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KOREA DEPOSIT INSURANCE CORPORATION

2010 ANNUAL REPORT

KOREA DEPOSIT INSURANCE CORPORATION

CEO Message

"As a pillar of financial safety, the KDIC is committed to maintaining the stability of the financial system by protecting depositors and ensuring the public's happiness."

Last year, the Korean economy achieved the fastest growth since 2002 on booming exports despite the European financial crisis, the Cheonan naval vessel incident and continued sluggishness in the construction industry.

However, uncertainties remain in the financial market due to dubious prospects for the real estate sector and increasing household debts. Under the circumstances, the KDIC did its best to do its part as a pillar of the financial safety net to protect the deposits and happiness of the Korean people.

First of all, the KDIC improved its system to provide stronger protection to depositors, clearly define the KDIC's roles and responsibilities and enhance the effectiveness of concealed asset investigations against insolvency-implicated persons.

As part of this effort, the KDIC submitted a proposed revision to the Depositor Protection Act. The revised Act would expand the deposit insurance coverage to include deposits for exchange-traded derivatives trading, guaranteed minimum benefit of variable insurance policies, etc., add "management of insurance contingency risks" to the KDIC's scope of responsibilities and extend the KDIC's authority to access and view financial transaction records of insolvency-implicated persons.

Also, in order to minimize the inconvenience of depositors, the KDIC significantly cut the time spent in resolving failed financial institutions and made provisional payments of bankruptcy dividends for depositors with deposits in excess of KRW 50 million.

In addition, the KDIC maximized recovery of public funds by selling shares in public fund-injected financial companies. In particular, it paved the way for Woori Financial Group's privatization through successful sales of minority stakes.

In the meantime, the KDIC enhanced the efficiency of its operation by adopting flexible work arrangements called Smart Work, and created departments dedicated to the risk monitoring and failure resolution of savings banks to strengthen depositor protection.

Going forward, the KDIC will remain committed to identifying risk factors in the financial market and insured financial institutions in a timely manner and minimizing losses to the deposit insurance fund by effectively dealing with them. We will also conduct accountability investigations against insolvency-implicated persons, bring justice to those responsible for a failure of a financial institution and secure their assets so that depositors do not suffer as a result of their actions.

I hope that this report will enhance your understanding of the activities of the KDIC and the deposit insurance system, thus promoting the public's confidence in deposit insurance. I look forward to your continued interest and support for the KDIC.

Seungwoo Lee

Seung-Woo LEE

Chairman & President

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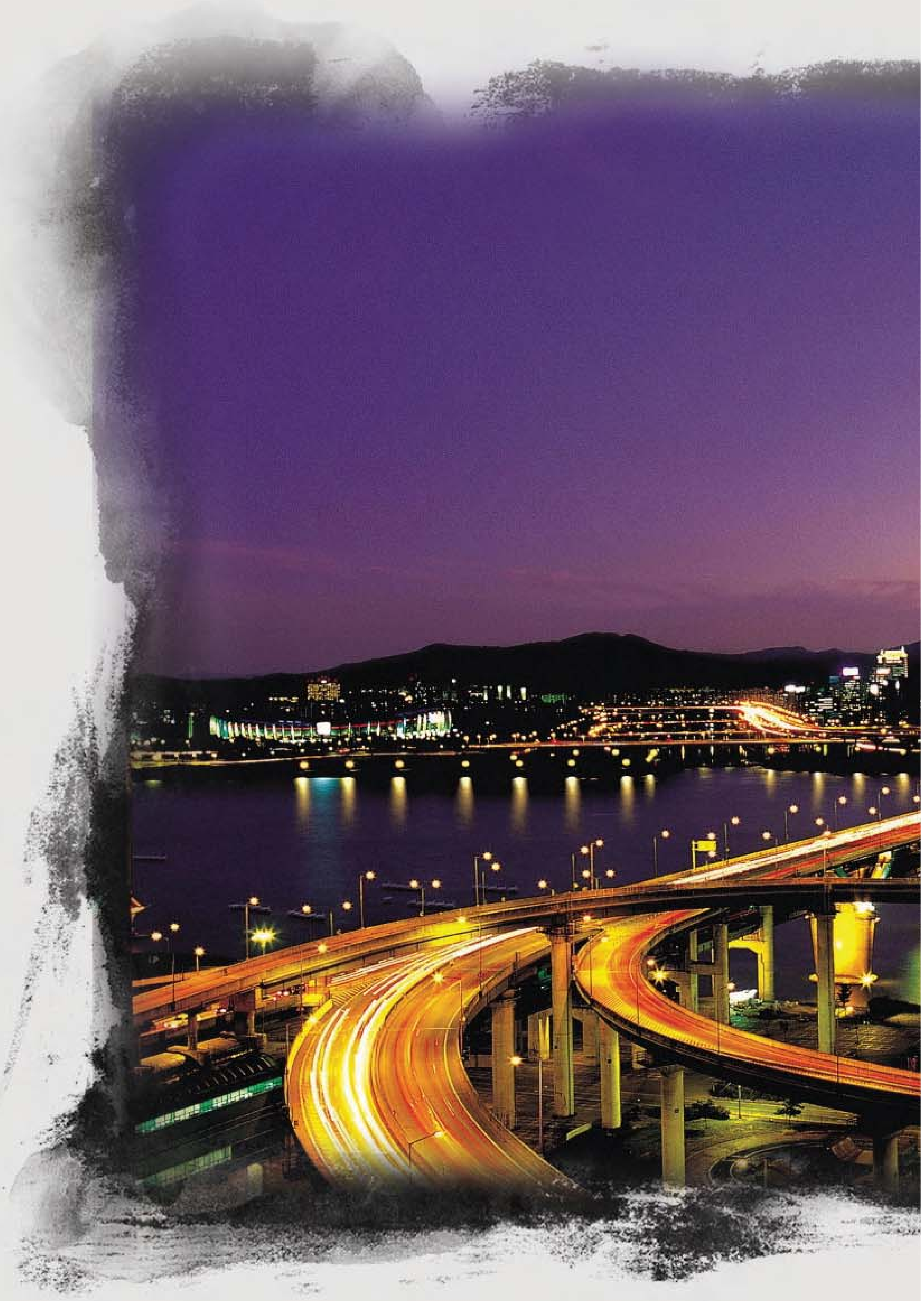
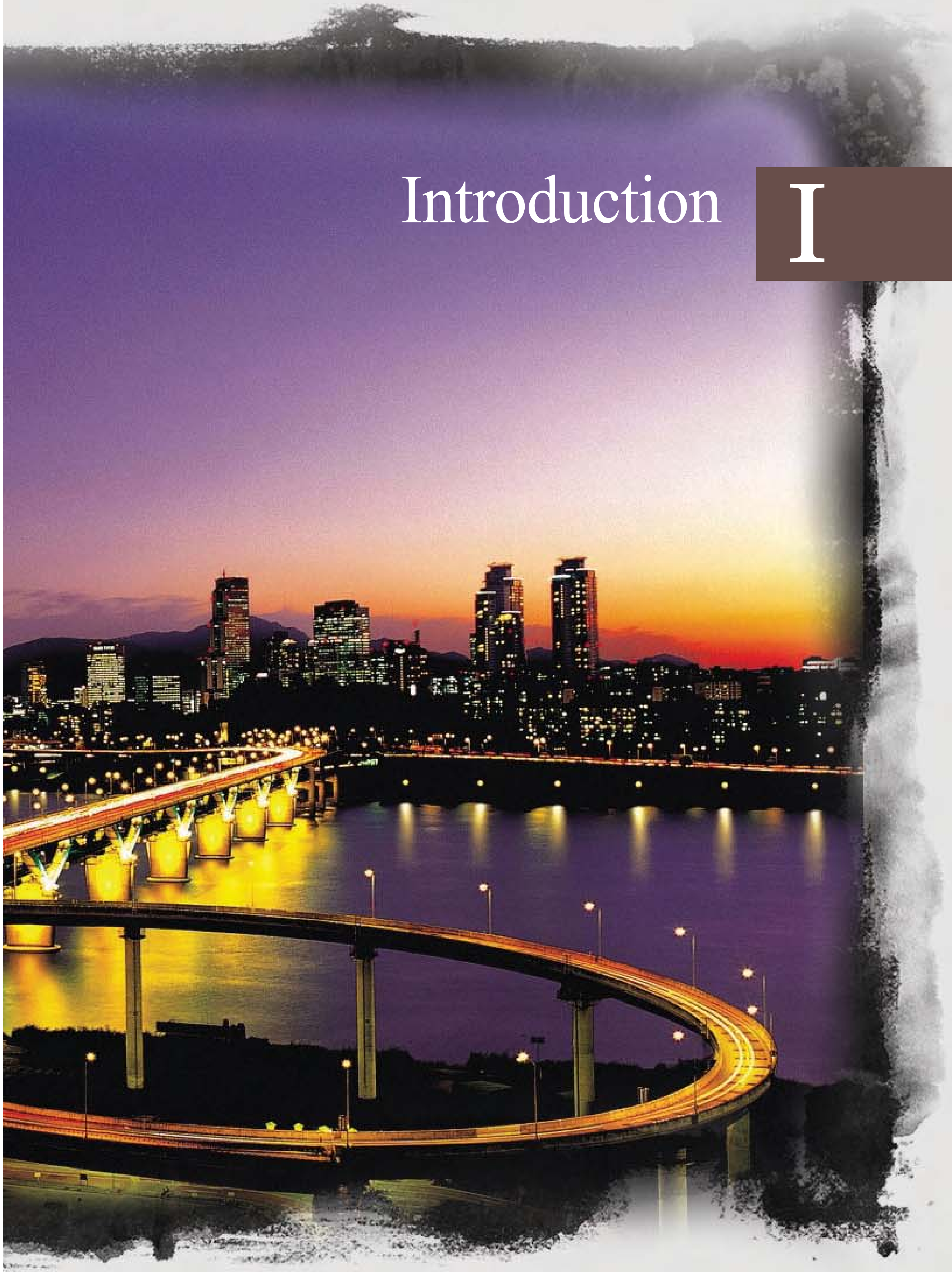


Introduction Ⅰ



Night View of the Han River, Seoul

I

Introduction

Despite the fiscal crisis in Europe, economic slowdown in US, Japan and Europe and continued sluggishness in the domestic construction industry, the Korean economy recorded a 6.1% growth year-on-year in 2010, the highest growth since 2002 (7.2%), backed by the increase in consumption and facility investment and the favorable export environment.

The Korean financial market remained largely stable in 2010 overcoming the risks emerging in domestic and overseas markets. The market interest rates fell driven by the decline in government bond yields, stock prices continued to show upward trends and won-dollar exchange rates declined slightly. The long-term market interest rate (3-year government bond yield) closed the year at 3.38%, down by 103bp from the end of the previous year due to the inflow of foreign investments brought on by expanded global liquidity and low expectations on the base interest rate hikes by the Bank of Korea (BOK). However, the long-term market interest rate showed a temporary pick-up due to fiscal uncertainties in Europe and heightened geopolitical risks as a result of North Korea's sinking of South Korean naval vessel, Cheonan, in May and June and rebounded again in December due to restrictions on capital flows and inflationary concerns.

The short-term market interest rate gradually fell during the first half and then rose slightly with the BOK raising its base interest rate twice. The KOSPI closed the year at 2,051.0, up by 368.2 points or 21.9%, buoyed by the domestic economic growth and net inflow of foreign investments. The potential fiscal crisis in southern Europe and heightened geopolitical risks involving North Korea's sinking of a South Korean naval vessel called Cheonan pushed the won-dollar exchange rate to 1,253 (KRW/USD). However, the won-dollar exchange rate fell to 1,134.8 (KRW/USD), down by 29.7 (KRW/USD) or 2.6% from the end of the previous year due to the weakening of the US dollar as a result of the US government's quantitative easing and the net inflow of foreign capital into the domestic stock market.

As for the changes in each insured financial sector during 2010, Calyon Seoul branch changed its name to Credit Agricole & Investment Bank Seoul branch while ABN AMRO's Seoul branch changed its name to RBS Bank Seoul branch. In the insurance sector, the major shareholder of Kumho Life Insurance changed from Kumho Asiana Group to KDB Consus Value and consequently the name of the company was changed to KDB Life Insurance. IBK Insurance, which Industrial Bank of Korea (IBK) invested in, started operations in 2010. In the case of financial investment companies, Meritz Securities was established through the merge between Meritz Securities and Meritz Merchant Bank. Nomura International Securities Seoul branch transferred its businesses to Nomura Financial Investment and had its business registration withdrawn while JP Morgan Futures transferred its businesses to JP Morgan Securities Seoul branch and had its business registration withdrawn. In the mutual savings bank (MSB) industry, Yenarae MSB, a bridge bank, was established for the resolution of (Jeobuk) Jeonil MSB whose business was suspended at the end of 2009 and Jeonil had its business license revoked. The business license of (Jeju) Eutteum MSB was revoked and the bank was merged into Yes MSB. As a result, the total number of insured financial institutions increased by 2 to 322 (54 banks, 118 financial investment companies, 44 insurance companies, 1 merchant bank and 105 MSBs) from a year ago.

The total amount of insurable deposits stood at KRW 1,161 trillion as of the end of 2010, up 13.8% compared with the end of the previous year. In a sector-by-sector breakdown, banks accounted for KRW 738 trillion (up 16.7%), financial investment companies for KRW 22 trillion (up 18.2%), insurance companies for KRW 323 trillion (up 9.9%), merchant bank for KRW 1 trillion (down 40.4%) and MSBs for KRW 77 trillion (up 5.0%). The insurable deposits for all sectors increased except for the merchant banking sector. In the meantime, the insurance premiums that KDIC received from these insured financial institutions in 2010 amounted to KRW 1.160 trillion, down KRW 84.6 billion or 6.8% as the premium rates for financial investment companies and insurance companies were cut by 0.05%p and 0.15%p, respectively, in July 2009.

The KDIC has continued to improve its systems to provide better protection to depositors despite changes in the financial environment such as the expansion of coverage to include foreign currency-denominated deposits (November, 2008) and retirement pension plans (June, 2009). In 2010, the KDIC sought to improve the deposit insurance system to expand coverage to more complex financial products and provide fairer protection in different financial sectors. Accordingly, the revised draft Depositor Protection Act which, among other things, newly covers the minimum-guaranteed benefit of variable insurance products, customer’s deposit for derivatives trading and deposits in securities finance was submitted to the National Assembly in November.

Furthermore, the revised draft Act contains obligations for financial institutions to explain to customers whether individual products are KDIC-insured, and, if they are, by how much to prevent damage to a third party in good will. The revised draft also specifies that the responsibility for managing insurance contingency risks should be included in the business scope of the KDIC to clarify the roles and responsibilities of the Corporation and that the scope of financial institutions that can be asked to provide data to the KDIC regarding insolvency-implicated persons and the effective period of the authority for the KDIC to access financial transactions data should be extended to better investigate those who are responsible for a bank’s failure.

The KDIC has continued to make efforts to prevent insolvency of insured financial institutions by closely monitoring their risk profiles. The Memorandum of Understanding (MOU) on Financial Information Sharing, revised in May 2009, enhanced the information sharing with the BOK and the Financial Supervisory Service (FSS) significantly. The KDIC set up the Southern Europe Crisis Response Team to respond to the fiscal crisis in southern European nations. The Response Team identified and actively addressed risk factors that could materially affect individual financial sectors.

Furthermore, the Corporation assigned staff to each financial sector or each member institution to monitor its risk levels on an on-going basis and enhance the quality of information the KDIC has on each insured financial institution. The KDIC also produced surveillance reports and financial analysis reports based on such ongoing risk surveillance and distributed them to policy makers such as the Financial Services Commission (FSC) as well as to the academia, press and insured financial institutions to ease the nervousness in the financial market triggered by the global financial crisis.

The KDIC participated in joint examinations of 24 insured financial institutions (including 20 MSBs) together with the FSS in 2010 in accordance with the MOU on Joint Examinations of Financial Institutions entered between the Corporation and the FSS. As for the MSB industry whose financial standing is weaker than the other financial sectors, the KDIC has dispatched management supervisors together with the FSS to the MSBs that received Prompt Corrective Action restrictions since the second half of 2008. And the Corporation held a Workshop for Joint Examinations with Relevant Agencies to strengthen the cooperation with the BOK and the FSS in July 2010.

The KDIC concentrated its efforts on minimizing inconvenience of depositors caused by suspension of financial transactions and preventing additional failures of financial institutions by shortening the time required for the resolution process. In case of Jeonil MSB whose business was suspended in December 2009, the resolution process was shortened to about three months from about four to ten months. For the first time, the KDIC made provisional insurance payments to depositors who had more than KRW 50 million in their accounts and significantly reduced the amount of time needed to pay bankruptcy dividends to four to five months from an average of 3.1 years. The KDIC had injected KRW 4.5 trillion (KRW 1 trillion in 2010) in public funds from the Deposit Insurance Fund (DIF) to resolve insolvent MSBs and had recovered KRW 1.0 trillion (KRW 0.4 trillion in 2010) through bankruptcy dividends since 2003.

By the end of 2010, the KDIC had injected KRW 110.9 trillion of public funds in total into 517 financial institutions that became insolvent before the end of 2002 from the DIF Bond Redemption Fund and recovered KRW 47.5 trillion (2.9 trillion in 2010) by selling its equity shares, etc. In April, the Corporation recovered public funds of KRW 1.2 trillion through a block sale of a 9% stake in Woori Financial Group. Under the Memoranda of Understanding (MOUs) to enhance the corporate value of financial institutions that received public funds, the KDIC imposed corporate alerts (3 cases), business improvement requests (3 cases), executive director warnings/alerts (4 cases), and requests for disciplinary action (7 cases) in the process of checking each bank's progress in MOU implementation during the third quarter of 2010. In March, the KDIC improved its MOU management system to set and assign MOU targets in a more reasonable way and to change the executive compensation structure so that managers would not focus on short-term results only.

In terms of managing bankruptcy estates and their properties, as a result of KDIC's continuous efforts to facilitate efficient management and early closure of bankruptcy estates, 361 out of 457 bankruptcy estates were legally closed as of the end of 2010. As for the disposal of real estates and unlisted stocks held by bankruptcy estates, a synergy effect was achieved by selling properties after pooling them together and classifying them by asset type rather than by selling the properties by individual bankruptcy estate.

In the case of real estates, KRW 56 billion was recovered through 10 joint auctions. For unlisted stocks, the KDIC appointed a financial advisor jointly with the relevant bankruptcy estate and disposed of multiple stocks including a 21% stake in Delco (worth KRW 41.8 billion) in public bidding (five biddings in 2010). The KDIC established a Fund Asset Status Tracking System (FASTs) that provides data on properties held by Funds, bankruptcy estates and the Korea Resolution & Collection (KR&C) in order to enhance the efficiency in systematic and ongoing management of the properties.

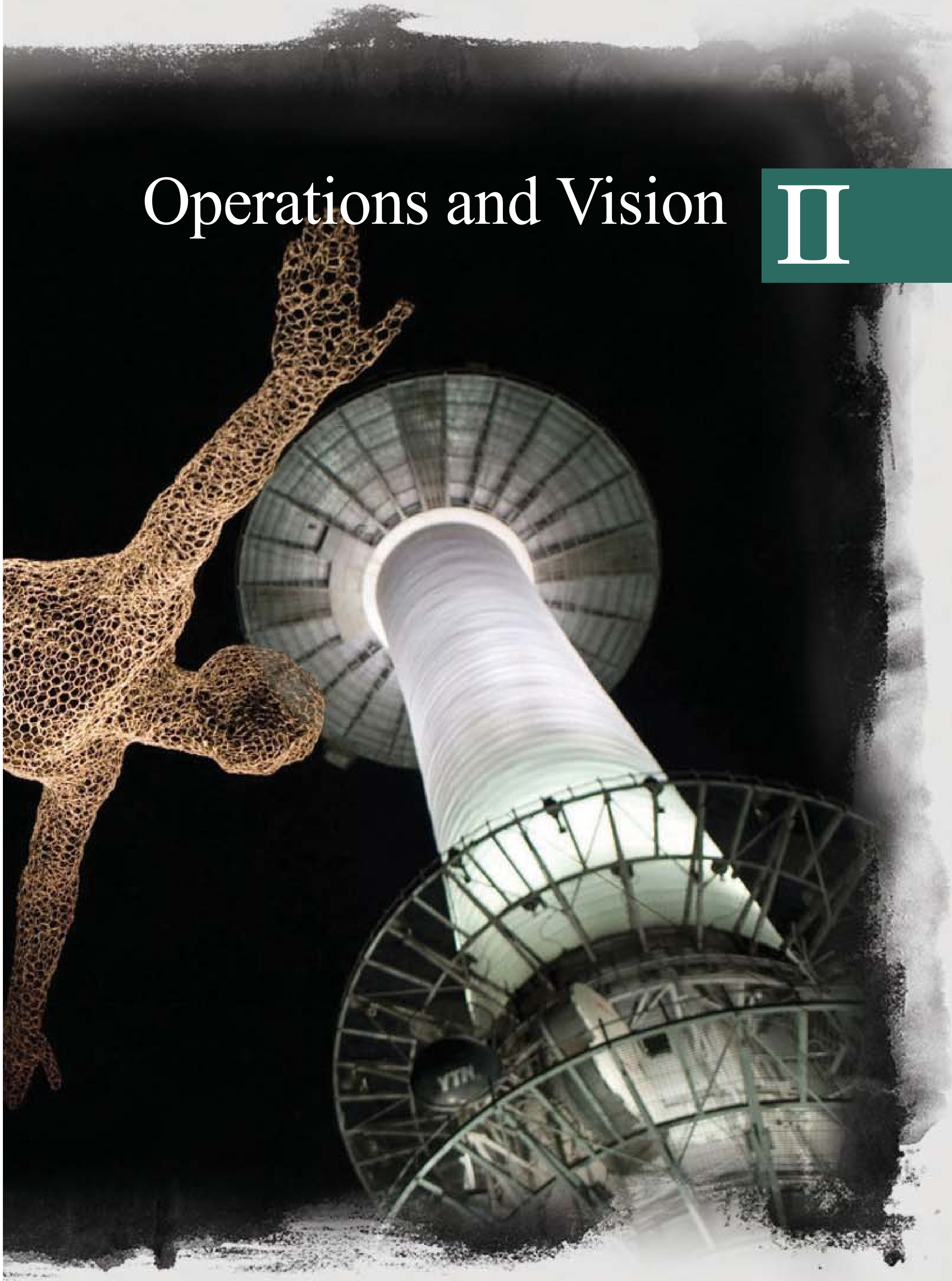
In the area of insolvency accountability investigations, the KDIC is committed to maximizing the recovery of public funds by holding those responsible for the failure of the financial institutions accountable for their actions. By the end of 2010, a total of 487 insolvent financial institutions and 966 default debtor corporations had been investigated, and 1,417 and 187 damages claims had been filed against those accountable for the failure of financial institutions and against default debtor corporations, respectively. Furthermore, asset investigations into people accountable for bank failures were conducted and legal actions were taken for debt collection such as a provisional seizure or disposal.

In 2010, the KDIC continued to engage in active exchanges with diverse international organizations, particularly with the International Association of Deposit Insurers (IADI), which boosted its status in the international community. The KDIC participated in major decision-making processes as a member of the Executive Council and a founding member. The Executive Vice President of the KDIC was elected as an Executive Councilmember with a three-year term at the IADI Annual General Meeting held in Tokyo in October. Furthermore, the KDIC strengthened its international cooperation by signing an MOU with the Indonesia Deposit Insurance Corporation (IDIC) to facilitate the exchange of information and personnel and helping the Mongolian government to adopt a deposit insurance system through the Korean government's Knowledge Sharing Program (KSP).

In December of 2010, the KDIC changed its compensation scheme for all employees to an annual salary system. Additionally the performance-based payment system that differentiates pay by performance evaluation results and by levels of operational intensity was implemented in January 2011 to enhance the efficiency of the Corporation. The restructuring of the organization in February 2010 enhanced protection of depositors by establishing dedicated departments responsible for improving the deposit insurance system, monitoring MSB risks and resolving insolvent MSBs.

Finally, the DIF Bond Redemption Fund ranked third among seven financial funds and thirteenth among a total of 35 funds in terms of fund management efficiency (in particular, in the area of asset management) in 2010.

Operations and Vision Ⅱ



N Seoul Tower, Seoul

II

Operations and Vision

1. Major Initiatives

1-1. Major Accomplishments

In March 2005, with the aim of presenting the course of development for the deposit insurance system and establishing its future image, the KDIC formulated a mid- to long-term vision and created a synergy effect by reorganizing the corporation into four major functional units: Risk Surveillance, Insurance and Resolution, Recovery and Investigation, and Management and Support. In addition, with changes in the financial and business environment at home and abroad such as the global financial crisis, the KDIC decided to distinguish itself more clearly as a deposit insurer and established a new vision of "KDIC, the cornerstone of financial stability, protects your valuable deposits" in September 2009.

