	-	-	-	4,677.2
Total	11,855.9	7.3	834.8	5,997.9	3,179.5	2,395.7	24,271.1

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.

2. Recovery by Disposition of Equity Stakes

The equity investment the 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, proceeds from selling Korea Life Insurance shares and disposition of Chohung Bank 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 2003) 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-

II. Procurement and Management of the Deposit Insurance Fund (DIF)

end 2003, the Corporation had recovered 1,523.9 billion won, including 41.1 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, the Public Fund Oversight Committee made a decision to pursue the issuance of Depository Receipt (DR) of Woori Financial Group in accordance with its "Plan to sell KDIC-owned Bank Shares in 2003", announced on May 12, 2003. Due to deteriorating market conditions, however, the Disposal Review Subcommittee decided to prioritize the listing of Woori Financial Group on the New York Stock Exchange (NYSE). Woori was listed on the NYSE on September 29, 2003 and as such a sound foundation has been laid down for the issuance of Woori DR in the near future.

Fifth, the KDIC signed an agreement with Hana Bank in the process of its merger with Seoul Bank on September 27, 2002, which lays down the minimum recovery KDIC should make by selling its shares of Seoul Bank. As a result, the KDIC sold 10%

and 20% of its Seoul Bank shares to Hana Bank on December 26, 2002 and March 3, 2003, respectively, for a recovery of 345 billion won. A one-year postponement of the remaining shares was agreed upon by the Public Fund Oversight Committee, on request by Hana Bank in May 2003, due to unfavorable market conditions.

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 proceeds 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.

Finally, in accordance with the Public Fund Oversight Committee's "Plan on the Sale of KDIC-owned Chohung Bank Shares" (August 6, 2002), negotiations were held with Shinhan Financial Holding Company and an agreement was reached on July 9, 2003, with a maximum sale value of 3,370.1 billion won. Of the cash portion of 1,718.8 billion won, 900 billion won was recovered on August 9, 2003 and the remainder will be received two years following the final sale date.

Table II - 24. Status of Preferred Shares Equity Participation

As of December 31, 2003

(Unit: billion won)

Bank	Equity Participation Amount	Current Period Recovery (2000 ~ 2003)	Estimated Future Recovery (2004)
Kookmin	200.0	200.0	-
Shinhan	292.5	292.5	-
H&CB	296.5	296.5	-
KorAm	260.0	221.0	39.0
Hana	472.8	472.8	-
Dividends	-	41.1	-
Total	1,521.8	1,523.9	39.0

II. Procurement and Management of the Deposit Insurance Fund (DIF)

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 9,702.5 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 1,524 billion won worth of bankruptcy estate dividends by year-end 2003.

In the insurance sector, the Corporation has provided a total of 2,762.1 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, Regent, Daeshin). By the end of 2003, it had collected dividends of 264.6 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 had received dividends of 7.3 billion won from the respective bankruptcy estates by year-end 2003.

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 12,773.7 billion won through bankruptcy dividends. Meanwhile, KDIC lent HBC the funds required for deposit payoff, and HBC used the 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 2003, the Corporation has paid the bankruptcy estates 2,166.9 billion won and collected 2,348.9 billion won as bankruptcy dividends, of which 182 billion won was repaid as transfer proceeds (743.1 billion won) for Woori Investment Bank.

A reimbursement of 6,762.9 billion won was made through Hanareum Mutual Savings and Finance Corporation ("HMSF") to depositors of sixty-seven insolvent MSBs. HMSF recovered 3,397.3 billion won through bankruptcy dividends, which were 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 2,397.9 billion won of that loan out of its bankruptcy dividends. From the 1,275.2 billion won KDIC directly paid to depositors from nine MSBs in claims, a total of 688.3 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 4,903.8 billion won to 333 credit unions, and had achieved recovery of 2,358.8 billion won by the end of 2003.

II. Procurement and Management of the Deposit Insurance Fund (DIF)

Table II - 25. Status of Bankruptcy Dividends Recovery by Financial Sector

As of December 31, 2003

(Unit: billion won)

Financial Sector	Support Type	KDIC Support	Total Support Amount	Recovered by KDIC	Total Recovery via Bankruptcy Dividends
Banks	Contribution	9,702.5	9,702.5	1,524.0	1,524.0
Securities Cos.	Deposit Payoff	14.4	14.4	7.3	7.3
Insurance Cos.	Contribution	2,762.1	2,762.1	264.6	264.6
Merchant Banks	Deposit Payoff, etc ¹⁾	17,376.9 ²⁾	28,346.7 ³⁾	4,820.8 ⁴⁾	15,122.6
	Loan	247.2	247.2	121.1	121.1
MSBs	Deposit Payoff	7,330.9 ²⁾	8,038.1 ³⁾	3,086.0 ⁴⁾	4,085.6
	Loan	160.9	160.9	22.7	22.7
Credit Unions	Deposit Payoff	4,822.6	4,822.6	2,358.8	2,358.8
	Loan	1.3	1.3	1.1	1.1
Total	-	42,418.8	54,095.8	12,206.4	23,507.8

1) Includes contribution related to Woori Investment Bank.

2) 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.

3) Includes support funds provided by the KDIC and funds recovered by HBC and HMSF used for deposit payoffs.

4) Recovered deposit payoff assistance loan amounts the KDIC provided to HBC and HMSF.

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 2003, it had recovered 4,652.3 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, 24.9 billion won in proceeds from the sale of Korea First Bank BW and 4,636.5 billion won recovered from the disposition of assets held by the Resolution and Finance Corporation ("RFC")*.

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 2003, the RFC had repaid the KDIC a total of 4,636.5 billion won including 225.4 billion won as of 2003.

* 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 of which KFB can exercise put-back rights, and other residual assets of the financial restructuring process.

Table II - 26. Sales Proceeds from Korea First Bank Offshore Branches (M&As)

As of December 31, 2003

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

II. Procurement and Management of the Deposit Insurance Fund (DIF)

Table II - 27. Recoveries from Asset Sales by the Resolution and Finance Corporation (RFC)¹⁾

As of December 31, 2003

(Unit: billion won)

Assets Sold	Sales Method	Sales Amount	Purchaser
Stocks (Ileun Securities)	M&A	119.5 ²⁾	Regent Group
Stocks (Kia Motors)	Private Sale	115.8	Fiduciary OGF(L), Ltd.
Stocks (KT&G)	Buybacks	168.1	KT&G
Stocks (KEPCO)	Exchangeable Bonds	1,119.9	Foreign Investors
	Put Option	△ 24.6 ³⁾	-
	Subtotal	1,095.3	-
Loans	J.V. SPC	204.4	Lone Star
	International Auction	269.0	Lone Star/Merrill Lynch
	Sale to KAMCO	701.4	KAMCO
Real Estates	Public Sale Consignment	217.7	Domestic Investors
Foreign Currency Debentures	SAMDA	39.9	Foreign Investors
Loans/Securities	Principle/Interest Call, Market Sale	1,705.4	-
RFC Total		4,636.5	-

1) Counts only assets of banks and insurance companies.

2) Includes 10.2 billion won of received dividends.

3) Amount refers to put option exercised by some creditors in Oct. 11, 2003.

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 1,130.9 billion won had been recovered by the end of 2003. Total recovery in 2003 was 13.6 billion won from Pusan 2 MSB.

III. Risk Management of Insured Financial Institutions

Chapter 1. Establishment of Effective Risk Management System

1. Improvements in the Deposit Insurance 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 public funds in the future and to set up a new DIF Bond Repayment Fund to recover past losses. The new fund wholly assumed the assets and obligations of the existing Deposit Insurance Fund, while a new Deposit Insurance Fund has been 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 differentiates according to the degree of risk 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.

Regular in-depth analysis is done on current industry issues to ensure structured risk analysis of insured institutions. In addition, the Corporation utilizes financial and non-financial information to perform 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

In line with its aim to lessen the burden on insured financial institutions, the 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 2003, the Council met four 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.

The plan to build a Financial Information Analysis System (FIAS) that would integrate the above sources of information

III. Risk Management of Insured Financial Institutions

began in September 2002 and was completed in October 2003, giving the KDIC its own source of management information of insured financial institutions.

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 September 2003, the Corporation signed a Memorandum of Understanding with the FSS that enhanced the efficiency of joint examinations of financial institutions. 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. Training and workshops were held for staff members working in risk management to increase their performance during joint investigations.

The Corporation plans to focus 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 more 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.

For banks, the existing risk assessment models such as FICALS (Financial Institution's Capital Adequacy, Asset Quality, Liquidity, Stability of Earnings) were improved to meet problems that arose in their implementation. A new model called EDF (Expected Default Frequency), which predicts the likelihood of bank failure by using stock price data, has been developed and will be used following a set testing period.

At 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) are being used with various improvements in the works.

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) has been developed and tested and is now being applied in the risk management of MSBs.

In addition, the Corporation has made considerable efforts to develop a more reliable risk assessment system by conducting research in risk management and by subsequently making the results public through published material or quarterly journals.

6. Introduction of Market-friendly Risk Management

In order to identify signs of insolvency and imminent danger in insured financial institutions, the KDIC needs to have access to a substantial amount of financial as well as non-financial information regarding insured financial institutions. This is necessary not only to lessen and prevent cases of insolvency, but is also related to minimizing the loss of the Deposit Insurance Fund.

Due to the character of financial institutions, they can remain in business even after their liabilities exceed their assets as long as they do not experience liquidity shortages. The management of insolvency-likely institutions can be seduced by opportunities to alleviate their plight by engaging in high risk & high return investments. Such actions can lead to a larger scale insolvency, which in turn, can increase the amount of payouts and thus a larger loss to the Deposit Insurance Fund.

It is unfortunate, however, that the KDIC currently possesses only limited methods of risk management. Therefore, the KDIC

III. Risk Management of Insured Financial Institutions

is providing management consulting services to mutual savings banks in conjunction with specialist firms. In 2003, the KDIC assessed the difficulties of mutual savings banks through 12 discussion meetings with 114 mutual savings banks. It also provided specialist management consulting services to 17 mutual savings banks.

7. Establishing related Infrastructure for Risk Management

The KDIC is aware of the need for risk management staff to attain more specialized knowledge and experience. As such, it is requiring its staff to engage in taking tests and training programs on risk management, to enable them to adjust to the needs presented by the changing financial environment. Seminars and workshops have been held and attended to gain more knowledge on up-to-date financial techniques as well as risk evaluation models. Many members of KDIC staff are studying for the FRM and CFA.

Meanwhile, efforts are being made to augment the above with more research on domestic as well as foreign financial market trends and issues.

Since 2003, the KDIC has taken note of changes in the rehabilitation status of recipient institutions as well as the general economic environment after the signing of the MOUs and has accordingly altered MOUs with 6 financial institutions to bring about more efficient rehabilitation. Furthermore, 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, and 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.

Over the course of 2003, the Corporation has taken a total of 95 actions against the management of financial institutions that have shown a deterioration in their performance.

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. Since 1999, the Corporation has entered into memorandums of understanding (MOUs) with 14 support recipients and monitored their adherence in order to recover, as early as possible, the public funds injected. In April 2002, MOUs signed with financial institutions, including Jeju Bank, were terminated as the Corporation's stake in these institutions was sold off. As a result, the total number of institutions in active MOUs with the KDIC, dropped from 14, at the end of 2001, to 9 as of the end of 2003.

III. Risk Management of Insured Financial Institutions

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	June 29, 2001	-	Termination (Sale to Hana Bank on Dec. 2002)
Chohung Bank	Nov. 12, 1999	Jan. 31, 2002	-	Termination (Sale to Shinhan Financial Group on Aug. 2003)
Credit Business Part of National Federation of Fisheries Cooperatives	Apr. 25, 2001	Feb. 12, 2003		-
Daehan Investment Trust Securities	Sep. 25, 2000	Feb. 20, 2002	-	-
Korea Investment Trust Management & Securities	Sep. 25, 2000	Feb. 20, 2002	-	-
Seoul Guarantee Insurance	Apr. 12, 2000	June 9, 2001 July 10, 2002	-	-
Korea Life Insurance	Apr. 12, 2000	Sep. 5, 2001	-	Termination (Sale to Hanwha consortium on Dec. 2002)
Woori Credit Card	June 7, 2000	Dec. 30, 2000 Mar. 25, 2002	June 4, 2003	(f/k/a Peace Bank)
Woori Investment Bank	Dec. 9, 2000	Jun. 29, 2001	-	Termination (Merge to Woori Bank on Aug. 2003)

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. Management Supervision

The system of management supervision is a device by which the supervisory authority appoints a management supervisor to oversee the activities of a mutual savings bank or to manage and/or dispose of assets of that institution. It aims to minimize the loss of depositors and to uphold the credit order by preventing further failure of a mutual savings bank.

The management supervisor takes over the position of the directors of the mutual savings bank (credit union) who have been terminated from their positions and conducts most activities concerning management and/or disposal of assets, as well as legal procedures in progress.

The courts describe this position as being more or less equal to the managing director and thereby a kind of public trustee working for the benefit of the mutual savings bank.

2. 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 a management supervision manual which standardized the control procedures for different target institutions.

In addition, the KDIC has established a “special administrator team”, comprised of 5~6 staff allocated to each financial institution, in order to efficiently manage the operations of administrator early on in the administration phase. This team conducted operations in a total of 12 cases of insurance claim accidents.

Improvements were made to the insurance claim payment regulations to clarify the procedure for the public so as to

prevent sources of loss and to protect the interests of depositors.

3. 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 5 meetings were held in 2003 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 an 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, and the amended Depositor Protection Act of December 31, 2003, 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 public funds.

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

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

trustees have been appointed as trustees for 256 of 262 bankruptcy estates nationwide (as of the end of 2003). In 126 of 131 bankruptcy estates that have been legally declared bankrupt, KDIC employees have been appointed sole trustees and in only 5 cases, the trusteeship has been jointly

administered by KDIC and a lawyer. Therefore, the Corporation's efforts to aggressively pursue a system where its officers and employees can be appointed as trustees for speedier and more efficient bankruptcy proceedings have indeed proven successful.

Table IV - 1. Status of Appointed Bankruptcy Trustees

As of December 31, 2003

	Total	Bankruptcy Trustees		
		KDIC	Attorneys	Conjoint ²⁾
Number of Bankruptcy Estates	262 ¹⁾	225	6	31

1) Excludes bankruptcy estates in completion or in process of completion (185), 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.

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 lowest 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

Before KDIC started appointing trustees to bankruptcy estates, most bankruptcy estates were run independently and as such the operation and personnel costs were rather inefficient. The KDIC now has single trustees taking responsibility for more than one bankruptcy estate and use only one office for managing multiple estates. As of the end of 2003, 262 bankruptcy estates were being run out of 129 offices. Such consolidation efforts have contributed to increased efficiency in terms of operating cost and prevention of accidents.

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 2003, 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 69.1 billion won of additional recoveries were made.

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

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

An internal regulation was devised during 2003 to increase efficiency, transparency and fairness for sales of real estate held by the bankruptcy estates. Accordingly, joint sales of such properties were pursued by dividing the nation into four regions. The KDIC began providing information on real estate held by bankruptcy estates via its website (www.kdic.or.kr) in an effort to attract public attention to those assets. Consequently, the income from properties sold amounted to 334.4 billion won during 10 joint sales of real estate.

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, in consideration of the difficulties of disposition and charges for custody of each estate, the Corporation entrusted a professional auction company to dispose of all seized artwork.

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 261 out of a total 447 bankruptcy estates. As of the end of December 2003, the disposition of 137 estates is ready to be concluded pending the final disposition of ongoing litigation. Additionally, the affairs of another 48 estates were declared closed with the entry of the final decree by the courts. As a result of these efforts, a total of 282.9 billion won recovered through early dividends and the savings accrued by cutting down on office and personnel levels had the effect of maximizing the recovery of public funds by an annual 27.5 billion won.

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.

3. Promotion of Expedient 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 maintenance costs which 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

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 2003, the KDIC had acquired a total of 20.4 trillion won in assets. Of that amount, 8.4 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 2003, through borrowings from the KDIC, the RFC had acquired assets worth a total of 8,435.2 billion won. This included 7,854.9 billion won from Korea First Bank, 158.8 billion won from five acquirer banks (Kookmin, H&CB, Shinhan, Hana and KorAm), 353.2 billion won from four life insurance companies (Taepyongyang, Dong-ah, Kookmin and Handuk) and 68.3 billion won from 204 bankruptcy estates of credit unions.

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

As of December 31, 2003

(Unit: billion won)

Type		Debt Amount	Purchase Price	Notes
Resolution and Finance Corporation	Banks	9,864.0	8,013.7	6 banks (including KFB)
	Insurance Cos.	401.2	353.2	5 Insurance companies
	Bankruptcy estates	1,241.6	68.3	204 Bankruptcy estates (1 Bank, 5 Insurance, 1 Securities Co., 46 MSBs, 150 Credit Unions)
Hanareum Banking Corporation	Merchant Banks	11,022.5	10,626.2	16 Merchant Banks
Hanareum Mutual Savings and Finance Corporation	MSBs	3,483.1	1,346.7	41 MSBs
Total		26,012.4	20,408.1	-

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 December 2003, the KDIC conducted a bulk sale of JR loans through international competitive bidding to raise a total of 44.2 billion won.

Through asset-backed securitization, the Corporation recovered, in 2003, principal of 55.4 billion won on won-denominated subordinated ABS debt issued in December of 2000 and February 2001. In addition, it recovered interest of 69.4 billion

won on foreign currency denominated ABS debt issued in September 2001. 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, to conduct the management and disposition of these assets. By year-end 2003, 139 million dollars had been recovered.

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

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

As of December 31, 2003

(Unit: billion won)

Disposition Project	Date	Sale Amounts ¹⁾	Purchaser	Advisor
Sales Proceeds from Korea First Bank New York Branch (M&A) ²⁾	Feb. 25, 2000	9.9	NARA BANK	-
Transfer Loans to KAMCO	Mar. 20, 2000	36.0	KAMCO	-
Bulk Sale of Kia Motors Shares	Sept. 15, 2000	115.8	Fiduciary OGF(L) Ltd.	Daiwa Securities
Transfer Loans to KAMCO	Sept. 27, 2000	120.4	KAMCO	-
Issue Exchangeable Bonds of KEPCO	Oct. 11, 2000	1,119.9	Foreign Investors	Deutsche Bank, UBS, LG Securities
Stocks of Ilseon Securities(M&A)	Nov. 15, 2000	119.5	Regent Group	KDB, KPMG
Sales Proceeds from Korea First Bank Vietnam Branch (M&A) ²⁾	Nov. 24, 2000	5.9	Chohung Bank	Samil Accounting
Issue ABS denominated in Korean Won	Dec. 11, 2000	200.0	Domestic Investors	Samsung Securities, LG Securities
Bulk Sale of Loans(JV-SPC)	Dec. 19, 2000	204.4	Lone Star	Samjong Houlihan Lokey
Transfer Loans to KAMCO	Dec. 28, 2000	83.9	KAMCO	-
Issue ABS denominated in Korean Won	Feb. 5, 2001	55.0	Domestic Investors	Samsung Securities, LG Securities
Bulk Sale of Loans(RFC 2001-1)	May 7, 2001	150.5	Lone Star	Samil Accounting
Bulk Sale of Loans(RFC 2001-1)	June 21, 2001	118.5	Merrill Lynch	Samil Accounting
Issue ABS denominated in Foreign Currency	Sept. 14, 2001	357.3	Domestic/ Foreign investors	CSFB, SG, Daewoo Securities, Hyundai Securities
Bulk Sale of Loans(Hanareum 2001-2)	Feb. 27, 2002	193.2	Five companies including GE Capitals, etc.	Samjong KPMG
Transfer Loans to KAMCO	June 14, 2002	713.7	KAMCO	Samil Accounting
Bulk Sale of KT&G Shares	Sept. 12, 2002	168.1	KT&G	-
Transfer Loans to KAMCO	Nov. 21, 2002	60.8	KAMCO	Samjong KPMG
Bulk Sale of Loans (KDIC JR Loan Sale 2003 Program)	Dec. 9, 2003	44.2	Morgan Stanley	Samjong KPMG, Bae, Kim & Lee
Total		3,877.0	-	-

1) Include assets disposed by bankruptcy estates

2) Assets disposed directly by KDIC

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 problem, 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.

Meanwhile, 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 Depositor Protection Act was revised in December 2003 to extend RFC's operation to a total of 5 years.

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 2003, the KDIC had conducted investigations into 477 insolvent financial institutions injected with public funds. As a result, damage-claim proceedings were initiated against 5,656 officers, employees and other persons whose actions, in whole or in part, were attributed to the insolvent states of their respective institutions.

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 funds. In addition, wide-ranging efforts including the setting up and operation of the Concealed Property Report Center resulted in the seizures of 6,234 assets valued at 1,346.0 billion won and the laying of preliminary injunctions in 889 cases.

Table V - 1. Insolvency Accountability Investigation Status

As of December 31, 2003

Type	Banks	Securities Companies	Insurance Companies	Merchant Banks	MSBs	Credit Unions	Total
No. of Companies	15	5	16	22	87	332	477
No. of Persons	191	41	222	160	795	4,247	5,656

Table V - 2. Creditor Right Preservation Measures

As of December 31, 2003

	Banks	Securities Companies	Insurance Companies	Merchant Banks	MSBs	Credit Unions	Total
Number of Provisional Seizures	181	38	262	242	904	4,607	6,234
Amounts of Provisional Seizures (in billions of won)	43.9	9.6	156.0	152.5	416.9	567.1	1,346
Number of Provisional Disposals	47	3	59	70	231	479	889

2. Deliberations on Liability Allow for Comment

In the course of filing for damage claims, the Investigation Results Review Committee, composed of lawyers and other legal experts, conducted thorough and comprehensive assessments 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 to ensure that the KDIC's liability deliberations would be carried out in a fair and objective manner.

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

As a result, as of the end of December 2003, the Investigation Results Review Committee held a total of 137 meetings and reviewed the comments submitted by 455 individuals.

V. Insolvency Investigations

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. As a

consequence, court proceedings have been initiated against 7,914 persons from 444 institutions, for compensation worth 1,528.3 billion won in total.

Table V - 3. Status of Ongoing Lawsuits

As of December 31, 2003

	Banks	Securities Companies	Insurance Companies	Merchant Banks	MSBs	Credit Unions	Total
Number of Institutions	15	5	16	22	86	300	444
Number of Defendants	186	56	236	159	978	6,299	7,914
Amounts Claimed (in billions of won)	85	20.2	173.5	269.9	456.9	522.8	1,528.3

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.

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 105,190 default debtors of 236 financial institutions injected with public funds. Based on its findings (total: 164,090 cases, worth: 13 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/properties to third parties through spurious transactions and contributions or disposition. As a result, the Corporation identified 711 assets with an estimated total value of 135.0 billion won. Furthermore, the KDIC called on pertinent institutions to take necessary measures, such as preliminary injunctions, in order to preserve creditors' claim rights.

2. Investigation into Hidden Assets

Pursuant to Article 21-3 of the Depositor Protection Act, the

Table V - 4. Default Debtor Investigation Status

As of December 31, 2003

	Banks	Securities Companies	Insurance Companies	Merchant Banks	MSBs	Credit Unions	Total
Number of Companies	14	5	9	20	71	117	236
Number of Persons	4,969	141	78,521	2,524	14,173	4,862	105,190
Number of Cases	11,373	453	93,637	11,780	37,887	8,960	164,090
Amounts (in billions of won)	2,703.3	212.0	3,716.7	3,162.1	2,902.2	315.1	13,011.4

Table V - 5. Status of Investigations on Concealed Properties

As of December 31, 2003

	Banks	Insurance Companies	Merchant Banks	MSBs	Credit Unions	Total
Number of Companies	5	7	14	21	3	50
Number of Persons	24	59	78	159	4	324
Number of Cases	38	104	253	309	7	711
Amounts (in billions of won)	4.7	7.6	65.0	56.8	0.9	135.0

Chapter 3. Investigations into Default Debtor Corporations

1. Investigations into Default Debtor Institutions

As of December 31, 2003, KDIC's Special Investigation Mission for Default Debtor Corporations has conducted investigations into 170 companies and completed on-site investigations of 157 companies including Daewoo Corporation. Meanwhile, on-site investigations of 13 other companies are currently in progress.

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 damage claims against the majority shareholders and 405 officers of 59 companies including Daewoo Corporation. Currently, 418.5 billion won in damage claims have been filed by creditor institutions against 237 individuals. In addition, claims against several other companies are either in the preliminary stages of being filed or are in arbitration.

Meanwhile, measures to preserve creditor rights have been taken on the 297.1 billion won worth of assets uncovered during the series of investigations, including provisional attachment on 650 assets and preliminary injunctions on 144 assets, and the 146 individuals suspected of fraud and/or embezzlement have

been referred to the Joint Enforcement Team on Public Funds Misappropriation for investigation.

2. Ex Post Facto Management of Individuals Deemed Responsible for Default

The KDIC's Special Investigation Mission for Default Debtor Corporations has continued to conduct ex post facto management of legal proceedings of creditor financial institutions following the filing of damage claims and demands for measures to preserve creditor rights. It also continues to monitor progress through monthly reports from creditor financial institutions and can hold meetings as well as provide legal advice to speed up legal procedures.

3. Cooperation with Related Institutions

The Special Investigation Mission for Default Debtor Corporations comprises one department and three bureaus with a staff of 150. It has continued to maintain close relations with the Public Prosecutor's Office from which it has received personnel as well as necessary documentation and information.

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 hidden assets of the responsible parties is provided to the KDIC, which takes measures regarding creditor claims.

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 31, 2003 Amendment)

(1) Purpose

The Depositor Protection Act was amended on December 31, 2002 to facilitate the extension of the operation period of the Resolution and Finance Corporation, which was initially established to conduct resolution activities of insolvent financial institutions. It also aimed to promote the stable launching of the National Credit Union Federation of Korea's depositor protection fund. Finally, it set out a clear distinction of financial institutions eligible for Deposit Insurance Fund and Deposit Insurance Fund Bond Repayment Fund support.

(2) Key Points

The key points of the amendment are as follows. First, the operation limitation period of 3 years was extended to 5 years and the 1-year extension limit was erased.

Second, In order to aid the newly established depositor protection fund within the National Credit Union Federation of Korea, the credit union account within the KDIC's Deposit Insurance Fund, the transfer of the assets and liabilities of the account to the National Credit Union Federation of Korea scheduled for January 1, 2004, was postponed for a period of 6 years until January 1, 2010.

Third, by clarifying the support scope of the Deposit Insurance Fund and the Deposit Insurance Fund Bond Repayment Fund, those financial institutions which previously received financial support prior to December 31, 2002 and alleviated their problems, but then require further support in accordance with Article 38 of the Depositor Protection Act will be excluded from the Deposit Insurance Fund Bond Repayment Fund's support.

2. Amendments to Other Statutes Related to KDIC

A. Credit Union Act (July 30, 2003 Amendment)

(1) Purpose and Key Points

Due to credit unions being excluded from insurance coverage by the KDIC, the legal framework was set in place for deposit insurance within the National Credit Union Federation of Korea, through the establishment of its own depositor protection fund.

B. Enforcement Decree of Credit Union Act (November 4, 2003 Amendment)

(1) Purpose (related to KDIC)

To define the operation of the depositor protection fund established in accordance with the amendment of the Credit Union Act of July 30, 2003.

(2) Key Points (related to KDIC)

First, deposit money and the principal and interest of installment savings will be insured by the depositor protection fund within the Credit Union Federation. The insurance limit will be 50 million won per depositor.

Second, the fund management committee within the Credit Union Federation's depositor protection fund will comprise 9 members, including the chairman. The chairman will be the director of inspection and supervision.

C. Mutual Savings Bank Act (December 11, 2003 Amendment)

(1) Purpose (related to KDIC)

An amendment was required to revise a regulation that the directors and shareholders of a Mutual Savings Bank should share the responsibility for bad debts with the Mutual Savings Bank itself due to the Constitutional Court of Korea's ruling that this regulation is partially unconstitutional.

(2) Key Points (related to KDIC)

Thus the regulation was changed to hold directors who deliberately or negligently caused harm and shareholders who were responsible for the insolvency of the Mutual Savings Bank to share responsibility.

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

Chapter 2. Research for a Sounder Deposit Insurance System

KDIC focused its research efforts on assessing the status of the financial industry, on the reform of Korea's financial system and on studying the deposit insurance and financial supervisory systems of major countries, as well as on ways to further develop the deposit insurance system (Please 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 focusing on deposit insurance and financial restructuring. In September 2003, KDIC sponsored a policy symposium entitled "Where do the Management's Powers and Responsibilities end?" to discuss the autonomy of management decision-making and relevant case studies.

Meanwhile, deposit insurance-related workshops were held each quarter on a wide range of issues including, "Development of Failure Prediction Models for Mutual Savings Banks", "Household Loss Sharing Structure of Special Assessments", "Risk-based Premiums and the Risk Management of Financial Institutions", and "Evaluation of the Benefits of Developing an Index of Economic Situation Judgment", 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 these workshops.

Table VI-1 Major Research Papers Published by the KDIC in 2003

Subject	Title
The Status of Financial Industry	<ul style="list-style-type: none"> - The Status of Postal Finance and the Need of Privatization. - Bank Management at the Low Level of Interest Rate. - The Meaning of Governance Structure of Financial Institutions.
Reform of Financial System and Market Discipline	<ul style="list-style-type: none"> - Examples of Accounting Fraud and Reform Trend of Accounting System. - Market Discipline Effect of Subordinated Bond of the Bank. - The Effect of Basel II on Financial supervision and Deposit insurance.
Deposit Insurance Trend and Examples of Financial Restructuring of Foreign Countries	<ul style="list-style-type: none"> - Deposit Insurance Trend of the World and Current Status of IADI. - Financial Restoration Program and Trend of Large Banks of Japan. - NPL of China's Financial Sector: Current Status and Problem.
Development Plans of Deposit Insurance System	<ul style="list-style-type: none"> - Equity Linked Deposit and Deposit Protection. - Debt Structure of Financial Institutions and differential Premium System. - The Exception of the Least Cost Method and Its Cost Burden.
Plans of Risk Management	<ul style="list-style-type: none"> - Risk and risk management of Financial Holding Companies. - Credit Risk management and Credit Derivatives

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

1. KDIC's Long-term Development Plan

There have been major changes to the KDIC, especially with the launching of the new Deposit Insurance Fund on January 1, 2003, as part of the amendment of the Depositor Protection Act of 2002. The activities of ex post facto management of the financial restructuring process, such as resolution of insolvent financial institutions, deposit payoffs and investigations into individuals responsible for failure of insolvent institutions are gradually decreasing while risk management to prevent insolvency and efforts to achieve prudence of the Deposit Insurance Fund as well as sound fund management, are gaining more and more significance.

As a result, the KDIC has set its development plan on the two pillars of minimizing the loss to the Deposit Insurance Fund and enhancing the efficiency of fund operations. The results can be summarized as follows:

First, it has actively pursued the privatization of financial institutions into which equity participation had been made by selling KDIC-owned stock. It has promoted the normalization of business activities of financial institutions with which it signed MOUs by encouraging and guiding them by careful monitoring of their performance. The KDIC has also maximized the recovery of public funds through the early conclusion of bankruptcy estates.

Second, it has built a platform to promote the prudence of the Fund through strengthened risk management of financial institutions by signing a joint examination MOU with the Financial Supervisory Service (FSS) as well as establishing its own Financial Information Analysis System (FIAS) to monitor the risk of insured financial institutions.

Third, the KDIC successfully hosted the Annual General Meeting of the International Association of Deposit Insurers (IADI) and exchanged experiences with major deposit insurers

around the world while providing advice and guidance to newly developing deposit insurers around the world.

Finally, it has effected a reorganization suited to actively meet the needs posed by changes in the financial market environment.

2. Application of Information Technology

A. Establishment of a Work System

(1) Separation and strengthening of the Fund Accounting System

With the transfer of the assets and liabilities of the Deposit Insurance Fund to the Deposit Insurance Fund Bond Repayment Fund, according to the amendment of the Depositor Protection Act in December 2002, the new Deposit Insurance Fund was launched and as such, a separate accounting system was required. The existing fund accounting system was fixed to become the repayment fund system and a new Deposit Insurance Fund System was established which included a number of improvements.

(2) Establishment of a Financial Information Analysis System (FIAS)

By gathering financial information, foreign exchange reports and deposit trends from FSS, the Bank of Korea and insured financial institutions, the KDIC has established a Financial Information Analysis System (FIAS) to systematically manage such information.

Thus the KDIC now has detailed financial data on insured financial institutions, enabling it to increase efficiency in using such information for risk management purposes.

Meanwhile, linking the deposit trend reports from banks, merchant banks and mutual savings banks to the KDIC's information management system has allowed for increased usefulness of data and now an effective operation system is in place to perform management analysis, ongoing monitoring and risk evaluation of insured financial institutions.

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

(3) Revision of the internet website and strengthening of the insurance claim payment management system

The KDIC's internet website was revamped to provide more convenience for users and the existing search function was strengthened. The website has room for calculating estimated deposit payoff amounts, more information concerning the work of the KDIC, as well as menus that allow for filing recommendations and complaints regarding civil affairs.

In addition, the KDIC has made great efforts to continually enhance its insurance claim payment management system. With minor changes occurring to regulations regarding insurance claim payments, the system was upgraded to meet the new requirements and has stood the test of a number of payment cases.

B. Long-term Information Technology Plan

The KDIC has set forward a blueprint for its long-term information technology (IT) plan which aims to be more user friendly, to link IT with management strategy, to make efficient use of IT resources and to induce effective investment in IT. It is now in the process of developing an Enterprise Architecture Plan.

As such, it will seek to suggest IT innovations that can effectively meet the needs of future business environments through a careful review and analysis of the KDIC's vision, goals and development strategies.

C. Strengthening the IT System

In order to meet the increasing workload, the hard disk storage was increased by 400GB in March 2003. The formerly divided servers were reorganized to enhance efficiency. In addition, the regional office based in Taegu was brought into the VPN network of the KDIC creating an equal work environment to that of the main office.

Chapter 4. Cooperation with International Organizations

The KDIC enjoyed a quantitative and qualitative uplift to its international operations in 2003, especially with the successful hosting of the International Association of Deposit Insurers Annual General Meeting.

Since being established, the KDIC has actively participated in the IADI and hosted the IADI Annual General Meeting as well as the Conference in Seoul during October 20~24, 2003. The occasion was a great success with over 150 participants from all over the world, including 45 heads of deposit insurers, senior officials from central banks and financial supervisory agencies, international investors and scholars. The conference was entitled, "Effective Depositor Protection: Enhanced Governance Arrangements" and produced a wide range of views. The KDIC made the keynote presentation, discussing its management of the Deposit Insurance Fund based on its own experiences.

On March 25, 2003, the KDIC signed an MOU with the Central Deposit Insurance Corporation (CDIC) to augment cooperative relations in terms of information and personnel. It also engaged in active cooperation with the FDIC and the Canada Deposit Insurance Corporation (CDIC) and developed many new points of contact.

The KDIC was a regular stop-over for delegations from the OECD, S&P and Moody's, all of whom were interested in remaining informed as to the KDIC's role in the financial restructuring process. Delegations from deposit insurers and central banks from as far away as Southeast Asia and Africa visited the KDIC to hear of its experiences to date.

Through these activities, it effectively put on view Korea's successful crisis management and financial structural reform, and the important role the KDIC played in those processes. Meanwhile, with the great increase in the scope of its international activities, an international cooperation team was newly created within the research department.

Chapter 1. Organization

1. The Deposit Insurance Committee

The Deposit Insurance 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:

- w Establishment of basic guidelines for the Corporation’s operations
- w Review of operation plan for the Deposit Insurance Fund
- w Amendments to the Articles of Incorporation
- w Enactment, amendment and nullification of rules and regulations related to the Corporation’s business objectives
- w Matters related to the budget and to settlement of accounts
- w Issuance of Deposit Insurance Fund Bonds (“DIF Bonds”) and DIF Bond Repayment Fund Bonds
- w Reduction or postponement of deposit insurance premium payments
- w Actual and provisional payment of insurance claims
- w Approval of payment on estimated insurance claims
- w Financial support for Resolution Financial Institutions
- w Financial support for insured financial institutions
- w Transactions between Funds, Payment of fees arising from outsourcing, operation of surplus funds, etc.

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 Finance and Economy. Of that number, one committee member is commissioned directly by the Minister of Finance and Economy with the remainder recommended by the Minister of 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 Finance and Economy.

VII. Organization and Financial Status

Table VII - 1. Deposit Insurance Committee Activities

Classification	Content
Items for Resolution	<ul style="list-style-type: none"> • Amendments to the Articles of Incorporation • Budget and settlement of accounts • Issuance of Deposit Insurance Fund Bonds and DIF Bond Repayment 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 to Governor of FSS regarding investigation and its results on insured financial institutions or joint examination • Requests for necessary actions to Financial Supervisory Committee regarding P&As, bankruptcy filing, etc
Items for Decision	<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 and Repayment Fund Bonds • Payments of service fees for third party operations • Provisional payments within the limit of insurance claim payments • Approval of exception of financial assistance based on the least cost method • Determination of additional contributions to insured financial institutions
Items for Review	<ul style="list-style-type: none"> • Operational plan of the Deposit Insurance Fund • Adoption and revision of rules and regulations related to KDIC operation
Designated Items	<ul style="list-style-type: none"> • Operation of reserve funds: <ul style="list-style-type: none"> > Designation and purchase of securities > Designation of insured institutions for deposits
Items For Report	<ul style="list-style-type: none"> • Quarterly inspection results on MOU

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 vice president, and four executive directors. The auditor may express opinions at board meetings, but cannot participate in the Board's voting process.

The president is appointed by the President of the Republic of Korea on the recommendation of the Minister of Finance and Economy. The vice president and executive directors are appointed by the Minister of Finance and Economy on the recommendation of the KDIC President. The auditor is appointed by the Minister of Finance and Economy. Board members are appointed for a period of three years and may be reappointed.

The Board renders decisions on various matters including the following:

w Matters that require deliberation and decision-making by the Policy Committee

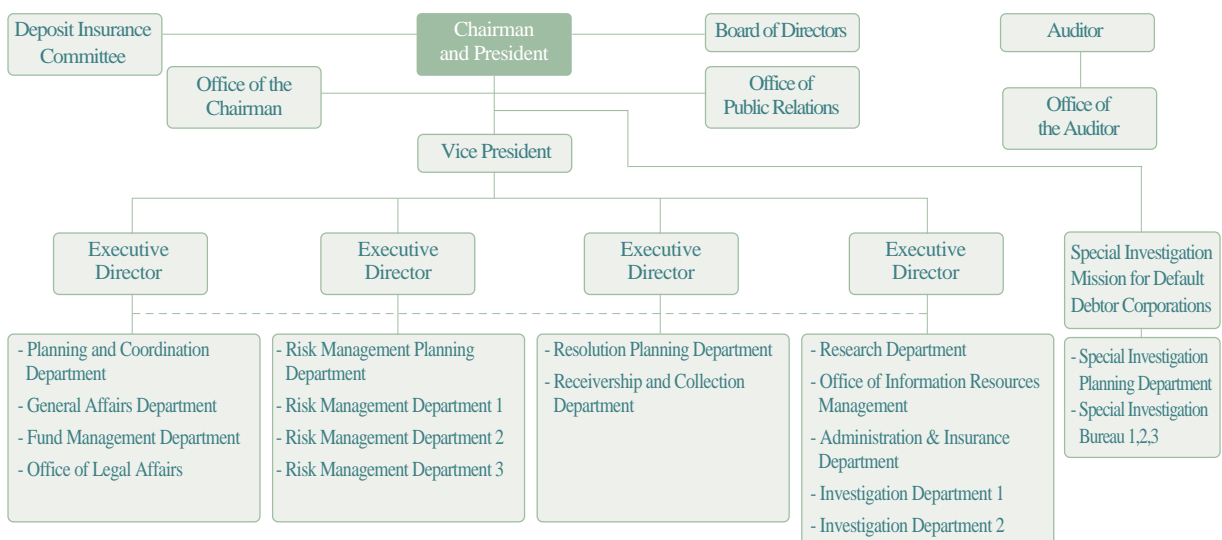
w Enactment, amendment and nullification of rules and regulations related to the operation of the Corporation
w Matters related to the Corporation's organization and system
w Matters related to the signing, notification and canceling of important contracts
w Matters related to important court proceedings and arbitrations
w Other matters that the President of the KDIC deems appropriate

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 13 departments, 5 offices, and 1 mission (3 bureaus and 1 department).

Figure VII - 1. Organizational Chart

As of December 31, 2003



VII. Organization and Financial Status

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

As of December 31, 2003

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	16	21	50	110	129	28	354	354	708

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

Chapter 2. Fiscal Year 2003 Accounting Settlement Results

1. Overview of Account Settlement

According to the amendment of the Depositor Protection Act of January 1, 2003, assets and liabilities as well as other rights and duties of the old Deposit Insurance Fund, as of the end of 2002 were transferred to the Deposit Insurance Fund Bond Repayment Fund. Thus, although these figures represent the 8th Deposit Insurance Fund accounts, they are in fact the first year figures for the new Deposit Insurance Fund. Similarly, although the figures for the Deposit Insurance Fund Bond Repayment Fund are for form's sake those of its first year operations, they are in fact those for the 8th Deposit Insurance Fund. These facts are indicated in the figures presented below.

Starting from fiscal year 2002, the KDIC amalgamated 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. From 2003, however, the account settlement, subject to external audit, was expanded to include the balance sheets and profit and loss statements of the new deposit insurance fund, as well as of KDIC itself. The audit was conducted by Anjin Deloitte LLC and the auditor's opinion, following an audit between February 23~27, 2004, was "satisfied".

Meanwhile, credit unions were excluded from being insured financial institutions from January 1, 2004, according to article 2 of the Depositor Protection Act. However, The KDIC will continue to conduct the management of assets and liabilities of

the credit union account within the Deposit Insurance Fund until the end of 2009, after which, the remaining assets and liabilities will be transferred to the National Credit Union Federation of Korea.

2. Criteria for Account Settlement

The financial statements of the Deposit Insurance Fund, Deposit Insurance Fund Bond Repayment Fund and KDIC are laid out in accordance with Generally Accepted Accounting Principles (GAAP) as well as KDIC's internal accounting standards.

A. Accounting for Assets and Liabilities

(1) Classification and evaluation of securities

The KDIC classifies its marketable shares and bonds as short-term sale securities, marketable shares, and hold-until-maturity bonds, according to the ownership purpose of each of the securities.

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 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.

VII. Organization and Financial Status

(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.

(4) Reserve for Outstanding Claims

Any amount of liabilities decided by the courts to be covered by the Deposit Insurance Fund or the Deposit Insurance Fund Bond Repayment Fund must be estimated and set aside as a reserve for outstanding claims.