Since then, the KDIC has established a sub-vision in November 2010 of "being one of global top 3 deposit insurance service providers, the best fund managing entity in Korea, and a smart leader in the public sector" to further clarify its vision. Along with that, the KDIC prepared a mid- to long-term management plan for the five-year period from 2011 to 2015 that includes strategic goals, strategic tasks and detailed action plans to realize that vision.

A. Risk Surveillance

In order to protect depositors and contribute to the stability of the financial system, the KDIC believes the key lies in identifying insolvency risks of member institutions in advance and preventing them from escalating into an insolvency. For that reason, the KDIC has continued to strengthen its risk surveillance operations.

In this context, the KDIC worked to include a clause on “insurance contingency risk management” in Article 18 of the Depositor Protection Act (DPA) that specifies its work scope. In consultation with the Financial Services Commission (FSC), it prepared a revision to the Act and supported the legislative procedure including deliberations by the Ministry of Government Legislation. After getting approved at a cabinet meeting, the revised bill was submitted to the National Assembly. When the Act is revised, it is expected that the roles and responsibilities of the KDIC will be defined more clearly so that it can better prevent losses to the deposit insurance fund, protect depositors and strengthen soundness of financial markets.

In addition, the KDIC has improved its differential premium assessment model in response to financial environment changes to make sure that the differential premium system can be applied from 2014 as planned. It has reviewed the basic directions and premium assessment criteria including which financial sectors to cover, assessment frequency and method, etc. The KDIC also reviewed differential premium assessment models adopted in other countries. The Corporation has verified the effectiveness of existing evaluation indicators by commissioning a research to the Korea Institute of Finance and included risk factors of financial companies, etc. in the differential premium assessment model.

The KDIC is closely monitoring insured financial institutions and financial sectors by assigning employees to each financial institution to conduct surveillance on an ongoing basis. The results of the ongoing surveillance are reflected in proactive risk analysis reports about risk factors at insured financial institutions like the KDIC On-site Financial Information, and are shared with policy makers, academia, media, other relevant parties, insured financial institutions, etc. By doing so, the KDIC performed the role of a risk advisor for insured financial institutions. In particular, it set up and ran the Southern Europe Crisis Response Team to respond to the fiscal crisis in southern Europe countries during 2010. In addition, the KDIC expanded the Cheonggye Finance Forum, a meeting of financial experts, to include experts from non-life insurance and MSB sectors. Market information such as industry trends and information on industry-related problems was collected by hosting and attending seminars on financial markets, meetings of financial market participants and interviews with financial company executives. In particular, the KDIC provided customized consulting services to four MSBs (68 MSBs in total since 2003) upon their request to assist them with improving their competitiveness and management skills. The KDIC developed risk surveillance models and made use of them to assess risk levels so that signs of insolvency at insured financial institutions can be detected early. In 2010, the KDIC improved the operation of the integrated risk surveillance model by incorporating changes in reports for the banking, financial investment and non-life insurance sectors and verifying the significance of evaluation indicators.

To facilitate information sharing by strengthening cooperation with relevant agencies, the KDIC revised and signed an MOU on the Sharing of Financial Information with five agencies including the Ministry of Strategy and Finance (MOSF), the Financial Services Commission (FSC), the Bank of Korea (BOK) and the Financial Supervisory Service (FSS) in September 2009. Consequently, the financial information shared with the BOK and FSS increased furthermore. In case of the BOK, the number of reports shared increased to 44 in 2010 as 10 more external reports and foreign exchange reports began to be shared. In addition, the number of business reports shared by the FSS rose to 1,250, up 432 from 818 of the previous year and the availability of business reports of the FSS increased to 100.0%, which is up 3.7%p from 96.3% a year ago.

The KDIC has been conducting joint examinations of insured financial institutions that have been identified as being at financial risk or in need of verification of risk management practices in certain areas as a result of its ongoing risk surveillance or risk evaluation model analysis. Based on a thorough analysis of the changes in major indices for financial performance, the KDIC drew up a list of financial institutions that should receive a joint examination and then, conducted a joint examination together with the Financial Supervisory Service, urging management of the financial institutions to improve their risk management practices. In 2010, considering the instability of the domestic financial market and economic conditions, the KDIC significantly expanded the number of institutions subject to joint examinations (15 in

2009 to 24 in 2010) in order to stabilize the financial market and enhance the soundness of financial institutions. In particular, the KDIC significantly stepped up its risk surveillance of at-risk MSBs especially by strengthening on-site examinations. The KDIC held the Workshop for Joint Examinations with Relevant Agencies in July 2010 to promote cooperation among relevant agencies, to enhance mutual understanding and to develop differentiated joint examination techniques.

In order to increase the corporate value of public fund-injected financial institutions and recover the public funds as early as possible, as of the end of 2010, six financial institutions - Woori Financial Group, Woori Bank, Gwangju Bank, Kyungnam Bank, Credit Business of the National Federation of Fisheries Cooperatives, and Seoul Guarantee Insurance Corporation - were asked to sign an MOU with the KDIC. The KDIC examined how the MOU had been implemented from the fourth quarter of 2009 to the third quarter of 2010, and made seven inspection findings. Based on the findings, the KDIC imposed 18 measures including three corporate alerts, three business improvement orders, one notice, three executive director warnings, one executive director alert and seven requests for disciplinary action for employees. As recommended by the National Assembly, the KDIC accepted requirements for system improvement regarding MOU management, and partially revised the MOUs in July 2010 to manage the MOUs more effectively. The Corporation operated a management discussion system with executive directors and working-level members of financial institutions that signed MOUs in order to reach a consensus about major issues. The KDIC continues to communicate with MOU-signed financial institutions to address the issues they are facing and encourages them to increase their corporate value from a long-term perspective by providing support to outside directors at those companies to enhance monitoring.

B. Insurance and Resolution

The KDIC endeavored to analyze and improve the current resolution process based on the Korea Development Institute (KDI)'s research findings and best practices from overseas including that of the Federal Deposit Insurance Corporation (FDIC). As part of these efforts, the KDIC adopted an innovative resolution process in order to make advance preparations after detecting early signs of insolvency and to speed up the resolution process after suspension of operations of an insured financial institution.

In 2010, the KDIC focused on minimizing inconvenience of depositors resulting from the suspension of financial transactions and prevent another failure by shortening the resolution period. To do that, the KDIC continued to talk with relevant agencies (e.g. FSC) to discuss how to improve the current system. In case of Jeonil MSB which was suspended in December 2009, the KDIC made prompt preparations for resolution during the two-month period that the Business Improvement Order was in place. In doing so, it shortened the resolution period from four to ten months to approximately 3 months, which helped to minimize depositor inconvenience from losing access to their funds. Assets and liabilities of Jeonbuk and Eutteum MSBs were transferred to Yes MSB, a bridge bank established in March 2009, in April and November 2009, respectively. The KDIC put Yes MSB up for sale in the market in 2010.

Yenarae MSB was founded in March 2010, and assets and liabilities of Jeonil MSB were transferred to Yenarae in April 2010. The KDIC put Yenarae MSB up for sale in the market in 2010.

C. Recovery and Investigation

The KDIC has recovered public funds injected into insolvent financial institutions for financial restructuring since 1997 by receiving dividends and selling equity shares. During 2010, the KDIC managed to recover more than KRW 2.9 trillion by selling shares in financial institutions, receiving dividends and reimbursing redeemable preferred stocks.

To be more specific, the KDIC recovered KRW 158.6 billion of public funds by selling old shares of Korea Life Insurance during an IPO in March 2010 and recovered KRW 1.161 trillion through a block sale of a 9% minority stake in Woori Financial Group in April 2010. It recovered KRW 252.5 billion and KRW 168.5 billion by redeeming redeemable preferred stocks of Seoul Guarantee Insurance Corporation and Shinhan Financial Group in July 2010 and August 2010, respectively. In addition, it recovered KRW 12.7 billion by selling Hyundai Investment & Securities shares during the trading hours and in public sales, and recovered a total of KRW 544 billion by selling its equity stakes in Hynix, Samsung Life Insurance, Daewoo International, Saehan Media and Youngheung Iron & Steel whose shares were possessed by KR&C through block sales, old share sales, etc.

【Table Ⅱ-1】 Major Recovery Events in 2010

Woori Financial Group	• Recovered KRW 1.161 trillion through a block sale of 9% minority stake in April 2010
Korea Life Insurance	• Recovered KRW 158.6 billion by selling old shares (2.23%) during IPO in March 2010
Seoul Guarantee Insurance Corporation	• Recovered KRW 252.5 billion, 75% of the net profit in FY2009, by redeeming redeemable preferred stocks in July 2010
Shinhan Financial Group	• Recovered KRW 168.5 billion in August 2010 by redeeming redeemable preferred stocks
Jeju Bank	• Recovered KRW 2.8 billion by selling the common stock during trading hours between October and December 2010
KR&C-held (former Resolution & Finance Corporation, RFC) Stocks	• Recovered KRW 162.6 billion by selling old shares (2.3 million) during Samsung Life Insurance IPO in May 2010 • Recovered KRW 302.3 billion by selling 12 million shares of Hynix in July 2010 • Recovered KRW 79.1 billion by selling shares of 5 listed and 16 non-listed companies including Daewoo International and Saehan Media

With the aim of maximizing bankruptcy dividends, the KDIC has strived for early closure of bankruptcy estates and, in doing so, increased the efficiency of their operations. As of the end of 2010, the bankruptcy proceedings of 361 estates out of a total of 457 were completed and approximately KRW 18.9 trillion was recovered from bankruptcy dividends.

The KDIC is striving to maximize the recovery of public funds and create an environment in which responsible corporate governance becomes firmly rooted by way of correcting unreasonable past business practices through investigating people associated with fund-injected financial institutions who contributed to the insolvency of the institutions. By the end of 2010, the Corporation had conducted investigations into a total of 487 insolvent financial institutions and 966 default debtor companies, and filed damage-clam proceedings against those liable for the insolvencies. In addition, it investigated the assets of responsible parties and took legal measures such as a provisional seizure or disposal to recover claims.

D. Management and Support

The KDIC adopted an annual salary system on December 29, 2010 and decided to implement the system, which differentiates pay based on performance evaluation results and levels of work intensity, from January 1, 2011.

Accordingly, from January 1, 2011, a performance-based annual salary system began to be implemented across all levels of the Corporation. In particular, the KDIC increased the proportion of performance-based pay to more than 30% of total pay for team leaders or higher (The government recommends 20% or higher). The variance is 34.2% of total annual salary at the maximum and the amount of pay differentiation between the highest-ranked and lowest-ranked members should be more than 200%. The Corporation also plans to apply a cumulative rate rise to basic salary every year so that there will be more than a 2% variance between highest and lowest grades.

Together with the performance-based annual salary system, the KDIC will start applying new personal performance evaluation guidelines that can help staff members to set their targets, see their performance levels and give feedback about evaluation results. The Corporation continues to promote a performance-based culture by laying the foundation for reasonable and fair performance evaluation.

KDIC became the first public financial corporation to provide an undergraduate internship program (a joint program between the academia and the industry). If a university student completes the KDIC program that lasts six to eight weeks, he/she will receive an credit from the university. The Corporation hired 20 interns in July and 19 in December. The internship program gave job-experience and financial training opportunities to university students and helped them to develop work skills. In addition, the internship program was effective in promoting the KDIC and recruiting talents.

For social equity, the KDIC adopted a quota system for the disabled for the first time as a public financial institution in 2010 in its hiring of new staff and young interns. Under the quota system, a certain percentage of positions should be reserved for the disabled. When the KDIC applied a quota of about 30% to the internship program (which provided a total of 30 positions) in August 2010, it hired seven persons with disabilities. When it recruited new employees in January 2011, the Corporation assigned a 10% quota for the disabled out of a total of 17 positions and hired three persons with disabilities as new employees.

1-2. Improvement of the Deposit Insurance System

A. Differential Premium System

The KDIC had consistently promoted the implementation of a differential premium system as a way to help financial companies to achieve sound management and to charge fair premium rates. Thanks to these efforts, the ministerial meeting for regulatory reform held in May 2006 approved the introduction of the differential premium system. To come up with a viable implementation plan, the KDIC collected opinions from various circles by commissioning an external study from September 2006 to March 2007 and holding a Deposit Insurance Policy Symposium in May 2007 based on study results. After that, the KDIC prepared a draft revised bill for the implementation of the differential premium system after hearing opinions of interested parties such as insured financial institutions.

Later, the draft revised bill was passed by the National Assembly and publicly announced in February 2009. The revised DPA changes the framework articles for the implementation of the differential premium system into mandatory ones and mandates the implementation of such a system within five years. Also, new provisions were added to allow insured financial institutions to file an appeal to the premium rate charged and to require them to keep confidentiality in order to prevent any confusion that may arise when differential premium rates are disclosed.

To make sure that the differential premium system can be executed without fail, the KDIC statistically verified the differential premium system, and has improved the integrity of the differential premium assessment model based on financial market changes since the financial crisis in 2008.

B. Scope Adjustment of Deposit Protection and Insured Financial Institutions

The KDIC has improved systems to quickly respond to changes in the financial market and strengthen depositor protection by newly putting foreign currency deposits (November 2008) and retirement pension plans (June 2009) under insurance coverage. In 2010, it improved the deposit insurance system by expanding deposit protection to complex financial instruments, and providing fair protection across financial products and insured financial institutions within the same financial sector. To make that happen, the KDIC tried to include minimum guaranteed benefits of variable insurance products, deposits for exchange-traded derivatives transactions, and securities deposits in coverage.

Since variable insurance products are subject to investment risks whose payout amount can change depending on investment results, they have been excluded from depositor protection. However, minimum guaranteed benefits of variable insurance have similar characteristics with general insurance contracts, and the volume of variable insurance products has recently increased with policyholders' growing interest in profits. Under the circumstances, if an insurance company goes bankrupt, customers who bought variable insurance policies could be exposed to significant risks, which is why the KDIC saw the need to provide protection for minimum guaranteed benefits of variable insurance products.

Deposits for exchange-traded derivatives trading have the same characteristics with stock investors' deposits (which are KDIC-insured) in that they are deposited for buying and selling of financial products. As they are only different in the kinds of products traded, it is unfair to protect only one of them. In the case of Korea Securities Finance Corporation (KSFC), although the KSFC receives deposits from customers, its deposits are excluded from KDIC coverage because the KSFC is categorized as an investment trader and broker. So, the KDIC decided to include KSFC financial products in coverage.

In addition to these efforts, the KDIC worked to improve the deposit insurance system by adjusting the list of insured financial institutions. While trying to protect deposits for exchange-traded derivatives trading, it worked to include dedicated futures trading companies in the list of its member institutions. In the meantime, the Corporation worked to exclude some companies specialized in bond trading and brokerage to prevent unnecessary losses to its funds because they are given huge financial assistance in the event of failure while paying minimum premiums with no balance in investors' deposits.

To support these efforts, an advance notice for the revision of the DPA was made in September 2010, and the revised bill was submitted to the National Assembly in November 2010 after opinion gathering.

C. Improvement of the Insurance Relations Indication System

To provide clear information to depositors, the KDIC runs an insurance relations indication system. Under the DPA, insured financial institutions are required to indicate insurance relations and inform depositors about whether a particular product is KDIC-insured so that they will not suffer unnecessary losses.

To effectively provide information about the depositor protection system, the KDIC revised the requirements for depositor notice in March so that all key messages of the depositor protection system (e.g. the coverage limit and coverage for a particular product) are displayed on the bankbook. The KDIC held a session to explain the purpose and key details of the change to those responsible for insurance relations indication at each member institution and to get their opinions, which in turn, encouraged insured financial institutions to comply with the changed indication system.

In addition, the KDIC created new promotional materials such as advertisement stands and ATM stickers, improved leaflets and provided them to about 11,000 branches of financial institutions in March. The KDIC also started to post an explanation of the indication system on its website from September so that depositors can access accurate information about the deposit insurance system. To make sure that vulnerable groups are informed of the system, the KDIC set up cooperative channels with 16 municipalities and provided various learning materials such as flash animations from September to November, which helped municipalities to explain the depositor protection system and give training to depositors. The KDIC also set up a customer panel for the deposit insurance system (currently named "Cresumer (Creative+Consumer) Specialist Group 1") in October as a channel for opinion exchanges with insured financial institutions and related industry associations to increase satisfaction with the depositor protection services such as the indication system.

The bill containing the requirement for financial institutions to explain deposit insurance relations to depositors was submitted to the National Assembly in November and it is now pending. The bill would require insured financial institutions to explain insurability and the coverage limit to customers when selling a financial product and get a signature from a depositor.

D. Other System Improvements

In addition, the KDIC sought to revise the DPA to improve the protection system and submitted a relevant bill to the National Assembly in November, which is now pending.

The bill will include insolvency risk management among the KDIC's responsibilities because the legal grounds for its risk monitoring activities in advance of a failure have not been defined clear enough to minimize losses to the Deposit Insurance Fund (DIF).

To increase the effectiveness of accountability investigations, the KDIC included the National Court Administration in the list of institutions from which it can demand necessary data and information to identify assets of insolvency-implicated persons related to deposits. Also, the effective period of the KDIC's authority to access financial transactions data of those responsible for a bank failure was extended because the authority was originally set to expire in 2011.

The KDIC also set an extinctive prescription for its claims and insured financial institutions' right of claim for mistaken insurance premium payments, and clearly defined rules about recovery of over-estimated provisional insurance payments to remove any room for dispute due to ambiguity. And it deleted the sunset clause related to the insurance premium rate ceiling to maintain the current upper limit (0.5%) of insurance premium rates and keep the DIF financially sound.

1-3. Improving the Soundness of the DIF

The new Deposit Insurance Fund (DIF) came into effect in 2003. Since then, the KDIC recognized that there was a strong need for the adoption of a target fund system which would ensure the viability of the DIF and relieve the burden of premium payment on insured financial institutions.

The ministerial meeting for regulatory reform, held in May 2006, approved the introduction of the target fund and the differential premium system as a means to reform the premium system and improve the overall deposit insurance system. After that, the KDIC collected opinions from various circles by holding a Deposit Insurance Policy Symposium in March 2007. The symposium was based on the results of the research preformed by professional entities commissioned for this purpose between September 2006 and March 2007.

In October 2007, a private-public task force team was formed to look into the implementation of the target fund system and the reform of the premium rate scheme. In December 2007, the National Assembly revised the DPA through congressional legislation to approve the implementation of the target fund system starting from 2009.

A revision to the DPA in February 2009 allowed the separation between accounts for life insurance and non-life insurance sectors and a delay in setting up the target size for accounts that cover a small number of insured financial institutions. Also, by revising the Enforcement Decree of the DPA in June 2009, it was decided that the Deposit Insurance Committee may decide to discount, exempt, or refund insurance premium payments through a vote if and when the fund reaches its target size.

Considering profitability and stability, the KDIC made improvements to its surplus fund management system for the DIF. The KDIC diversified its assets by including bank bonds in September 2010 and set up the Fund Management Performance Evaluation Committee in October 2010 to strengthen decision-making in fund management. In addition, the Corporation made efforts to improve infrastructures by developing a new fund management decision-making system and enhancing existing ones.

Managing funds based on the principles of stability and profitability, the KDIC is committed to protecting depositors and stabilizing financial markets through such efforts as close consultation with the government and other related agencies to eliminate accumulated losses in the MSB account.

1-4. External Evaluation

A. Business Performance Analysis of Public Agencies

Pursuant to Article 47 of the Public Corporation Operation Act, the KDIC submitted business performance reports (including closing statements, financial statements and annexed documents) and an implementation report on the KDIC Chairman & President's Management Plan of 2009 to the Minister of Strategy and Finance and the Chairman of the Financial Services Commission in March 2010. Based on these reports, the groups organized by the Minister of Strategy and Finance evaluated the performance of the KDIC and the KDIC Chairman & President.

The 2009 business performance evaluation results, announced in June 2010, rated the KDIC "B" and gave a "Fair" grade to its head.

B. Fund Management

According to the National Finance Act, the Ministry of Strategy and Finance is required to analyze and evaluate the performance of funds governed by the Act as well as consider whether to maintain the funds every three years. The evaluation areas are: business management and asset management.

In this regard, the KDIC prepared a report on the management of the Deposit Insurance Fund (DIF) Bond Redemption Fund for 2009 and submitted it to the Fund Management Evaluation Commission in February 2010. Based on the report, the Commission disclosed the results of its evaluation in May 2010 after carrying out a due diligence and an opinion poll.

In the 2009 evaluation of the Corporation's management of the DIF Bond Redemption Fund, the KDIC earned 3rd place in the area of asset management among seven finance funds and 13th place among all 35 funds.

2. Vision and Mid- to Long-term Management Plan

2-1. Establishment and Promotion of KDIC Vision and the Mid- to Long-term Management Plan

A. Background

In March 2005, with the aim of presenting the right direction for the deposit insurance system's development and clarifying its future image, the KDIC formulated a mid- to long-term vision of "Becoming a Trusted Global Leader in Risk Surveillance of Financial Institutions and Prompt Resolution of Failures."

To actively respond to changes in the external business environment such as the global financial crisis that erupted in the second half of 2008 and in the ensuing recovery efforts, the KDIC gathered employees' opinions and reflected them into the new vision and management philosophy.

In addition, to strengthen the structure of a strategic system and the coordination at every step and to provide appropriate contents, KDIC analyzed the internal and external changes and gathered internal opinions in November 2010. Based on the results, it revised its management philosophy and established a sub-vision and core values.

B. Vision

(1) Vision and Sub-Vision

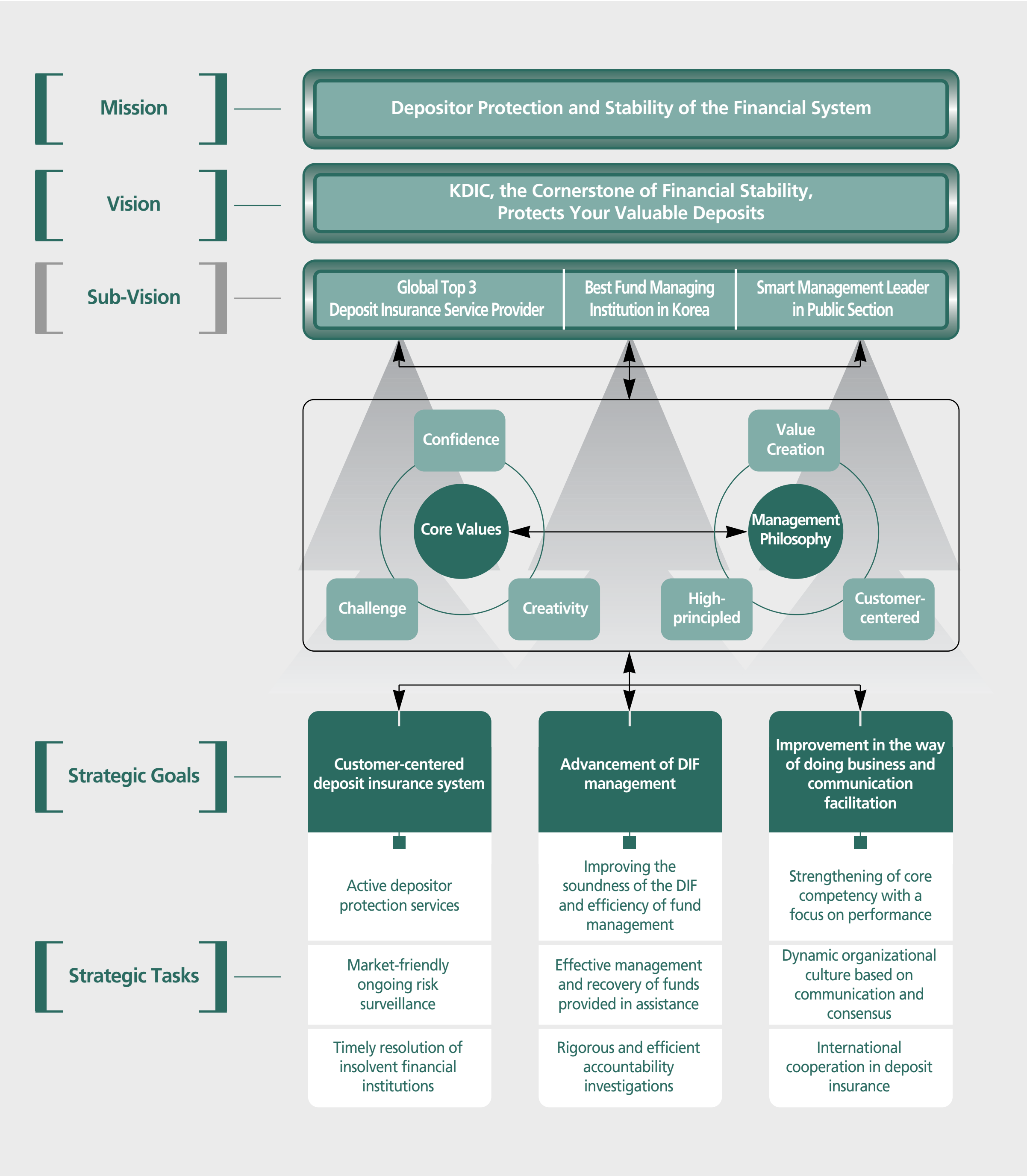
KDIC, the Cornerstone of Financial Stability,
Protects your Valuable Deposit

Global Top 3 Deposit Insurance Service Provider	Best Fund Managing Institution in Korea	Smart Management Leader in Public Section

(2) Definition of Keywords

Keyword	Classification	Meaning
KDIC	Founding Principle	The KDIC belongs to the Korean people. All its activities should be in their interest. This is a clear statement that ultimately the reason for its existence is to serve the Korean people.
Cornerstone	Role	A deposit insurer that plays an active role in ensuring financial stability based on a system that is consistent with global standards and top-quality experts
Financial Stability	Aim	Creation of an environment where all the participants in the financial market including depositors can safely engage in financial transactions
Protects	Scope of Business	The KDIC has the mandate and responsibility to faithfully provide public insurance services of deposit insurance. The KDIC exercises its authority in conformity with legal and ethical standards.
Your Valuable Deposits	Target of Operations	Financial products of insured financial institutions protected under the DPA ("deposit, etc." in Article 2. 2 of the DPA)

(3) Chart of Visions and Management Goals



C. Strategic Goals, Strategic Tasks and Detailed Action Plans

To realize the new vision and continue to produce results, the KDIC selected three mid- to long-term strategic goals and nine strategic tasks that will remain as priorities in their operations. In addition, the Corporation developed detailed action plans to deal with changes in the managerial environment in a flexible manner. The action plans will be implemented in three stages from 2011 to 2015.

【Table Ⅱ-2】 Strategic Goals, Strategic Tasks and Detailed Action Plans

Strategic Goals	Strategic Tasks	Detailed Action Plans for 2011
Ⅰ. Customer-centered deposit insurance system	Active depositor protection service	• To improve the depositor protection system
		• To provide information about and promote the depositor protection system
	Market - friendly ongoing risk surveillance	• To strengthen competency in risk management
		• To provide market-friendly services to relevant financial agencies and insured financial institutions
	Timely resolution of insolvent financial institutions	• To conduct more efficient resolutions
		• To improve the deposit insurance payment process
Ⅱ. Advancement of DIF management	Improving the soundness of the DIF and efficiency of fund management	• To manage the DIF more efficiently
		• To manage the DIF more profitability and stably
	Effective management and recovery of funds provided in assistance	• To implement fund recovery measures through the efficient management of the Redemption Fund
		• To manage bankruptcy estates efficiently
		• To sell shares and assets efficiently
		• To increase the efficiency of MOU management
	Rigorous and efficient accountability investigations	• To thoroughly investigate those implicated in insolvency
		• To strengthen follow-up management with those responsible for bank failures
		• To enhance the efficiency of accountability investigations
Ⅲ. Improvement in the way of doing business and communication facilitation	Strengthening of core competency with a focus on performance	• To run the organization focusing on core tasks and save the budget
		• To manage human resources more efficiently and enhance the expertise of the staff
		• To improve the effectiveness of the performance management system
	Dynamic organizational culture based on communication and consensus	• To build an efficient CS management system to increase customer satisfaction
		• To build a smooth collaboration system by building an IT infrastructure and providing IT support
		• To facilitate internal/external communication through various channels
	International cooperation in deposit insurance	• To comply with global standards in deposit insurance
		• To promote management performance of KDIC's deposit insurance system to overseas deposit insurers

2-2. Customer Satisfaction Management

A. Uncollected Insurance Payment Notification Campaign

In order to protect the rights and interests of depositors, the KDIC launched an Uncollected Insurance Payment Notification Campaign and employed various methods to notify depositors of unclaimed deposits before the five-year extinctive prescription period to claim the insurance money expires.

Since 2005, the KDIC has put a lot of efforts into publicizing the campaign in various ways such as setting up an Uncollected Insurance Payment Notification System on its website, delivering individual notices, advertising in newspapers and establishing a call center to deal with customer inquiries. In 2008, the KDIC focused on expanding the campaign to reach more people more frequently.

As a result of these efforts, KRW 20.3 billion in previously unclaimed insurance payments was paid out to approximately 57,000 depositors between April 2006 and December 2010.

【Table II-3】 Uncollected Insurance Payments Delivered to Depositors

(Unit: KRW 100 million)

Apr.~Dec. 2006		2007		2008		2009		2010		Total	
No. of depositors	Amount	No. of depositors	Amount	No. of depositors	Amount	No. of depositors	Amount	No. of depositors	Amount	No. of depositors	Amount
16,389	71	31,794	87	6,119	28	2,522	13	588	4	**57.412**	**203**

B. Issuance of Certificates of Employment History at the Bankruptcy Estates and Verification of Liabilities

In April 2007, the KDIC launched the service of issuing certificates of employment history at bankruptcy estates and verification of liabilities. The service issues certificates of employment history to former employees of bankrupt financial institutions and verification of liabilities documents to debtors of failed financial institutions so that they can apply for a new job or recover credit ratings. They can receive such documents in mail within three days from the application on the KDIC website.

To provide certificates of employment history, the KDIC prepared human resources data about 28,386 former employees of 336 closed bankruptcy estates as of December 2010. Verification of liabilities is promptly issued once the system validates the information in link with bankrupt financial institutions. Thanks to this service, debtors or former employees of bankrupt financial institutions now do not need to travel far distances to visit the financial institutions in person to obtain the necessary certificates, which increases a service user’s convenience.

【Table Ⅱ-4】 Issuance of Certificates of Employment History and Verification of Liabilities

(As of December 31, 2010)

Type	Certificate of Employment History[1)]	Verification of Employment History[2)]	Verification of Liabilities[3)]	Total
Number	129	365	461	955

1) Certificate of Employment History: Certificate of Employment History for employees of legally closed bankruptcy estates (effective since December 27, 2005)
2) Verification of Employment History: Certificate of Employment History for employees of de facto closed or closure- in-progress bankruptcy estates (effective since April 30, 2007)
3) Verification of Liabilities: Verification of Liabilities for loan credits held by bankruptcy estates and the KR&C (former RFC) (effective since February 28, 2006)

C. Uncollected Dividend Notification Campaign

Bankruptcy estates for which the KDIC is chosen as receiver pay out dividends to bankruptcy creditors from money raised by selling assets. However, for some creditors whose address is unknown, there is no way to notify them of the payment. To protect the property rights of bankruptcy creditors, the KDIC launched the Uncollected Dividend Notification Campaign in August 2005.

Until the end of 2010, the KDIC identified addresses of 790,000 bankruptcy creditors with the help of the Ministry of Public Administration and Security, and had the bankruptcy estates send dividend payment notifications to these newly identified addresses. During 2010, addresses of a total of 215,164 creditors were corrected; 107,219 creditors of 89 bankruptcy estates in the first half and 107,945 creditors of 69 bankruptcy estates in the second half. Also, the KDIC built the Unpaid Dividend Notification System on its website where a creditor can check if there is unpaid dividend for him or her after an authentication process. In 2010, 2,895 creditors accessed the site to identify unclaimed dividends.

As a result of consistent promotion efforts, the campaign succeeded in paying out dividends worth KRW 192.0 billion (359,432 cases), which had been overdue for 6 months or more, to bankruptcy creditors from August 2005 to December 2010. In 2010 alone, KRW 9 billion (39,551 cases) of long-overdue dividends (6 months or longer) were paid.

【Table Ⅱ-5】 Uncollected Dividend Payments Delivered to Bankruptcy Creditors

(Unit: KRW 100 million)

Type		Banks	Financial Investment Companies	Insurance Companies	Merchant Banks	Mutual Savings Banks	Credit Unions	Total
2010	Amount (No. of cases)	4	0.01	0.5	13	72	0.2	90
		(56)	(14)	(1,813)	(428)	(36,789)	(451)	(39,551)
Aug.2005 ~Dec.2010	Amount (No. of cases)	101	3	1	343	1,470	2	1,920
		(212)	(1,767)	(4,234)	(13,122)	(338,647)	(1,450)	(359,432)

D. Provisional Insurance Payments to MSB Depositors

Under the provisional insurance payment system, the KDIC purchases deposits exceeding the coverage limit (KRW 50 million per person per institution) and calculates the amount of provisional insurance payments based on expected dividend payouts from the bankruptcy estate. The system is intended to make insurance payments to depositors so that they can quickly retrieve deposits without needing to wait for the bankruptcy procedure to be completed which is usually time-consuming.

Creditors including depositors whose deposits were larger than KRW 50 million at Eutteum MSB, a financial institution declared bankrupt on April 16, 2010, were expected to recover their assets by receiving bankruptcy dividends. As the process caused economic inconvenience, the KDIC paid KRW 21.9 billion in provisional insurance payments to deposit creditors of Jeonil and Eutteum MSBs in accordance with Article 35.2 of the DPA.

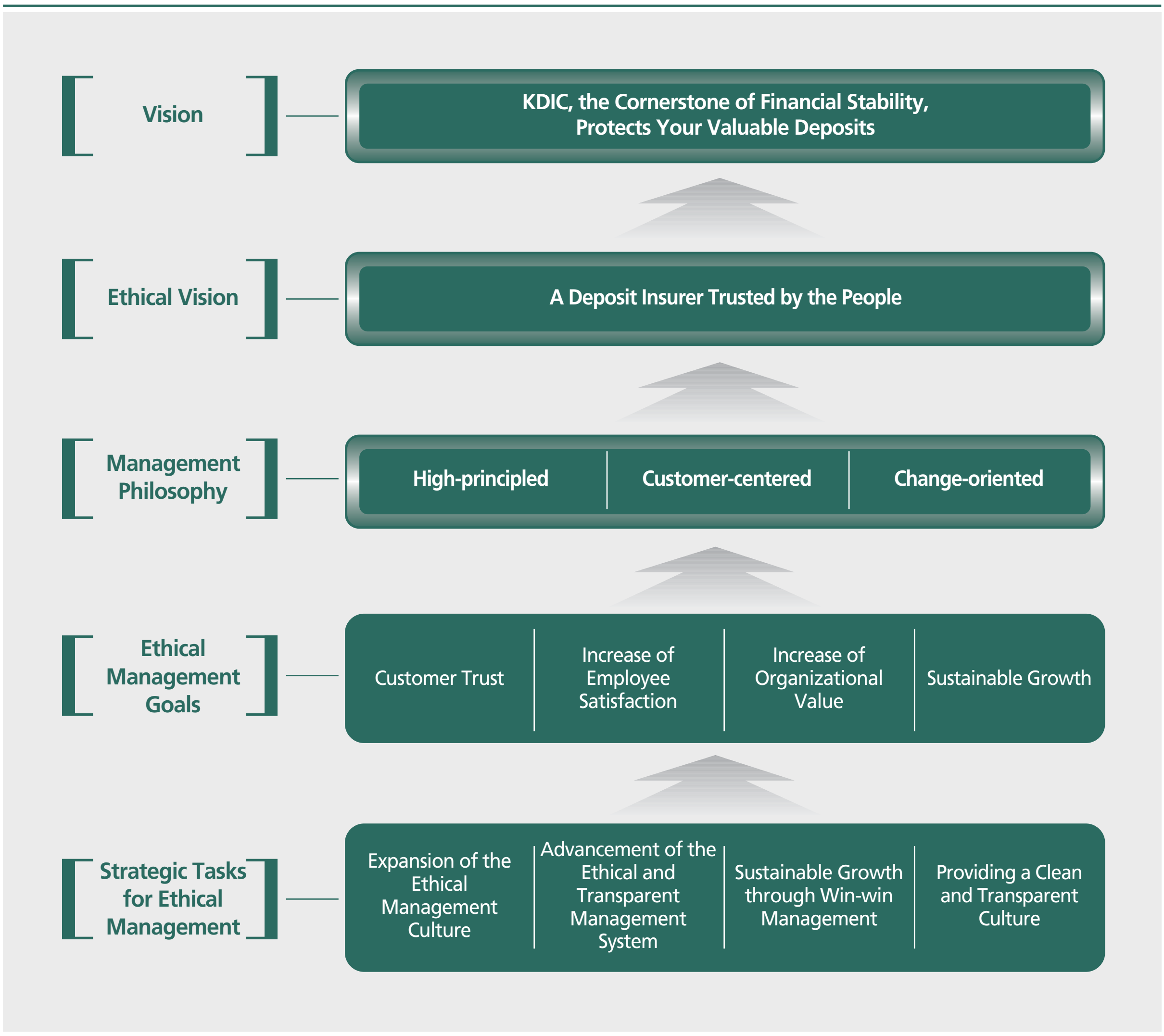
2-3. Ethical Management and Social Charity Activities

A. Ethical Management

To fulfill its social duty as a reliable public institution, the KDIC is promoting ethical management at every level of the corporation. As part of the effort, the KDIC established a mid- to long-term plan in 2010 to infuse ethical management practices into all aspects of its business, and proposed tasks under four major strategies to ensure the systemic implementation of the plan.

During 2010, the KDIC worked toward spreading the ethical management culture, advancing the ethical and transparent management system, promoting sustainable growth in a win-win manner, and establishing a clean and transparent business culture. More specifically, the KDIC strived to raise employees' awareness of their responsibilities in this regard by continuously improving its programs for self-evaluation and employee training. In addition, the KDIC expressed its commitment to ethical management by taking part in publicly verifiable programs; it published reports on its progress in fulfilling the requirements of the UNGC (United Nations Global Compact, a United Nations initiative to encourage businesses worldwide to meet their social responsibilities); and it also participated in the Korean Business Ethics IndeX (KoBEX) survey conducted by the Ministry of Knowledge and Economy.

【Figure Ⅱ-1】 Mid and Long-term Ethical Management Promotion Plan



B. Social Charity Activities

In return for the faith the public has put in the Corporation and to carry out its duty as a public institution, all employees of the KDIC are encouraged to participate in social volunteering activities. Particularly in 2010, it made efforts to increase the effectiveness of charity activities under the motto of "Value to Participants, Practical Assistance to Beneficiaries" while promoting a culture of voluntary participation among employees.

In 2010, the KDIC collected KRW 155 million in aid for the "Share the Love" program through donations from employees (1 account equals KRW 5,000) and matching grants from the Corporation. The Corporation also converted mileage from corporate credit cards to cash worth KRW 24 million for the "KDIC Scholarship for the Young" project.

Among major volunteering activities in 2010 were regular visits to a rural village with which the KDIC has had good ties since November 2005 under the “One Company, One Village Sisterhood Program.” During the farming season in spring and fall when more labor is needed, KDIC employees helped the village by thinning and picking apples and experienced rural life. These activities strengthened urban-rural bond and provided practical assistance for the participating villages.

Nineteen teams voluntarily organized by KDIC departments carried out the “Matching One Family with One Department Campaign” to aid families and social charity institutions in need by donating their time and money in voluntary works. On every third Tuesday of the month, the KDIC provided free lunch to senior citizens living alone, people with disabilities and others in need in cooperation with charity organizations as part of regular social contribution efforts, so that practical assistance could be given to the socially underprivileged.

In August, the 6th Award Ceremony of KDIC Scholarship was held during which ten students from low-income families facing difficulties in continuing their studies were given KRW 1 million each in scholarship money. As scholarship will be given until their graduation if certain qualifications are met, it is an ongoing social contribution effort, not an one-off event. In addition, KDIC staff members volunteered to work as assistant teachers every third Saturday of the month and help with special school events such as the Science Day fair at Seoul Jungjin School, a school for the disabled with which the KDIC has a sisterhood relationship, in an effort to give practical help for school administration.

The KDIC engaged in other diverse social contribution activities in order to extend a loving hand to those in need, including the quarterly “Refurbish Your House with Love” campaign to supply convenient housing to low-income families suffering from poor living conditions and excessive housing costs. KDIC employees cleaned up the Cheonggye Stream every month, which has now become a famous recreation and tourism spot, to preserve its ecological environment. The KDIC also joined various social charity activities to support the poor in the local community to share warm-heartedness; participated in a campaign to help the families of the fallen in the sinking of the Cheonan naval ship; participated in a campaign to help the residents on the Yeonpyeong Island which was bombarded by North Korea; formed a sisterhood relationship with disabled children at Seungga Temple; and made donations for the needy at year end.

【Table Ⅱ-6】 Major Social Charity Activities

Types	Recipients/ Relevant Organizations	Activities		Donation Amount (Unit : KRW 1,000)
		No. of times	No. of people	
Matching One Family with One Department Campaign	ChildFund, etc.	138	368	32,222
Supporting School for the Disabled	Seoul Jungjin School	8	41	179
One Company, One Village Sisterhood Program	Ungok-ri, Yesan-gun	2	94	7,497
Free Meal Service	Free Food	12	94	9,471
Refurbish Your House with Love	Habitat	4	38	6,000
Cleaning up Cheonggye Stream	Cheonggye Stream Management Team	9	69	501
Blood Donation of Love	Korea National Red Cross	3	3	-
Coin Collection	World Vision	2	117	1,431
Individual/Group Activities		83	83	
KDIC Scholarship	Low-income teenagers	1	-	10,000
Helping People in Need	Ministry of Patriots & Veterans Affairs The 1st Battalion of Combat Aircraft	2	-	6,855
	Community Chest of Korea	1	-	10,000
	Gangseo Branch of Korean Senior Citizens Association	1	-	3,000
	Sharing & Joy	1	-	3,000
	Korea Food for the Hungry International	1	-	3,180
	Global Sarang	1	-	5,000
	Community Chest of Korea	1	-	10,000
	Korea Disaster Relief for Association	1	-	6,000
	Seungga Temple	1	-	15,000
	Autism Society of Korea	1	-	2,000
	Guro Branch of U&I Communication	1	-	3,000
	Micell Child Welfare Center	1	-	1,000
	Blue School Child Welfare Center	1	-	1,000
	Youth Guidance Rearing Conference	1	-	2,000
Others	Reward for social contribution activities	-	-	2,100
	Other social contribution activities	-	-	1,038
Total		277	907	141,474

2-4. IT Advancement for Vision Achievement

A. IT System Enhancements to Make the Vision Come True

The KDIC established the Information Technology (IT) Mid- to Long-term Plan in 2007 to establish an IT system that can respond to changes inside and outside the organization in a flexible manner and systematically support the achievement of its vision. Since 2008 and onwards, the company has been implementing IT advancement projects that will be completed over a three-year period. In 2010, the KDIC implemented IT advancement projects to make strategic use of information.

First, the KDIC prepared a decision-making system to pro-actively adapt to ever-changing capital market environment and enhance fund management performance by improving its fund management system. For example, by enabling a detailed search of loan data held by mutual savings banks through its Problem Loan Search System (PLSS) and reducing the amount of time spent in routine work, the KDIC could conduct IT advancement projects that helped to meet the strategic goal of "Establishment of a System for Strategic Information Creation and Use."

Second, the KDIC carried out IT advancement projects in line with the strategic goal of "Providing User-oriented IT Services" by enhancing stability and user convenience of IT services with the webmail backup system and improved business portal functions.

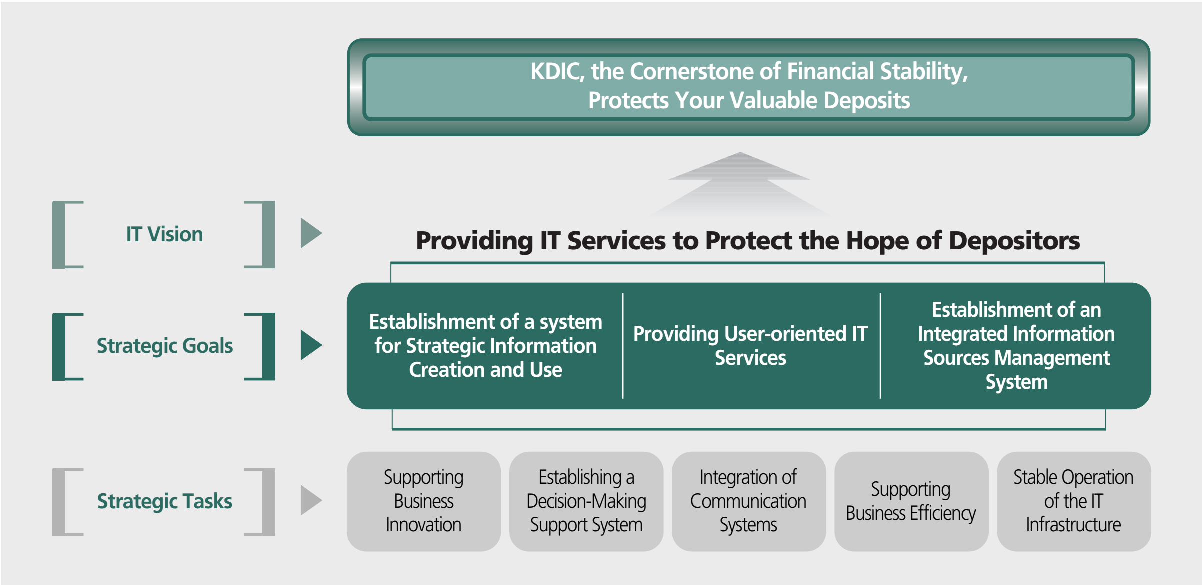
Third, the KDIC conducted IT advancement projects under the strategic goal of "Establishment of an Integrated Information Sources Management System" for stable and efficient infrastructure management. Such projects included: the introduction of protective equipments against DDoS (Distributed Denial of Service) attacks; load distribution of server farms; SAN switch expansion; Windows server database integration, etc.

In particular, the KDIC established the IT advancement strategy to meet the KDIC's vision and goals by analyzing the internal and external environments and gathering opinions from each department. And the Corporation also created the foundation for IT advancement by preparing a mid- and long-term plan for the next three years.

【Table Ⅱ-7】 IT Advancement Tasks in 2010

Strategic Goals of IT Advancement	IT Advancement Tasks
Ⅰ Establishment of a system for Strategic Information Creation and Use	Improvement and addition of new functions for the fund management system (Oct. 2009~Jun. 2010)
	Construction of the Problem Loan Search System(PLSS) (Apr. ~ Aug. 2010)
	Establishment of the mid- to long-term IT advancement strategy and plan (Jul. ~ Dec. 2010)
	Electronic document system functions upgrade (Aug.~Dec. 2010)
Ⅱ Providing User-oriented IT Services	Webmail back-up system construction (May ~ Jul. 2010)
	Business Portal function enhancement (Dec. 2010 ~ Apr. 2011)
Ⅲ Establishment of an Integrated Information Sources Management System	Protective equipments against DDoS attacks (Mar. 2010)
	Addition of a new server farm switch module (Apr. ~ Sep. 2010)
	SAN Switch port increase (Aug. ~ Dec. 2010)
	Acquisition of international standard ISO/IEC20000 certification (Jul. ~ Dec. 2010)
	Window server database integration (Oct. 2010 ~ Feb. 2011)
	SSO (Single Sign On) system upgrade (Sep. 2010 ~ Apr. 2011)

【Figure Ⅱ-2】 Strategic Map of the Mid- to Long-term Plan for IT Advancement (2008-2010)



B. Acquisition of International Standard Certification for IT Services

Under the strategic plan for IT advancement established in 2007, the KDIC developed 21 management procedures and guidelines for IT services by the first half of 2010 and implemented them for full-fledged operation. The Corporation also improved its operation and management of IT services to meet the ISO/IEC20000 international standards, while trying to get an ISO/IEC20000 certification to provide a momentum for its efforts to improve IT business processes and enhance IT service quality.

The ISO/IEC20000 certification is given by a certifying organization after an examination of the applicant's IT service capability to see whether the company is capable enough to provide international standard service to see its customers or employees. The KDIC obtained the ISO/IEC20000 certification in early December 2010 for its entire IT service system that supports the Corporation to meet its unique mission.

The KDIC acquired the ISO/IEC20000 certification both from the IT Service Management Forum (itSMF) and the United Kingdom Accreditation Service (UKAS), and became the first Korean public institution managing pensions and funds to have such a certification. The certification means that KDIC's IT services for external and internal customers meet international standards and are recognized for optimal operation by the international institutions.

With the acquisition of the certification, the KDIC will continue to improve its IT service processes and systems to create a best practice for stakeholders both at home and abroad. And to meet the post-certification requirements set by international entities such as Lloyd's Register Quality Assurance, the KDIC will strengthen efforts to improve its IT service quality by conducting more rigorous internal audits of processes and regular quality reviews and improvements.