(5) Operating Costs of the KDIC

The Deposit Insurance Fund and the Deposit Insurance Fund Bond Repayment Fund cover the assets and the operating costs of the KDIC. Operating costs of the KDIC are accounted for under expenses, on KDIC operations.

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) (Revenue Identification Criteria.) Insurance premium revenues are identified with the passage of time. Interest revenues arising from deposits, etc. are also identified with the passage of time but interest revenues arising from unrecoverable bonds are identified as cash basis revenues.

(3) (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 had already been earned, was marked “advanced revenue” and deducted from income.

- (d) (Entering of Revenue.) A revenue belonging to the current term that had 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

The total assets of the Fund increased by 1,371.2 billion won, comprising of 823.4 billion won in operating assets (deposits, securities), 424.1 billion won in uncollected premiums, 115.0 billion won in indemnity receivables and 8.7 billion in other assets.

The total liabilities stood at 137.3 billion won, which comprised 104.6 billion won in borrowings from financial institutions, 27.5 billion won in reserve for outstanding claims and 5.2 billion won in other liabilities.

VII. Organization and Financial Status

Table VII - 3. Aggregate Balance Sheet

As of December 31, 2003

<Deposit Insurance Fund>

(Unit: billion won)

ASSETS	AMOUNT	LIABILITIES and CAPITALS	AMOUNT
Current Assets	1,256.1	Current Liabilities	109.8
1. Operating Assets	823.4	1. Contributed Liabilities	104.6
Deposits	98.0	Short-term Borrowings	104.6
Securities	725.4	2. Other Current Liabilities	5.2
2. Contributed Assets	-	Long-term Liabilities	27.5
3. Other Current Assets	432.7	1. Contributed Liabilities	-
Uncollected Premiums	424.1	2. Reserve for Outstanding Claims	27.5
Others	8.6	Total Liabilities Capitals	137.3
Fixed Assets	115.1	1. DIF Surplus	1,234.3
1. Contributed Assets	-	(Net Income)	(1,234.3)
2. Indemnity Receivables	115.0	2. Capital Adjustments	△ 0.4
Indemnity Receivables	230.6	Total Capitals	1,233.9
Allowance for Doubtful Accounts	△ 115.6	Total Liabilities and Capitals	1,371.2
3. Other Fixed Assets	0.1		
Total Assets	1,371.2		

Figure VII - 2. The Composition of Main Assets of Deposit Insurance Fund

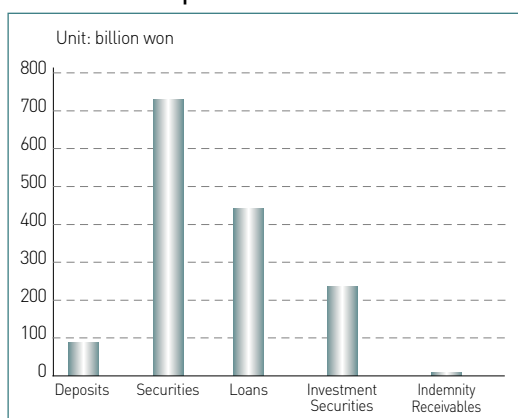
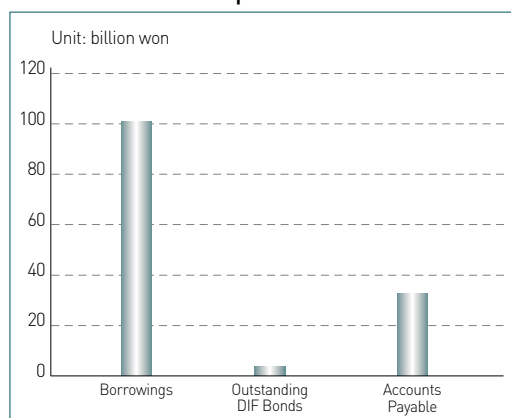


Figure VII - 3. The Composition of Main Liabilities of Deposit Insurance Fund



(2) Status of Profit and Loss

The current term net profit of the Fund came to 1,234.3 billion won, as total revenue was 1,400.7 billion won while total expense accumulated to 166.4 billion won for the period.

Revenues included 940.1 billion won from insurance premiums and contributions from financial institutions, 442.2 billion won from uncollected premiums transferred from the Deposit

Insurance Fund Bond Repayment Fund, as well as 18.4 billion won in revenues from reserve fund operations.

Expenses included 115.6 billion won for bad debt expenses, 27.5 billion won for contributions to the reserve for outstanding claims, 19.7 billion won for KDIC operational expenses and 3.6 billion won for other expenses.

VII. Organization and Financial Status

Table VII - 4. Aggregate Profit and Loss Statement

January 1, 2003 ~ December 31, 2003

<Deposit Insurance Fund>

(Unit: billion won)

ASSETS	AMOUNT	LIABILITIES and CAPITALS	AMOUNT
Revenues on Fund	940.1	Fund Operation Expenses	20.7
1. Insurance Premiums	939.2	1. KDIC Operation Expenses	19.7
2. Contributions	0.9	2. Reserve Fund Operation Expense	-
Revenues on Fund Operation	18.4	3. Contribution Related Expenses	1.0
1. Revenues on Reserve Fund Operation	18.4	Interest on Loans	0.9
Interest on Deposit	6.7	Others	0.1
Interest on Securities	11.7	Expenses Outside of DIF	145.7
2. Revenues on Contribution Operation	-	1. Bad Debt Expenses	115.6
Revenues Outside of DIF	442.2	2. Contribution to Reserve for Outstanding Claims	27.5
1. Revenues on Transaction between Accounts	-	3. Expenses on Transaction between Accounts	-
2. Other Non-Fund Revenues	442.2	4. Other Non-Fund Expenses	2.6
Total Revenues	1,400.7	Total Expenses	166.4
		Net Income	1,234.3

B. Deposit Insurance Fund Bond Repayment Fund

Accounting

(1) Financial Status

(A) Asset

The total assets of the Fund at the end of the current term stood at 21,511.8 billion won, a 1,697.1 billion won (8.6%) increase from the total assets of 19,814.7 billion won at the end of the 2002.

Although the indemnity receivables decreased by 1,319.1 billion won, the total increase was due to an increase of short-term loans of 549.9 billion won to the Resolution and Finance Corporation, a purchased asset increase of 1,560.3 billion won and an increase in accounts receivable of 843.1 billion won.

In terms of the status of assets, current assets such as deposits, securities, short-term loans and other assets totaled 9,008.5 billion won, accounting for 42% of total assets. Meanwhile, fixed assets including contributed assets, indemnity receivables and other fixed assets totaled 12,503.3 billion won, accounting for 58% of total assets.

(B) Liability

The total liabilities of the Fund at the end of the current term stood at 79,596.9 billion won, a 27,750.1 billion won (25.9%) decrease from 107,347.0 billion won at the end of 2002. The decrease was due to waiver of repayment on government loans amounting to 18,559.4 billion won and repayment of Deposit Insurance Fund Bonds amounting to 8,952.3 billion won with government contributions.

Current liabilities, totaling 18,254.4 billion won, amount to 23% of total liabilities, while long-term liabilities stand at 61,342.5 billion won, which is 77% of total liabilities.

(C) Deficit

The total deficit stood at 86,381.2 billion won at the end of 2002, but due to current term net profit of 27,202.1 billion won, the deficit of 59,179.1 billion won was carried forward to the next fiscal year.

VII. Organization and Financial Status

Table VII - 5. Aggregate Balance Sheet

Current Period: As of December 31, 2003

Previous Period: As of December 31, 2002

<DIF Bond Repayment Fund>

(Unit: billion won)

ASSETS	AMOUNT		LIABILITIES and CAPITALS	AMOUNT	
	Current Period	Previous Period		Current Period	Previous Period
Current Assets	9,008.5	7,681.5	Current Liabilities	18,254.4	30,989.3
1. Operating Assets	4,658.2	3,862.0	1. Contributed Liabilities	17,666.1	30,296.6
Deposits	2,696.2	1,600.1	Short-term Borrowings	1,000.0	20,559.4
Securities	1,962.0	2,261.9	Outstanding DIF Bonds	16,621.6	9,737.2
2. Contributed Assets	3,890.4	3,340.5	Present Value Premium Accounts	55.6	-
Short-term Loans	21,167.3	22,956.1	Present Value Discount Accounts	(11.1)	-
Allowance for Doubtful Accounts	△ 17,276.9	△ 19,615.6	2. Other Current Liabilities	588.3	692.7
3. Other Current Assets	459.9	479.0	Long-term Liabilities	61,342.5	76,357.7
Accounts Receivable	425.3	0.2	1. Contributed Liabilities	58,743.9	75,555.6
Discount on Bonds	(18.7)	-	Outstanding DIF Bonds	54,614.5	70,451.2
Others	53.3	478.8	Present Value Premium Accounts	97.0	440.0
Fixed Assets	12,503.3	12,133.2	Present Value Discount Accounts	-	△ 18.1
1. Contributed Assets	10,282.3	9,037.8	Long-term Borrowings	1,437.4	1,442.3
Investment Securities	8,111.6	8,321.3	Exchangeable Bonds	1,813.8	1,842.8
Long-term Loans	905.6	935.8	Long-term Accrued Expenses	220.0	144.0
Allowance for Doubtful Accounts	△ 386.2	△ 310.3	Accounts Payable	561.1	1,253.4
Purchased Assets	1,651.3	91.0	Financial Derivatives Liabilities	0.1	-
2. Indemnity Receivables	1,402.6	2,721.7	2. Reserve for Outstanding Claims	2,598.6	802.1
Indemnity Receivables	16,431.2	17,549.8	Total Liabilities	79,596.9	107,347.0
Allowance for Doubtful Accounts	△ 15,028.6	△ 14,828.1	Capitals		
3. Other Fixed Assets	818.4	373.7	1. DIF	1,520.3	1,520.3
Long-term Accounts Receivable	818.8	411.8	2. DIF Surplus	△ 59,179.1	△ 86,381.2
Discount on Bonds	(11.3)	(41.0)	(Net Income)	(27,202.1)	(△ 28,404.5)
Others	10.9	2.9	3. Capital Adjustments	△ 426.3	△ 2,671.4
Total Assets	21,511.8	19,814.7	Total Capitals	△ 58,085.1	△ 87,532.3
			Total Liabilities and Capitals	21,511.8	19,814.7

VII. Organization and Financial Status

Figure VII - 4. The Composition of Main Assets of DIF Bond Repayment Fund

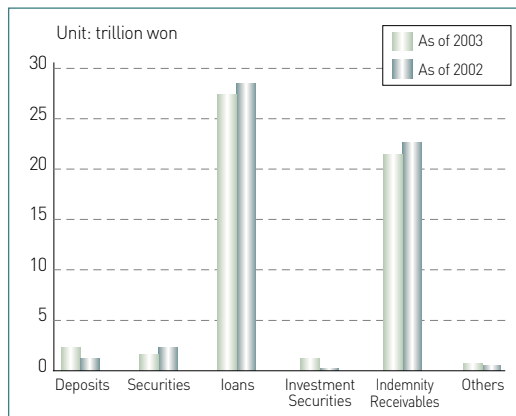
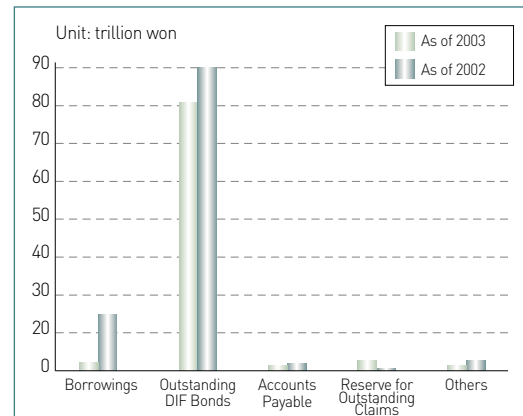


Figure VII - 5. The Composition of Main Liabilities of DIF Bond Repayment Fund



VII. Organization and Financial Status

Table VII - 6. Aggregate Profit and Loss Statement

Current Period: As of December 31, 2003

Previous Period: As of December 31, 2002

<DIF Bond Repayment Fund>

(Unit: billion won)

REVENUES	AMOUNT		EXPENSES	AMOUNT	
	Current Period	Previous Period		Current Period	Previous Period
Revenues on Fund	13,318.3	903.2	Fund Administrative Expenses	5,870.6	7,629.1
1. Special Assessment	624.7	-	1. KDIC Operation Expenses	50.2	61.4
2. Insurance Premium	4.6	901.8	2. Reserve Fund Operation Expenses	-	-
3. Contributions	12,689.0	1.4	3. Contribution Related Expenses	5,820.4	7,567.7
Revenues on Fund Operation	2,103.2	355.4	Contribution Expenses	173.4	198.3
1. Revenues on Reserve Fund Operation	144.6	181.2	Interest on Loans	323.1	281.2
Interest on Deposits	81.8	89.3	Interest on Outstanding DIF Bonds	5,249.6	5,961.0
Interest on Securities	62.8	79.6	Losses on Sale of Long-term Securities	-	1,113.7
Gains on Sale of Securities	-	-	Others	74.3	13.5
Profit from Revaluation of Securities	-	12.3	Expenses Outside of DIF Repayment Fund	2,603.9	22,275.3
2. Revenues on Contribution Operation	1,958.6	174.2	1. Contribution to Allowance for Doubtful Accounts	-	2,957.2
Dividends Earnings	64.2	4.9	2. Impairment Losses on Investment Securities	74.2	18,390.1
Interest on loans	1,145.2	30.5	3. Losses on Foreign Currency Translation	2.6	125.9
Gains on Sale of Long-term Securities	747.0	53.9	4. Contribution to Reserve for Outstanding Claims	2,059.6	802.1
Others	2.2	84.9	5. Others	467.5	-
Revenues Outside of DIF Repayment Fund	20,255.1	241.3	Total Expenses	8,474.5	29,904.4
1. Reversal of Allowance for Doubtful Accounts	983.0	-	Net Income	27,202.1	△ 28,404.5
2. Recovery of Impairment Losses on Investment Securities	431.1	-			
3. Gains on Foreign Currency Translation	5.7	152.4			
4. Reversal of Reserve for Outstanding Claims	263.1	-			
5. Gains from Liabilities Exempted	18,559.4	-			
6. Others	12.8	88.9			
Total Revenues	35,676.6	1,499.9			

VII. Organization and Financial Status

The current term net profit of the Fund came to 27,202.1 billion won, as total revenue was 35,676.6 billion won while total expense amounted to 8,474.5 billion won for the period.

Revenues comprised of 18,559.4 billion won in gains from liabilities exempted, 12,689.0 billion won in government contributions, 983.0 billion won from the reversal of allowance for doubtful accounts and 3,445.2 billion won from other sources.

Expenses consisted of 5,249.6 billion won in interest on outstanding DIF Bonds, 2,059.6 billion won in contributions to the reserve for outstanding claims and 1,165.3 billion won in other expenses.

C. KDIC Accounting

(1) Financial Status

The total assets of the KDIC at the end of the current term stood at 28,616 million won, an increase of 11,216 million won from the total of the preceding term. The main reasons for the increase were 15,699 million won in accounts receivable and 1,272 million won in investment assets.

Assets can be divided into current assets amounting to 17,461 million won (61% of total assets) and fixed assets amounting to 11,155 million won (39% of total assets).

The total liabilities for the term stood at 28,499 million won, an increase of 11,322 million won on the previous term. This can be explained by the increase in current liabilities and decrease in long-term liabilities.

Current liabilities stood at 28,499 million won, accounting for 100% of liabilities, while long-term liabilities of 9,901 million won, in provision for severance benefits, were offset by contributions to the national pension plan and by deposits for severance benefits.

(2) Status of Profit and Loss

The total revenue of the KDIC in 2003 stood at 68,462 million won, consisting of 68,030 million won in revenues on fund and 432 million won in fund operation revenues.

Total KDIC operating expenses accumulated to 68,568 million won. Major items were 38,574 million won (56.3%) in wages, 26,069 million won (38.6%) in general expenses, and 3,925 million won (5.7%) in transferred-in group severance allowance reserves.

The net surplus of the KDIC accounting came to △106 million won, after deduction of 68,568 million won in total expenses from the total revenue of 68,461 million won.

VII. Organization and Financial Status

Table VII - 7. Balance Sheet (KDIC Account)

Current Period: As of December 31, 2003
Previous Period: As of December 31, 2002

(Unit: million won)

ASSETS	AMOUNT		LIABILITIES and CAPITALS	AMOUNT	
	Current Period	Previous Period		Current Period	Previous Period
I. Current Assets	17,461	7,171	I. Current Liabilities	28,499	11,702
1. Cash and Deposits	1,734	7,139	1. Contribution to Capital Budget	11,152	10,223
2. Accounts Receivable	15,699	-	2. Accounts Payable	15,865	158
3. Accrued Revenues	22	30	3. Accrued Expenses	504	328
4. Prepaid Expenses	5	2	4. Deposits	977	993
5. Prepaid Income Taxes	1	-			
II. Fixed Assets	11,155	10,230	Long-term Liabilities	-	5,475
1. Investment Assets	8,967	7,695	1. Provision for Severance Benefits	9,901	6,671
Deposits Provided	8,311	7,578	(Contribution to National Pension Plan)	(38)	(38)
Long-term Securities	16	19	(Deposits for Severance Benefits)	(9,863)	(1,158)
Other Investments	640	98	Total Liabilities	28,499	17,177
2. Property, Plant, & Equipment	2,188	2,535	1. Retained Earnings	117	223
Buildings	1,954	1,843	(Net Surplus)	(△ 106)	(△ 681)
Vehicles	104	131	Total Capitals	117	223
Other Tangible Assets	8,534	7,064	Total Liabilities and Reserves	28,616	17,400
(Accumulated Depreciation)	(8,404)	(6,503)			
Total Assets	28,616	17,400			

Table VII - 8. Profit and Loss Statement (KDIC Account)

Current Period: As of December 31, 2003
Previous Period: As of December 31, 2002

(Unit: million won)

REVENUES	Amount		EXPENSES	Amount	
	Current Period	Previous Period		Current Period	Previous Period
I. Revenues on Fund	68,030	59,295	I. Fund Operation Expenses	68,568	60,253
1. Contribution Revenue to Fund	68,030	59,295	Wages	38,574	33,599
II. Revenues on Fund Operation	432	277	General Expenses	26,069	22,817
1. Interest on Deposits	384	210	Contribution to Allowance	3,925	3,837
2. Interest on Securities	1	2	Other Administrative Expenses	-	-
3. Others	47	57	Losses on Previous Fiscal Year's Error Corrections	-	-
4. Gains on Previous Fiscal Year's Error Corrections	-	8			
Total Revenues	68,462	59,572	Total Expenses	68,567	60,253
			Net Surplus	△ 106	△ 681

APPENDIX

A-I. Members of the Deposit Insurance Committee and the Executive Board	67
A-II. Items Deliberated by the Deposit Insurance Committee in 2003	68
A-III. Year 2003 Balance Sheets and Profit & Loss Statements	70
A-IV. 2003 Summary of Events	97
A-V. Introduction to the Korean Deposit Insurance System	100
A-VI. Acts Related to the Korean Deposit Insurance System	108
A-VII. Statistics	160

A-I. Members of the Deposit Insurance Committee and the Executive Board

Table A-I-1. Deposit Insurance Committee Members

As of December 31, 2003

TITLE	NAME
President of KDIC (Chairman)	In-Won LEE
Vice Minister of MOFE	Gwang-Lim KIM
Vice Minister of MOPB	Yang-Gyun BYUN
Vice Governor of FSC	Dong-Gull LEE
Deputy Governor of BOK	Seong-Tae LEE
Commissioned Member	Man-Woo LEE
Commissioned Member	Sung-II CHO
Commissioned Member	Su-Keun KWAK
Commissioned Member	Hang-Mo MUHN

Table A-I-2. Executive Board Members

As of December 31, 2003

TITLE	NAME
Chairman and President	In-Won LEE
Vice President	Seok-Won KIM
Auditor	Bang-Kil SON
Executive Director	Won-Keun YANG
Executive Director	Yeon-Soo YOO
Executive Director	Ki-Jin KIM
Executive Director	Ju-Hyung LEE

A-II. Items Deliberated by the Deposit Insurance Committee in 2003

DATE	ITEMS
Jan. 8	<ul style="list-style-type: none"> - Determination of settlement period of accounts payable for Woori Investment Bank - Report of inter-account transaction (payment for bond interest)
Jan. 22	<ul style="list-style-type: none"> - Measures against implementation results of Memorandum of Understanding (“MOU”) for the third quarter, 2002 - Addition of MOU for Woori Financial Group and its 3 subsidiaries and revision of MOU for credit business part of National Federation of Fisheries Cooperatives - Report of Main Business Plan for 2003 - Report of use of Sinking Fund (payment of insurance claims to MSBs, Credit Unions) - Report of 2002 Audit Result
Feb. 12	<ul style="list-style-type: none"> - Revision of MOU for credit business part of National Federation of Fisheries Cooperatives - Payment and financing of insurance claims to depositors of 10 credit unions including Yeonje Credit Union
Mar. 12	<ul style="list-style-type: none"> - Article of Incorporation Amendment - Use of reserve money from 2003 budget - Amendments to guidelines for payment of insurance claims - Additional contributions and asset purchases of Korea Life Insurance Co. and financing (related to P&A of Hyundai Life Insurance and Samshin Life Insurance) - Additional contributions of 5 Non-life Insurance Companies including Samsung Fire Insurance and financing (related to P&A of Regent Fire Insurance)
Mar. 26	<ul style="list-style-type: none"> - Measures against implementation results of MOU for the forth quarter, 2002 - Account settlement report of FY 2002 (7th period) - Determination of final acquirer of Daishin Life Insurance Co. and Acquisition Agreement signed - Entrust of MOU objectives for first quarter of 2003 for Woori Credit Card Co.
Apr. 9	<ul style="list-style-type: none"> - Preliminary claim payment of insurance claims to depositors of Gimcheon Mutual Savings Bank and financing
May 7	<ul style="list-style-type: none"> - Changes on Loan Contract including roll-over for Resolution Financial Corporation. - Contribution for settlement of beneficiary certificates for lawsuits related to five acquiring banks - Exercise stock warrants of Korea First Bank
June 4	<ul style="list-style-type: none"> - Addition of MOU for Woori Credit Card Co. - Request for approval on extending repayment date of loan and funding for interest payment - Payment of insurance claims to depositors of Gimcheon Mutual Savings Bank and financing - Payment of insurance claims to depositors of Dasa Credit Union and Wolpyung Credit Union
July 9	<ul style="list-style-type: none"> - Amendments to guidelines for audit - Partial revision of MOU for credit business part of National Federation of Fisheries Cooperatives - Measures against implementation results of MOU for the first quarter, 2003