2-5. Dynamic Human Resources Management and Organizational Culture

A. Various Programs to Build a Sound Organizational Culture

The KDIC endeavored to improve the quality of communication between its employees and establish a sound organizational culture. To assist employees who newly joined the KDIC in the second half of 2009 to settle in with ease, the Corporation offered a 6-month mentoring program for them after they were allocated to their respective departments. Mentoring programs were provided to interns as well to help their adjustment. And leadership courses were given twice over two nights and three days to staff members who recently became managers or were about to become managers to develop their leadership skills and improve organizational culture. In-depth leadership courses about organizational development and change & innovation were open twice for team leaders and senior-level managers.

To build cooperative ties between staff, various events were organized. For example, to facilitate communication between management and staff, the KDIC has been hosting “Tang Day” (translated to “Soup Day”), during which employees get the opportunities to join in conversations with executive directors over lunch, and “Hof Day” (translated to “Beer Day”), an event where employees share time with department leaders over a few glasses of beer. During 2010, the KDIC management and staff had a total of 64 Tang Day and Hof Day events. In the meantime, to build trust and promote harmonization between labor and management and nurture a family-friendly organizational culture, the KDIC hosted “Year 2010 Family Love Festival for Labor-Management Harmony” in November inviting family members of employees. The festival was organized in consultation with the Labor-Management Working-level Conference, and during the festival, various cultural events were held such as a sporting event for family members of employees and a drawing contest for sons and daughters of employees.

In the meantime, the KDIC reviewed various family-friendly programs intended to raise employees’ satisfaction and fulfill its social responsibilities, and improved its basic policies and operational structures for more structured family-friendly management. The KDIC put Family-friendly Management under its management philosophy of High-principled, and established the basic direction and principles regarding how to accomplish it. In addition, the Corporation got its family-friendly system evaluated objectively by the Ministry of Gender Equality & Family. In the evaluation, the KDIC was certified (“AA” grade) as a Family-friendly Employer.

To make the work environment more pleasant, the KDIC operated an experience-based training program throughout the year in which a total of 35 employees from nine teams participated. In April, the KDIC invited sons and daughters of employees to the office and held events such as the KDIC Children’s Day ceremony.

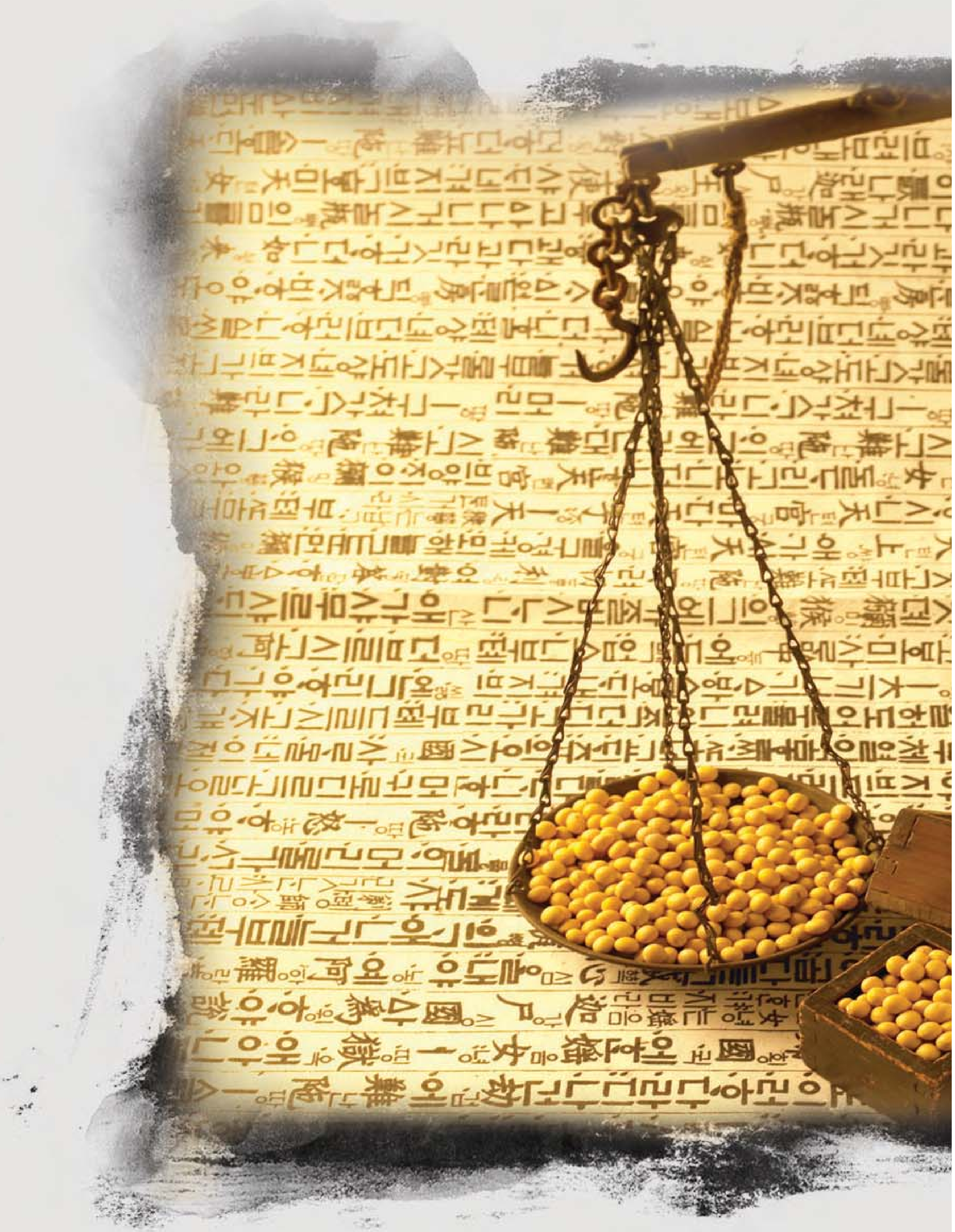
B. Reorganization for Enhancing the Role of Deposit Insurer and Raising Operation Efficiency

With an organizational reshuffle in February 2010, the KDIC enhanced its role as a deposit insurer by creating dedicated departments for deposit insurance system improvement, MSB risk surveillance, and MSB failure resolution. At the same time, it streamlined functions to minimize asset management operations related to recovery.

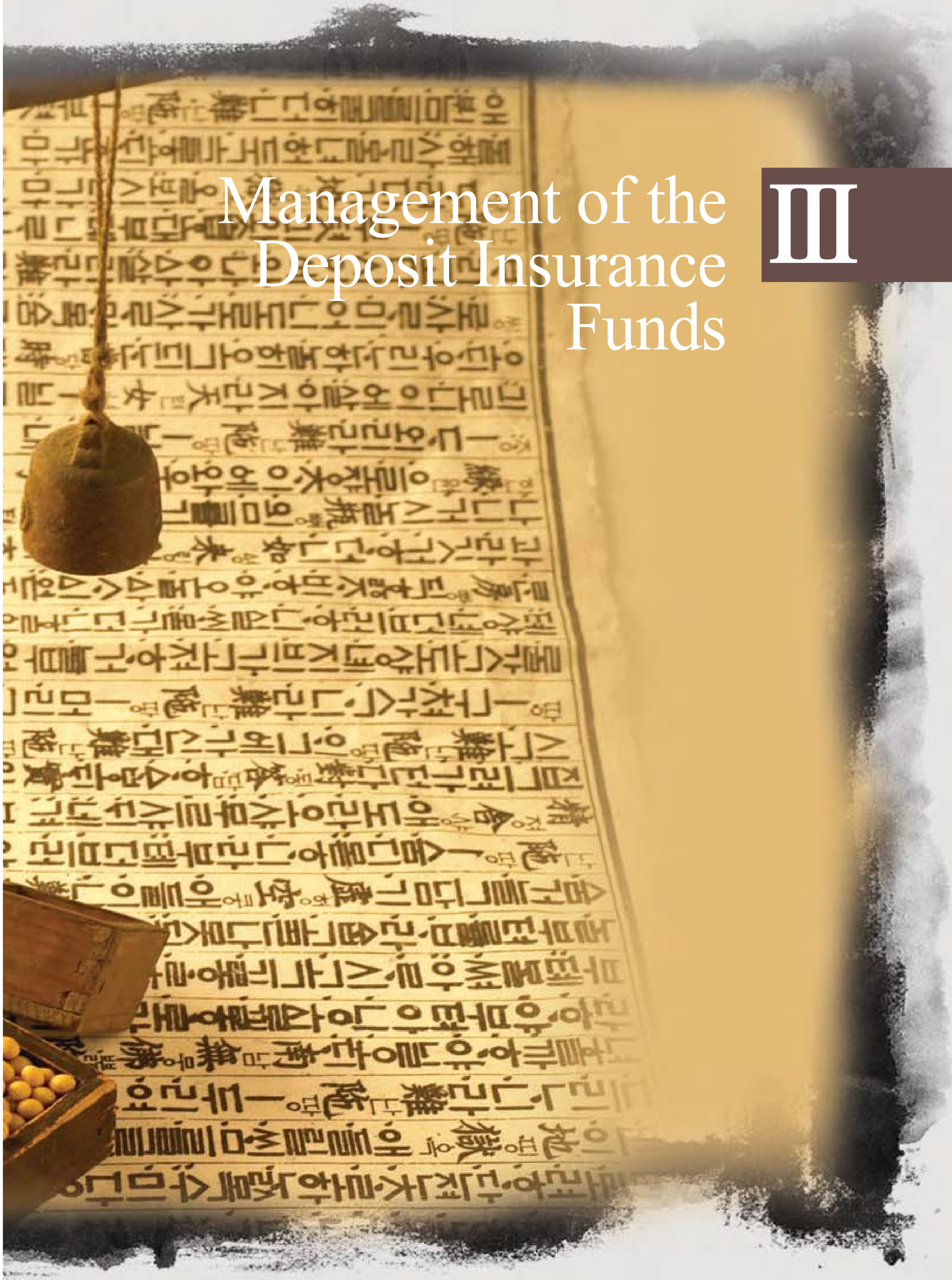
The KDIC made additional attempts at increasing management efficiency by seeking efficiency in manpower and process management through continuous coordination between departments.

C. Fairer Strategic Performance Management System (Balanced Score Card, BSC)

The KDIC introduced the strategic performance management system (BSC) in late 2005 to create a performance-oriented organizational culture. It conducted BSC assessments of every department as the basic unit in 2006 and, later in 2007, the basic unit was expanded to teams. In 2009, an electronic system for BSC was developed for more efficient evaluation. In 2010, the KDIC sought to enhance the BSC system to efficiently achieve strategic goals. For example, by linking external assessments and internal ones in 2010, the number of BSC indicators was reduced significantly, which allowed more focused use of manpower and resources. The KDIC has continuously made a lot of efforts to improve the acceptability of assessment results. For example, it fully disclosed assessment results and opened the Appeals Review Committee.



Ⅲ Management of the Deposit Insurance Funds



Korean Traditional Scales (Background: Korean Alphabet 'Hangeul')

III

Management of the Deposit Insurance Funds

As of January 1, 2003, the Public Fund Redemption Plan (Redemption Plan), prepared by the government in 2002, separated the assets and liabilities of the existing Deposit Insurance Fund (DIF) that had been used in the restructuring process, and established the Deposit Insurance Fund Bond Redemption Fund (Redemption Fund). The Redemption Fund was established to facilitate the completion of the financial restructuring efforts, recovery and repayment of public funds. The new DIF, which started from a clean slate with insurance premiums from 2003, has been used for the day-to-day operations of the Fund relating to insolvencies from 2003 onwards.

1. Deposit Insurance Fund Bond Redemption Fund

1-1. Procurement and Redemption

A. Special Assessment Payments

Pursuant to Article 30.3 of the Depositor Protection Act (DPA) and Article 16.2 of the DPA Enforcement Decree, insured financial institutions are required to pay a given ratio of their deposit balances (deposit balances for insurance companies, for example, would be the arithmetic average of policy reserves and premiums earned) to the KDIC, as Special Assessment Payments (SAPs) for the period from 2003 to 2027. At present, banks are required to pay SAPs within one month following the end of each quarter. Other insured financial institutions are required to pay SAPs within three months following the end of each business year. In 2010, the KDIC received SAPs in the amount of KRW 987.1 billion from six insured financial sectors.

【Table Ⅲ-1】 Special Assessment Rates by Financial Sector

Sector	Banks	Financial Investment Companies	Insurance Companies	Merchant Banks	MSBs	Credit Unions
Special Assessment Rate	1/1,000	1/1,000	1/1,000	1/1,000	1/1,000	5/10,000[1]
Legal Ceiling	3/1,000	3/1,000	3/1,000	3/1,000	3/1,000	3/1,000

1) Special assessment rate applied to credit unions was changed from 1/10,000 to 5/10,000 effective from 2007.

【Table Ⅲ-2】 Special Assessment Revenues

(Unit: KRW 100 million)

Year	Banks	Financial Investment Companies	Insurance Companies		Merchant Banks	MSBs	Credit Unions[1]	Total
			Life	Non-life				
2003	4,775	156	889	185	20	222	-	6,247
2004	4,956	168	978	198	6	264	-	6,570
2005	4,871	145	1,069	219	5	319	-	6,628
2006	4,987	151	1,160	242	6	370	216	7,133
2007	5,027	156	1,265	278	7	430	116	7,280
2008	4,976	185	1,364	319	8	491	129	7,472
2009	5,965	169	1,430	352	10	593	137	8,656
2010	6,811	213	1,534	409	19	715	170	9,871
Total	42,368	1,343	9,690	2,201	81	3,404	767	59,857

1) Credit unions make payments from 2006 to 2017.

B. Contributions from the Public Fund Redemption Fund

In accordance with the Redemption Plan, the KDIC has received a total of KRW 52.306 trillion during the four year period from 2003 to 2006 and completely repaid the principal and interest of the Deposit Insurance Fund Bonds (DIF Bonds). As a result, the KDIC has received no money from the government since 2007.

C. Issuance and Redemption of Deposit Insurance Fund Bonds

As provided for in Articles 26.2 and 26.3 of the DPA, the KDIC may issue DIF Bonds. From 1998 to 2002, the KDIC issued DIF Bonds amounting to a total of KRW 87.160 trillion.

With the establishment of the Redemption Fund in 2003, the outstanding balance of DIF Bonds of KRW 80.974 trillion as of the end of 2002 was placed under the Redemption Fund. The DIF Bonds that matured after 2003 were repaid with contributions from the Public Fund Redemption Fund, capital raised through the issuance of DIF Bond Redemption Fund Bonds ("Redemption Fund Bonds") and existing funds, etc. All DIF Bonds were repaid by the end of 2008.

【Table Ⅲ-3】 Issuance and Redemption of DIF Bonds by Year

(Unit: KRW 100 million)

Issue Year	Issued Amount	Repaid Amount	Balance
1998	210,150	-	210,150
1999	224,849	-	434,999
2000	89,407	-	524,406
2001	310,593	14,640	820,359
2002	36,600	47,215	809,744
2003	-	97,371	712,373
2004	-	166,227	546,146
2005	-	180,904	365,242
2006	-	190,636	174,606
2007	-	60,672	113,933
2008	-	113,933	-
Total	871,599	871,599	-

D. Issuance and Redemption of Deposit Insurance Fund Bond Redemption Fund Bonds

Under Articles 26.2 and 26.3 of the DPA, the KDIC is authorized to issue Redemption Fund Bonds to repay the principal and interest of DIF Bonds. In 2010, the Corporation issued Redemption Fund Bonds in the amount of KRW 6.81 trillion through public offering at a fixed rate, some with a four-year maturity (KRW 2.12 trillion) and others with a five-year maturity (KRW 4.69 trillion). Meanwhile, as the KDIC repaid KRW 7.44 trillion that matured in 2010, the outstanding balance as of the end of 2010 stood at KRW 26.69 trillion.

【Table Ⅲ-4】 Issuance and Redemption of DIF Bond Redemption Fund Bonds

(Unit: KRW 100 million)

Issue Year	Issued Amount	Repaid Amount	Balance
2004	65,000	-	65,000
2005	74,400	-	139,400
2006	28,705	3,155	164,950
2007	27,200	450	191,700
2008	88,000	100	279,600
2009	58,600	65,000	273,200
2010	68,100	74,400	266,900
Total	410,005	143,105	266,900

E. Borrowings

Pursuant to Article 26 of the DPA, 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 and institutions stipulated by Presidential Decree. The Corporation borrowed necessary funds from the government's Special Account, the IBRD, the ADB and financial institutions until 2002.

The previous borrowings of the KDIC were placed under the Redemption Fund which was established in 2003. And the KDIC was exempted from repaying all previous fiscal borrowings as of January 1, 2003, in accordance with the Public Fund Redemption Fund Act. It has not borrowed any money since 2003. In 2010, the Corporation repaid KRW 116.8 billion (USD 100 million) for the principal of the loans it owed to the IBRD, leaving the outstanding balance of its borrowings as of the end of 2010 at KRW 350.4 billion.

【Table Ⅲ-5】 Borrowings of the DIF Bond Redemption Fund

(Unit: KRW 100 million)

Year	Lender Institution				Repaid Amount	Outstanding Balance
	Financial Institutions	IBRD and ADB[1] etc.	Government	Total		
Amount Received	76,011	-	-	76,011	-	76,011
1998	3,295	2,416	10,582	16,293	9,337	82,967
1999	13,870	12,016	26,254	52,140	33,870	101,237
2000	90,028	13	39,533	129,574	9,802	221,009
2001	-	8	49,672	49,680	110,196	160,493
2002	-	-	59,553	59,553	3	220,043
2003	-	-	-	-	195,993	24,050
2004	-	-	-	-	11,168	12,882
2005	-	-	-	-	3,538	9,344
2006	-	-	-	-	1,168	8,176
2007	-	-	-	-	1,168	7,008
2008	-	-	-	-	1,168	5,840
2009	-	-	-	-	1,168	4,672
2010	-	-	-	-	1,168	3,504
Total	183,204	14,453	185,594	383,251	379,747	3,504

1) International Bank for Reconstruction and Development (IBRD) and Asian Development Bank (ADB)

1-2. Assistance

A. Overview

The KDIC provides public funds, in the form of deposit payouts and equity investments, etc. to enable the resolution of insolvent financial institutions. In accordance with the DPA, the Redemption Fund is responsible for costs arising from the resolution of financial institutions that have become, or were designated as, insolvent financial institutions before the end of 2002.

The Redemption Fund provided a total of KRW 8.3 billion in public funds during 2010, all of which was provided in contributions.

The total amount of public funds provided from the Redemption Fund for the restructuring of financial institutions came to KRW 110.884 trillion as of year-end 2010. This amount includes KRW 50.794 trillion (45.8%) in equity participation for management normalization, KRW 18.602 trillion (16.8%) in contribution for P&As (purchase and assumption transactions), KRW 30.312 trillion (27.3%) for payments of insurance claims for depositors of failed financial institutions and KRW 11.177 trillion (10.1%) for the purchase of other assets.

【Table Ⅲ-6】 Financial Assistance by the Redemption Fund in 2010

(Unit: KRW 100 million)

Financial Sector	Contribution	Insurance Claim Payment[1]	Total
Banks	0.2	-	0.2
Financial Investment Companies	83	-	83
Insurance Companies	-	-	-
Merchant Banks	-	-	-
MSBs	-	-	-
Credit Unions	-	-1	-1
Total	84	-1	83

1) Claim payment is redeemed if it is paid twice for same claim.

【Table Ⅲ-7】 Accumulated Financial Assistance from the Redemption Fund

(As of December 31, 2010, Unit: KRW 100 million)

Financial Sector	Equity Participation	Contribution	Insurance Claim Payment	Asset Purchase	Loan	Total
Banks	222,039	139,093	-	81,064	-	442,196
Financial Investment Companies	99,769	4,143	113	21,239	-	125,264
Insurance Companies	159,198	31,191	-	3,495	-	193,884
Merchant Banks	26,931	7,431	182,718	-	-	217,080
MSBs	1	4,157	72,892	-	5,969	83,019
Credit Unions	-	-	47,402	-	-	47,402
Total	507,937	186,016	303,124	105,799	5,969	1,108,844

B. Financial Assistance by Financial Sector

(1) Banks

On December 23, 1999, a formal agreement was entered into with New Bridge Capital for the sale of Korea First Bank. The agreement stated that the KDIC would provide financial support in the form of contributions to the bank for the losses incurred as a result of lawsuits concerning business operations prior to the acquisition of the bank by New Bridge Capital. In 2010, the KDIC provided KRW 20 million in contribution to the bank for this purpose.

(2) Financial Investment Companies

To compensate for damages caused by unsettled lawsuits at the time of Hyundai Investment and Securities' sale and raise the company's corporate value, the KDIC provided KRW 8.3 billion in contribution in 2010.

(3) Mutual Savings Banks

During 2010, the KDIC did not provide any funds to MSBs in the form of equity participation, contributions or loans.

【Table Ⅲ-8】 Financial Assistance Provided to MSBs

(As of December 31, 2010, Unit: KRW 100 million)

Name of Institution	Equity Participation		Contribution		Loan	
	2009 and Earlier	2010	2009 and Earlier	2010	2009 and Earlier	2010
New Choongbuk	100	-	-	-	161	-
Kisan	-	-	-	-	541	-
Dongwha	-	-	-	-	639	-
Ilshin	-	-	-	-	155	-
Dong-ah	-	-	-	-	104	-
Kyungbuk	-	-	-	-	170	-
Saenuri	-	-	13	-	413	-
Daewon	-	-	-	-	563	-
Choongil	-	-	-	-	89	-
Daejeon	-	-	-	-	102	-
Haedong	-	-	-	-	263	-
Choongnam	-	-	-	-	45	-
Busan 2	-	-	-	-	271	-
Union	-	-	39	-	518	-
Arim	-	-	-	-	615	-
Korea Investment (Dongwon)	-	-	63	-	783	-
MS (Choil)	-	-	29	-	738	-
Domin	-	-	28	-	709	-
Kyunggi	-	-	254	-	1,654	-
Boomin	-	-	243	-	-	-
Hanmaum	-	-	521	-	-	-
Kyungbuk	-	-	81	-	-	-
Shilla (Telson)	-	-	775	-	-	-
Hanaro	-	-	422	-	-	-
Solomon	-	-	663	-	-	-
J-1	-	-	325	-	-	-
Sangup	-	-	701	-	-	-
KR&C	1[1)]	-	-	-	-	-
Total	101	-	4,157	-	8,532	-

1) Equity participation in Hanareum Mutual Savings Bank that merged into the Resolution & Finance Corporation as of December 31, 2001

【Table Ⅲ-9】Insurance Claim Payments to MSBs

(Unit: KRW 100 million)

Year	No. of Institutions[1]	Payment Amount
1998	17	14,705
1999	19	14,272
2000	11	6,500
2001	5	29,537
2002	10	7,719
2003	7	5
2004	8	26
2005	7	1
2006	8	3
2007	2	128
2008	-	-4
2009	1	0.4
2010	-	-
Total	-	72,892

1) The total number of institutions provided with insurance claim payments from the Redemption Fund is 70.

1-3. Recovery

A. Overview

Depending on the nature of the support extended, the KDIC uses a number of methods to recover public funds. First, it recovers funds injected in the form of equity participation through disposition of its equity stakes. For financial institutions that have closed because their liabilities exceeded their assets, it recovers funds provided in contributions for deposit payouts by proving a claim against and receiving dividends from the bankruptcy estate of the institution concerned. Third, in the case where the Corporation has taken over assets of and extended loans to the failed financial institution, it recovers the funds through the disposal of the assets or collection of the loans using a variety of methods. The accumulated amount of public funds recovered as of the end of 2010 recorded KRW 47.515 trillion including KRW 2.930 trillion recovered in 2010 alone.

【Table Ⅲ-10】 DIF Bond Redemption Fund Recoveries in 2010

(Unit: KRW 100 million)

Financial Sector	Equity Participation	Contribution	Bankruptcy Dividend[1]	Asset Sales[2]	Recovery of Loans	Total
Banks	13,622	8	420	1,907	-	15,958
Financial investment companies	-	23	0	4,486	-	4,509
Insurance companies	4,326	0	152	109	-	4,587
Merchant banks	352	-	1,934	-	-	2,285
MSBs	-	6	1,460	-	-	1,465
Credit unions	-	-	491	-	-	491
Total	18,300	37	4,456	6,503	-	29,295

1) Includes bankruptcy dividend resources reimbursed by the resolution financial institution.
2) Includes asset sale proceeds reimbursed by the resolution financial institution.

【Table Ⅲ-11】 Accumulated DIF Bond Redemption Fund Recoveries

(As of December 31, 2010, Unit: KRW 100 million)

Financial Sector	Equity Participation	Contribution	Bankruptcy Dividend[1]	Asset Sales[2]	Recovery of Loans	Total
Banks	158,129	695	18,181	57,696	-	234,702
Financial investment companies	12,121	3,230	75	17,026	-	32,452
Insurance companies	30,250	884	4,266	2,325	-	37,725
Merchant banks	1,349	59	79,504	-	-	80,913
MSBs	-	340	48,998	-	5,969	55,306
Credit unions	-	4	34,045	-	-	34,049
Total	201,850	5,213	185,069	77,047	5,969	475,147

1) Includes bankruptcy dividend resources reimbursed by the resolution financial institution.
2) Includes asset sale proceeds reimbursed by the resolution financial institution.

B. Disposition of Equity Stake

(1) Banks

In 2010, the KDIC recovered KRW 1.397 trillion in total by selling shares in Woori Financial Group (WFG) and redeeming callable preferred shares in Shinhan Financial Group (SFG). As for WFG, after selling 7% of its equity stakes in November 2009, the KDIC succeeded in selling 9% minority ownership in block sale in April 2010. As a result, the KDIC recovered KRW 1.161 trillion* from share sales in addition to KRW 53.2 billion* recovered from dividend payments. In particular, the block sale in 2010 did not need to offer a discount thanks to the market's rising interest in the bank's future privatization. So, compared to a weighted average discount rate (3.03%) in the previous three block sales of WFG shares, the KDIC recovered an additional KRW 35.2 billion from the 2010 share sale. For SFG, KDIC's recovery efforts included KRW 168.5 billion by redeeming callable preferred stocks in August and KRW 12.3 billion received in dividends. Also, it has recovered KRW 2.8 billion until December 31, 2010 by selling its equity in Jeju Bank during the trading hours since October 4, 2010.

* Based on the sum of bank account and merchant bank account for WFG

(2) Insurance Companies

The KDIC recovered KRW 158.6 billion by selling old shares (2.23%) during the Initial Public Offering (IPO) of Korea Life Insurance in March 2010. It also recovered KRW 252.5 billion or 75% of net profits in fiscal year 2009 (KRW 336.7 billion) in July 2010 under the plan for the redemption of callable preferred stocks of Seoul Guarantee Insurance Corporation.

(3) Miscellaneous

The KDIC recovered KRW 12.7 billion by selling its equity of Woongjin Chemical, Tongyang Major and Hyundai Information Technology whose shares had been acquired in the course of the resolution of the former Hyundai Investment & Securities.

The KDIC also recovered KRW 302.3 billion by disposing of its 2.05% stake in Hynix (12 million shares), which was possessed by the Korea Resolution & Collection (KR&C) (former RFC), in block sales and joint sales with creditors from March to July 2010. In the joint equity sales of Daewoo International and Saehan Media shares, the Corporation recovered KRW 68.8 billion. By selling old shares (6.64%) of Samsung Life Insurance during an IPO in May 2010, it recovered KRW 162.6 billion. From March to October 2010, it recovered another KRW 10.3 billion by selling its equity stakes in three listed companies - Youngheung Iron & Steel, Jinro, Dechocolate - and 16 non-listed companies. As seen in these efforts, the KDIC sold the equity owned by KR&C (former RFC) in various manners such as block sales, old share sales, sales during trading hours, public sale, etc. and recovered KRW 544 billion.

C. Recoveries by the KR&C*

The KR&C uses a variety of recovery methods in addition to the traditional one of recovery at full asset maturity. The methods include: sales through M&A; disposition of non-performing loans (NPLs) through the establishment of joint venture special purpose companies (J.V. SPCs); and issuance of asset backed securities (ABSs). By the end of 2010, the KR&C recovered a total of KRW 7.680 trillion, out of which it repaid 7.072 trillion to the KDIC.

Aside from some marketable securities (worth KRW 544 billion) commissioned to the KDIC for sale, the KDIC recovered KRW 109.6 billion by collecting loans, filing lawsuits, and selling real estate in public sales.

* RFC, a resolution financial institution that had been doing business after acquiring Hanareum Merchant Bank/MSB, was converted into a paper company called KR&C in November 2009 under the Second Plan for the Advancement of Public Institutions (announced in August 2008). KR&C acquires NPLs (doubtful credit, estimated loss, and real estate for non-business purpose, etc.) in a speedy manner from insolvent financial institutions to increase effectiveness of the contract transfer procedure. It also purchases remaining assets from bankruptcy estates to facilitate their early closure.

【Table Ⅲ-12】 Recoveries from Asset Sales by the KR&C

(As of December 31, 2010, Unit: KRW 100 million)

Year	Asset Type	Asset Type	Sales Amount	Sales Method
Recoveries in 2010	Loans	Loans in KRW	964	Direct collection and lawsuit
		Loans in foreign currency	29	
		Sub-total	**993**	
	Marketable securities	Listed and non-listed stock	5,520[1)]	Block sale and joint sale with creditors
	Real estate	Business buildings, etc.	23	Public offering and negotiated contract
Total			**6,536**	
Accumulated	Loans	Loans in KRW	34,656	International bidding, NPL sale, ABS issuance, etc.
		Loans in foreign currency	9,048	
		Sub-total	**43,704**	
	Marketable securities	Listed and non-listed stock	29,253*	Block sale, joint sale, etc.
	Real estate	Business buildings, etc.	3,838	Public offering and negotiated contract
Total			**76,795**	

1) Includes recoveries (KRW 544 billion) from the sale of marketable securities possessed by KR&C and commissioned to the KDIC in 2010 for sale, and accumulative amount.

D. Bankruptcy Dividends

During 2010, the KDIC received bankruptcy dividends worth KRW 496.5 billion through disposition of its asset holdings in bankruptcy estates that had received public funds. By financial sector, it recovered KRW 74.1 billion from the bankruptcy estates of banks, insurance companies, and financial investment companies, and KRW 422.4 billion from the bankruptcy estates of merchant banks, MSBs, and credit unions. By the end of 2010, a cumulative total of 18.850 trillion has been recovered.

【Table Ⅲ-13】 Bankruptcy Dividend Payments by Financial Sector[1)]

(As of December 31, 2010, Unit: KRW 100 million)

Financial Sector	No. of Bankruptcy Estates	Amount Recovered	
		2010	Cumulative Total Since 1999
Banks	5	589	18,552
Insurance Companies	10	152	4,266
Financial Investment Companies	4	-	75
Merchant Banks	22	2,255	81,742
MSBs	91	1,478	49,801
Credit Unions	325	491	34,056
Total	457	4,965	188,492

1) The amount of bankruptcy dividends recovered by the KDIC from bankruptcy estates (for direct claims payments by the Corporation) and KR&C (for claims payments through the former Hanareum Merchant Bank/MSB)

E. Recovery of Loans

By the end of 2010, the KDIC supported a total of KRW 596.9 billion in loans, all of which were recovered later. By the end of 2010, it recovered a total of KRW 521.3 billion in settlement of contributions, etc. During 2010, it recovered KRW 3.7 billion by recovering 800 million from SC First Bank, KRW 2.3 billion from Korea Investment and Securities, Daehan Investment & Securities and Hyundai Investment and Securities, and KRW 600 million in damage claims suits against the parties implicated in savings bank failures.

2. Deposit Insurance Fund

2-1. Procurement and Management of the Deposit Insurance Fund

A. Insurance Premiums

Pursuant to Article 30 of the DPA and Article 16 of the DPA Enforcement Decree, insured financial institutions are required to pay a given ratio of their deposit balances to the KDIC. Deposit balances for insurance companies, for example, would be the arithmetic average of policy reserves and premiums earned. At present, banks are required to pay deposit insurance premiums within one month following the end of each quarter. Other insured financial institutions are

【Table Ⅲ-14】 Insurance Premium Revenues

(Unit: KRW 100 million)

Year	Banks	Financial Investment Companies	Insurance Companies		Merchant Banks	MSBs	Total[3]
			Life	Non-life			
Amount remitted[1]	-	-	1,414	379	848	2,017	4,658
1997	321	-	-	-	-	-	321
1998	1,292	-	386	143	132	390	2,343
1999	1,975	51	1,011	249	336	377	3,999
2000	2,630	156	1,402	379	233	323	5,123
2001	4,139	218	1,938	478	139	529	7,441
2002[2]	4,361	262	2,295	485	130	604	8,137
2003	4,775	312	2,580	535	73	667	8,942
2004	4,960	336	2,832	571	17	793	9,509
2005	4,869	300	3,109	628	15	974	9,895
2006	4,987	303	3,362	697	19	1,116	10,484
2007	5,027	256	3,654	801	22	1,306	11,066
2008	4,808	305	3,934	918	24	1,483	11,472
2009	5,291	276	4,097	1,016	29	1,737	12,446
2010	5,451	284	2,609	698	34	2,524	11,600
Total	54,886	3,059	34,623	7,977	2,051	14,840	117,436

1) Includes the amount transferred from the Credit Management Fund when it was consolidated with the Deposit Insurance Fund in April of 1998.
2) Insurance premiums received until 2002 were transferred to the DIF Bond Redemption Fund.
3) Excludes the account of Credit Unions in the Deposit Insurance Fund, which was transferred to the Korean Federation of Community Credit Cooperatives on January 1, 2010.

required to pay their premiums within three months following the end of each financial year. The deposit insurance premiums received until 2002 were placed in the Redemption Fund while deposit insurance premiums collected since 2003 have been placed in the new Deposit Insurance Fund (DIF). The total amount of premiums received from insured financial institutions and paid into the DIF in 2010 came to KRW 1.160 trillion.

【Table Ⅲ-15】 Premium Rates by Financial Sector

	Banks	Financial Investment Companies	Insurance Companies	Merchant Banks	MSBs
Premium Rates[1]	8/10,000	15/10,000[2]	15/10,000[3]	15/10,000	35/10,000
Legal Ceiling	50/10,000	50/10,000	50/10,000	50/10,000	50/10,000

1) Premium rates were changed in June 2009 in accordance with amended Enforcement Decree of the DPA.
2) A 30% discount for a financial investment company which deposit its customers' deposits in securities and finance companies
3) Premium rate discount or increase within 5% of the standard rate considering each company's number of years in business, creditability and financial soundness

B. Contributions from Insured Financial Institutions

Article 24 of the DPA and Article 14 of the DPA Enforcement Decree require that a newly insured financial institution should contribute a proportion of its paid-in-capital or equity capital to receive deposit insurance coverage within one month of starting business operation. Due to the Redemption Plan and setup of the Redemption Fund, contributions made up to 2002 were incorporated into the Redemption Fund whereas contributions received since 2003 have been incorporated into the Deposit Insurance Fund. The Corporation received contributions worth KRW 1.6 billion during 2010.

【Table Ⅲ-16】 Contribution Remittances by Financial Sector

(Unit: KRW million)

Year	Banks	Financial investment Companies	Insurance Companies		Merchant banks	MSBs	Total[3]
			Life	Non-life			
Amount Remitted[1]	-	-	-	-	24,000	7,998	31,998
1998	-	-	-	-	-	200	200
1999	300	1,050	-	30	-	715	2,095
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
2004	340	200	600	200	-	-	1,340
2005	220	200	-	-	-	1,250	1,670
2006	380	800	-	200	-	1,340	2,720
2007	-	-	-	-	-	-	0
2008	160	11,005	-	-	-	556	11,721
2009	766	4,312	419	342	17	777	6,633
2010	80	584	900	30	-	-	1,594
Total	2,587	52,224	2,599	1,624	25,517	13,226	97,777

1) Includes the amount transferred from the Credit Management Fund when it was consolidated with the Deposit Insurance Fund in April of 1998.
2) Insurance premiums received until 2002 were transferred to the DIF Bond Redemption Fund.
3) Excludes the account of Credit Unions in the Deposit Insurance Fund, which was transferred to the Korean Federation of Community Credit Cooperatives on January 1, 2010.

C. Borrowings

Pursuant to Article 26 of the DPA and Article 15 of the DPA Enforcement Decree, the DIF is authorized to, when necessary, for payment of insurance claims or resolutions of insolvent financial institutions, etc. borrow funds from various entities including the government, the Bank of Korea, insured financial institutions and financial institutions stipulated by Presidential Decree. In accordance with this, the KDIC borrowed a total of KRW 104.6 billion in 2003, KRW 61.8 billion in 2004 to make insurance claim payments to depositors of failed credit unions and KRW 231.4 billion during 2007 to resolve insolvent mutual savings banks. Of borrowings in the credit union account, KRW 42.5 billion, KRW 38.5 billion, KRW 6 billion and KRW 5 billion were repaid in 2004, 2005, 2006 and 2008, respectively. The balance of the Credit Union account was transferred to the Korean Federation of Community Credit Cooperatives on January 1, 2010, which left the account with no borrowings. In the case of the Mutual Savings Bank account, the balance of KRW 231.4 billion has been repaid fully in 2008, leaving the balance with zero borrowings.

2-2. Assistance

A. Overview

Since 2003, the KDIC has provided public funds to enable the resolution of insolvent financial institutions or those declared insolvent. In 2010, it provided KRW 994.2 billion to MSBs to facilitate their restructuring from the DIF's MSB account. From 2003 to late 2010, a total of KRW 4.528 trillion was provided to 16 MSBs including Gimcheon MSB that was determined to be insolvent.

【Table Ⅲ-17】 Financial Assistance from the DIF in 2010

(Unit: KRW 100 million)

Financial Sector	Equity Participation	Contribution	Insurance Claim Payments	Loans	Provisional Insurance Payments	Total
MSBs	345	5,447	3,003	928	219	9,942

【Table Ⅲ-18】 Accumulated Financial Assistance from the DIF

(As of December 31, 2010, Unit: KRW 100 million)

Financial Sector	Equity Participation	Contribution	Insurance Claim Payments	Loans	Provisional Insurance Payments	Total
MSBs	1,211	24,542	14,415	4,891	219	45,278

Note) The credit union account in the DIF, which was transferred to the Korean Federation of Community Credit Cooperatives on January 1, 2010, was excluded.

B. Assistance by Financial Sector

(1) Mutual Savings Banks (MSBs)

Jeonil MSB was declared insolvent in 2009. To resolve Jeonil MSB, the KDIC transferred its sound assets and deposits to Yenarae MSB, a bridge bank established in 2010, and transferred insolvent assets to the KR&C (formerly the RFC). The KDIC contributed KRW 518.2 billion, to make up for net asset deficiencies generated due to transfer of contracts from Jeonil MSB to Yenarae MSB, and provided KRW 34.5 billion in equity investment. It loaned KRW 92.8 billion to the KR&C to pay for the acquisition costs caused by the contract transfer.

【Table Ⅲ-19】 Insurance Claim Payments to Depositors of Failed MSBs

(Unit: KRW 100 billion)

Year	No. of Institutions[1]	Payment Amount
2003	1	764
2004	3	1,770
2005	7	4,527
2006	7	326
2007	6	1,345
2008	11	906
2009	9	1,774
2010	11	3,003
Total	-	14,415

1) The number of institutions provided with insurance claim payments from the DIF is 13.

2-3. Recovery

A. Overview

The KDIC uses the same methods as those used for the Redemption Fund to recover the public funds extended by the DIF. Such methods include: recovering funds by selling equity stakes in financial institutions that it invested in; collecting bankruptcy dividends by participating in the bankruptcy procedure of insolvent financial institutions; and collecting loans it made to financial institutions. The total amount of public funds recovered through these methods from 2003 to 2010 reached KRW 1.009 trillion including KRW 391.6 billion recovered in 2010 alone.

【Table Ⅲ-20】 DIF Recoveries in 2010

(Unit: KRW 100 million)

Financial Sector	Equity Participation	Contribution	Insurance Claim Payments	Recovery of Loans	Total
MSBs	15	423	2,080	1,398	3,916

【Table Ⅲ-21】 Accumulated DIF Recoveries

(As of December 31, 2010, Unit: KRW 100 million)

Financial Sector	Equity Participation	Contribution	Insurance Claim Payments	Recovery of Loans	Total
MSBs	2,530	568	3,651	3,339	10,088

Note) Excludes the credit union account of the DIF, which was transferred to the Korean Federation of Community Credit Cooperatives on January 1, 2010.

B. Bankruptcy Dividends

During 2010, the KDIC received bankruptcy dividends worth KRW 208 billion through disposition of its asset holdings in bankruptcy estates that had received public funds from the DIF. By the end of 2010, a cumulative total of 365.1 billion has been recovered.

【Table Ⅲ-22】 Bankruptcy Dividend Recoveries by Financial Sector

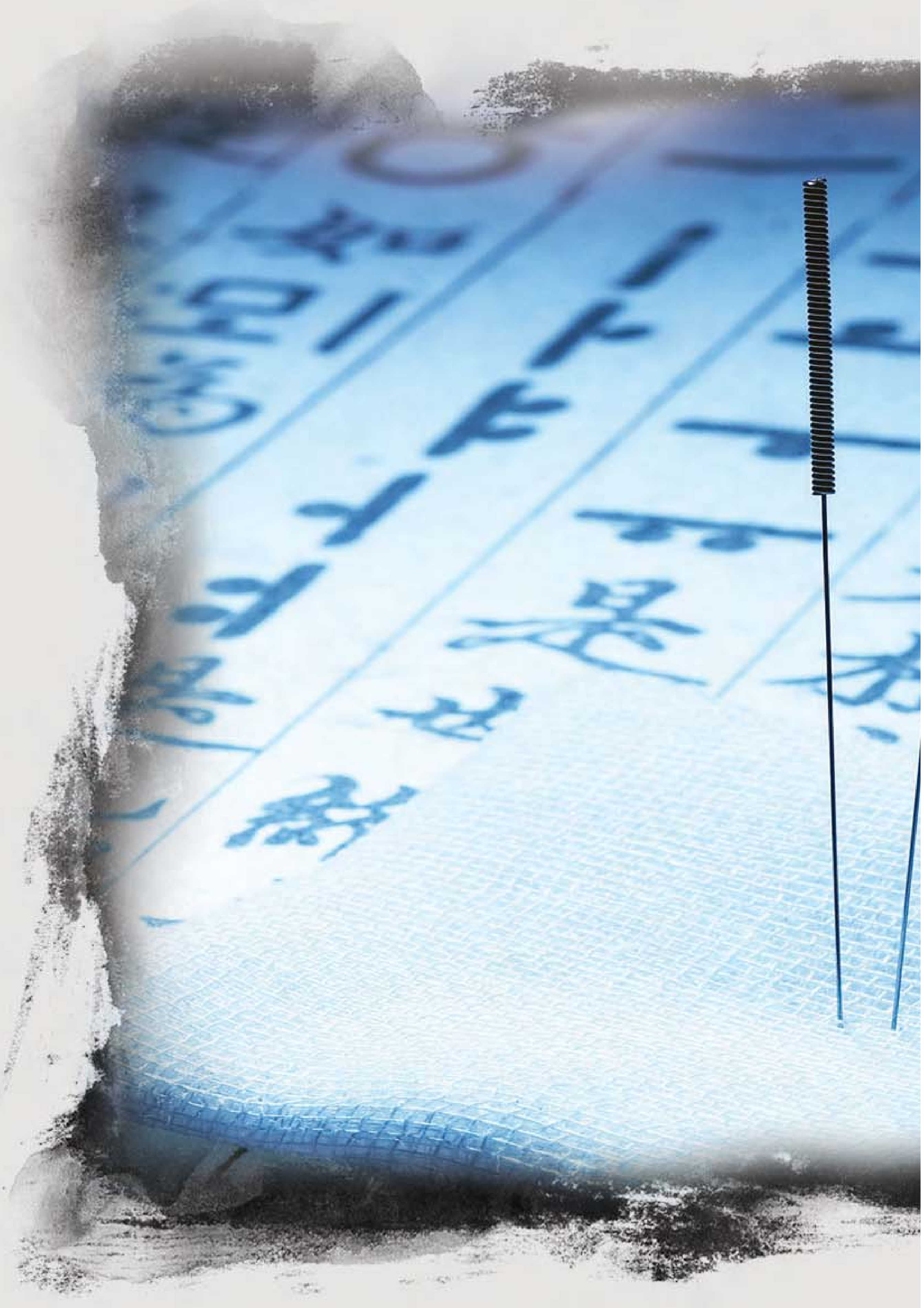
(As of December 31, 2010, Unit: KRW 100 million)

Financial Sector	No. of Bankruptcy Estates	Recovered Amount	
		Jan. - Dec. 2010	Cumulative Total Since 2004
MSBs	16	2,080	3,651

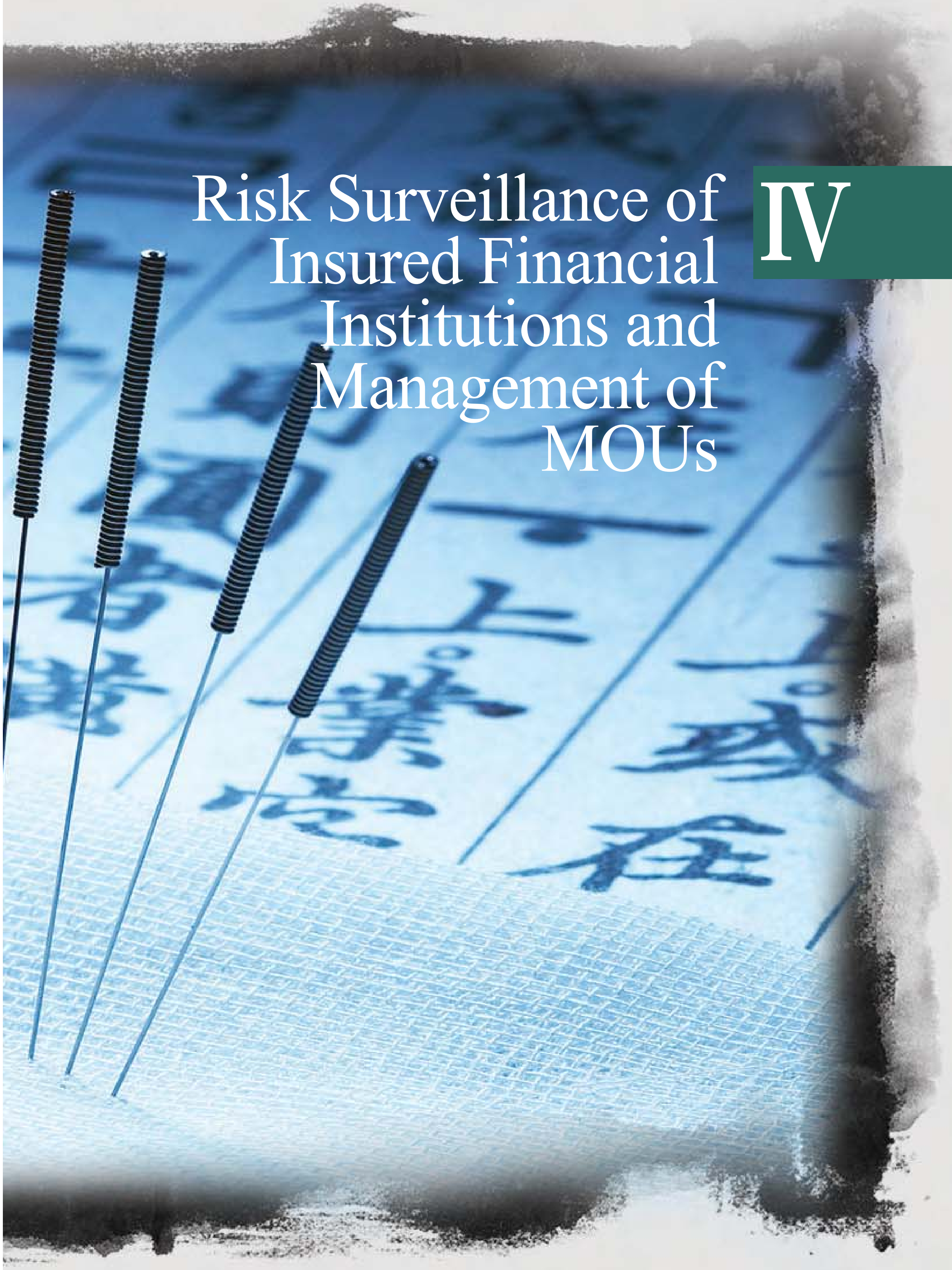
Note) The credit union account in the DIF, which was transferred to the Korean Federation of Community Credit Cooperatives on January 1, 2010, was excluded.

C. Recovery of Loans

Since 2003, the KDIC has offered loans amounting to KRW 489.1 billion to the KR&C (former RFC) and Busan Solomon MSB for the restructuring of 12 MSBs including Kyungbuk MSB. In 2010, the Corporation recovered KRW 139.8 billion in principal and interest from 10 MSBs and the total amount of loan recoveries from 2003 to 2010 reached KRW 333.9 billion.



Ⅳ Risk Surveillance of Insured Financial Institutions and Management of MOUs



Korean Needles for Acupuncture

IV

Risk Surveillance of Insured Financial Institutions and Management of MOUs

1. Building an Ongoing Risk Surveillance System

1-1. Establishment of a Solid Basis for Risk Surveillance

In order to protect depositors and contribute to the stability of the financial system, the KDIC believes the key lies in staving off insolvency of insured financial institutions in advance. For that reason, the KDIC has made efforts to strengthen risk surveillance of insured financial institutions to enable early detection of risks and prevent those risks from leading to a bank failure. So, it has made efforts to specify the deposit insurance system's duties for risk management in the Depositor Protection Act (DPA) and improve the model for differential premium assessment.