A-II. Items Deliberated by the Deposit Insurance Committee in 2003

DATE	ITEMS
July 23	<ul style="list-style-type: none"> - Payment of insurance claims to depositors of Jinryang Dongbu Credit Union and Daegu Kyungbuk Textile Credit Union and borrowings - Financial assistance for Korea First Bank (related to International Arbitral Award)
Aug. 27	<ul style="list-style-type: none"> - Payment of insurance claims to depositors of Onyang Joongang Credit Union and borrowings - MOU on joint investigation with Financial Supervisory Service - Financial assistance for Korea First Bank (related to purchase of straight bonds) - Status of ongoing lawsuits on employees of insolvent financial institutions
Oct. 15	<ul style="list-style-type: none"> - Payment of insurance claims to depositors of Geoncheon Credit Union and Ulsan Baptist Church Credit Union and borrowings
Nov. 5	<ul style="list-style-type: none"> - Guidelines for insurance premium payment - Request for joint investigation for the forth quarter, 2003 - Measures against implementation results of MOU for the second quarter, 2003
Nov. 21	<ul style="list-style-type: none"> - Financial assistance for Green Cross Life Insurance Co. - Payment of insurance claims to depositors of Hanbu Church Credit Union
Dec. 10	<ul style="list-style-type: none"> - Borrowings for payment of insurance claims to depositors of Hanbu Church Credit Union
Dec. 17	<ul style="list-style-type: none"> - Payment of insurance claims to depositors of Yeosu Jinnam Church Credit Union and Muryong Credit Union
Dec. 26	<ul style="list-style-type: none"> - Measures against implementation results of MOU for the third quarter, 2003 - Payment of insurance claims to depositors of Okkwa Credit Union and Chungcheong Credit Union - Roll-over of borrowings related to payment of insurance claims to depositors of Credit Unions and new borrowings. - Operation Plan DIF Bond Repayment Fund for FY 2004 (2nd period) - Issuance of DIF Bond Repayment Fund Bond for repayment of the principal of DIF Bond - Article of Incorporation Amendment
Dec. 30	<ul style="list-style-type: none"> - 2004 KDIC budget

A-III. Year 2003 Balance Sheets and Profit and Loss Statements

A-III-1. Deposit Insurance Fund

Aggregate Balance Sheet *As of December 31, 2003*

<Deposit Insurance Fund>

(Unit: won)

ASSETS	AMOUNT	LIABILITIES and CAPITALS	AMOUNT
Current Assets	1,256,068,443,515	Current Liabilities	109,806,440,561
1. Operating Assets	823,392,306,745	1. Contributed Liabilities	104,600,000,000
Deposits	97,981,401,582	Short-term Borrowings	104,600,000,000
Securities	725,410,905,163	2. Other Current Liabilities	5,206,440,561
2. Contributed Assets	-	Long-term Liabilities	27,519,222,354
3. Other Current Assets	432,676,136,770	1. Contributed Liabilities	-
Fixed Assets	115,148,232,534	2. Reserve for Outstanding Claims	27,519,222,354
1. Contributed Assets	-	Total Liabilities	137,325,662,915
2. Indemnity Receivables	115,070,704,839	Capitals	
Indemnity Receivables	230,646,743,192	1. DIF Surplus	1,234,279,286,479
Allowance for Doubtful Accounts	(115,576,038,353)	2. Capital Adjustments	(388,273,345)
3. Other Fixed Assets	77,527,695	Total Capitals	1,233,891,013,134
Total Assets	1,371,216,676,049	Total Liabilities and Capitals	1,371,216,676,049

Aggregate Profit and Loss Statement *January 1, 2003- December 31, 2003*

<Deposit Insurance Fund>

(Unit: won)

REVENUES	AMOUNT	EXPENSES	AMOUNT
Revenues on Fund	940,080,998,920	Fund Operation Expenses	20,665,645,104
1. Insurance Premiums	939,200,998,920	1. KDIC Operation Expenses	19,742,300,166
2. Contributions	880,000,000	2. Reserve Fund Operation Expense	-
Revenues on Fund Operation	18,438,970,986	3. Contribution Related Expenses	923,344,938
1. Revenues on Reserve Fund Operation	18,438,970,986	Interest on Loans	906,668,268
Interest on Deposit	6,717,745,309	Others	16,676,670
Interest on Securities	11,721,225,677	Expenses Outside of DIF	145,766,367,575
2. Revenues on Contribution Operation	-	1. Bad Debt Expenses	115,639,616,658
Revenues Outside of DIF	442,191,329,252	2. Contribution to Reserve for Outstanding Claims	27,519,222,354
1. Revenues on Transaction between Accounts	-	3. Expenses on Transaction between Accounts	-
2. Other Non-Fund Revenues	442,191,329,252	4. Other Non-Fund Expenses	2,607,528,563
Total Revenues	1,400,711,299,158	Total Expenses	166,432,012,679
		Net Income	1,234,279,286,479

A-III. Year 2003 Balance Sheets and Profit and Loss Statements

Balance Sheet(Banks Account) *As of December 31, 2003*

<Deposit Insurance Fund>

(Unit: won)

ASSETS	AMOUNT	LIABILITIES and CAPITALS	AMOUNT
Current Assets	602,556,385,833	Current Liabilities	914,657,917
1. Operating Assets	454,072,409,688	1. Contributed Liabilities	-
Deposits	28,125,343,956	Short-term Borrowings	-
Securities	425,947,065,732	2. Other Current Liabilities	914,657,917
2. Contributed Assets	-	Long-term Liabilities	-
3. Other Current Assets	148,483,976,145	1. Contributed Liabilities	-
Fixed Assets	-	2. Reserve for Outstanding Claims	-
1. Contributed Assets	-	Total Liabilities	914,657,917
2. Indemnity Receivables	-	Capitals	
Indemnity Receivables	-	1. DIF Surplus	601,905,606,696
Allowance for Doubtful Accounts	-	2. Capital Adjustments	(263,878,780)
3. Other Fixed Assets	-	Total Capitals	601,641,727,916
Total Assets	602,556,385,833	Total Liabilities and Capitals	602,556,385,833

Profit and Loss Statement(Banks Account) *January 1, 2003- December 31, 2003*

<Deposit Insurance Fund>

(Unit: won)

REVENUES	AMOUNT	EXPENSES	AMOUNT
Revenues on Fund	483,415,803,033	Fund Operation Expenses	8,471,293,974
1. Insurance Premiums	483,385,803,033	1. KDIC Operation Expenses	8,471,293,974
2. Contributions	30,000,000	2. Reserve Fund Operation Expense	-
Revenues on Fund Operation	9,851,558,784	3. Contribution Related Expenses	-
1. Revenues on Reserve Fun Operation	9,851,558,784	Interest on Loans	-
Interest on Deposit	3,359,750,024	Others	-
Interest on Securities	6,491,808,760	Expenses Outside of DIF	-
2. Revenues on Contribution Operation	-	1. Bad Debt Expenses	-
Revenues Outside of DIF	117,109,538,853	2. Contribution to Reserve for Outstanding Claims	-
1. Revenues on Transaction between Accounts	903,414,797	3. Expenses on Transaction between Accounts	-
2. Other Non-Fund Revenues	116,206,124,056	4. Other Non-Fund Expenses	-
Total Revenues	610,376,900,670	Total Expenses	8,471,293,974
		Net Income	601,905,606,696

A-III. Year 2003 Balance Sheets and Profit and Loss Statements

Balance Sheet(Securities Companies Account) *As of December 31, 2003*

<Deposit Insurance Fund>

(Unit: won)

ASSETS	AMOUNT	LIABILITIES and CAPITALS	AMOUNT
Current Assets	50,325,129,939	Current Liabilities	275,478,091
1. Operating Assets	30,372,835,183	1. Contributed Liabilities	-
Deposits	30,372,835,183	Short-term Borrowings	-
Securities	-	2. Other Current Liabilities	275,478,091
2. Contributed Assets	-	Long-term Liabilities	-
3. Other Current Assets	19,952,294,756	1. Contributed Liabilities	-
Fixed Assets	-	2. Reserve for Outstanding Claims	-
1. Contributed Assets	-	Total Liabilities	275,478,091
2. Indemnity Receivables	-	Capitals	
Indemnity Receivables	-	1. DIF Surplus	50,049,651,848
Allowance for Doubtful Accounts	-	2. Capital Adjustments	-
3. Other Fixed Assets	-	Total Capitals	50,049,651,848
Total Assets	50,325,129,939	Total Liabilities and Capitals	50,325,129,939

Profit and Loss Statement(Securities Companies Account) *January 1, 2003- December 31, 2003*

<Deposit Insurance Fund>

(Unit: won)

REVENUES	AMOUNT	EXPENSES	AMOUNT
Revenues on Fund	33,133,018,550	Fund Operation Expenses	945,107,158
1. Insurance Premiums	33,133,018,550	1. KDIC Operation Expenses	945,107,158
2. Contributions	-	2. Reserve Fund Operation Expense	-
Revenues on Fund Operation	676,990,456	3. Contribution Related Expenses	-
1. Revenues on Reserve Fund Operation	676,990,456	Interest on Loans	-
Interest on Deposit	676,990,456	Others	-
Interest on Securities	-	Expenses Outside of DIF	-
2. Revenues on Contribution Operation	-	1. Bad Debt Expenses	-
Revenues Outside of DIF	17,184,750,000	2. Contribution to Reserve for Outstanding Claims	-
1. Revenues on Transaction between Accounts	-	3. Expenses on Transaction between Accounts	-
2. Other Non-Fund Revenues	17,184,750,000	4. Other Non-Fund Expenses	-
Total Revenues	50,994,759,006	Total Expenses	945,107,158
		Net Income	50,049,651,848

A-III. Year 2003 Balance Sheets and Profit and Loss Statements

Balance Sheet(Life Insurance Companies Account) *As of December 31, 2003*

<Deposit Insurance Fund>

(Unit: won)

ASSETS	AMOUNT	LIABILITIES and CAPITALS	AMOUNT
Current Assets	462,523,000,289	Current Liabilities	1,855,462,502
1. Operating Assets	260,222,032,202	1. Contributed Liabilities	-
Deposits	10,689,132,337	Short-term Borrowings	-
Securities	249,532,899,865	2. Other Current Liabilities	1,855,462,502
2. Contributed Assets	-	Long-term Liabilities	-
3. Other Current Assets	202,300,968,087	1. Contributed Liabilities	-
Fixed Assets	-	2. Reserve for Outstanding Claims	-
1. Contributed Assets	-	Total Liabilities	1,855,462,502
2. Indemnity Receivables	-	Capitals	
Indemnity Receivables	-	1. DIF Surplus	460,800,078,029
Allowance for Doubtful Accounts	-	2. Capital Adjustments	(132,540,242)
3. Other Fixed Assets	-	Total Capitals	460,667,537,787
Total Assets	462,523,000,289	Total Liabilities and Capitals	462,523,000,289

Profit and Loss Statement(Life Insurance Companies Account) *January 1, 2003- December 31, 2003*

<Deposit Insurance Fund>

(Unit: won)

REVENUES	AMOUNT	EXPENSES	AMOUNT
Revenues on Fund	290,030,956,469	Fund Operation Expenses	3,659,537,154
1. Insurance Premiums	289,380,956,469	1. KDIC Operation Expenses	3,659,537,154
2. Contributions	650,000,000	2. Reserve Fund Operation Expense	-
Revenues on Fund Operation	5,356,064,714	3. Contribution Related Expenses	-
1. Revenues on Reserve Fund Operation	5,356,064,714	Interest on Loans	-
Interest on Deposit	1,063,257,241	Others	-
Interest on Securities	4,292,807,473	Expenses Outside of DIF	-
2. Revenues on Contribution Operation	-	1. Bad Debt Expenses	-
Revenues Outside of DIF	169,072,594,000	2. Contribution to Reserve for Outstanding Claims	-
1. Revenues on Transaction between Accounts	-	3. Expenses on Transaction between Accounts	-
2. Other Non-Fund Revenues	169,072,594,000	4. Other Non-Fund Expenses	-
Total Revenues	464,459,615,183	Total Expenses	3,659,537,154
		Net Income	460,800,078,029

A-III. Year 2003 Balance Sheets and Profit and Loss Statements

Balance Sheet(Non-Life Insurance Companies Account) *As of December 31, 2003*

<Deposit Insurance Fund>

(Unit: won)

ASSETS	AMOUNT	LIABILITIES and CAPITALS	AMOUNT
Current Assets	96,953,527,455	Current Liabilities	1,288,058,141
1. Operating Assets	54,235,701,645	1. Contributed Liabilities	-
Deposits	4,304,762,079	Short-term Borrowings	-
Securities	49,930,939,566	2. Other Current Liabilities	1,288,058,141
2. Contributed Assets	-	Long-term Liabilities	-
3. Other Current Assets	42,717,825,810	1. Contributed Liabilities	-
Fixed Assets	-	2. Reserve for Outstanding Claims	-
1. Contributed Assets	-	Total Liabilities	1,288,058,141
2. Indemnity Receivables	-	Capitals	
Indemnity Receivables	-	1. DIF Surplus	95,657,323,637
Allowance for Doubtful Accounts	-	2. Capital Adjustments	8,145,677
3. Other Fixed Assets	-	Total Capitals	95,665,469,314
Total Assets	96,953,527,455	Total Liabilities and Capitals	96,953,527,455

Profit and Loss Statement(Non-Life Insurance Companies Account) *January 1, 2003- December 31, 2003*

<Deposit Insurance Fund>

(Unit: won)

REVENUES	AMOUNT	EXPENSES	AMOUNT
Revenues on Fund	56,504,313,868	Fund Operation Expenses	1,483,505,260
1. Insurance Premiums	56,304,313,868	1. KDIC Operation Expenses	1,483,505,260
2. Contributions	200,000,000	2. Reserve Fund Operation Expense	-
Revenues on Fund Operation	1,114,702,029	3. Contribution Related Expenses	-
1. Revenues on Reserve Fund Operation	1,114,702,029	Interest on Loans	-
Interest on Deposit	178,092,585	Others	-
Interest on Securities	936,609,444	Expenses Outside of DIF	-
2. Revenues on Contribution Operation	-	1. Bad Debt Expenses	-
Revenues Outside of DIF	39,521,813,000	2. Contribution to Reserve for Outstanding Claims	-
1. Revenues on Transaction between Accounts	-	3. Expenses on Transaction between Accounts	-
2. Other Non-Fund Revenues	39,521,813,000	4. Other Non-Fund Expenses	-
Total Revenues	97,140,828,897	Total Expenses	1,483,505,260
		Net Income	95,657,323,637

A-III. Year 2003 Balance Sheets and Profit and Loss Statements

Balance Sheet(Merchant Banks Account) *As of December 31, 2003*

<Deposit Insurance Fund>

(Unit: won)

ASSETS	AMOUNT	LIABILITIES and CAPITALS	AMOUNT
Current Assets	9,551,007,326	Current Liabilities	-
1. Operating Assets	5,789,302,711	1. Contributed Liabilities	-
Deposits	5,789,302,711	Short-term Borrowings	-
Securities	-	2. Other Current Liabilities	-
2. Contributed Assets	-	Long-term Liabilities	-
3. Other Current Assets	3,761,704,615	1. Contributed Liabilities	-
Fixed Assets	-	2. Reserve for Outstanding Claims	-
1. Contributed Assets	-	Total Liabilities	-
2. Indemnity Receivables	-	Capitals	
Indemnity Receivables	-	1. DIF Surplus	9,551,007,326
Allowance for Doubtful Accounts	-	2. Capital Adjustments	-
3. Other Fixed Assets	-	Total Capitals	9,551,007,326
Total Assets	9,551,007,326	Total Liabilities and Capitals	9,551,007,326

Profit and Loss Statement(Merchant Banks Account) *January 1, 2003- December 31, 2003*

<Deposit Insurance Fund>

(Unit: won)

REVENUES	AMOUNT	EXPENSES	AMOUNT
Revenues on Fund	5,141,817,000	Fund Operation Expenses	347,230,609
1. Insurance Premiums	5,141,817,000	1. KDIC Operation Expenses	347,230,609
2. Contributions	-	2. Reserve Fund Operation Expense	-
Revenues on Fund Operation	131,420,935	3. Contribution Related Expenses	-
1. Revenues on Reserve Fund Operation	131,420,935	Interest on Loans	-
Interest on Deposit	131,420,935	Others	-
Interest on Securities	-	Expenses Outside of DIF	-
2. Revenues on Contribution Operation	-	1. Bad Debt Expenses	-
Revenues Outside of DIF	4,625,000,000	2. Contribution to Reserve for Outstanding Claims	-
1. Revenues on Transaction between Accounts	-	3. Expenses on Transaction between Accounts	-
2. Other Non-Fund Revenues	4,625,000,000	4. Other Non-Fund Expenses	-
Total Revenues	9,898,237,935	Total Expenses	347,230,609
		Net Income	9,551,007,326

A-III. Year 2003 Balance Sheets and Profit and Loss Statements

Balance Sheet(Mutual Savings Banks Account) *As of December 31, 2003*

<Deposit Insurance Fund>

(Unit: won)

ASSETS	AMOUNT	LIABILITIES and CAPITALS	AMOUNT
Current Assets	47,976,207,592	Current Liabilities	23,245,645,198
1. Operating Assets	9,922,665,370	1. Contributed Liabilities	-
Deposits	9,922,665,370	Short-term Borrowings	-
Securities	-	2. Other Current Liabilities	23,245,645,198
2. Contributed Assets	-	Long-term Liabilities	-
3. Other Current Assets	38,053,542,222	1. Contributed Liabilities	-
Fixed Assets	30,304,658,102	2. Reserve for Outstanding Claims	-
1. Contributed Assets	-	Total Liabilities	23,245,645,198
2. Indemnity Receivables	30,304,658,102	Capitals	
Indemnity Receivables	76,366,420,947	1. DIF Surplus	55,035,220,496
Allowance for Doubtful Accounts	(46,061,762,845)	2. Capital Adjustments	-
3. Other Fixed Assets	-	Total Capitals	55,035,220,496
Total Assets	78,280,865,694	Total Liabilities and Capitals	78,280,865,694

Profit and Loss Statement(Mutual Savings Banks Account) *January 1, 2003- December 31, 2003*

<Deposit Insurance Fund>

(Unit: won)

REVENUES	AMOUNT	EXPENSES	AMOUNT
Revenues on Fund	71,855,090,000	Fund Operation Expenses	2,736,902,608
1. Insurance Premiums	71,855,090,000	1. KDIC Operation Expenses	2,728,145,938
2. Contributions	-	2. Reserve Fund Operation Expense	-
Revenues on Fund Operation	314,447,511	3. Contribution Related Expenses	8,756,670
1. Revenues on Reserve Fund Operation	314,447,511	Interest on Loans	-
Interest on Deposit	314,447,511	Others	8,756,670
Interest on Securities	-	Expenses Outside of DIF	46,965,177,642
2. Revenues on Contribution Operation	-	1. Bad Debt Expenses	46,061,762,845
Revenues Outside of DIF	32,567,763,235	2. Contribution to Reserve for Outstanding Claims	-
1. Revenues on Transaction between Accounts	-	3. Expenses on Transaction between Accounts	903,414,797
2. Other Non-Fund Revenues	32,567,763,235	4. Other Non-Fund Expenses	-
Total Revenues	104,737,300,746	Total Expenses	49,702,080,250
		Net Income	55,035,220,496

A-III. Year 2003 Balance Sheets and Profit and Loss Statements

Balance Sheet(Credit Unions Account) *As of December 31, 2003*

<Deposit Insurance Fund>

(Unit: won)

ASSETS	AMOUNT	LIABILITIES and CAPITALS	AMOUNT
Current Assets	8,887,150,013	Current Liabilities	104,931,103,644
1. Operating Assets	8,777,359,946	1. Contributed Liabilities	104,600,000,000
Deposits	8,777,359,946	Short-term Borrowings	104,600,000,000
Securities	-	2. Other Current Liabilities	331,103,644
2. Contributed Assets	-	Long-term Liabilities	27,519,222,354
3. Other Current Assets	109,790,067	1. Contributed Liabilities	-
Fixed Assets	84,843,574,432	2. Reserve for Outstanding Claims	27,519,222,354
1. Contributed Assets	-	Total Liabilities	132,450,325,998
2. Indemnity Receivables	84,766,046,737	Capitals	
Indemnity Receivables	154,280,322,245	1. DIF Surplus	(38,719,601,553)
Allowance for Doubtful Accounts	(69,514,275,508)	2. Capital Adjustments	-
3. Other Fixed Assets	77,527,695	Total Capitals	(38,719,601,553)
Total Assets	93,730,724,445	Total Liabilities and Capitals	93,730,724,445

Profit and Loss Statement(Credit Unions Account) *January 1, 2003- December 31, 2003*

<Deposit Insurance Fund>

(Unit: won)

REVENUES	AMOUNT	EXPENSES	AMOUNT
Revenues on Fund	-	Fund Operation Expenses	3,022,068,341
1. Insurance Premiums	-	1. KDIC Operation Expenses	2,107,480,073
2. Contributions	-	2. Reserve Fund Operation Expense	-
Revenues on Fund Operation	993,786,557	3. Contribution Related Expenses	914,588,268
1. Revenues on Reserve Fund Operation	993,786,557	Interest on Loans	906,668,268
Interest on Deposit	993,786,557	Others	7,920,000
Interest on Securities	-	Expenses Outside of DIF	99,704,604,730
2. Revenues on Contribution Operation	-	1. Bad Debt Expenses	69,577,853,813
Revenues Outside of DIF	63,013,284,961	2. Contribution to Reserve for Outstanding Claims	27,519,222,354
1. Revenues on Transaction between Accounts	-	3. Expenses on Transaction between Accounts	-
2. Other Non-Fund Revenues	63,013,284,961	4. Other Non-Fund Expenses	2,607,528,563
Total Revenues	64,007,071,518	Total Expenses	102,726,673,071
		Net Income	(38,719,601,553)

A-III. Year 2003 Balance Sheets and Profit and Loss Statements

A-III-2. DIF Bond Repayment Fund

Aggregate Balance Sheet

Current Period: As of December 31, 2003
Previous Period: As of December 31, 2002

<DIF Bond Repayment Fund>

(Unit: won)

ASSETS	AMOUNT		LIABILITIES and CAPITALS	AMOUNT	
	Current Period	Previous Period		Current Period	Previous Period
Current Assets	9,008,494,310,946	7,681,497,130,378	Current Liabilities	18,254,375,971,642	30,989,311,611,369
1. Operating Assets	4,658,219,196,376	3,862,005,763,615	1. Contributed Liabilities	17,666,086,290,326	30,296,575,999,370
Deposits	2,696,191,810,574	1,600,135,563,615	Short-term Borrowings	1,000,000,000,000	20,559,431,999,370
Securities	1,962,027,385,802	2,261,870,200,000	Outstanding DIF Bonds	16,621,571,199,996	9,737,144,000,000
2. Contributed Assets	3,890,439,205,800	3,340,541,534,348	Present Value Premium Accounts	55,601,310,204	-
Short-term Loans	21,167,323,287,226	22,956,125,296,803	Present Value Discount Accounts	(11,086,219,874)	-
Allowance for Doubtful Accounts	(17,276,884,081,426)	(19,615,583,762,455)	2. Other Current Liabilities	588,289,681,316	692,735,611,999
3. Other Current Assets	459,835,908,770	478,949,832,415	Long-term Liabilities	61,342,567,865,045	76,357,711,569,568
Accounts Receivable	425,310,173,032	158,218,029	1. Contributed Liabilities	58,743,933,185,595	75,555,651,219,568
Present Value Discount Accounts	(18,740,577,287)	-	Outstanding DIF Bonds	54,614,565,500,004	70,451,213,000,000
Others	53,266,313,025	478,791,614,386	Present Value Premium Accounts	97,000,256,688	440,012,227,831
Fixed Assets	12,503,327,714,258	12,133,228,659,168	Present Value Discount Accounts	0	(18,125,751,257)
1. Contributed Assets	10,282,318,822,040	9,037,950,848,077	Long-term Borrowings	1,437,360,000,000	1,442,289,843,376
Investment Securities	8,111,574,398,771	8,321,317,697,490	Exchangeable Bonds	1,813,804,440,000	1,842,760,720,000
Long-term Loans	905,604,175,058	935,849,602,673	Long-term Accrued Expenses	219,991,598,557	144,077,470,701
Allowance for Doubtful Accounts	(386,194,096,293)	(310,292,752,086)	Accounts Payable	561,079,578,337	1,253,423,708,917
Purchased Assets	1,651,334,344,504	91,076,300,000	Financial Derivatives Liabilities	131,812,009	-
2. Indemnity Receivables	1,402,581,081,887	2,721,714,129,182	2. Reserve for Outstanding Claims	2,598,634,679,450	802,060,350,000
Indemnity Receivables	16,431,166,098,366	17,549,832,873,249	Total Liabilities	79,596,943,836,687	107,347,023,180,937
Allowance for Doubtful Accounts	(15,028,585,016,479)	(14,828,118,744,067)	1. DIF	1,520,341,576,948	1,520,341,576,948
3. Other Fixed Assets	818,427,810,331	373,563,681,909	2. DIF Surplus (Net Income)	(59,179,132,561,574)	(86,381,186,504,608)
Long-term Accounts Receivable	818,800,548,296	411,825,000,000		27,202,053,943,034	(28,404,466,651,614)
Present Value Discount Accounts	(11,313,885,440)	(40,992,609,732)	3. Capital Adjustments	(426,330,826,857)	(2,671,452,463,731)
Others	10,941,147,475	2,731,291,641	Total Capitals	(58,085,121,811,483)	(87,532,297,391,391)
Total Assets	21,511,822,025,204	19,814,725,789,546	Total Liabilities and Capitals	21,511,822,025,204	19,814,725,789,546

A-III. Year 2003 Balance Sheets and Profit and Loss Statements

Profit and Loss Statement

Current Period: January 1, 2003 ~ December 31, 2003

Previous Period: January 1, 2002 ~ December 31, 2002

<DIF Bond Repayment Fund>

(Unit: won)

REVENUES	AMOUNT		EXPENSES	AMOUNT	
	Current Period	Previous Period		Current Period	Previous Period
Revenues on Fund	13,318,333,826,746	903,165,308,149	Fund Administrative Expenses	5,870,588,388,067	7,629,033,908,457
1. Special Assessment	624,701,393,827	-	1. KDIC Operation Expenses	50,210,270,619	61,401,148,773
2. Insurance Premium	4,636,981,591	901,820,308,149	2. Reserve Fund Operation Expenses	-	-
3. Contributions	12,688,995,451,328	1,345,000,000	3. Contribution Related Expenses	5,820,378,117,448	7,567,632,759,684
Revenues on Fund Operation	2,103,197,236,096	355,399,071,860	Contribution Expenses	173,424,409,855	198,320,236,359
1. Revenues on Reserve Fund Operation	144,558,574,830	181,200,749,273	Interest on Loans	323,137,210,012	281,196,121,955
Interest on Deposits	81,798,631,066	89,346,545,592	Interest on Outstanding DIF Bonds	5,249,613,401,914	5,960,975,783,083
Interest on Securities	62,759,943,764	79,591,604,962	Losses on Sale of Long-term Securities	-	1,113,642,233,183
Gains on Sale of Securities	-	9,857,788	Others	74,203,095,667	13,498,385,104
Profit from Revaluation of Securities	-	12,252,740,931	Expenses Outside of DIF Repayment Fund	2,603,962,835,129	22,275,303,097,613
2. Revenues on Contribution Operation	1,958,638,661,266	174,198,322,587	1. Bad Debt Expenses	-	2,957,223,122,660
Dividends Earnings	64,236,832,863	4,901,413,348	2. Impairment Losses on Investment Securities	74,209,000,000	18,390,093,364,953
Interest on loans	1,145,171,993,562	30,524,323,635	3. Losses on Foreign Currency Translation	2,604,680,000	125,926,260,000
Gains on Sale of Long-term Securities	746,974,914,589	53,933,640,000	4. Contribution to Reserve for Outstanding Claims	2,059,634,679,450	802,060,350,000
Others	2,254,920,252	84,838,945,604	5. Others	467,514,475,679	-
Revenues Outside of DIF Repayment Fund	20,255,074,103,388	241,305,974,447	Total Expenses	8,474,551,223,196	29,904,337,006,070
1. Reversal of Allowance for Doubtful Accounts	983,060,278,832	-	Net Income	27,202,053,943,034	(28,404,466,651,614)
2. Recovery of Impairment Losses on Investment Securities	431,098,055,859	-			
3. Gains on Foreign Currency Translation	5,667,480,000	152,455,777,922			
4. Reversal of Reserve for Outstanding Claims	263,060,350,000	-			
5. Gains from Liabilities Exempted	18,559,431,999,370	-			
6. Others	12,755,939,327	88,850,196,525			
Total Revenues	35,676,605,166,230	1,499,870,354,456			

A-III. Year 2003 Balance Sheets and Profit and Loss Statements

Balance Sheet(Banks Account)

Current Period: As of December 31, 2003
Previous Period: As of December 31, 2002

<DIF Bond Repayment Fund>

(Unit: won)

ASSETS	AMOUNT		LIABILITIES and CAPITALS	AMOUNT	
	Current Period	Previous Period		Current Period	Previous Period
Current Assets	2,930,631,304,507	2,888,707,854,228	Current Liabilities	7,669,364,195,927	12,359,253,701,300
1. Operating Assets	1,396,569,512,998	1,467,815,159,358	1. Contributed Liabilities	7,527,949,902,837	12,187,779,368,383
Deposits	1,216,912,664,301	723,160,259,358	Short-term Borrowings	-	9,424,503,665,576
Securities	179,656,848,697	744,654,900,000	Outstanding DIF Bonds	7,520,718,501,892	2,763,275,702,807
2. Contributed Assets	1,505,821,946,435	1,287,798,999,977	Present Value Premium Accounts	14,264,266,039	-
Short-term Loans	4,731,670,287,226	4,451,982,296,803	Present Value Discount Accounts	(7,032,865,094)	-
Allowance for Doubtful Accounts	(3,225,848,340,791)	(3,164,183,296,826)	2. Other Current Liabilities	141,414,293,090	171,474,332,917
3. Other Current Assets	28,239,845,074	133,093,694,893	Long-term Liabilities	26,596,222,108,354	34,194,267,950,700
Accounts Receivable	2,362,414,311	66,543,342	1. Contributed Liabilities	26,596,222,108,354	34,194,267,950,700
Present Value Discount Accounts	-	-	Outstanding DIF Bonds	24,299,792,396,426	31,863,479,539,852
Others	25,877,430,763	133,027,151,551	Present Value Premium Accounts	23,073,673,371	103,179,493,974
Fixed Assets	8,806,125,655,151	7,128,120,972,602	Present Value Discount Accounts	-	-
1. Contributed Assets	7,909,687,702,219	7,041,014,917,235	Long-term Borrowings	239,560,000,000	240,770,726,173
Investment Securities	6,258,353,357,715	6,949,938,617,235	Exchangeable Bonds	1,813,804,440,000	1,842,760,720,000
Long-term Loans	-	-	Long-term Accrued Expenses	219,991,598,557	144,077,470,701
Allowance for Doubtful Accounts	-	-	Accounts Payable	-	-
Purchased Assets	1,651,334,344,504	91,076,300,000	Financial Derivatives Liabilities	-	-
2. Indemnity Receivables	84,625,026,293	87,106,055,367	2. Reserve for Outstanding Claims	-	-
Indemnity Receivables	8,174,920,342,013	8,284,610,171,705	Total Liabilities	34,265,586,304,281	46,553,521,652,000
Allowance for Doubtful Accounts	(8,090,295,315,720)	(8,197,504,116,338)	1. DIF	228,662,270,600	228,662,270,600
3. Other Fixed Assets	811,812,926,639	-	2. DIF Surplus (Net Income)	(24,504,926,245,189)	(36,317,275,759,030)
Long-term Accounts Receivable	818,800,548,296	-		11,812,500,889,749	(5,644,786,674,757)
Present Value Discount Accounts	(11,313,885,440)	-	3. Capital Adjustments	1,747,434,629,966	(448,079,336,740)
Others	4,326,263,783	-	Total Capitals	(22,528,829,344,623)	(36,536,692,825,170)
Total Assets	11,736,756,959,658	10,016,828,826,830	Total Liabilities and Capitals	11,736,756,959,658	10,016,828,826,830

A-III. Year 2003 Balance Sheets and Profit and Loss Statements

Profit and Loss Statement(Banks Account)

Current Period: January 1, 2003 ~ December 31, 2003

Previous Period: January 1, 2002 ~ December 31, 2002

<DIF Bond Repayment Fund>

(Unit: won)

REVENUES	Amount		EXPENSES	Amount	
	Current Period	Previous Period		Current Period	Previous Period
Revenues on Fund	4,090,564,540,706	448,695,145,323	Fund Administrative Expenses	2,457,408,206,056	2,766,857,641,799
1. Special Assessment	477,476,428,447	-	1. KDIC Operation Expenses	17,378,645,496	25,824,095,179
2. Insurance Premium	3,814,820,020	448,570,145,323	2. Reserve Fund Operation Expenses	-	-
3. Contributions	3,609,273,292,239	125,000,000	3. Contribution Related Expenses	2,440,029,560,560	2,741,033,546,620
Revenues on Fund Operation	1,916,795,392,829	318,742,260,753	Contribution Expenses	125,829,808,355	54,862,614,359
1. Revenues on Reserve Fund Operation	42,114,288,227	71,382,404,113	Interest on Loans	128,529,602,813	119,001,177,763
Interest on Deposits	27,764,960,099	41,802,979,214	Interest on Outstanding DIF Bonds	2,147,846,329,143	2,546,842,623,150
Interest on Securities	14,349,328,128	26,412,924,026	Losses on Sale of Long-term Securities	-	10,731,160,167
Gains on Sale of Securities	-	5,403,295	Others	37,823,820,249	9,595,971,181
Profit from Revaluation of Securities	-	3,161,097,578	Expenses Outside of DIF Repayment Fund	1,169,418,108,900	3,797,958,576,938
2. Revenues on Contribution Operation	1,874,681,104,602	247,359,856,640	1. Bad Debt Expenses	976,148,661,282	885,225,457,214
Dividends Earnings	63,261,508,912	4,901,413,348	2. Impairment Losses on Investment Securities	74,209,000,000	2,786,510,000,000
Interest on loans	1,063,388,771,598	29,102,039,550	3. Losses on Foreign Currency Translation	2,604,680,000	125,926,260,000
Gains on Sale of Long-term Securities	746,974,914,589	153,153,701,975	4. Contribution to Reserve for Claims	-	-
Others	1,055,909,503	60,202,701,767	5. Others	116,455,767,618	296,859,724
Revenues Outside of DIF Repayment Fund	9,431,967,271,170	152,592,137,904	Total Expenses	3,626,826,314,956	6,564,816,218,737
1. Reversal of Allowance for Doubtful Accounts	-	-	Net Income	11,812,500,889,749	(5,644,786,674,757)
2. Recovery of Impairment Losses on Investment Securities	-	-			
3. Gains on Foreign Currency Translation	3,067,480,000	151,138,589,457			
4. Reversal of Reserve for Outstanding Claims	-	-			
5. Gains from Liabilities Exempted	9,424,503,665,576	-			
6. Others	4,396,125,594	1,453,548,447			
Total Revenues	15,439,327,204,705	920,029,543,980			

A-III. Year 2003 Balance Sheets and Profit and Loss Statements

Balance Sheet(Securities Companies Account)

Current Period: As of December 31, 2003
Previous Period: As of December 31, 2002

<DIF Bond Repayment Fund>

(Unit: won)

ASSETS	AMOUNT		LIABILITIES and CAPITALS	AMOUNT	
	Current Period	Previous Period		Current Period	Previous Period
Current Assets	6,547,810,215	93,088,701,190	Current Liabilities	1,728,416,785,016	2,554,251,484,774
1. Operating Assets	4,440,926,424	74,778,265,886	1. Contributed Liabilities	1,671,580,475,820	2,461,204,564,704
Deposits	4,440,926,424	24,352,305,886	Short-term Borrowings	1,000,000,000,000	2,347,026,607,161
Securities	-	50,425,960,000	Outstanding DIF Bonds	671,580,475,820	114,177,957,543
2. Contributed Assets	-	-	Present Value Premium Accounts	-	-
Short-term Loans	-	-	Present Value Discount Accounts	-	-
Allowance for Doubtful Accounts	-	-	2. Other Current Liabilities	56,836,309,196	93,046,920,070
3. Other Current Assets	2,106,883,791	18,310,435,304	Long-term Liabilities	5,025,142,253,571	3,218,953,125,232
Accounts Receivable	1,517,387,470	11,000,899	1. Contributed Liabilities	3,502,513,053,571	3,218,953,125,232
Present Value Discount Accounts	-	-	Outstanding DIF Bonds	3,502,513,053,571	3,218,847,172,647
Others	589,496,321	18,299,434,405	Present Value Premium Accounts	-	-
Fixed Assets	89,862,629	1,949,667,527	Present Value Discount Accounts	-	-
1. Contributed Assets	-	-	Long-term Borrowings	-	105,952,585
Investment Securities	-	-	Exchangeable Bonds	-	-
Long-term Loan	-	-	Long-term Accrued Expenses	-	-
Allowance for Doubtful Accounts	-	-	Accounts Payable	-	-
Purchased Assets	-	-	Financial Derivatives Liabilities	-	-
2. Indemnity Receivables	89,726,270	1,947,069,420	2. Reserve for Outstanding Claims	1,522,629,200,000	-
Indemnity Receivables	8,341,045,739	8,871,890,926	Total Liabilities	6,753,559,038,587	5,773,204,610,006
Allowance for Doubtful Accounts	(8,251,319,469)	(6,924,821,506)	1. DIF	6,804,183,773	6,804,183,773
3. Other Fixed Assets	136,359	2,598,107	2. DIF Surplus (Net Income)	(6,753,725,549,516)	(5,684,970,425,062)
Long-term Accounts Receivable	-	-	(1,068,755,124,454)	(1,068,755,124,454)	(5,199,851,396,041)
Present Value Discount Accounts	-	-	3. Capital Adjustments	-	-
Others	136,359	2,598,107	Total Capitals	(6,746,921,365,743)	(5,678,166,241,289)
Total Assets	6,637,672,844	95,038,368,717	Total Liabilities and Capitals	6,637,672,844	95,038,368,717

A-III. Year 2003 Balance Sheets and Profit and Loss Statements

Profit and Loss Statement(Securities Companies Account)

Current Period: January 1, 2003 ~ December 31, 2003

Previous Period: January 1, 2002 ~ December 31, 2002

<DIF Bond Repayment Fund>

(Unit: won)

REVENUES	AMOUNT		EXPENSES	AMOUNT	
	Current Period	Previous Period		Current Period	Previous Period
Revenues on Fund	460,127,225,137	23,601,699,597	Fund Administrative Expenses	335,577,709,975	325,796,846,137
1. Special Assessment	15,575,548,800	-	1. KDIC Operation Expenses	2,976,689,059	4,269,221,869
2. Insurance Premium	20,832,945	23,101,699,597	2. Reserve Fund Operation Expenses	-	-
3. Contributions	444,530,843,392	500,000,000	3. Contribution Related Expenses	332,601,020,916	321,527,624,268
Revenues on Fund Operation	880,991,919	4,419,787,832	Contribution Expenses	-	-
1. Revenues on Reserve Fund Operation	880,991,919	3,532,067,696	Interest on Loans	150,057,760,433	119,467,949,426
Interest on Deposits	685,863,389	2,497,620,863	Interest on Outstanding DIF Bonds	182,004,493,053	202,059,209,008
Interest on Securities	195,128,530	891,184,373	Losses on Sale of Long-term Securities	-	-
Gains on Sale of Securities	-	-	Others	538,767,430	465,834
Profit from Revaluation of Securities	-	143,262,460	Expenses Outside of DIF Repayment Fund	1,541,212,771,522	4,902,089,901,753
2. Revenues on Contribution Operation	-	887,720,136	1. Bad Debt Expenses	1,328,959,711	1,815,755,038
Dividends Earnings	-	-	2. Impairment Losses on Investment Securities	-	4,900,000,000,000
Interest on loans	-	-	3. Losses on Foreign Currency Translation	-	-
Gains on Sale of Long-term Securities	-	-	4. Contribution to Reserve for Outstanding Claims	1,522,629,200,000	-
Others	-	887,720,136	5. Others	17,254,611,811	274,146,715
Revenues Outside of DIF Repayment Fund	347,027,139,987	13,864,420	Total Expenses	1,876,790,481,497	5,227,886,747,890
1. Reversal of Allowance for Doubtful Accounts	-	-	Net Income	(1,068,755,124,454)	(5,199,851,396,041)
2. Recovery of Impairment Losses on Investment Securities	-	-			
3. Gains on Foreign Currency Translation	-	11,094,835			
4. Reversal of Reserve for Outstanding Claims	-	-			
5. Gains from Liabilities Exempted	347,026,607,161	-			
6. Others	532,826	2,769,585			
Total Revenues	808,035,357,043	28,035,351,849			

A-III. Year 2003 Balance Sheets and Profit and Loss Statements

Balance Sheet(Life Insurance Companies Account)

Current Period: As of December 31, 2003

Previous Period: As of December 31, 2002

<DIF Bond Repayment Fund>

(Unit: won)