A. Clarification of the Legal Basis for Insolvency Risk Management

It is important for the KDIC to identify risks of insured financial institutions in advance to prevent their insolvency and minimize the loss to the DIF. However, since Article 18 of the DPA that defines the work scope of the KDIC does not include a provision about proactive risk surveillance, there are difficulties such as limitations in risk surveillance activities. So, the KDIC worked to include the function of insolvency risk management in the work scope of the KDIC to facilitate risk surveillance.

In December 2009, a plan to promote the deposit insurance system was prepared. The plan suggested adding insolvency risk management to KDIC's mandates. The KDIC reviewed the plan and consulted the Financial Services Commission (FSC) from February to August in 2010 to revise relevant laws. The KDIC took steps for legislative procedures such as reporting to the FSC and examination by the Ministry of Government Legislation. The proposal for the revision was passed in the Cabinet meeting and submitted to the National Assembly for deliberation. Before deliberations by the National Assembly, the KDIC held presentations before lawmakers to explain the proposed revised Act.

When the law is revised, it is expected that the legal basis for risk surveillance by the KDIC will become clear and risk surveillance will be facilitated, which, in turn, will help to improve the financial soundness of the DIF.

B. Improvement of the Differential Premium Assessment Model

In response to changes in the financial environment, the KDIC continued to improve the differential premium assessment model so that the differential premium system can be adopted in 2014 successfully. After reviewing the basic direction, the financial sectors in scope, assessment frequency and method in August 2010, the KDIC examined differential premium assessment models in other countries in September including qualitative evaluation models of the Canada Deposit Insurance Corporation (CDIC) and the Canadian Investor Protection Fund (CIPF) and Assuris. Based on the results, the KDIC worked together with the Korea Institute of Finance, and improved the differential premium assessment model by verifying significance of existing assessment indicators and adding risk factors used for financial companies.

1-2. Strengthening of Ongoing Risk Surveillance

The KDIC has made efforts to strengthen the risk surveillance of insured financial institutions to enable early detection of risks and prevent those risks from leading to a bank failure. As part of these efforts, the KDIC is closely monitoring financial institutions by assigning employees to each financial institution to conduct surveillance on an ongoing basis. The results of the ongoing surveillance are reflected in analysis reports like the KDIC On-site Financial Information that are provided to relevant authorities. In particular, during 2010, the KDIC shared information regarding member institutions' risk levels including the risk assessment results by holding executive interviews and best practice sharing workshops to encourage voluntary risk reduction by the companies themselves.

The KDIC has the Ongoing Surveillance Council in place, which is responsible for overseeing, coordinating and assessing risk monitoring activities. In April 2010, the KDIC improved its risk surveillance process and method in a systematic and efficient manner by reflecting the changes in the risk surveillance environment. It required the use of a newly developed risk indicator (RI) model in the ongoing surveillance, and adopted the same reporting frequency for risk evaluation (RE) reports and risk forecast (RF) analysis reports. And it added an analysis of financial market movements to the list of analysis reports and, in consideration of financial industry opinions, clearly defined the risk grading system in each stage of risk surveillance and the scope of and procedures for using its discretionary power.

In order to adequately monitor risks of member institutions, the KDIC has designated staff to conduct risk surveillance of each financial sector or each member institution on an ongoing basis. From information gathered by such staff, risk indicators that can be applied to each sector or institution were developed. Regular monitoring meetings were held to upgrade the qualitative level of on-site financial information while efforts were made to identify financial market risk factors and the risk contagion routes. Besides, the KDIC prepared the “KDIC Daily Briefings”, whose main contents are how major indexes of financial markets and financial industries, domestic and foreign, have changed, and provided them to 400 policy makers and members of relevant institutions. And the KDIC set up Crisis Response Teams that included staff members responsible for risk monitoring of each financial sector to actively address key risk factors that could affect the entire financial system. For example, it set up and operated the Southern Europe Crisis Response Team in response to the financial crisis in southern Europe countries during 2010.

As a result of such risk surveillance efforts, the KDIC produced 924 ongoing surveillance reports in 2010 alone, 353 of which were distributed to other financial authorities such as the Financial Services Commission as well as the academia, the press and people related to the Corporation. These efforts helped to ease concerns of investors about uncertainties in the domestic financial market caused by the global financial crisis.

Since the global financial crisis left the MSB sector in a particularly weak position, there was a need to pay special attention to their risk levels. The KDIC remains committed to monitoring risks at MSBs by conducting in-depth analysis of major risk indicators such as asset soundness and changes in deposit levels on a regular or continuous basis. Also, beginning in the second half of 2008, the KDIC started dispatching management supervisors to savings banks that were placed under prompt corrective action restrictions (business improvement order), jointly with the Financial Supervisory Service and, in 2010, made active use of the system by increasing the number of institutions under management supervision to closely follow-up on the restructuring process and to collect and utilize information in a timely manner.

【Table Ⅳ-1】 Number of Risk Indicators by Sector

Classification	Stock and Bond Market	Foreign Exchange Market, International Financial Market	Physical Market	Banking Business	Insurance Business	Financial Investment Business	Total
No. of Indicators	3	3	3	6	4	5	24

1-3. Inspections and Joint Examinations

For more efficient conduct of business and to free insured financial institutions from the burden of paperwork and to strengthen cooperation with relevant agencies, the KDIC revised and signed an MOU on the Sharing of Financial Information among five agencies - the Ministry of Strategy and Finance (MOSF), the Financial Services Commission (FSC), the Bank of Korea (BOK), the Financial Supervisory Service (FSS), the KDIC - on September 15, 2009. Under the revised MOU, the scope of information to be shared with the BOK and the FSS was expanded. In particular, the FSS shared some of its reports (three reports regarding banks' foreign exchange positions) related to member institutions' risk levels with the KDIC for the first time this year and the KDIC provided 25 reports containing financial information to the FSS.

More and more regular reports have been shared between relevant agencies. In case of the BOK, the number of reports shared increased to 44 in 2010 as 10 more external reports and foreign exchange reports were shared. In addition, the number of business reports shared by the FSS was 1,250, which was up 432 from 818 of the previous year and the availability of business reports of the FSS increased to 100.0%, which is up 3.7%p from 96.3% a year ago.

As part of risk surveillance to prevent failures of insured financial institutions, especially those that have been identified as being in financial trouble, the KDIC monitors them on a regular basis and analyzes their risks according to a risk evaluation model (RE). Based on the analysis results, the KDIC draws up a list of financial institutions that received a low risk grade or were found to be in need of verification of its risk management practices and conduct joint examinations with the FSS. The targets for joint examinations are chosen after a careful analysis of major financial indicators and, during the joint examination, the KDIC urges the management of the financial institution to improve their risk management practices.

To enable more efficient joint examinations and reduce the burden of insured financial institutions that are subject to the examinations, the Corporation signed a Memorandum of Understanding (MOU) on Joint Examinations of Financial Institutions with the FSS in September 2003. Later, in 2009, under the DPA and the MOU on Joint Examinations of Financial Institutions, the KDIC participated in joint examinations of 15 insured financial institutions with the FSS. (Since 2001, the KDIC has participated in joint examinations of 62 insured financial institutions.) In 2010, considering the instability in the domestic market and unstable economic conditions, the KDIC significantly expanded the number of institutions subject to joint examinations (from 15 in 2009 to 24 in 2010) in order to stabilize the financial market and improve the soundness of financial institutions. In particular, the KDIC strengthened its risk surveillance function, for example, by increasing on-site examinations of MSBs whose financial soundness was relatively weak.

To promote cooperation with relevant agencies including the Bank of Korea and the FSS, the KDIC held a “Workshop for Joint Examinations with Relevant Agencies” in July 2010. The Corporation also held workshops on joint examinations inviting outside experts and examiners from relevant institutions in November 2010 to enhance the professional quality of KDIC examiners and to develop more differentiated methods for joint examinations, thus improving its examination capacity.

1-4. Market-friendly Risk Surveillance

The KDIC performs the role of a Risk Advisor for financial market participants on how to manage risk by publishing customer-oriented risk analysis reports.

To expand market-friendly risk management service and enhance understanding of risk surveillance, the KDIC increased the number of its analysis report recipients from 678 to 719. And it responded actively to risk factors and any demand for the reports through communication with market participants, for example, by conducting a satisfaction survey about on-site financial information reports and holding Cheonggye Finance Forums. In addition, the KDIC provided financial companies with risk evaluation and analysis reports from its ongoing surveillance activities. By providing market-friendly consulting services such as on-site risk review through a joint examination, the Corporation encouraged financial companies to voluntarily mitigate risks.

In addition, the KDIC expanded the Cheonggye Finance Forum, a meeting of experts, to include experts from non-life insurance and MSB sectors. Market information such as industry trends and information on industry-related problems was collected by hosting and attending seminars and conferences on financial markets, meetings of financial market participants and interviews with executive managers. In particular, topics such as forecast for local banks' net interest margin for the year 2010, directions in recent global financial regulation reforms, and changes in the business environment and regulation for insurance companies were presented and discussed at regular meetings of the Forum to raise the quality of ongoing surveillance by promoting information-sharing on current issues and including the results in surveillance reports.

【Table Ⅳ-2】 Members of the Cheonggye Finance Forum

	Banks	Life Insurance Companies	Non-life Insurance Companies	Financial Investment Companies	MSBs
Composition of Members	16 representatives of domestic banks 3 representatives of foreign banks 1 representative of research institutes 2 representatives of law firms 1 representative of accounting firms 1 representative of credit bureaus 1 representative of investment securities companies	7 representatives of domestic life insurance companies 2 representatives of foreign life insurance companies 1 representative from insurance & actuary consulting companies 1 representative of research institutions 1 representative of relevant associations 1 professor	9 representatives of local non-life insurance companies 2 representatives of foreign non-life insurance companies 1 representative of research institutes 1 representative of development institutes 1 representative of relevant associations	8 representatives of domestic securities companies 3 representatives of foreign IBs 2 representatives of research institutes 3 representatives of law firms	5 representatives of MSBs 1 accountant 1 lawyer 1 representative of the Federation of Savings Bank 2 representatives of KDIC
No. of Members	25	13	14	16	10

For MSBs, in 2010, the KDIC held discussion sessions with 6 branches of the Korea Federation of Savings Banks, paid visits to 22 MSBs in order to identify industry trends and concerns as well as to collect related market information. It also offered customized consulting services to 4 MSBs (a total of 68 MSBs since 2003) to assist them with improving their competitiveness and management skills.

At the end of the year, a survey was conducted where recipients of the risk analysis reports were asked to rate the usefulness of the information and provide opinions regarding how to the reports could be improved. According to the survey results, the overall satisfaction was increased from the previous year (78.3 points → 79.0 points).

1-5. Enhancement of Risk Surveillance Capability

To aid its staff in acquiring practical knowledge of risk surveillance so that they can produce higher-quality reports, the KDIC provides in-house training programs covering risk surveillance for managers and risk surveillance personnel, assigns dedicated personnel to monitor risks, hosts workshops on joint examinations with related agencies, lets departments have voluntary study sessions and conducts training tailored for individual users to familiarize them with changes to the existing models like the Financial Information Analysis Systems (FIAS). In particular, as for analysis reports produced by risk-related departments, contests are held once every half a year to award excellent reports and share them throughout the Corporation through the online bulletin board. Such competition motivates workers to hone their analysis skills.

In 2010, the KDIC improved its ongoing risk surveillance class (or in-house training program) intended to upgrade the capability of relevant staff. Based on the results of the survey in 2009 about the risk surveillance class, the Corporation improved class management and provided more useful programs. For example, to find and select appropriate topics, it conducted a demand survey on members of risk-related departments before the class was opened. Thanks to the demand survey, the class could address more current and engaging issues. Program details and lecturers were prepared in a way that achieved a delicate balance between theory and practice. In addition, to strengthen the risk response capability of the Ongoing Risk Surveillance Council, two more researchers with ample practical experience in risk surveillance and resolution were newly appointed.

Together with the FSC and the FSS, the Corporation hosted the Workshop for Preemptive Action on Market Risk in June 2010 and built an organic, cooperative system among them to take preemptive action against market risks.

1-6. Improvement of Risk Surveillance Models

In order to protect depositors and contribute to the stability of the financial system, the KDIC believes the key lies in staving off insolvency of insured financial institutions in advance. For that reason, the KDIC developed risk surveillance models and made use of them to assess risk levels so that signs of insolvency can be detected beforehand.

For banks and insurance companies, a risk evaluation model (RE), a risk forecast model (RF) and a risk index model (RI) have been used. RE assesses the risk profile of an insured financial institution based on financial and other information. RF estimates the probability of insolvency as of a certain future date while RI assesses risk levels and trends. For financial investment companies, RE and RF were developed and are being used. For savings banks, a growth monitoring system (GMS) was developed in addition to the three models mentioned earlier.

As the accuracy of the risk surveillance models could drop with the passage of time and changes in the financial environment, the KDIC has made continuous efforts to improve the predictability and functions of the models. As part of such efforts, the KDIC received guidance from a consulting service about how to improve the functions of the risk surveillance models in 2008.

Building on the result of the consulting work, the KDIC commissioned a project to further refine the risk surveillance models in 2009. The project resulted in an improvement of statistical methods used in the risk surveillance of each financial sector. As a way to consider recent developments in the financial market, the KDIC also revised variables and critical values of the models. In addition, new functions for analysis including the detection of outlier were added to enable a more diversified analysis and a risk index model for financial investment companies was prepared. For the benefit of users, a web-based search and view system was also created so that users can easily view model results online.

In 2010, the KDIC enabled the stable operation of the integrated risk surveillance models by addressing their problems. On a weekly and quarterly basis, the Corporation registered macroeconomic data necessary for the ongoing risk surveillance department to run the models. And the Corporation adjusted the models after collecting user demands with regard to model operation. Also, it continuously improved the models by reflecting the changes in the business reports filed by banks, financial investment companies and insurers and verifying the significance of evaluation indicators. User training was provided to enhance user skills in using the risk management system and presentations to explain the changes in data acquisition methods as a result of enhanced information sharing with relevant agencies were held.

Such efforts are expected to greatly improve the risk surveillance models for each financial sector and make the models easier to access and utilize for risk surveillance personnel, thus making risk surveillance more efficient.

2. MOU Management of Public Fund-injected Financial Institutions

2-1. Conclusion and Examination of MOUs

Since 1999, the Corporation has entered into memoranda of understanding (MOUs) with 14 support recipients and monitored their compliance in order to increase their corporate value and recover the public funds as early as possible. Since April 2002, 8 MOUs that were signed with financial institutions, including with Jeju Bank, have been terminated as the institutions were sold or merged. As of the end of 2010, six institutions - Woori Financial Group, Woori Bank, Gwangju Bank, Kyungnam Bank, Credit Business Part of National Federation of Fisheries Cooperatives, and Seoul Guarantee Insurance Corporation - still have MOUs with the KDIC.

In 2010, the KDIC examined how the MOUs had been implemented from the fourth quarter of 2009 to the third quarter of 2010, and made 7 inspection findings. Based on the findings, the KDIC imposed 18 measures including 3 corporate alerts, 3 improvement orders, 1 notice, 3 executive director warnings, 1 executive director alert and 7 requests for disciplinary action.

With regard to financial performance, Woori Bank failed to meet the target for adjusted operating profit per person, among the financial targets for the third quarter of 2009 in the MOU, for such reasons as lower interest income in foreign currency than planned. In response, the KDIC issued an alert and demanded that the bank should prepare and put into action measures to increase profitability and achieve financial targets. Woori Financial Group and Woori Bank failed to meet two MOU targets - ROA and net substandard & below ratios - because of increasing credit costs from massive corporate restructuring during the second quarter of 2010. In fact, Woori Financial Group was considered to meet the targets, given the unique situation at Woori Bank, a subsidiary of Woori Financial Group, such as changes in credit risk ratings of large companies and FSS policy on allowance for bad debts. So, Woori Financial Group was exempted from action under the MOU management policy. However, even when such unique situation was taken into consideration, Woori Bank still failed to meet the target for net substandard & below ratios. So, corporate alerts were given to the bank, and the bank was also required to prepare and report measures to enhance its balance sheets by improving loan screening and management systems.

In terms of non-financial performance, after a review of MOU implementation in the first quarter of 2010, the KDIC demanded that the Credit Business Part of the National Federation of Fisheries Cooperatives should strengthen risk management regarding the liquidity exposure of its real-estate PF loans by adopting a credit limit for large loans, etc. and report the results to the KDIC. In addition, it took action against Seoul Guarantee Insurance Corporation and ordered the company to improve its loan screening standards and report the results to the KDIC so as to address the unfairness in the screening system in relation to refund guarantees (RG) for cash advances for shipbuilding contracts. In the meantime, when Kyungnam Bank had some financial problems resulting from a lack of internal control in the first quarter of 2010, the KDIC demanded the bank to come up with a proposal for a more effective internal control system, take disciplinary actions and seek compensation for damages after a thorough inspection of problems and those implicated in the incident. In an additional review of the status during the second quarter, the KDIC demanded the bank to improve its internal control system to prevent recurrence of such problems, issued an alert to the bank and took 10 measures against implicated parties such as executive director warnings and requests for disciplinary action.

The KDIC will continue to closely review the implementation of the MOUs to find any management problems, and for an implementation failure, it will analyze the reasons for the failure and hold responsible parties accountable for their action. Through strict management of MOU implementation, the KDIC will enhance the corporate value of financial companies that received public funds.

【Table Ⅳ-3】 MOU Conclusions, Additions and Amendments

(As of December 31, 2010)

Financial Institution	Conclusion (Re-conclusion)	MOU Management Target		Termination
		Addition	Amendment	
Woori Financial Group	Jul. 2, 2001	Jan. 22, 2003 Mar. 23, 2005 Mar. 28, 2007 Mar. 30, 2009	Sep. 22, 2004 Dec. 26, 2007 Mar. 23, 2010	-
Woori Bank (former Hanvit Bank)	Jan. 22, 1999[1] (Dec. 30, 2000)			
Gwangju Bank	Dec. 30, 2000			
Kyungnam Bank	Dec. 30, 2000			
Credit Business Part of National Federation of Fisheries Cooperatives	Apr. 25, 2001	Mar. 23, 2005 Mar. 28, 2007 Mar. 30, 2009	Feb. 12, 2003 Jul. 9, 2003 Dec. 21, 2005 Dec. 26, 2007 Mar. 23, 2010	-
Seoul Guarantee Insurance Corporation	Apr. 12, 2000[1] (Jun. 9, 2001)	Jun. 22, 2005 Jul. 18, 2007 Jun. 10, 2009	Jul. 10, 2002 Jun. 21, 2006 Dec. 26, 2007	-
Jeju Bank	Dec. 30, 2000	-	-	Apr. 29, 2002 (Sold shares to Shinhan Financial Group)
Seoul Bank	Dec. 30, 2000	-	Jun. 29, 2001	Dec. 1, 2002 (Sold shares to Hana Bank)
Choheung Bank	Nov. 12, 1999[1] (Jan. 31, 2002)	-	-	Aug. 19, 2003 (Sold shares to Shinhan Financial Group)
Daehan Investment & Securities	Sep. 25, 2000[1] (Feb. 20, 2002)	-	-	May 31, 2005 (Sold shares to Hana Bank)
Korea Management & Securities	Sep. 25, 2000[1] (Feb. 20, 2002)	-	-	Mar. 31, 2005 (Sold shares to former Dongwon Financial Group)
Korea Life Insurance	Apr. 12, 2000[1] (Sep. 5, 2001)	-	-	Dec. 12, 2002 (Sold to Hanwha Consortium)
Woori Credit Card (former Peace Bank)	Jun. 7, 2000[1] (Dec. 30, 2000)	Jun. 4, 2003	Mar. 25, 2002	Mar. 31, 2004 (Merged with Woori Bank)
Woori Merchant Bank	Dec. 9, 2000	-	Jun. 29, 2001	Aug. 1, 2003 (Merged with Woori Bank)

1) A tripartite MOU was signed between the concerned financial institution, the KDIC and the Financial Supervisory Commission.

2-2. Enhancing the Efficiency of MOU Management

In 2010, the KDIC addressed the weaknesses in the MOU management system pointed out by the National Assembly and improved the MOU management system to increase its effectiveness. The Corporation has a consultative system to discuss business management with executive directors and working-level staff of MOU-signed financial institutions in order to build a consensus regarding major issues. In addition, it has provided assistance to outside directors of MOU-signed institutions to help them with their monitoring activities and thus increase their long-term corporate value.

A. Improvement of MOU Management System to Make it More Efficient

As there arose a need to review the KDIC's MOU management system, considering the changes in circumstances since the signing of the MOU, the KDIC modified the MOU management system after gathering opinions from concerned financial institutions and external experts. First, it added review items such as rapid changes in assets and liabilities above a certain level and financial troubles to better identify problems in management while improving the financial target calculation method in the MOUs to prevent any drastic increase in assets. And it set statistical targets based on past data to develop more appropriate MOU targets , deferred payment of part of executive bonuses and increased the deduction rate for executive bonuses in case targets are not met, all of which were intended to abolish the short-term performance-oriented mind-set and increase the effectiveness of restrictions. In addition, the KDIC improved the appeals procedure to improve the transparency of the measures taken under the MOU and better protect the rights of the people under punishment. Moreover, the KDIC modified some of the wording in the MOU which can be perceived to be biased or unilateral and revised the Memoranda of Understanding (MOUs) on management normalization in July 2010.

B. Operation of Management Consultation System

During 2010, there were 81 discussion sessions between the KDIC and MOU-signed financial institutions; 12 CEO meetings, 15 management meetings and 54 working-level meetings. In July, the KDIC held an MOU working-level workshop to discuss key issues involving financial companies and gathered opinions for MOU improvement. By listening to industry suggestions, the KDIC revised the MOU management system including the appeals procedure. The KDIC is committed to build a consensus for the need to increase corporate value by running a business consultation system with executives of MOU-signed financial companies and sharing opinions about market conditions and key management issues.

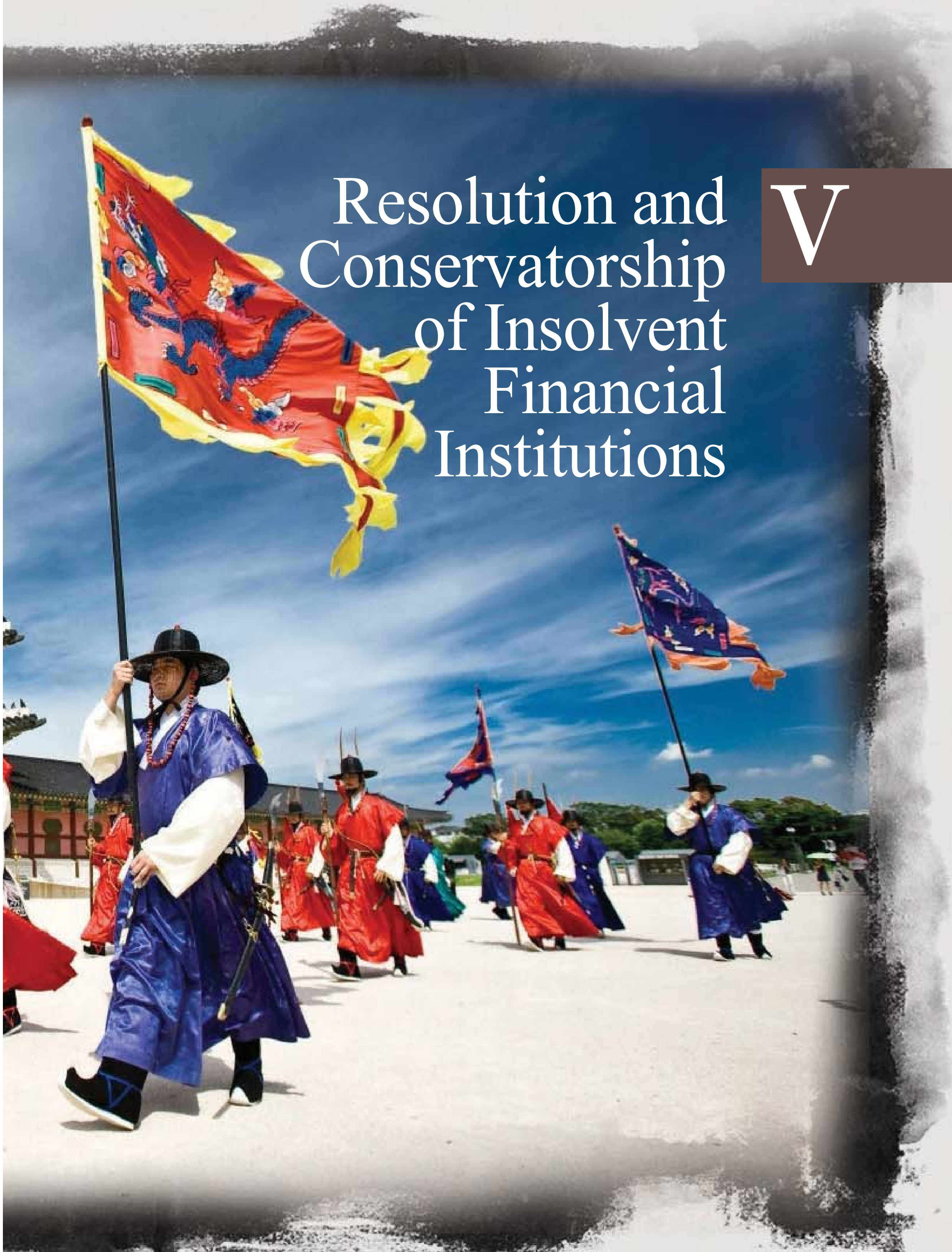
C. Support for Outside Directors in Their Activities to Monitor MOU-signed Financial Institutions

In 2010, the Corporation provided outside directors of MOU-signed financial institutions with 59 timely and specific reports regarding current issues facing the relevant institution and areas under the MOU that need faster implementation to support their monitoring activities and promote responsible management driven by the Board of directors. To enhance the quality and scope of information provided to outside directors, the Corporation also sent letters asking for cooperation in the name of the KDIC Chairman & President along with a report on MOU implementation review results and business issues that require a more careful approach starting with the implementation review in the first quarter of 2010.