ASSETS	AMOUNT		LIABILITIES and CAPITALS	AMOUNT	
	Current Period	Previous Period		Current Period	Previous Period
Current Assets	634,344,656,307	1,061,670,185,146	Current Liabilities	163,621,741,572	2,490,920,411,250
1. Operating Assets	105,463,512,001	765,416,122,393	1. Contributed Liabilities	132,350,473,915	2,448,426,785,933
Deposits	105,463,512,001	261,865,232,393	Short-term Borrowings	-	1,732,153,058,372
Securities	-	503,550,890,000	Outstanding DIF Bonds	132,350,473,915	716,273,727,561
2. Contributed Assets	120,558,842,198	120,333,231,493	Present Value Premium Accounts	-	-
Short-term Loans	221,763,000,000	227,000,000,000	Present Value Discount Accounts	-	-
Allowance for Doubtful Accounts	(101,204,157,802)	(106,666,768,507)	2. Other Current Liabilities	31,271,267,657	42,493,625,317
3. Other Current Assets	408,322,302,108	175,920,831,260	Long-term Liabilities	6,686,490,473,916	6,844,256,145,245
Accounts Receivable	421,426,830,711	33,786,367	1. Contributed Liabilities	6,686,490,473,916	6,819,816,795,245
Present Value Discount Accounts	(18,740,577,287)	-	Outstanding DIF Bonds	6,686,490,473,916	6,819,433,782,081
Others	5,636,048,684	175,887,044,893	Present Value Premium Accounts	-	-
Fixed Assets	981,839,551,235	1,203,308,548,347	Present Value Discount Accounts	-	-
1. Contributed Assets	934,095,404,906	791,472,500,000	Long-term Borrowings	-	383,013,164
Investment Securities	934,095,404,906	791,472,500,000	Exchangeable Bonds	-	-
Long-term Loans	-	-	Long-term Accrued Expenses	-	-
Allowance for Doubtful Accounts	-	-	Accounts Payable	-	-
Purchased Assets	-	-	Financial Derivatives Liabilities	-	-
2. Indemnity Receivables	47,744,146,329	40,962,897,799	2. Reserve for Outstanding Claims	-	24,439,350,000
Indemnity Receivables	2,301,866,736,313	2,178,316,818,228	Total Liabilities	6,850,112,215,488	9,335,176,556,495
Allowance for Doubtful Accounts	(2,254,122,589,984)	(2,137,353,920,429)	1. DIF	122,743,923,356	122,743,923,356
3. Other Fixed Assets	-	370,873,150,548	2. DIF Surplus (Net Income)	(5,356,671,931,302)	(7,192,941,746,358)
Long-term Accounts Receivable	-	411,825,000,000		1,836,269,815,056	(2,452,135,054,542)
Present Value Discount Accounts	-	(40,992,609,732)	3. Capital Adjustments	-	-
Others	-	40,760,280	Total Capitals	(5,233,928,007,946)	(7,070,197,823,002)
Total Assets	1,616,184,207,542	2,264,978,733,493	Total Liabilities and Capitals	1,616,184,207,542	2,264,978,733,493

A-III. Year 2003 Balance Sheets and Profit and Loss Statements

Profit and Loss Statement(Life Insurance Companies Account)

Current Period: January 1, 2003 ~ December 31, 2003

Previous Period: January 1, 2002 ~ December 31, 2002

<DIF Bond Repayment Fund>

(Unit: won)

REVENUES	AMOUNT		EXPENSES	AMOUNT	
	Current Period	Previous Period		Current Period	Previous Period
Revenues on Fund	565,314,327,988	237,596,705,600	Fund Administrative Expenses	385,812,986,226	1,621,983,444,566
1. Special Assessment	88,887,980,355	-	1. KDIC Operation Expenses	4,311,594,012	13,111,790,618
2. Insurance Premium	3,940,948	237,596,705,600	2. Reserve Fund Operation Expenses	-	-
3. Contributions	476,422,406,685	-	3. Contribution Related Expenses	381,501,392,214	1,608,871,653,948
Revenues on Fund Operation	95,828,906,348	35,568,349,498	Contribution Expenses	3,696,000,000	-
1. Revenues on Reserve Fund Operation	14,861,596,697	35,566,920,543	Interest on Loans	31,005,325	31,709,473
Interest on Deposits	9,713,371,747	15,469,994,069	Interest on Outstanding DIF Bonds	371,132,479,575	580,991,043,658
Interest on Securities	5,148,224,950	17,254,848,641	Losses on Sale of Long-term Securities	-	1,027,842,609,732
Gains on Sale of Securities	-	-	Others	6,641,907,314	6,291,085
Profit from Revaluation of Securities	-	2,842,077,833	Expenses Outside of DIF Repayment Fund	338,414,249,321	1,103,589,253,651
2. Revenues on Contribution Operation	80,967,309,651	1,428,955	1. Bad Debt Expenses	169,341,655,321	130,714,963,982
Dividends Earnings	-	-	2. Impairment Losses on Investment Securities	-	948,027,500,000
Interest on loans	80,267,248,871	-	3. Losses on Foreign Currency Translation	-	-
Gains on Sale of Long-term Securities	-	-	4. Contribution to Reserve for Outstanding Claims	-	24,439,350,000
Others	700,060,780	1,428,955	5. Others	169,072,594,000	407,439,669
Revenues Outside of DIF Repayment Fund	1,899,353,816,267	272,588,577	Total Expenses	724,227,235,547	2,725,572,698,217
1. Reversal of Allowance for Doubtful Accounts	-	-	Net Income	1,836,269,815,056	(2,452,135,054,542)
2. Recovery of Impairment Losses on Investment Securities	142,622,904,906	-			
3. Gains on Foreign Currency Translation	-	40,107,260			
4. Reversal of Reserve for Outstanding Claims	24,439,350,000	-			
5. Gains from Liabilities Exempted	1,732,153,058,372	-			
6. Others	138,502,989	232,481,317			
Total Revenues	2,560,497,050,603	273,437,643,675			

A-III. Year 2003 Balance Sheets and Profit and Loss Statements

Balance Sheet(Non-Life Insurance Companies Account)

Current Period: As of December 31, 2003

Previous Period: As of December 31, 2002

<DIF Bond Repayment Fund>

(Unit: won)

ASSETS	AMOUNT		LIABILITIES and CAPITALS	AMOUNT	
	Current Period	Previous Period		Current Period	Previous Period
Current Assets	91,713,151,945	438,250,654,604	Current Liabilities	1,583,402,202,237	2,261,436,228,296
1. Operating Assets	89,844,544,707	396,789,626,508	1. Contributed Liabilities	1,484,204,654,654	2,178,483,554,732
Deposits	79,890,434,707	179,254,166,508	Short-term Borrowings	-	1,212,580,799,850
Securities	9,954,110,000	217,535,460,000	Outstanding DIF Bonds	1,488,258,009,434	965,902,754,882
2. Contributed Assets	-	-	Present Value Premium Accounts	-	-
Short-term Loans	-	-	Present Value Discount Accounts	(4,053,354,780)	-
Allowance for Doubtful Accounts	-	-	2. Other Current Liabilities	99,197,547,583	82,952,673,564
3. Other Current Assets	1,868,607,238	41,461,028,096	Long-term Liabilities	8,178,197,203,630	9,810,399,323,343
Accounts Receivable	548,663	8,336,018	1. Contributed Liabilities	8,178,197,203,630	9,571,778,323,343
Present Value Discount Accounts	-	-	Outstanding DIF Bonds	6,980,265,391,621	8,389,359,997,513
Others	1,868,058,575	41,452,692,078	Present Value Premium Accounts	-	-
Fixed Assets	800,481,787,843	494,444,135,047	Present Value Discount Accounts	-	(18,075,051,257)
1. Contributed Assets	782,919,286,000	494,444,135,047	Long-term Borrowings	1,197,800,000,000	1,200,493,377,087
Investment Securities	782,919,286,000	494,444,135,047	Exchangeable Bonds	-	-
Long-term Loans	-	-	Long-term Accrued Expenses	-	-
Allowance for Doubtful Accounts	-	-	Accounts Payable	-	-
Purchased Assets	-	-	Financial Derivatives Liabilities	131,812,009	-
2. Indemnity Receivables	12,326,820,000	-	2. Reserve for Outstanding Claims	-	238,621,000,000
Indemnity Receivables	197,592,095,950	295,769,230	Total Liabilities	9,761,599,405,867	12,071,835,551,639
Allowance for Doubtful Accounts	(185,265,275,950)	(295,769,230)	1. DIF	27,155,281,621	27,155,281,621
3. Other Fixed Assets	5,235,681,843	-	2. DIF Surplus (Net Income)	(8,896,562,539,151)	(11,166,296,043,609)
Long-term Accounts Receivable	-	-		2,269,733,504,458	(10,615,094,139,364)
Present Value Discount Accounts	-	-	3. Capital Adjustments	2,791,451	-
Others	5,235,681,843	-	Total Capitals	(8,869,404,466,079)	(11,139,140,761,988)
Total Assets	892,194,939,788	932,694,789,651	Total Liabilities and Capitals	892,194,939,788	932,694,789,651

A-III. Year 2003 Balance Sheets and Profit and Loss Statements

Profit and Loss Statement(Non-Life Insurance Companies Account)

Current Period: January 1, 2003 ~ December 31, 2003
Previous Period: January 1, 2002 ~ December 31, 2002

<DIF Bond Repayment Fund>

(Unit: won)

REVENUES	AMOUNT		EXPENSES	AMOUNT	
	Current Period	Previous Period		Current Period	Previous Period
Revenues on Fund	1,414,292,820,150	54,689,445,340	Fund Administrative Expenses	675,666,545,497	774,342,742,350
1. Special Assessment	18,460,729,225	-	1. KDIC Operation Expenses	5,549,839,805	3,235,037,215
2. Insurance Premium	-	54,359,445,340	2. Reserve Fund Operation Expenses	-	-
3. Contributions	1,395,832,090,925	330,000,000	3. Contribution Related Expenses	670,116,705,692	771,107,705,135
Revenues on Fund Operation	5,893,355,899	11,754,535,226	Contribution Expenses	-	86,856,000,000
1. Revenues on Reserve Fund Operation	5,876,144,211	11,107,673,497	Interest on Loans	44,259,125,628	42,650,847,161
Interest on Deposits	2,833,771,132	4,111,641,753	Interest on Outstanding DIF Bonds	620,201,812,990	641,600,429,568
Interest on Securities	3,042,373,079	3,450,352,959	Losses on Sale of Long-term Securities	-	-
Gains on Sale of Securities	-	-	Others	5,655,767,074	428,406
Profit from Revaluation of Securities	-	3,545,678,785	Expenses Outside of DIF Repayment	224,779,857,718	9,994,995,765,923
2. Revenues on Contribution Operation	17,211,688	646,861,729	1. Bad Debt Expenses	184,969,506,720	-
Dividends Earnings	-	-	2. Impairment Losses on Investment Securities	-	9,755,555,864,953
Interest on loans	-	-	3. Losses on Foreign Currency Translation	-	-
Gains on Sale of Long-term Securities	-	-	4. Contribution to Reserve for Outstanding Claims	-	238,621,000,000
Others	17,211,688	646,861,729	5. Others	39,810,350,998	818,900,970
Revenues Outside of DIF Repayment Fund	1,749,993,731,624	87,800,388,343	Total Expenses	900,446,403,215	10,769,338,508,273
1. Reversal of Allowance for Doubtful Accounts	-	-	Net Income	2,269,733,504,458	(10,615,094,139,364)
2. Recovery of Impairment Losses on Investment Securities	288,475,150,953	-			
3. Gains on Foreign Currency Translation	2,600,000,000	1,209,777,990			
4. Reversal of Reserve for Outstanding Claims	238,621,000,000	-			
5. Gains from Liabilities Exempted	1,212,580,799,850	-			
6. Others	7,716,780,821	86,590,610,353			
Total Revenues	3,170,179,907,673	154,244,368,909			

A-III. Year 2003 Balance Sheets and Profit and Loss Statements

Balance Sheet(Merchant Banks Account)

Current Period: As of December 31, 2003
Previous Period: As of December 31, 2002

<DIF Bond Repayment Fund>

(Unit: won)

ASSETS	AMOUNT		LIABILITIES and CAPITALS	AMOUNT	
	Current Period	Previous Period		Current Period	Previous Period
Current Assets	897,779,691,060	660,265,179,452	Current Liabilities	4,720,837,733,539	6,627,837,419,175
1. Operating Assets	39,337,359,381	639,703,722,478	1. Contributed Liabilities	4,533,388,948,685	6,404,512,287,770
Deposits	39,337,359,381	307,199,962,478	Short-term Borrowings	0	3,889,908,149,810
Securities	-	332,503,760,000	Outstanding DIF Bonds	4,492,051,904,520	2,514,604,137,960
2. Contributed Assets	856,422,086,166	-	Present Value Premium Accounts	41,337,044,165	-
Short-term Loans	12,556,074,000,000	12,556,074,000,000	Present Value Discount Accounts	-	-
Allowance for Doubtful Accounts	(11,699,651,913,834)	(12,556,074,000,000)	2. Other Current Liabilities	187,448,784,854	223,325,131,405
3. Other Current Assets	2,020,245,513	20,561,456,974	Long-term Liabilities	10,242,419,872,446	15,014,759,303,088
Accounts Receivable	912,602	9,771,545	1. Contributed Liabilities	9,171,414,392,996	14,475,759,303,088
Present Value Discount Accounts	-	-	Outstanding DIF Bonds	8,536,408,231,342	12,885,310,252,581
Others	2,019,332,911	20,551,685,429	Present Value Premium Accounts	73,926,583,317	336,832,733,857
Fixed Assets	490,762,491,245	1,236,754,842,641	Present Value Discount Accounts	-	-
1. Contributed Assets	142,262,070,514	85,909,553,099	Long-term Borrowings	-	192,607,733
Investment Securities	136,204,260,650	85,459,080,208	Exchangeable Bonds	-	-
Long-term Loans	126,012,008,572	136,733,246,420	Long-term Accrued Expenses	-	-
Allowance for Doubtful Accounts	(119,954,198,708)	(136,282,773,529)	Accounts Payable	561,079,578,337	1,253,423,708,917
Purchased Assets	-	-	Financial Derivatives Liabilities	-	-
2. Indemnity Receivables	347,546,492,429	1,148,612,571,251	2. Reserve for Outstanding Claims	1,071,005,479,450	539,000,000,000
Indemnity Receivables	2,846,550,840,294	3,538,798,649,430	Total Liabilities	14,963,257,605,985	21,642,596,722,263
Allowance for Doubtful Accounts	(2,499,004,347,865)	(2,390,186,078,179)	1. DIF	986,501,916,023	986,501,916,023
3. Other Fixed Assets	953,928,302	2,232,718,291	2. DIF Surplus (Net Income)	(12,387,975,863,742)	(18,508,705,489,202)
Long-term Accounts Receivable	-	-		6,120,578,249,552	(1,772,075,326,587)
Present Value Discount Accounts	-	-	3. Capital Adjustments	(2,173,241,475,961)	(2,223,373,126,991)
Others	953,928,302	2,232,718,291	Total Capitals	(13,574,715,423,680)	(19,745,576,700,170)
Total Assets	1,388,542,182,305	1,897,020,022,093	Total Liabilities and Capitals	1,388,542,182,305	1,897,020,022,093

A-III. Year 2003 Balance Sheets and Profit and Loss Statements

Profit and Loss Statement(Merchant Banks Account)

Current Period: January 1, 2003 ~ December 31, 2003

Previous Period: January 1, 2002 ~ December 31, 2002

<DIF Bond Repayment Fund>

(Unit: won)

REVENUES	AMOUNT		EXPENSES	AMOUNT	
	Current Period	Previous Period		Current Period	Previous Period
Revenues on Fund	3,175,189,137,974	1,963,535,000	Fund Administrative Expenses	1,160,517,825,020	1,448,443,568,461
1. Special Assessment	2,051,155,000	-	1. KDIC Operation Expenses	9,438,052,853	3,792,134,943
2. Insurance Premium	-	1,963,535,000	2. Reserve Fund Operation Expenses	-	-
3. Contributions	3,173,137,982,974	-	3. Contribution Related Expenses	1,151,079,772,167	1,444,651,433,518
Revenues on Fund Operation	12,368,523,157	55,333,231,018	Contribution Expenses	-	-
1. Revenues on Reserve Fund Operation	11,393,199,206	31,525,305,696	Interest on Loans	231,855,861	15,945,466
Interest on Deposits	6,144,342,768	10,988,895,085	Interest on Outstanding DIF Bonds	1,141,896,696,382	1,267,645,290,905
Interest on Securities	5,248,856,438	19,401,403,623	Losses on Sale of Long-term Securities	-	174,288,525,259
Gains on Sale of Securities	-	4,454,493	Others	8,951,219,924	2,701,671,888
Profit from Revaluation of Securities	-	1,130,552,495	Expenses Outside of DIF Repayment	561,845,227,674	540,954,695,742
2. Revenues on Contribution Operation	975,323,951	23,807,925,322	1. Bad Debt Expenses	-	-
Dividends Earnings	975,323,951	-	2. Impairment Losses on Investment Securities	-	-
Interest on loans	-	804,659,134	3. Losses on Foreign Currency Translation	-	-
Gains on Sale of Long-term Securities	-	-	4. Contribution to Reserve for Outstanding Claims	532,005,479,450	539,000,000,000
Others	-	23,003,266,188	5. Others	29,839,748,224	1,954,695,742
Revenues Outside of DIF Repayment Fund	4,655,383,641,115	160,026,171,598	Total Expenses	1,722,363,052,694	1,989,398,264,203
1. Reversal of Allowance for Doubtful Accounts	764,514,041,775	157,810,631,858	Net Income	6,120,578,249,552	(1,772,075,326,587)
2. Recovery of Impairment Losses on Investment Securities	-	-			
3. Gains on Foreign Currency Translation	-	20,168,937			
4. Reversal of Reserve for Outstanding Claims	-	-			
5. Gains from Liabilities Exempted	3,889,908,149,810	-			
6. Others	961,449,530	2,195,370,803			
Total Revenues	7,842,941,302,246	217,322,937,616			

A-III. Year 2003 Balance Sheets and Profit and Loss Statements

Balance Sheet(Mutual Savings Banks Account)

Current Period: As of December 31, 2003

Previous Period: As of December 31, 2002

<DIF Bond Repayment Fund>

(Unit: won)

ASSETS	AMOUNT		LIABILITIES and CAPITALS	AMOUNT	
	Current Period	Previous Period		Current Period	Previous Period
Current Assets	3,330,590,249,267	2,192,322,202,724	Current Liabilities	1,406,959,771,274	2,909,765,483,259
1. Operating Assets	1,911,191,751,360	225,072,084,172	1. Contributed Liabilities	1,350,865,588,549	2,836,297,670,942
Deposits	968,834,707,870	63,884,334,172	Short-term Borrowings	-	1,481,256,353,153
Securities	942,357,043,490	161,187,750,000	Outstanding DIF Bonds	1,350,865,588,549	1,355,041,317,789
2. Contributed Assets	1,407,636,331,001	1,932,409,302,878	Present Value Premium Accounts	-	-
Short-term Loans	3,657,816,000,000	5,721,069,000,000	Present Value Discount Accounts	-	-
Allowance for Doubtful Accounts	(2,250,179,668,999)	(3,788,659,697,122)	2. Other Current Liabilities	56,094,182,725	73,467,812,317
3. Other Current Assets	11,762,166,906	34,840,815,674	Long-term Liabilities	4,197,128,194,728	5,943,888,337,174
Accounts Receivable	1,156,483	15,120,896	1. Contributed Liabilities	4,192,128,194,728	5,943,888,337,174
Present Value Discount Accounts	-	-	Outstanding DIF Bonds	4,192,128,194,728	5,943,724,751,530
Others	11,761,010,423	34,825,694,778	Present Value Premium Accounts	-	-
Fixed Assets	682,385,028,004	1,116,585,804,997	Present Value Discount Accounts	-	(40,803,450)
1. Contributed Assets	513,354,358,401	625,106,165,000	Long-term Borrowings	-	204,389,094
Investment Securities	2,089,500	3,365,000	Exchangeable Bonds	-	-
Long-term Loans	779,419,012,716	798,919,968,339	Long-term Accrued Expenses	-	-
Allowance for Doubtful Accounts	(266,066,743,815)	(173,817,168,339)	Accounts Payable	-	-
Purchased Assets	-	-	Financial Derivatives Liabilities	-	-
2. Indemnity Receivables	168,938,504,173	491,387,474,567	2. Reserve for Outstanding Claims	5,000,000,000	-
Indemnity Receivables	510,583,233,645	961,012,867,013	Total Liabilities	5,604,087,966,002	8,853,653,820,433
Allowance for Doubtful Accounts	(341,644,729,472)	(469,625,392,446)	1. DIF	115,774,188,200	115,774,188,200
3. Other Fixed Assets	92,165,430	92,165,430	2. DIF Surplus (Net Income)	(1,706,250,236,733)	(5,660,520,000,912)
Long-term Accounts Receivable	-	-	3,954,269,764,179	(1,637,044,213,778)	
Present Value Discount Accounts	-	-	3. Capital Adjustments	(636,640,198)	-
Others	92,165,430	92,165,430	Total Capitals	(1,591,112,688,731)	(5,544,745,812,712)
Total Assets	4,012,975,277,271	3,308,908,007,721	Total Liabilities and Capitals	4,012,975,277,271	3,308,908,007,721

A-III. Year 2003 Balance Sheets and Profit and Loss Statements

Profit and Loss Statement(Mutual Savings Banks Account)

Current Period: January 1, 2003 ~ December 31, 2003

Previous Period: January 1, 2002 ~ December 31, 2002

<DIF Bond Repayment Fund>

(Unit: won)

REVENUES	AMOUNT		EXPENSES	AMOUNT	
	Current Period	Previous Period		Current Period	Previous Period
Revenues on Fund	1,472,452,205,889	65,847,577,227	Fund Administrative Expenses	593,324,937,301	639,589,924,858
1. Special Assessment	22,249,552,000	-	1. KDIC Operation Expenses	5,909,592,921	5,868,107,782
2. Insurance Premium	48,111,922	65,457,577,227	2. Reserve Fund Operation Expenses	-	-
3. Contributions	1,450,154,541,967	390,000,000	3. Contribution Related Expenses	587,415,344,380	633,721,817,076
Revenues on Fund Operation	57,202,632,278	14,504,458,002	Contribution Expenses	43,898,601,500	56,601,622,000
1. Revenues on Reserve Fund Operation	55,231,586,618	14,035,095,327	Interest on Loans	16,545,144	16,920,894
Interest on Deposits	26,178,233,014	7,698,671,334	Interest on Outstanding DIF Bonds	540,379,549,073	576,576,264,575
Interest on Securities	29,053,353,604	5,878,941,593	Losses on Sale of Long-term Securities	-	-
Gains on Sale of Securities	-	-	Others	3,120,648,663	527,009,607
Profit from Revaluation of Securities	-	457,482,400	Expenses Outside of DIF Repayment Fund	37,567,750,000	1,078,666,818,959
2. Revenues on Contribution Operation	1,971,045,660	469,362,675	1. Bad Debt Expenses	-	1,078,567,537,550
Dividends Earnings	-	-	2. Impairment Losses on Investment Securities	-	-
Interest on loans	1,493,122,769	375,796,708	3. Losses on Foreign Currency Translation	-	-
Gains on Sale of Long-term Securities	-	-	4. Contribution to Reserve for Outstanding Claims	5,000,000,000	-
Others	477,922,891	93,565,967	5. Others	32,567,750,000	99,281,409
Revenues Outside of DIF Repayment Fund	3,055,507,613,313	860,494,810	Total Expenses	630,892,687,301	1,718,256,743,817
1. Reversal of Allowance for Doubtful Accounts	1,574,211,115,621	-	Net Income	3,954,269,764,179	(1,637,044,213,778)
2. Recovery of Impairment Losses on Investment Securities	-	-			
3. Gains on Foreign Currency	-	21,402,624			
4. Reversal of Reserve for Outstanding Claims	-	-			
5. Gains from Liabilities Exempted	1,481,256,353,153	-			
6. Others	40,144,539	839,092,186			
Total Revenues	4,585,162,451,480	81,212,530,039			

A-III. Year 2003 Balance Sheets and Profit and Loss Statements

Balance Sheet(Credit Unions Account)

Current Period: As of December 31, 2003
Previous Period: As of December 31, 2002

<DIF Bond Repayment Fund>

(Unit: won)

ASSETS	AMOUNT		LIABILITIES and CAPITALS	AMOUNT	
	Current Period	Previous Period		Current Period	Previous Period
Current Assets	1,116,887,477,645	357,828,165,034	Current Liabilities	981,773,572,077	1,796,482,695,315
1. Operating Assets	1,111,371,589,505	292,430,782,820	1. Contributed Liabilities	965,746,245,866	1,779,871,766,906
Deposits	281,312,205,890	40,419,302,820	Short-term Borrowings	-	472,003,365,448
Securities	830,059,383,615	252,011,480,000	Outstanding DIF Bonds	965,746,245,866	1,307,868,401,458
2. Contributed Assets	-	-	Present Value Premium Accounts	-	-
Short-term Loans	-	-	Present Value Discount Accounts	-	-
Allowance for Doubtful Accounts	-	-	2. Other Current Liabilities	16,027,326,211	16,610,928,409
3. Other Current Assets	5,515,888,140	65,397,382,214	Long-term Liabilities	416,967,758,400	1,331,187,384,786
Accounts Receivable	922,792	13,658,962	1. Contributed Liabilities	416,967,758,400	1,331,187,384,786
Present Value Discount Accounts	-	-	Outstanding DIF Bonds	416,967,758,400	1,331,057,503,796
Others	5,514,965,348	65,383,723,252	Present Value Premium Accounts	-	-
Fixed Assets	741,643,338,151	952,064,688,007	Present Value Discount Accounts	-	(9,896,550)
1. Contributed Assets	-	3,577,696	Long-term Borrowings	-	139,777,540
Investment Securities	-	-	Exchangeable Bonds	-	-
Long-term Loans	173,153,770	196,387,914	Long-term Accrued Expenses	-	-
Allowance for Doubtful Accounts	(173,153,770)	(192,810,218)	Accounts Payable	-	-
Purchased Assets	-	-	Financial Derivatives Liabilities	-	-
2. Indemnity Receivables	741,310,366,393	951,698,060,778	2. Reserve for Outstanding Claims	-	-
Indemnity Receivables	2,391,311,804,412	2,577,926,706,717	Total Liabilities	1,398,741,330,477	3,127,670,080,101
Allowance for Doubtful Accounts	(1,650,001,438,019)	(1,626,228,645,939)	1. DIF	32,699,813,375	32,699,813,375
3. Other Fixed Assets	332,971,758	363,049,533	2. DIF Surplus (Net Income)	426,979,804,059	(1,850,477,040,435)
Long-term Accounts Receivable	-	-		2,277,456,844,494	(1,083,479,846,545)
Present Value Discount Accounts	-	-	3. Capital Adjustments	109,867,885	-
Others	332,971,758	363,049,533	Total Capitals	459,789,485,319	(1,817,777,227,060)
Total Assets	1,858,530,815,796	1,309,892,853,041	Total Liabilities and Capitals	1,858,530,815,796	1,309,892,853,041

A-III. Year 2003 Balance Sheets and Profit and Loss Statements

Profit and Loss Statement(Credit Unions Account)

Current Period: January 1, 2003 ~ December 31, 2003

Previous Period: January 1, 2002 ~ December 31, 2002

<DIF Bond Repayment Fund>

(Unit: won)

REVENUES	AMOUNT		EXPENSES	AMOUNT	
	Current Period	Previous Period		Current Period	Previous Period
Revenues on Fund	2,140,393,568,902	70,771,200,062	Fund Administrative Expenses	262,280,177,992	151,239,802,261
1. Special Assessment	-	-	1. KDIC Operation Expenses	4,645,856,473	5,300,761,167
2. Insurance Premium	749,275,756	70,771,200,062	2. Reserve Fund Operation Expenses	-	-
3. Contributions	2,139,644,293,146	-	3. Contribution Related Expenses	257,634,321,519	145,939,041,094
Revenues on Fund Operation	14,227,433,666	14,296,511,506	Contribution Expenses	-	-
1. Revenues on Reserve Fund Operation	14,200,767,952	14,051,282,401	Interest on Loans	11,314,808	11,571,772
Interest on Deposits	8,478,088,917	6,776,743,274	Interest on Outstanding DIF Bonds	246,152,041,698	145,260,922,219
Interest on Securities	5,722,679,035	6,301,949,747	Losses on Sale of Long-term Securities	-	-
Gains on Sale of Securities	-	-	Others	11,470,965,013	666,547,103
Profit from Revaluation of Securities	-	972,589,380	Expenses Outside of DIF Repayment Fund	86,887,345,530	1,018,710,040,734
2. Revenues on Contribution Operation	26,665,714	245,229,105	1. Bad Debt Expenses	23,876,095,530	1,018,710,040,734
Dividends Earnings	-	-	2. Impairment Losses on Investment Securities	-	-
Interest on loans	22,850,324	241,828,243	3. Losses on Foreign Currency Translation	-	-
Gains on Sale of Long-term Securities	-	-	4. Contribution to Reserve for Outstanding Claims	-	-
Others	3,815,390	3,400,862	5. Others	63,011,250,000	-
Revenues Outside of DIF Repayment Fund	472,003,365,448	1,402,284,882	Total Expenses	349,167,523,522	1,169,949,842,995
1. Reversal of Allowance for Doubtful Accounts	-	-	Net Income	2,277,456,844,494	(1,083,479,846,545)
2. Recovery of Impairment Losses on Investment Securities	-	-			
3. Gains on Foreign Currency Translation	-	14,636,819			
4. Reversal of Reserve for Outstanding Claims	-	-			
5. Gains from Liabilities Exempted	472,003,365,448	-			
6. Others	-	1,387,648,063			
Total Revenues	2,626,624,368,016	86,469,996,450			

A-III. Year 2003 Balance Sheets and Profit and Loss Statements

A-III-3. KDIC Account

Balance Sheet *Current Period: As of December 31, 2003*
Previous Period: As of December 31, 2002

KDIC Account

(Unit: won)

ASSETS	AMOUNT		LIABILITIES and RESERVES	AMOUNT	
	Current Period	Previous Period		Current Period	Previous Period
Current Assets	17,460,865,165	7,170,918,620	Current Liabilities	28,498,578,817	11,701,948,526
1. Quick Assets	17,460,865,165	7,170,918,620	1. Contribution to Capital Budgets	11,152,454,213	10,223,245,437
Cash and Deposits	1,733,581,751	7,139,075,312	2. Accounts Payable	15,864,831,297	158,218,029
(MMDA)	940,557,806	6,439,139,166	3. Accrued Expenses	503,856,760	327,703,706
(Corporate Deposit)	782,983,861	689,914,052	4. Deposits	977,436,547	992,781,354
(Deposit)	10,040,084	10,022,094			
Provisional Payments	0	0			
Accounts Receivable	15,698,593,564	0			
Accrued Revenues	22,144,574	29,902,339			
Prepaid Expenses	5,349,696	1,940,969			
Prepaid Income Taxes	1,195,580	0			
Fixed Assets	11,154,817,213	10,229,517,437	Long-term Liabilities	597	5,475,018,071
1. Investments	8,966,781,020	7,694,743,200	1. Provision for Severance Benefits	9,901,563,693	6,671,438,827
Deposits Provided	8,310,691,200	7,577,598,200	2. (Contribution to National Pension Plan)	(38,147,721)	(38,147,721)
(Leasehold Deposits)	6,993,345,200	6,775,612,200	3. (Deposits for Severance Benefits)	(9,863,415,375)	(1,158,273,035)
(Housing for Employees)	1,280,000,000	765,000,000			
(Telephone Subscription Deposit)	35,816,000	35,816,000			
(Cable TV)	1,530,000	1,170,000			
Long-term Securities	16,086,000	19,545,000			
(Metropolitan Rapid Transit Corporation Bonds)	15,636,000	19,545,000			
(Type 1 National Housing Bonds)	450,000	0			
Other Investments	0	97,600,000			
(Condominium Membership)	479,303,820	0			
(Loan for Education)	160,700,000	97,600,000			

A-III. Year 2003 Balance Sheets and Profit and Loss Statements

KDIC Account

(Unit: won)

REVENUES	AMOUNT		LIABILITIES and RESERVES	AMOUNT	
	Current Period	Previous Period		Current Period	Previous Period
2. Property & Equipments	2,188,036,193	2,534,774,237	DIF Reserves	117,102,964	223,469,460
Buildings	1,954,104,417	1,842,866,890	1. DIF	0	0
(Accumulated Depreciation)	(1,578,802,662)	(1,252,725,046)	2. Retained Earnings	117,102,964	223,469,460
Vehicles	103,836,870	131,220,370	3. Net Surplus	(106,366,496)	(681,365,510)
(Accumulated Depreciation)	(87,594,706)	(95,095,070)			
Other Tangible Assets	8,534,146,620	7,064,048,700			
(Accumulated Depreciation)	(6,737,654,346)	(5,155,541,607)			
Total Assets	28,615,682,378	17,400,436,057	Total Liabilities and Reserves	28,615,682,378	17,400,436,057

A-III. Year 2003 Balance Sheets and Profit and Loss Statements

Profit and Loss Statement

Current Period: As of December 31, 2003

Previous Period: As of December 31, 2002

KDIC Account

(Unit: won)

REVENUES	AMOUNT		EXPENSES	AMOUNT	
	Current Period	Previous Period		Current Period	Previous Period
Revenues on Fund	68,029,797,294	59,294,996,366	KDIC Administrative Expenses	68,567,743,745	60,253,083,760
1. Contribution Revenue to Fund	68,029,797,294	59,294,996,366	1. Wages	38,573,781,174	33,598,820,791
Revenues on Fund Operation	431,579,955	276,730,884	2. General Expenses	26,068,864,840	22,816,853,584
1. Interest on Deposits	383,919,510	210,056,222	3. Contribution to Provision for Severance Benefits	3,719,343,855	3,781,331,910
2. Interest on Investment Securities	1,140,942	1,482,434	4. Contribution to Deposits for Severance Benefits	205,715,731	55,707,576
3. Others	46,519,503	56,949,413	5. Other Administrative Expenses	38,145	41,899
4. Gains on Previous Fiscal Year's Error Corrections	0	8,242,815	6. Loss on Previous Fiscal Year's Error Corrections	0	328,000
Total Revenues	68,461,377,249	59,571,727,250	Total Expenses	68,567,743,745	60,253,083,760
			Net Surplus	(106,366,496)	(681,356,510)
			Surplus	(106,366,496)	(681,356,510)

A-IV. 2003 Summary of Events (Jan. 1 ~ Dec. 31)

- w Jan. 6 Began making insurance claim payments for Suncheon Hangoeul Credit Union (21,208 million won)
- w Jan. 18 Guaranteed Korea First Bank's fixed-rate bond's principal and interest (17.1 billion won)
- w Jan. 20 Began making insurance claim payments for Daegu YMCA Credit Union and Daeheung Credit Union (34,706 million won)
- w Jan. 22 Declared bankruptcy of Regent Fire Insurance Co.
- w Jan. 23 Selected Shinhan Financial Group as preferred bidder for the sales of Chohung Bank
- w Jan. 27 Began making insurance claim payments for Yeosu Dongsan Credit Union and Ulleung Credit Union (36,029 million won)
- w Jan. 29 Redeemed 39 billion won of preferred shares of KorAm Bank
- w Feb. 4 Began making insurance claim payments for Sokcho Kumkang Credit Union and Pyeongchang Credit Union (14,324million won)
- w Feb. 11 Began making insurance claim payments for Jirye Credit Union (3,615 million won)
- w Feb. 12 Declared bankruptcy of Daegu Seoku Credit Union, Daegu Daeil Credit Union and Yeongju Credit Union
- w Feb. 13 Declared bankruptcy of Chiak Credit Union
- w Feb. 17 Began making insurance claim payments for Yongji Credit Union, Yugu Cheil Credit Union and Kwangju Young Korean Academy Credit Union (46,534 million won)
- w Feb. 21 Declared bankruptcy of Kyungin Mutual Savings and Finance Company
- w Feb. 24 Began making insurance claim payments for Yeonje Credit Union, Bisa Credit Union and Jangseong Credit Union (48,118 million won)
- w Feb. 24 Declared bankruptcy of Dongdaemun Credit Union
- w Feb. 24 Paid 16.8 billion won of bankruptcy estate dividends from Hans Merchant Bank to Woori Investment
- w Feb. 26 Declared bankruptcy of Gwangjin Credit Union
- w Mar. 3 Sales of Hana Bank shares acquired from the sales of Seoul Bank (223 billion won)
- w Mar. 3 Began making insurance claim payments for Daegu Jisan Credit Union, Samduck Credit Union and Munsan Credit Union (57,934 million won)
- w Mar. 4 Declared bankruptcy of 5 credit unions including Daegu Dongshin Credit Union
- w Mar. 10 Began making insurance claim payments for Yanggokdong Credit Union, Sajik Credit Union, Masung Credit Union and Hyeonggok Credit Union (113,621 million won)
- w Mar. 14 Additional financial support for Korea Life Insurance Co. related to P&A of Hyundai, Samshin Life Insurance Co. (28.4 billion won)
- w Mar. 17 Additional financial support for 5 Non-life insurance companies related to P&A of Regent Fire Insurance Co. (238.6 billion won)
- w Mar. 17 Began making insurance claim payments for Daejeon YWCA Credit Union, Bongyang Credit Union, Jumunjin Credit Union, Ulsan Bukbu Credit Union, Samchang Credit Union and Suncheon Milal Credit Union (121,971 million won)
- w Mar. 19 Provided post-sale financial assistance to Korea First Bank (1.2 billion won)
- w Mar. 21 Provided post-sale financial assistance to Korea First Bank (63.1 billion won)
- w Mar. 21 Declared bankruptcy of Daepyung Credit Union, Yeongseon Credit Union and Cheongdo Credit Union
- w Mar. 24 Green Cross selected as final acquirer of Daishin Life Insurance Co.

A-IV. 2003 Summary of Events (Jan. 1 ~ Dec. 31)

- w Mar. 24 Began making insurance claim payments for Donghae Credit Union and Gimhae Credit Union (43,286 million won)
- w Mar. 25 Declared bankruptcy of Keukrakjunga Credit Union and Kyeryang Credit Union
- w Mar. 27 Signed MOU with FSC and Prudential Financial., Inc. related to the sales of Hyundai Investment & Trust Securities Co.
- w Apr. 1 Opened Daegu branch office
- w Apr. 1 Declared bankruptcy of Cheolwon Credit Union, Dong Seoul Credit Union, and Seoul Medical Doctor Credit Union
- w Apr. 1 Began making insurance claim payments for Wolbae Credit Union, Shindong and Gwangju Agricultural Products Wholesale Market Credit Union (37,318 million won)
- w Apr. 2 Signed Agreement for acquiring Daishin Life Insurance Co. (KDIC, Green Cross, Daishin Life Insurance Co.)
- w Apr. 7 Began making insurance claim payments for Singa Credit Union (16,260 million won)
- w Apr. 10 Declared bankruptcy of Ulsan Joongbu Credit Union
- w Apr. 14 Declared bankruptcy of Chungmoo Credit Union, Yesan Credit Union and Sapkyo Credit Union
- w Apr. 21 Guaranteed Korea First Bank's fixed-rate bond's principal and interest (4.8 billion won)
- w Apr. 24 Declared bankruptcy of Hanlim Credit Union
- w Apr. 24 Provided post-sale financial assistance to Korea First Bank (1.4 billion won)
- w Apr. 30 Declared bankruptcy of Ulleung Credit Union, Kamsam Credit Union and Daeheung Credit Union
- w May 1 Declared bankruptcy of 30 credit unions including Kyungsan Joongang Credit Union
- w May 2 Declared bankruptcy of 21 credit unions including Gwangju Baekwoon Credit Union
- w May 12 Decided on <Sales Plan of KDIC-owned Bank Shares> (Public Fund Oversight Committee)
- w May 14 Declared bankruptcy of 11 credit unions including Daejeon Jungdong Credit Union
- w May 16 Declared bankruptcy of Samho Credit Union
- w May 21 Declared bankruptcy of 4 credit unions including Busan Joongang Credit Union
- w May 23 Exercised stock warrants of Korea First Bank (66.2 billion won)
- w May 23 Declared bankruptcy of Paengsung Credit Union
- w May 28 Declared bankruptcy of 10 credit unions including Yanggokdong Credit Union
- w May 29 Declared bankruptcy of Ulsan Bukbu Credit Union
- w May 29 Postponed sales schedule and minimum recovery guaranteed period of shares of Hana Bank
- w May 30 Announced closing of Hannam ITC
- w June 12 Declared bankruptcy of 7 credit unions including Samduck Credit Union
- w June 16 Declared bankruptcy of 8 credit unions including Singa Credit Union
- w June 19 Provided post-sale financial assistance to Korea First Bank (1 billion won)
- w June 27 Declared bankruptcy of Munsan Credit Union
- w June 30 Gave 47.9 billion won of Youngnam Merchant Bank and Joongang Merchant Bank bankruptcy estates dividends to Woori Investment Bank
- w June 30 Decided on P&A of Daishin Life Insurance to Green Cross Life Insurance Co. (FSC)
- w June 30 Began making insurance claim payments for Dasa Credit Union and Wolpyong Credit Union (44,883 million won)
- w July 2 Additional financial assistance to Tongyang Life Insurance Co. related to acquisition of Taepyeongyang Life Insurance Co.
- w July 9 Signed agreement for the sale of Chohung Bank to Shinhan Financial Group
- w July 30 Amendment to Credit Union Act

A-IV. 2003 Summary of Events (Jan. 1 ~ Dec. 31)

- w July 31 Guaranteed Korea First Bank's fixed-rate bond's principal and interest (3.5 billion won)
- w July 31 Provided post-sale financial assistance to Korea First Bank (102.5 billion won)
- w Aug. 11 Began making insurance claim payments for Jinryang Dongbu Credit Union and Daegu Kyungbuk Textile Credit Union (18,519 million won)
- w Aug. 19 Transferred Chohung Bank's shares and receive partial sales proceeds (900 billion won)
- w Aug. 28 Began making insurance claim payments for Gimcheon Mutual Savings Bank (76,457 million won)
- w Aug. 29 Assistance for the purchase of fixed-rate bond and post-sale financial assistance to Korea First Bank (415.6 billion won)
- w Sept. 3 Declared bankruptcy of Dasa Credit Union
- w Sept. 8 Began making insurance claim payments for Onyang Joongang Credit Union (9,638 million won)
- w Sept. 15 Provided post-sale financial assistance to Korea First Bank (1.3 billion won)
- w Sept. 29 Listed Woori Financial Group to NYSE
- w Oct. 7 Declared bankruptcy of Wolpyong Credit Union
- w Oct. 24 Declared bankruptcy of Daegu Kyungbuk Textile Credit Union
- w Oct. 27 Declared bankruptcy of Gimcheon Mutual Savings and Finance Company and Jinryang Dongbu Credit Union
- w Nov. 3 Began making insurance claim payments for Geoncheon Credit Union and Ulsan Baptist Church Credit Union (66,397 million won)
- w Nov.4 Amendment to Enforcement Decree of Credit Union Act
- w Nov. 11 Declared bankruptcy of Onyang Joongang Credit Union
- w Nov. 12 Financial Assistance to Green Cross Life Insurance Co. related to the sales of Daishin Life Insurance Co. (139.3 billion won)
- w Nov. 18 Approval of Public Fund Oversight Committee related to the sale and financial assistance of Hyundai Investment and Trust Co.
- w Nov. 25 Signed agreement for the sale of Hyundai Investment and Trust Co. to Prudential Financial., Inc.
- w Nov. 28 Announced closing of Hansae Credit Union
- w Dec. 11 Amendment to Mutual Savings Bank Act
- w Dec. 15 Provided post-sale financial assistance to Korea First Bank (1.5 billion won)
- w Dec. 18 Began making insurance claim payments for Hanbu Church Credit Union (14,884 million won)
- w Dec. 23 Selected advisory company (Morgan Stanley) for the sales of Korea Investment Trust Management & Securities Co. and Daehan Investment Trust Securities Co.
- w Dec. 26 Declared bankruptcy of Daishin Life insurance Co.
- w Dec. 30 Selected accounting advisory company(Anjin) and legal advisory company(Bae, Kim & Lee) for the sales of Korea Investment Trust Management & Securities Co. and Daehan Investment Trust Securities Co.