D. Risk Management Improvement with a Theme-based Series Analysis

To facilitate communication with the Seoul Guarantee Insurance Corporation and share its case as one of best practices in MOU conclusion with others, the KDIC analyzed a series of themes regarding any potential controversial issues related to the Seoul Guarantee Insurance Corporation and provided the results to outside directors. The analysis covered various themes: the operation system of the Seoul Guarantee Insurance Corporation, roles and functions of guarantee insurance, changes in the external environment and responses, and management performance after MOU conclusion. For each theme, more detailed topics were presented for in-depth analysis. The KDIC pursues interactive communication by sharing analysis results with outside directors and others interested in the Seoul Guarantee Insurance Corporation and, at the same time, getting their feedback to meet requests for more detailed information and find interesting subjects.

Ⅴ Resolution and Conservatorship of Insolvent Financial Institutions



Gatekeepers' Shift Change Ceremony

V

Resolution and Conservatorship of Insolvent Financial Institutions

1. Resolution of Insolvent Financial Institutions

1-1. A Variety of Resolution Methods

In 2005, it was decided that when the Financial Services Commission (FSC) makes a decision that an MSB is unlikely to return to normal operations, the KDIC would suggest a resolution method based on the least cost principle for resolving such institutions and, in doing so, minimize the loss to the DIF. This allowed the KDIC a broad "toolbox" of resolution methods. Accordingly, since 2006, taking into consideration the market situation, the local business environment and the status of the insolvent institution, the KDIC has tried to find the best resolution method among the following: sale of shares after a purchase and assumption (P&A) transaction through a bridge bank; a direct P&A with a third party; initiation of bankruptcy proceedings; and establishment of a bridge bank. Through these efforts, the KDIC paved the way for strengthening its role as a respectable resolution institution using flexible resolution strategies.

1-2. Resolution of Insolvent Financial Institutions

A. Resolution of Jeonbuk and Eutteum MSBs through the Establishment of a Bridge Bank (Yes MSB)

The FSC ordered the suspension of business for (GunSan) Jeonbuk and (Jeju) Eutteum Mutual Savings Banks in December 2008 and August 2009, respectively. This measure was taken as the liabilities of the MSBs exceeded their assets and their BIS capital adequacy ratios fell below the required level.

The KDIC determined that the use of a bridge bank scheme would be appropriate in accordance with the least cost principle in the DPA. Accordingly, the KDIC transferred assets and liabilities of Jeonbuk and Eutteum MSBs to Yes MSB so as to minimize the inconvenience to depositors by shortening the period for the suspension of business. Yes MSB, a bridge bank established in March 2009, started its operations with the transfer of assets and liabilities from Jeonbuk and Eutteum MSBs in April and November 2009, respectively. The Corporation has tried to sell Yes MSB in the market since 2010.

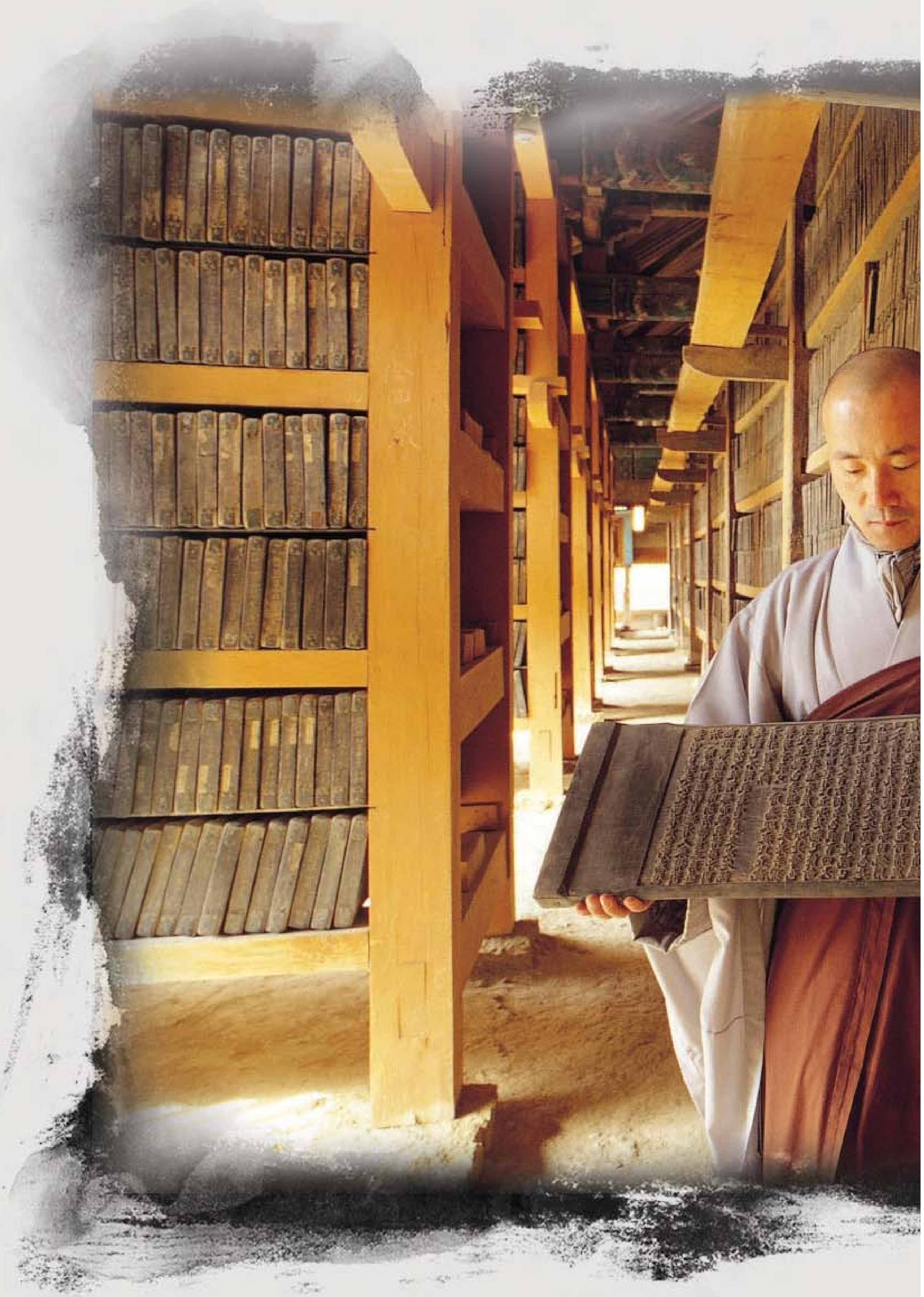
B. Resolution of Jeonil MSB through the Establishment of a Bridge Bank (Yenarae MSB)

The FSC ordered the suspension of business for (Jeonju) Jeonil MSB in December 2009. This measure was taken as the liabilities of the MSB exceeded its assets and its BIS capital adequacy ratio fell below the required level.

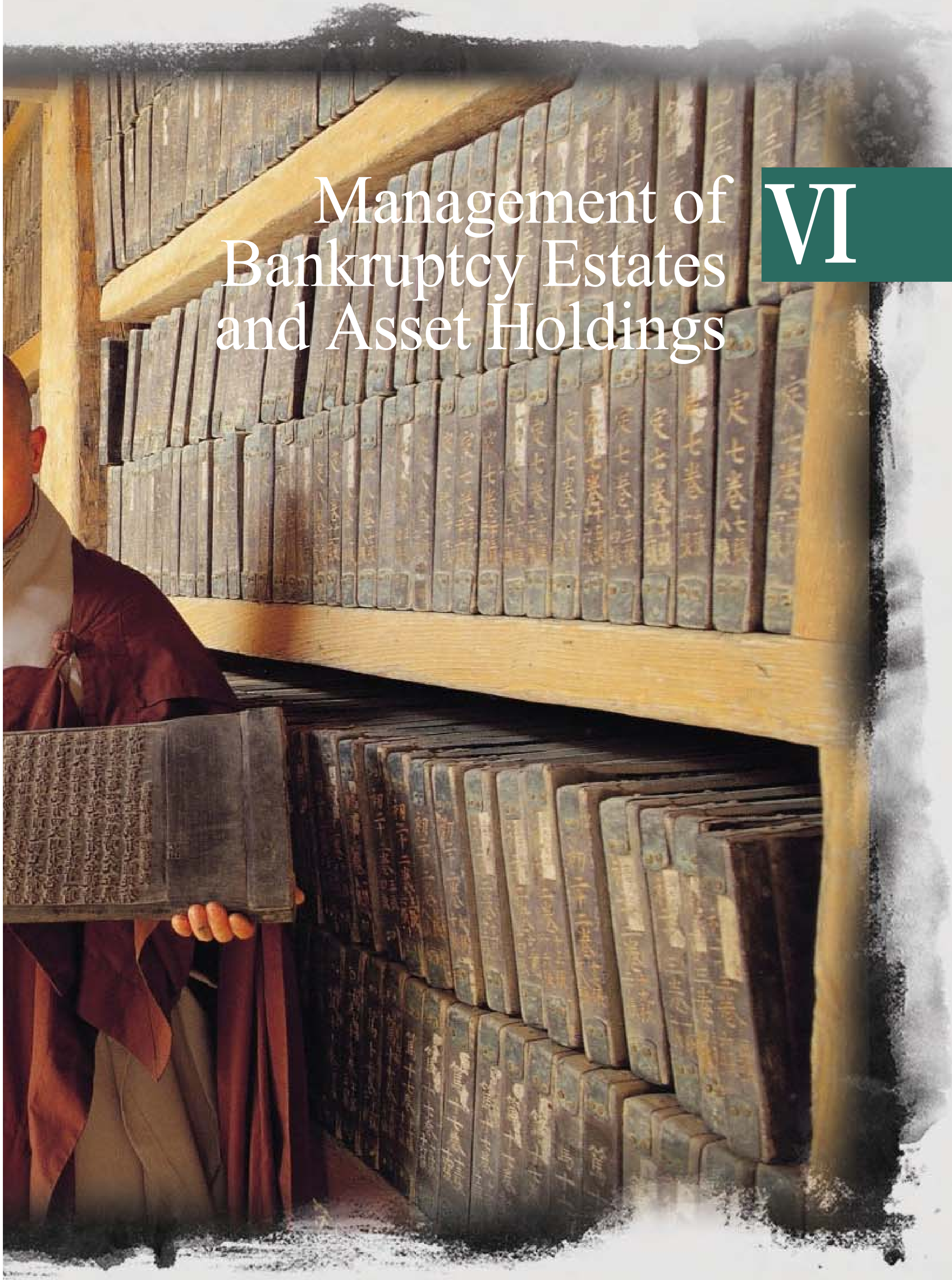
The KDIC determined that the use of a bridge bank scheme would be appropriate in accordance with the least cost principle in the DPA. Accordingly, the KDIC transferred assets and liabilities of Jeonil MSB to Yenarae MSB so as to minimize the inconvenience to depositors by shortening the period for the suspension of business. Yenarae MSB, a bridge bank established in March 2010, started its operations with the transfer of assets and liabilities from (Jeonju) Jeonil MSB in April 2010. The KDIC has tried to sell Yenarae MSB in the market since 2010.

2. Conservatorship of Insolvent Financial Institutions

In 2010, the KDIC completed management supervision of Jeonil MSB. The KDIC continued to focus on minimizing the inconvenience to depositors of insolvent financial institutions. In line with this effort, the conservator took the initiative to distribute brochures containing information about the progress made during each stage of resolution, provided information on future schedules, held briefing sessions for customers and provided related information via the KDIC website and press releases.



Ⅵ Management of Bankruptcy Estates and Asset Holdings



Tripitaka Koreana, a Korean Collection of the Tripitaka (Buddhist Scriptures)

VI

Management of Bankruptcy Estates and Asset Holdings

1. Management of Bankruptcy Estates

1-1. Improvement of the Public Fund Recovery System

A. Establishment of the Receivership Management System

The Special Act on the Management of Public Funds, which came into effect in December 20, 2000, and the revised Depositor Protection Act (DPA), revised on December 26, 2002, stipulate that executives and staff of the KDIC or the KDIC itself can be appointed as receiver of a dissolved or bankrupt financial institution on behalf of which the KDIC made deposit payouts, or to which it provided funds, when this is necessary for the effective recovery of public funds.

Under the law, the Corporation's executives and staff have been appointed as receivers since March 2001. As of December 2010, KDIC receivers managed 95 bankruptcy estates out of a total of 96 as the sole or joint receiver under the management of the Corporation. This system where the Corporation's executives and staff can be appointed as receivers for speedier and more efficient bankruptcy proceedings has taken root so successfully that KDIC receivers were appointed as sole receivers in two estates that were declared bankrupt during 2010.

【Table VI-1】 Appointed Receivers

(As of December 31, 2010)

Classification	Total No. of Bankruptcy Estates	Receivers		
		KDIC	Attorneys	Joint Appointments[2)]
No. of Bankruptcy Estates	96[1)]	91	1	4

1) Excludes legally closed estates (361 in total), and bankruptcy estates of Korea·Dongsuh Securities Co. to which the KDIC did not provide financial assistance, and 14 bankruptcy estates transferred to the National Credit Union Federation of Korea at the end of 2009.

2) Bankruptcy estates jointly overseen by the KDIC (or its staff) and an attorney

B. Efficient Management of Bankruptcy Estates

By adopting the Regional Manager System, the KDIC divided bankruptcy estates all over the country into eight major regional districts. This improved the efficiency of bankruptcy estate management by enabling receivers to provide more tailored service. In addition, the KDIC now has each receiver take care of more than one bankruptcy estate and operate several bankruptcy estates in a single office. Such efforts enabled more efficient management of bankruptcy estates, employees and asset holdings as well as prevention of cash seepage, and significantly reduced the costs related to office rent, building maintenance, supplies and other expendable property.

Also, to prevent embezzlement which can be brought about when the same receiver manages a bankruptcy estate for a long time, and to promote efficiency in estate management by providing a new work environment, the KDIC regularly rotates the receivers to different estates or to the headquarters.

Furthermore, the KDIC established an organic network between the KDIC and its bankruptcy estates by holding workshops for receivers, gatherings for regional managers and learning groups. All these factors contributed to laying a foundation to foster experts capable of effectively managing bankruptcy estates.

C. Introduction of Performance-based Criteria for Bankruptcy Estate Management

The adoption of the receivership management system increased the importance of focusing on fund recovery and managing receivers and supporting staff based on their performance. To facilitate debt collection by the supporting staff and to increase the public fund recovery rate, the Corporation provides special bonuses as incentives to supporting staff who make considerable contributions by disposing of real estate, recovering non-performing loans, etc.

In addition, the Corporation adopted a performance evaluation system in which bankruptcy estates and receivers would be given bonuses whose amount varies according to the assessment results of performance indicators such as public fund recovery rate, asset disposal rate and cost efficiency. Moreover, for bankruptcy estates with lacking performance, the Corporation replaces their receivers with new ones. These measures are aimed at promoting healthy and transparent competition among bankruptcy estates.

D. Facilitation of Debt Restructuring

In order to encourage bankruptcy estates to restructure their debts, the Corporation developed a series of measures to facilitate debt restructuring such as sending of debt restructuring announcements to debtors, providing consultation to help ease the debt restructuring burden on bankruptcy estates, and approving the debt restructuring of a general corporation that is expected to liquidate or go bankrupt.

In addition, the Corporation relaxed the debt restructuring criteria for the small debtors who are salaried workers and have no personal properties to give them an opportunity to resume economic activities. Likewise, a set of measures to facilitate debt restructuring implemented in 2010 have contributed to protecting the public's rights by helping debtors to restore their credit rating, and maximizing the recovery of public funds through smooth loan recovery and reduction of debt management costs.

1-2. Enhancement of Asset Marketability and Dividends on Bankruptcy Claims

By disposing of real estate and unlisted stock after combining them according to asset types instead of individually disposing of them, the KDIC benefited from synergy effects.

During 2010, the KDIC endeavored to increase the efficiency, transparency and fairness of sales of real estate held by bankruptcy estates. Accordingly, the KDIC pursued joint sales of such properties and tried to attract public interest by providing information on bankruptcy estate-held properties via its website. As a result, the KDIC recovered KRW 56 billion from 10 joint sales of 23 properties.

As for non-listed shares, bankruptcy estates found it difficult to sell these individually because there are no open market transactions or market prices set for such shares. The KDIC encouraged the bankruptcy estates to jointly appoint a sales advisor to take charge of the sales of non-listed shares through open bidding (five in total during 2010). As a result, the KDIC successfully disposed of KRW 41.8 billion or 21% of Delkor Corporation shares at 322% of its book value (KRW 13 billion), and thereby, contributed greatly to maximizing the recovery of public funds.

The KDIC also actively pursued the disposal of assets other than real estate and stocks such as golf and condominium memberships, trademarks, transfer collaterals, etc. As a result, it sold 15 golf and condominium memberships (realizing KRW 250 million).

1-3. Early Closure of Bankruptcy Estates

Due to difficulties experienced in converting bankruptcy estates' asset holdings into cash, some of these estates may find themselves in a position where, after a certain amount of time passes after the declaration of bankruptcy, the cost to maintain the bankruptcy estate exceeds the amount of potentially recoverable funds, which results in great inefficiency. To maximize the dividends for bankruptcy creditors and promptly recover public funds, the Corporation developed an early closure system. It first designates target bankruptcy estates, and with the court's approval (or in consultation with the bankruptcy court), and closes them under standardized procedures that regulate from the whole process from assessment/sale of asset holdings, to final distribution of dividends and to closure, in accordance with the Debtor Rehabilitation and Bankruptcy Act.

The KDIC classifies bankruptcy estates into four categories; early-stage bankruptcy estates, estates in need of intensive asset management, litigate estates and estates ready to be closed. When most of an estate's assets are converted into cash and the litigation is concluded, the estate is named as an estate ready to be closed, and finally closed after the selling of remaining assets and a final distribution of dividends.

Thanks to the above efforts to ensure the early closure of bankruptcy estates, as of the end of December 2010, out of a total of 457, 361 estates were declared closed by the court, and the Corporation plans to proceed with early closure of the remaining 96 estates by selling their remaining assets.

In addition, for the sake of record-keeping and post-bankruptcy management of closed companies, the KDIC put together a Report on Bankruptcy Management and Accompanying Documents, which provides information on how bankruptcy proceedings were conducted for each estate and contains a detailed list of important documents to be preserved and the document themselves, to be used as a reference for related agencies including the court as well as the KDIC.

【Table Ⅵ-2】 Results and Progress of Early Closure of Bankruptcy Estates

(As of December 31, 2010)

Classification		Banks	Insurance Companies	Financial Investment Companies	Merchant Banks	MSBs	Credit Unions	Total
Total No. of Bankruptcy Estates(A)		5	10	4	22	91	325	457
Closed Estates	No. of Closed Estates(B)	1	6	2	-	41	311	361
	Closure Rate (B/A)	20%	60%	50%	-	45%	96%	79%
Remaining Estates (A-B)		4	4	2	22	50	14	96

2. Management of Asset Holdings

2-1. Promoting Effective Asset Management by Bankruptcy Estates

Since 2008, the Corporation has operated the Fund Asset Status Tracking System, also known as "FASTs," to oversee assets held by the DIF, bankruptcy estates and the KR&C. The system contributed to enhancing the asset management efficiency by facilitating easy review of assets held by bankruptcy estates, easy production of reports such as asset evaluation and monthly reports, and ongoing and systemic management of bankruptcy estates.

2-2. Asset Acquisitions

By year-end 2010, the KDIC had acquired a total of KRW 22.4 trillion (in term of acquisition cost) in assets. Of that amount, KRW 10.5 trillion worth of assets had been acquired by the KR&C, KRW 10.6 trillion by Hanareum Merchant Bank (HMB), and KRW 1.3 trillion by Hanareum Mutual Savings Bank (HMSB).

In December 1999, the RFC (current KR&C) was established to acquire the assets that had remained after the disposal of Korea First Bank (KFB) that the acquirer, New Bridge Capital refused to take over, KFB's put back options and other assets that had not been assumed by any acquirer in the process of financial restructuring of failed banks. By the end of December 2010, with borrowings from the DIF Bond Redemption Fund, the RFC had acquired assets worth KRW 10.45

【Table Ⅵ-3】 Asset Acquisition by Resolution Financial Institutions in 2010

(Unit: KRW 100 million)

Classification		Amount of Claims	Purchase Price	Notes
KR&C	Bankruptcy Estates	2,112	39	Additional acquirement
	MSBs	2,072	952	Jeonil

【Table Ⅵ-4】 Accumulated Asset Acquisition of Resolution Financial Institutions

(As of December 31, 2010, Unit: KRW 100 million)

Classification		Amount of Claims	Purchase Price	Notes
KR&C	Banks	98,640	80,137	6 banks (including KFB)
	Insurance Companies	4,032	3,550	5 insurance companies
	Financial Investment Companies	25,324	13,072	3 financial investment companies
	Bankruptcy Estates	58,094	3,242	421 bankruptcy estates (5 banks, 9 insurance companies, 2 financial investment companies, 20 merchant banks, 76 mutual savings banks, 340 credit unions)
	MSBs	14,193	4,488	12 MSBs
	Subtotal	200,283	104,489	
Hanareum Merchant Bank	Merchant Banks	110,225	106,262	16 merchant banks
Hanareum MSB	MSBs	34,831	13,467	41 MSBs
Total		345,339	224,218	-

trillion (in terms of acquisition cost) in total. This included KRW 7.85 trillion from KFB, KRW 158.8 billion from five acquirer banks (Kookmin, H&CB, Shinhan, Hana, and Koram), KRW 355 billion from five failed life insurance companies (Kookmin, Dong-A, Taepyongyang, Handuk and Daehan), KRW 448.8 billion from 12 MSBs (Hanmaum, Hanjung, Arim, Good Friend, Daewoon, Hongik, Kyungbuk, Hyundai, Bundang, Jeonbuk, Eutteum and Jeonil), KRW 324.2 billion from 452 bankruptcy estates designated for early closure and KRW 1.3 trillion from the sale of three financial investment companies (Korea, Daehan and Hyundai).

2-3. Management of Assets Acquired by KR&C

The KR&C is a resolution financial institution created by converting the RFC, which took over the HMSB and the HMB, into a paper company. It is responsible for promptly taking over the remaining assets of a failed financial institution in order to arrange a contract transfer in an efficient manner and to close its bankruptcy estate as soon as possible.

As of the end of December 2010, the amount of assets held by KR&C was KRW 18.3 trillion, of which KRW 12.9 trillion was placed under direct management of KR&C for the sake of management efficiency and the rest (KRW 5.4 trillion) was consigned to outside experts for management.