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 applicable laws require that all financial institutions operating in Korea must provide 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 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 Institutions ¹⁾

As of December 31, 2003

Type	Banks	Securities Companies	Insurance Companies		Merchant Banks	MSBs	Credit Unions	Total
			Life	Non-Life				
Domestic	18	43	12	14	3	114	1,086	1,290
Foreign	39	16	11	7	-	-	-	73
Total	57	59	23	21	3	114	1,086	1,363

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

A-V. Introduction to the Korean Deposit Insurance System

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, Special Assessment and Contributions

A. Collection of Deposit Insurance Premiums and Special Assessment

The KDIC receives premiums from insured financial institutions, in accordance with Article 30 of the Depositor Protection Act and Article 16 of the DPA Enforcement Decree. It also receives special assessment for repayment of deposit insurance fund bonds (hereinafter “special assessment”) in accordance with Article 30-3 of the Depositor Protection Act and Article 16-2 of the DPA Enforcement Decree.

(1) Frequency of Premium and Special Assessment Calculation

Deposit insurance premiums and special assessment are calculated for each fiscal year. However, in case of banks, it is calculated on a quarterly basis.

(2) Calculation of Premiums and Special Assessment

Insurance Premium • Special Assessment = Balance of Insurable Deposits x Premium Rate • Special Assessment Rate (In the case of banks, however, the result is 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.

Table A-V-4. Premium Rate and Special Assessment Rate

	Banks	Securities Companies	Insurance Companies	Merchant Banks	Mutual Savings Banks	Credit Unions
Applied premium Rate	10/10,000	20/10,000	30/10,000	30/10,000	30/10,000	30/10,000
Applied Special Assessment Rate	1/1,000	1/1,000	1/1,000	1/1,000	1/1,000	1/1,000

(3) Due Date of Insurance Premiums and Special Assessment

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

(4) Insurance Premium and Special Assessment Payment Methods

All insured financial institutions must pay their insurance premiums and special assessment in cash, 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.

(5) Data Submission for Calculation of Insurance Premiums and Special Assessment

Each insured financial institution must submit data for calculation of insurance premiums and special assessment 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 and special assessment 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.

A-V. Introduction to the Korean Deposit Insurance System

(7) Delinquent Charge

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

**Delinquent Charge = Insurance Premium (Special Assessment)
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.

(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-5. 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
Ratios of Contribution	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

A. 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).

B. Public Announcement and Calculation of Insurance Claim Payments

In 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 of the Depositor Protection Act).

C. Limit on Insurance Claim Payments

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 2 of the Depositor Protection Act and Article 18, Addendum Articles 2 of the Act's Enforcement Decree).

D. Suspension and Provisional Payment of Insurance Claim Payments

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 4 th, 2002.

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

(1) Insolvent (potentially insolvent) Financial Institutions

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).

(2) Financial Support

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

A-V. Introduction to the Korean Deposit Insurance System

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.

(3) Provisions necessary for Financial Support

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.

(4) Application of Least Cost Principle

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

(1) Insolvent (potentially insolvent) Financial Institutions

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).

(2) Appointment of Administrator

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.

(3) Resolution Method

Also, there are resolution methods of M&A through 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 promotes 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

A. Data Submission and Investigations

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 (see Paragraphs 1 and 2 of Article 21).

B. Request for and Confirmation of Data Supplied by the FSS

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 (see Paragraph 2 and 6 of Article 21).

C. Request for Investigation and Joint Investigations

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 the 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' 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. 6626, Jan. 26, 2002
(Civil Procedure Law)
- > Act No. 6807, Dec. 26, 2002
- > Act No. 6891, May. 29, 2003
(Insurance Business Act)
- > Act No. 7027, May. 31, 2003

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; Act No. 6891, May 29, 2003.

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

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

pursuant to Article 4, 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); *Amended by Act No. 6891, May 29, 2003*

- (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) 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

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

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 Subparagraphs.

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

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

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.

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

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 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.

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

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 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 Procedure Law 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

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

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.]

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,

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

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.

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

- (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.*
- (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. 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 120 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; Act No. 6891, May 29, 2003.*
- (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.

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 underwriting reserve pursuant to Article 120 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. *Amended by Act No. 6891, May 29, 2003.*
- (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.]

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

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

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

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 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

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

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: *Inserted by Act No. 5556, Sept. 16, 1998.*
 1. Purpose;
 2. Trade Name;
 3. Total amount of paid-in capital;
 4. Number of stocks to be issued at its incorporation;
 5. Face value per stock;
 6. Location of the main office; and
 7. Method of public notification.
- (4) The capital of any Resolution Financial Institution shall

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

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 five years, provided that the business period may be extended upon approval from the minister of Finance and Economy. *Amended by Act No. 5556, Sept. 16, 1998; Act No. 7027, Dec. 31, 2003*
- (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.]

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

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

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

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:
 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

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

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.

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.

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

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 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

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

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 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.

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

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

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

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.”
 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 Procedure Law: Act No. 6626, Jan. 26, 2002.

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

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 Procedure Law Articles 65 through 71” shall be amended as “Civil Procedure Law 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,

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

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.
- (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.

*ADDENDA Insurance Business Act; Act No. 6891,
May. 29, 2003.*

Article 1. Enforcement Date

- (1) This Act shall enter into force three months after its promulgation, provided that the amendment to [Article 85, Paragraph 3 and Paragraph 4] shall enter into force 3 years after its promulgation.

Article 2 through 32. Omitted

Article 33. Amendment of Other Acts

- (1)~ (5) Omitted
- (6) The following amendments shall be made to the Depositor Protection Act. Under [Article 2, Paragraph 1, Subparagraph (k), “Article 5, Paragraph 1 of Insurance Business Act ” shall be amended to “Article 4, Paragraph 1 of Insurance Business Act ”.
Under [Article 30, Paragraph 1 “Article 98 of Insurance Business Act ” shall be amended to “Article 102 of Insurance Business Act ”.
Under [Article 30-3, Paragraph 1 “Article 98 of Insurance Business Act ” shall be amended to “Article 102 of Insurance Business Act.”
- (7) And (8) Omitted.

Article 34. Omitted

ADDENDA Act No. 7027, Dec. 31, 2003.

This Act shall enter into force on the date of its promulgation, provided that amendment to Article 36-7 shall enter into force on December 27, 2003.

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;
 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

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

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

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

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.
- (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.*

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

- (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;
 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.*

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;
 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:

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

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 16. Time for Payment of Insurance Premium

- (1) In accordance with [Article 30, Paragraph (1)] of the Act, an insured financial institution shall pay to the KDIC an insurance premium calculated by the formula in Table 1 within three months after the closing of each fiscal year: However, banks shall pay insurance premiums within one month from the end of each quarter.
- (2) 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 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

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

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 filing 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.

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

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.]

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.

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

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 claims” to be smaller than “deposit” for insurance companies.--

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

- (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 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.

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

- (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.

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

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

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

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.

Amended by:

> Act No. 6807, Dec. 26, 2002

(Depositor Protection Act)

> Act No. 7111, Jan. 29, 2004

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 Bond Repayment 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");

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

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;
 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

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

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.

Article 21-2 . Preservation Period for Documents

The preservation period for documents under the following Paragraphs shall be permanent.

1. The documents related to deliberation and mediation of the Committee pursuant to Article 3 (1).
2. The deliberated documents that is submitted to the Committee by public fund related institutions pursuant to Article 3 (3).
3. The documents that is submitted to the committee pursuant to Article 11. [Article inserted by Act No. 7111, Jan. 29, 2004.]

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.

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

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.

ADDENDA Depositor Protection Act: Act No. 6807. Dec. 26, 2002.

Article 1. Enforcement Date

This Act shall enter into force beginning on Jan 1, 2003.

<Proviso Omitted>

Article 2 through 10. Omitted.

Article 11. Amendment of Other Acts

(1) ~ (2) Omitted.

(3) The following amendment is made to the Public Fund Oversight Special Act.

The term "Deposit Insurance Fund" under [Article 2, Paragraph 1, Subparagraph (a)] shall be amended to "DIF Bond Repayment Bond"

(4) Omitted.

ADDENDA Act No. 7111. Dec. 26, 2002.

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

(2) (Applied Examples of Preservation Period for Documents) The preservation period for documents made and managed by the Corporate Restructuring Mission, established for the policy development of financial and corporate restructuring and efficient execution of restructuring work and the Restructuring Reform Committee established in Financial Supervisory Commission based on 'Agreement of Financial Institutions for Corporate Restructuring Promotion' in the process of formation, injection and execution of the public fund before Jan. 1, 2001 shall apply the amendment of Article 21-2 despite other acts.

1. Documents made and managed by the Corporate Restructuring Mission from establishment to dissolution.
2. Documents made and managed by the Restructuring Reform Committee from establishment to dissolution.
3. Documents that are received from the Restructuring Reform Committee to financial supervisory organization pursuant to the Act on the Establishment of Financial Supervisory Organizations.

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:

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

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.

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

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

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 jointly 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;

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

- 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.
- (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.

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

- (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 4, Paragraph (5), the minister

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

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. Statute 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

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

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.

A-VII. Statistics

1. Number of Insured Financial Institutions¹⁾

Financial Sector		End of 1999	End of 2000	End of 2001	End of 2002	End of 2003
Banks		112	108	105	100	58
	(Domestic)	22	21	20	18	18
	(Foreign)	46	43	42	40	40
	(Others)	44	44	43	42	-
Securities Companies		54	62	62	60	58
Insurance Companies		45	39	40	43	43
	(Life Insurance)	29	23	22	23	23
	(Non-life Insurance)	16	16	18	20	20
Merchant Banks		10	6	3	3	2
Mutual Savings Banks		186	147	121	116	114
Credit Unions		1,423	1,317	1,268	1,233	1,086
Total		1,830	1,679	1,599	1,555	1,361

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

2) Regional fisheries cooperatives that conduct credit business were excluded from deposit protection as of January 1, 2003.

2. Insured Deposits per Financial Sector¹⁾

(Unit: billion won)

Sector		End of 2000	End of 2001	End of June 2002	End of Sept. 2002	End of Dec. 2002
Banks ²⁾		506,275	422,267	465,043	479,556	492,615
Securities Companies		7,374	11,230	10,881	13,331	16,197
Insurance Companies ³⁾		95,023	94,747	100,501	104,751	110,219
	(Life Insurance)	75,221	77,186	80,586	83,693	88,318
	(Non-life Insurance)	19,802	17,561	19,915	21,058	21,901
Merchant Banks		6,556	2,223	1,920	1,740	560
MSBs		18,803	19,764	22,336	23,775	26,730
Credit Unions		19,208	21,563	18,134	17,892	18,306
Total		653,239	571,794	618,815	641,045	664,627

1) Insured deposits exclude the deposits of Government, local authorities and other insured institutions. However, insurance companies, securities companies and credit unions include the deposits of Government, local authorities and other insured institutions.

2) In case of foreign branches, it includes only 8 main foreign branches.

3) Deposit insurance premium assessment base for insured deposits of insurance industry is Reserve for Policy Termination (before Aug. 5, 2000), (Premium Revenue + Reserve for Policy Termination) X 1/2. (after Aug. 5, 2000)

4) Excludes deposits of Woori Investment Bank that is merged to Woori Bank as of Aug. 1, 2004.

A-VII. Statistics

3. DIF Bond Repayment Fund and DIF Premium Revenues

(Unit: billion won)

Financial Sector	DIF Bond Repayment Fund							DIF
	Prior to 1998 ¹⁾	1999	2000	2001	2002	Total ²⁾	2003	2003
Banks	161.3	197.5	263.0	413.9	436.1	1,471.8	477.5	477.5
Securities Companies	-	5.1	15.6	21.8	26.2	68.7	15.6	31.2
Insurance Companies	232.2	126.0	178.1	241.6	278.0	1,055.9	107.4	311.5
(Life Insurance)	(180.0)	(101.1)	(140.2)	(193.8)	(229.5)	(844.6)	(88.9)	258.0
(Non-life Insurance)	(52.2)	(24.9)	(37.9)	(47.8)	(48.5)	(211.3)	(18.5)	53.5
Merchant Banks	98.0	33.6	23.3	13.9	13.0	181.8	2.1	7.3
Mutual Savings Banks	240.7	37.7	32.3	52.9	60.4	424.0	22.3	66.7
Credit Unions	40.2	16.2	28.1	40.7	64.1	189.3	-	60.3
Total	772.4	416.1	540.4	784.8	877.8	3,391.5³⁾	624.9	954.5

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) DIF premium revenues until 2002 transferred to DIF Bond Repayment Fund according to the amendment of related law.

3) 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	2003	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.

2) No issuance record of DIF Bond Repayment Fund Bond

A-VII. Statistics

5. Status of the Public Fund Provision

As of December 31, 2003

(Unit: billion won)

Sector	DIF Bond Repayment Fund						DIF
	Equity Participation	Contribution	Deposit Payoff	Asset Purchase	Loan	Total ¹⁾	Deposit Payoff
Banks	22,203.9(18)	13,774.6(13)	-	10,006.4(8)	-	45,984.9(20)	-
Securities Companies	4,900.0(2)	-	14.4(4)	-	-	4,914.4(6)	-
Insurance Companies	15,919.8(10)	3,080.8(13)	-	349.5(4)	-	19,350.1(20)	-
(Life Insurance)	5,669.7(7)	2,717.4(10)	-	349.5(4)	-	8,736.6(16)	-
(Non-life Insurance)	10,250.1(3)	363.4(3)	-	-	-	10,613.5(4)	-
Merchant Banks	2,705.2(7)	182.0(1)	17,195.0(19)	-	1,291.7(14)	21,373.9(29)	-
Mutual Savings Banks	10.1(2)	177.6(10)	7,273.6(69)	-	853.3(19)	8,314.6(91)	76.4
Credit Unions	-	-	4,750.3(329)	-	36.7(39)	4,787.0(350)	154.2
Total²⁾	45,739.0(39)	17,215.0(37)	29,233.3(421)	10,355.9(12)	2,181.7(72)	104,724.9(516)	230.6

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.

A-VII. Statistics

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

As of December 31, 2003

(Unit: billion won)

Injection Type	Sector	Recipient Institution	Amount
Equity Participation	Banks	Korea First (KFB)	5,024.8
		Woori	6,028.6
		Seoul	4,680.9
		Chohung	2,717.9
		Peace Bank	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
		Resolution and Finance Corporation	0.1
		National Federation of Fisheries Cooperatives	1,158.1
		National Agricultural Cooperative Federation	96.2
		Sub total	22,203.9
	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)		45,739.0

A-VII. Statistics

As of December 31, 2003

(Unit: billion won)

Injection Type	Sector	Recipient Institution	Amount
Contribution	Banks	Korea First (KFB)	1,017.5
		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	2,520.4
		Hana	1,116.1
		KorAm	2,435.6
		National Agricultural Cooperative Federation	87.0
		Sub Total	13,774.6
	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 and Handuck life)	62.3
		Tongyang Life (Acquisition of Taepyongyang life)	45.1
		Hyundai Life (Acquisition of Chosun life)	11.1
		Korea Life (Acquisition of Doowon life, Hyundai life and Samshin life)	1,220.1
		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
		Oriental Fire (Regent)	22.5
		Samsung Fire (Regent)	152.6
		Hyundai Fire (Regent)	43.7
		LG Fire (Regent)	19.3
		Dongbu Fire (Regent)	0.5
		Green Cross (Daishin) Life	139.3
		Sub Total	3,080.8
	Merchant Banks	Hanaro	182.0
	Mutual Savings Banks	Kyungbuk (Former Hanwoori)	3.7
		Boomin (Busan)	10.6
		Sangup (Former Hyundai)	28.5
		Saenuri	0.7
		Solomon (Former Gold)	26.4
		J-1	13.2
		Telson (Former New Korea)	31.0
		Hanaro	17.6
		Hanmaeum	45.9
		Sub Total	177.6
	Total (Contribution)		17,215.0
Insurance Claim Payments	Direct	Youngnam Merchant Bank	0.1
		Credit Unions	4,750.3
		Securities Companies	14.4
		MSFCs	1,218.0
	Through RFLs	HBC (in resolving 18 merchant banks)	14,026.8
		HMSF (in resolving 18 merchant banks) ¹⁾	3,168.1
		HMSF (in resolving 59 MSFCs.)	6,055.6
	Total (Insurance Claim Payments)		29,233.3

A-VII. Statistics

As of December 31, 2003

(Unit: billion won)

Injection Type		Recipient Institution		Amount
Asset Purchases	Direct	KFB (BW)		24.9
		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
			Korea First (KFB)	7,906.2
Insurance Companies		Dong-ah	271.1	
		Taepyongyang	28.9	
		Kookmin	16.8	
		SK (Handuck)	27.9	
	Korea (Doowon, Hyundai, Samshin)	4.8		
Total (Asset Purchases)			10,355.9	
Loan	Merchant Banks	Kumho	37.5	
		Daegu	50.2	
		Tongyang	120.0	
		Samyang	25.0	
		Saehan	423.8	
		Youngnam	37.0	
		Ulsan	20.0	
		Jeil	111.8	
		Chungsol	127.5	
		Korea	91.4	
		Hangil	113.9	
		Hans (Asia)	30.0	
		Hanwoi	53.1	
		Hyundai	50.5	
		Sub Total		1,291.7
	Mutual Savings Banks	Kyunggi (f/k/a Kyunggi Comet)	165.4	
		Kyungbuk	17.0	
		Kumkang	70.9	
		Kisan	54.1	
		Daewon	56.3	
		Daechun (Present Daejeon)	10.2	
		Dong-ah	10.4	
		Dongwon	78.3	
		Dongwha (Kyungju)	63.9	
		Pusan 2	27.1	
		Saenuri	41.3	
		New Choongbuk	16.1	
		Arim	61.5	
		Union	51.8	
		Ilshin	15.5	
		Choil	73.8	
		Choongnam (f/k/a Saeonyang)	4.5	
		Choongil	8.9	
		Haedong (Kyunggi)	26.3	
Sub Total		853.3		

A-VII. Statistics

As of December 31, 2003

(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)		2,181.7	
Aggregate Total			104,724.9

1) The subrogation deposit payoff payment of HBC made through HMSF upon liquidation of HBC in December 2001.

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

A-VII. Statistics

7. Recovery of Public Funds per Year

(Unit: billion won)

Year	Amount ²⁾
1998	1,008.4
1999	4,308.8
2000	6,106.9
2001	4,160.8
2002	3,171.5
2003	5,514.7
January	69.9
February	828.5
March	379.1
April	314.1
May	240.0
June	322.1
July	320.3
August	1,047.5
September	227.2
October	361.3
November	297.5
December	1,107.2
Total ¹⁾	24,271.1

1) Includes 1,545.9 billion won of public funds recovered prior to the consolidation of protection funds under the KDIC's Deposit Insurance Fund.

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

8. Recovery Performance per Each Type of the DIF Bond Repayment Fund Provisions

As of December 31, 2003

(Unit: billion won)

Sector	Equity Participation	Bankruptcy Estate Dividends, etc. ¹⁾	Asset Sale ²⁾	Reimbursement of Loans ³⁾	Total
Banks	5,752.3	1,554.2	4,549.4	-	11,855.9
Securities Companies	-	7.3	-	-	7.3
Insurance Companies	438.7	268.3	127.8	-	834.8
Merchant Banks	11.5	4,941.9	-	1,044.5	5,997.9
MSBs	-	3,128.5	-	51.0	3,179.5
Credit Unions	-	2,360.3	-	35.4	2,395.7
Total⁴⁾	6,202.5	12,260.5	4,677.2	1,130.9	24,271.1

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 1,545.9 billion won of public funds recovered prior to the consolidation of protection funds under the KDIC's Deposit Insurance Fund.



KOREA DEPOSIT INSURANCE CORPORATION

33, Da-dong, Chung-gu, Seoul, 100-180, Republic of Korea
TEL: 82-2-758-0114 / FAX: 82-2-758-0220
www.kdic.or.kr