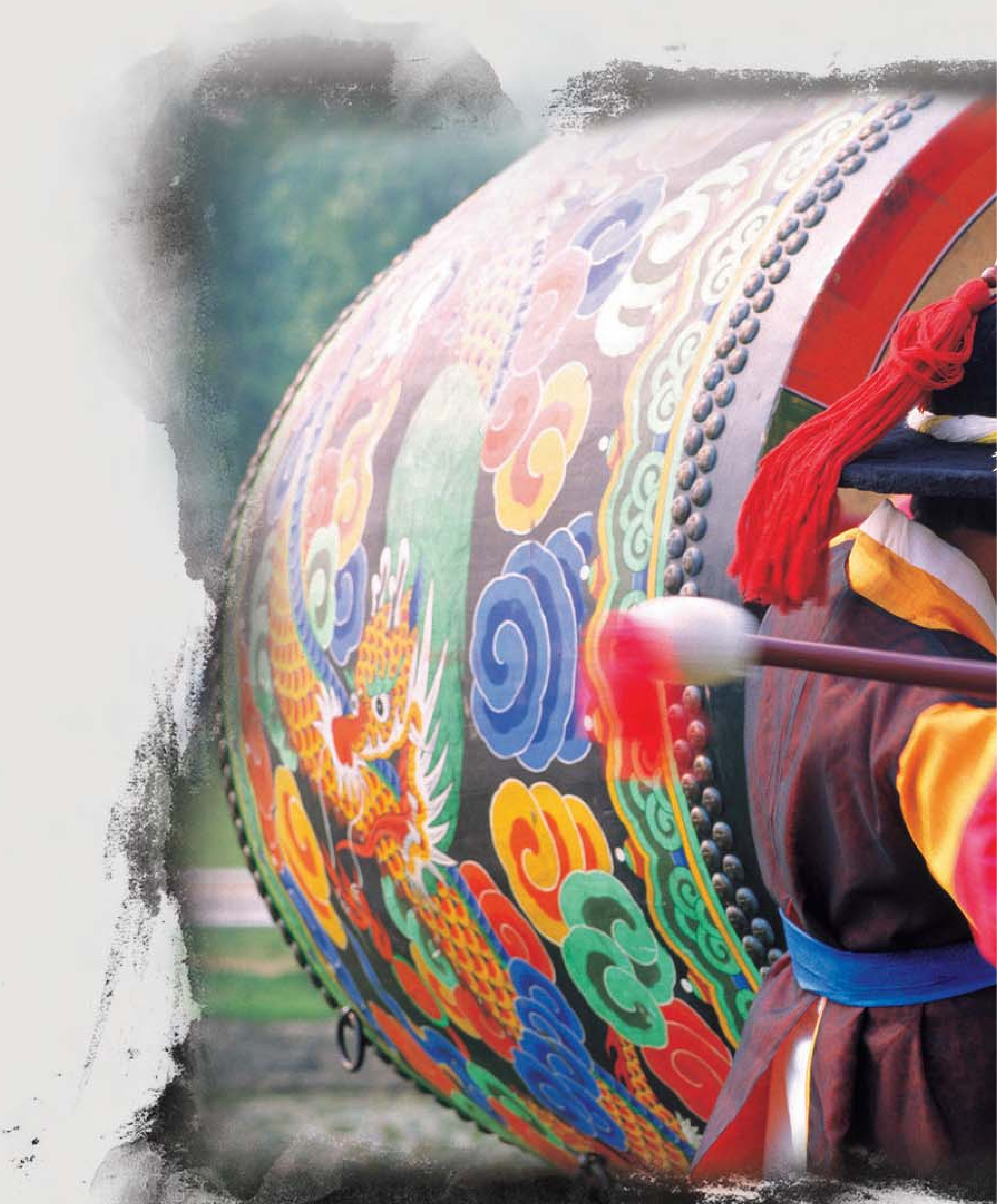
To increase the value of KR&C-held assets and ensure timely recovery of funds, the KDIC has used a variety of financial techniques including M&As and issuance of asset backed securities (ABSs) as well as the traditional method of recovery at full maturity.

With regard to securities held by the KR&C such as locked-up stocks, corporate bonds, and convertible bonds, the KDIC is looking into a variety of recovery methods to find one that best fits the characteristics of each asset.

【Table Ⅵ-5】 KR&C's Asset Holding (Remaining Amount)

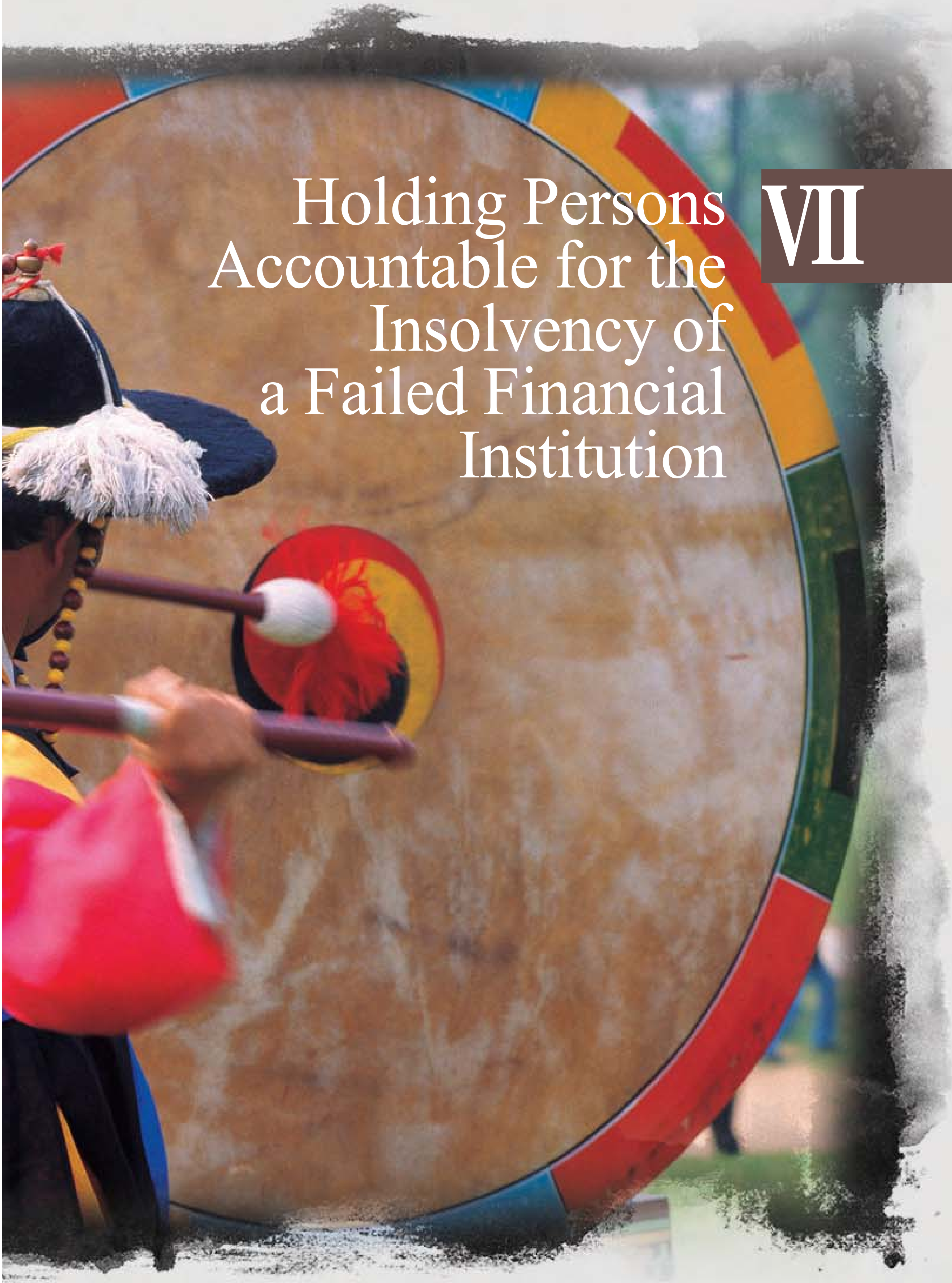
(As of December 31, 2010, Unit: KRW 100 million)

Asset Type	Direct Mgmt.	Trust Mgmt.	Total
Loans Receivable	547	52,817	53,364
Securities	16,923	-	16,923
Real Estate	685	1,185	1,870
Indemnity Receivable	111,172	-	111,172
Total	129,327	54,002	183,329



Ⅶ

Holding Persons Accountable for the Insolvency of a Failed Financial Institution



Korean Traditional Drum

VII

Holding Persons Accountable for the Insolvency of a Failed Financial Institution

1. Improvement of the System to Hold Persons Accountable for the Insolvency of a Failed Financial Institution

Pursuant to Article 21.2 of the Depositor Protection Act (DPA), the KDIC has conducted investigations into insolvent financial institutions and required the financial institutions to file damage claims and take legal action against parties* who caused a loss to the financial institution by committing illegalities.

* Former or incumbent management or employees of insolvent financial institutions, orderer of executions (pursuant to the Commercial Act), debtors of insolvent financial institutions and other third parties

For that purpose, the KDIC had the Investigation Department and the Special Investigation Mission of Default Debtor Corporations to professionally carry out the task of determining whether the management or employees of an insolvent financial institution or its default debtor companies are accountable for the insolvency.

However, as more and more illegal acts are perpetrated in collaboration between insolvent financial institutions and default debtors, it became important to conduct organically linked investigations that look into both types of organizations. For this reason, the Insolvency Investigation Division, a combination of the former Investigation Department and the former Special Investigation Mission of Default Debtor Corporations, was established in March 2008. The combination of these two departments into one slimmed down the organization and promoted the efficiency of the investigations.

In order to provide consistent deliberations according to one set of standards, the KDIC unified internal standards for reviewing insolvent financial institutions and default debtor companies in July 2009. In December 2010, it revised the standards in a way that specifies actions leading to insolvency and make deliberation standards more manageable.

2. Investigations into Insolvent Financial Institutions

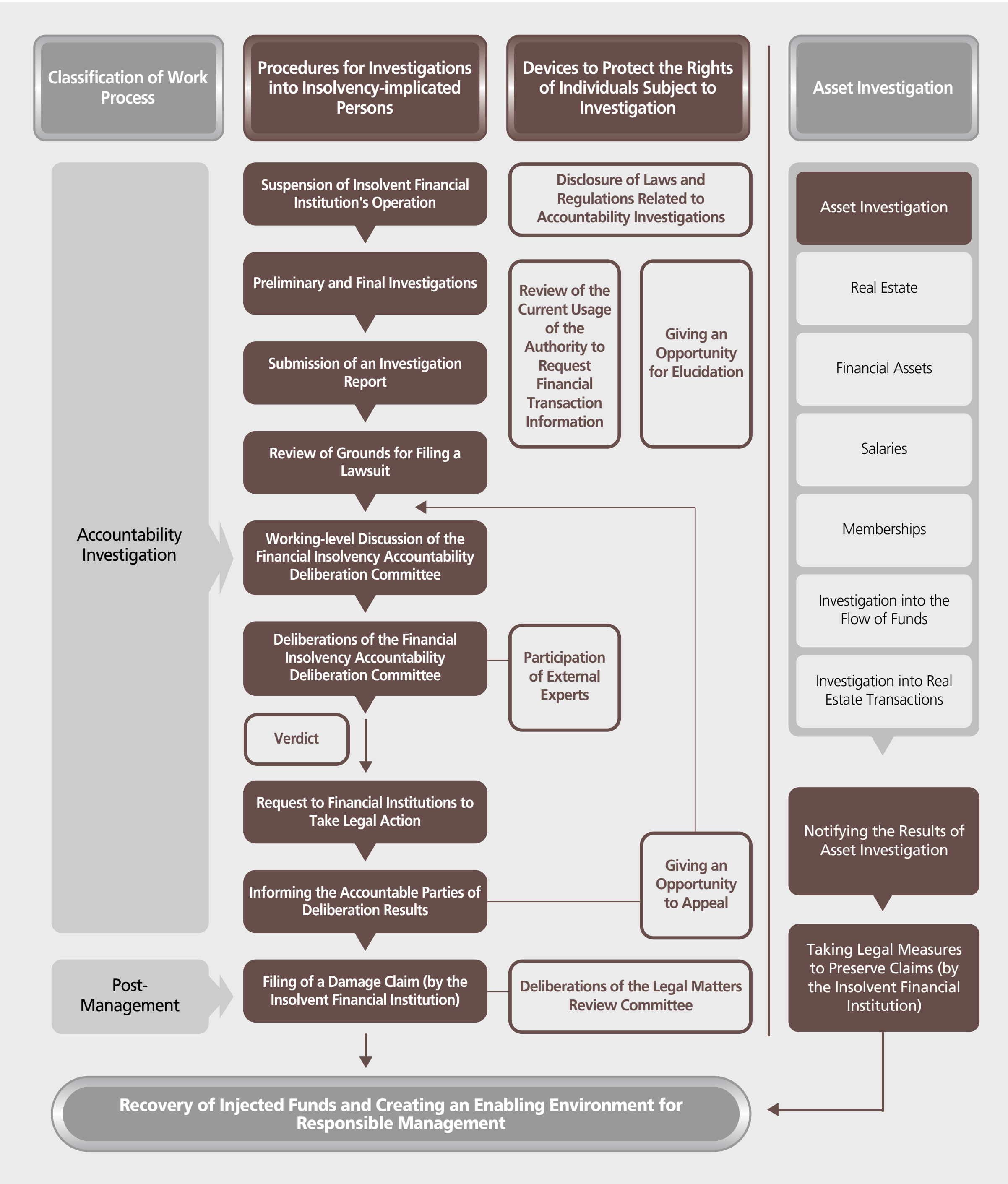
2-1. Investigations into Insolvent Financial Institutions to Determine Accountability for the Insolvencies

The KDIC performs investigations into insolvent financial institutions to determine the accountability of management, employees and major shareholders (major shareholders who instruct another person to act in a way contrary to the relevant regulations as provided for by the Commercial Act Article 401.2) for the insolvencies. Accordingly, the KDIC performed investigations into a total of 487 financial institutions including 15 banks, 6 financial investment companies, 18 insurance companies, 22 merchant banks, 101 mutual savings banks and 325 credit unions as of the end of 2010.

The illegal actions revealed are deliberated in a fair and objective manner by the Financial Insolvency Accountability Deliberation Committee which is composed of outside experts from legal, academic and financial circles. In the meantime, in order to protect the rights and interest of persons who are to be investigated, the KDIC provides them with sufficient opportunities to elucidate the case and to raise objections, which helps prevent innocent people from being wrongly accused. For that purpose, the KDIC revamped the deliberation procedure in August 2010. Those being investigated and their deputies can attend working-level deliberation meetings to fully elucidate the case. In addition, from September 2010, the KDIC has had its lawyers attend on-site insolvency investigations to interview those being investigated and hear their cases.

As a result of insolvency accountability deliberations, the KDIC confirmed, as of December 31, 2010, that 5,785 persons from 487 companies are liable for KRW 17.885 trillion in damages, and requested the insolvent financial institutions to initiate damage claim proceedings against them.

【Figure Ⅶ-1】 Flow of Accountability Investigation into Insolvency & the System for the Protection of Liable Party's Rights



【Table Ⅶ-1】 Accountability Investigations

(As of December 31, 2010, Unit: KRW 100 million)

Classification	Banks	Financial Investment Companies	Insurance Companies	Merchant Banks	MSBs	Credit Unions [1]	Total
Institutions Investigated	15	6	18	22	101	325	487
Persons Accountable for Insolvencies	191	65	244	160	979	4,146	5,785
Amount of Losses Incurred	14,080	33,266	30,482	55,977	35,862	9,179	178,846

1) Excluding 14 bankruptcy estates of credit unions that were transferred to the National Credit Union Federation of Korea in Jan. 1. 2010

2-2. Damage Claim Proceedings against Parties Implicated in Insolvency

As of the end of 2010, insolvent financial institutions filed 1,417 damage claim suits for KRW 1.915 trillion upon request from the KDIC.

【Table Ⅶ-2】 Filed Lawsuits

(As of December 31, 2010, Unit: KRW 100 million)

Classification	Banks	Financial Investment Companies	Insurance Companies	Merchant Banks	MSBs	Credit Unions	Total
No. of Institutions Accused	15	6	18	22	98	311	470
No. of Persons Accused	191	83	276	181	1,249	7,256	9,236
No. of Claims	93	31	84	35	345	829	1,417
Amount Claimed	1,004	342	2,435	3,043	6,436	5,889	19,149

The KDIC has continued to conduct ex post management of legal measures taken by creditor financial institutions following the filing of damage claim suits and the preservation of claims. As part of these efforts, in order to assist the litigation-related efforts in both an efficient and effective manner, the KDIC has operated a Litigation Support Team composed of legal experts, including lawyers, to enable logical and systematic pleading and submission of evidence, since the latter half of 2003. In March 2009, the Corporation developed a Plan to Strengthen the Management of Damage Claim Suits involving Bankruptcy Estates with a view to building a system to regularly review its litigation support activities. Also, as part of the Plan, the KDIC has adopted and operated a system of appointing one legal counsel per region to deal with all cases within that region, and enhance the win ratio.

In September 2010, the base amount claimed in damage suits was lowered in consideration of the ratio of reward to cost and the actual chance of recovery. The base amount is applied when no assets belonging to those responsible for insolvency are found.

2-3. Legal Measures against Insolvency-implicated Persons and Recovery Results

In the event that the KDIC wins a damage claim suit filed against the parties implicated in insolvency, the KDIC conducts thorough investigations into their properties in order to maximize the recovery of assets. In 2010, after the respective investigations, the KDIC took measures such as the (provisional) seizure of KRW 821.7 billion in 2,999 cases and the provisional disposal of properties in 224 cases. As a consequence, a total of KRW 279.5 billion had been recovered through various measures such as compulsory execution.

【Table Ⅶ-3】 Legal Measures Concerning Insolvent Financial Institutions and Recovery Results

(As of December 31, 2010, Unit: KRW 100 million)

Classification	Banks	Financial Investment Companies	Insurance Companies	Merchant Banks	MSBs	Credit Unions	Total
No. of (Provisional) Seizures	37	7	94	124	1,208	1,529	2,999
Amount Seized (Provisional)	76	47	421	1,002	4,352	2,319	8,217
No. of Provisional Disposals	10	1	2	41	87	83	224
Amount Recovered	102	54	208	659	1,006	766	2,795

3. Investigations into Default Debtor Corporations

3-1. Investigations into Default Debtor Corporations

By the end of 2006, the KDIC's former Special Investigation Mission for Default Debtor Corporations had completed its investigations into 717 insolvent default debtor corporations that failed to pay their debts to insolvent public fund-injected financial institutions. Since 2007, the KDIC has expanded its investigations to include investigations into default debtor corporations that failed to pay their debts to 13 mutual savings banks that received injections from the DIF. The KDIC buckled down by starting off with conducting preliminary investigative research into these default debtor corporations during the first half of 2007.

In March 2008, during a corporate reorganization, the former Special Investigation Mission for Default Debtor Corporations and the Investigation Department, which used to have the exclusive responsibility for investigation of insolvent financial institutions, were combined to form the Insolvency Investigation Division.

As of the end of 2010, the Financial Insolvency Accountability Deliberation Committee confirmed that 853 persons were accountable for KRW 14.651 trillion in losses after deliberating on the investigation results, and requested concerned insolvent financial institutions to initiate damage claim proceedings against these persons.

【Table Ⅶ-4】 Investigations into Default Debtor Corporations

(As of December 31, 2010, Unit: KRW 100 million)

No. of Corporations Subject to On-site Investigations	Liable Parties	
	No. of Implicated Liable Parties	Amount of Loss Incurred
966	853	146,510

3-2. Damage Claim Proceedings against Parties Implicated in Insolvency

Per the KDIC's request, insolvent financial institutions filed 187 damage claim suits worth KRW 980 billion.

The KDIC has continued to conduct ex post management of legal measures taken by creditor financial institutions following the filing of damage claims and the preservation of claims. It reviews the status of lawsuits filed by insolvent financial institutions on a regular basis, and provides consulting services on the lawsuits and preservations of claims by having meetings with the staff of insolvent financial institutions who are in charge of the lawsuits, if needed.

Where an insolvent institution does not heed the request of the KDIC to take legal action against parties implicated in its insolvency, the KDIC assumes the right to file a claim on its behalf. Where claims have already been filed by a failed institution, the KDIC reviews the size of the claim amount and the speed of progress in the suit. If necessary, the KDIC gets involved in the suit in a supporting role to provide support to clarify facts and facilitate effective defense of the case.

【Table Ⅶ-5】 Lawsuits against Default Debtor Corporations

(As of December 31, 2010, Unit: KRW 100 million)

No. of Corporations	No. of Defendants	No. of Claims	Amount Claimed
148	1,180	187	9,800

3-3. Legal Measures against Parties Implicated in Insolvency and Results of Recovery

The KDIC conducts thorough investigations into insolvency-implicated persons' properties in order to maximize the recovery of assets in case the KDIC wins the damage claim suits filed against such parties. These investigations are carried out using information provided by public agencies on real estate holdings and financial transactions. Based on the investigation results, the KDIC took measures such as the provisional seizure of KRW 672.1 billion worth of assets in 975 cases and the provisional disposal of properties in 233 cases. As a consequence, a total of KRW 117.2 billion was recovered by the end of 2010.

【Table Ⅶ-6】 Legal Measures against Parties Accountable for Insolvency and Results of Recovery

(As of December 31, 2010, Unit: KRW 100 million)

Provisional Seizure		Provisional Disposal	Amount Recovered
No. of Cases	Amount Claimed	No. of Cases	
975	6,721	233	1,172

4. Investigations into Assets of Parties Implicated in Insolvency

4-1. Investigation into Assets Located Domestically

Through the revision of the DPA on January 21, 2000 and on December 30, 2000, the legal basis for investigations into the assets owned by insolvency-implicated persons was established. As for the implicated parties of insolvent financial institutions into which public funds were injected, the KDIC carried out investigations by utilizing information kept by government agencies regarding real estate and other property holdings. The KDIC has expanded the scope of the institutions from which data can be obtained by making proposals for revisions of relevant laws.

With the right to request financial transaction information from the head of financial institutions newly added to the revised DPA in March 2006, the KDIC is now allowed to request information on financial transactions made by insolvency-implicated parties from financial institutions and take legal measures against them, thereby promoting the effectiveness of accountability investigations. The revised DPA strengthens the investigative authority of the KDIC by giving it the authority to request data on the activities and properties of those implicated in insolvencies and summon them as well as request such data from the government and financial institutions. In the meantime, preparations are being made to extend the right to request financial transaction information from the head of financial institutions, which was set to expire on March 23, 2011, until March 23, 2014.

As of December 31, 2010, the Corporation performed investigations into properties held by 925,001 insolvency-implicated persons. The KDIC also conducted in-depth investigations into those who were ultimately responsible in terms of final judgment, those in high debt for illegal acts, those whose extinctive prescription of remaining claims was near completion, and those involved in social scandals. In total, the Corporation conducted special investigations into properties held by 2,784 insolvency-implicated persons to identify their fund movements and fraudulent acts. Based on the results of these investigations, the KDIC requested the pertinent financial institutions to take legal measures such as preservation of claims or seizure of discovered assets. As of December 31, 2010, the legal measures taken include 60,933 cases of provisional seizure worth KRW 10.689 trillion and 1,827 cases of provisional disposal from which a total of KRW 721.8 billion was recovered.

【Table Ⅶ-7】 General and Special Investigations into Implicated Parties' Properties

(As of December 31, 2010, Unit: KRW 100 million)

Classification	No. of Persons Investigated	Provisional Seizure		No. of Provisional Disposals	Amount Recovered
		No. of Cases	Amount		
Implicated Parties	925,001	60,933	106,886	1,827	7,218

By exercising its right to request financial transaction information from the head of financial institutions, an authority which was established in March 2006, the KDIC conducted investigations into 127,197 persons implicated in insolvencies. Based on these investigations, the KDIC took legal measures including provisional seizures of assets worth KRW 188.1 billion and, ultimately, recovered KRW 62.1 billion as December 31, 2010.

【Table Ⅶ-8】 Investigations Performed via Search of Financial Transaction Information

(As of December 31, 2010, Unit: KRW 100 million)

No. of Persons Investigated		Legal Measures (e.g. Provisional Seizure)	Amount Recovered
Implicated Parties	127,197	1,881	621

4-2. Investigations into Assets Located Overseas

To drive full-fledged investigations into overseas-located assets of insolvency-implicated persons, the KDIC prepared a Plan to Strengthen Investigations into Overseas-located Assets. In 2007, the KDIC chose the U.S. as a country where investigations should be carried out and launched an outsourced investigation by commissioning professional firms which specialize in investigations into overseas assets.

As of the end of December 2010, investigations were conducted into the hidden overseas assets of 1,516 persons who are at high risk of flight or concealing assets overseas. As a result, USD 3.39 million were recovered and, for those who were found to have concealed properties, the KDIC has either already filed a suit at local court or is in the process of doing so.

During 2010, the Corporation expanded the scope of its investigations and included Canada, Japan, Australia, Hong Kong (China), New Zealand, and the Philippines in the list of countries where investigations should be conducted, thus increasing the likelihood for the recovery of hidden overseas assets.

4-3. Recoveries through Operation of the Concealed Property Report Center

To raise the effectiveness of investigations of parties implicated in insolvency of default debtor corporations and insolvent financial institutions provided with public funds, and to facilitate the recovery of public funds through various measures such as acquisition of internal information, the KDIC opened the Concealed Property Report Center in May 2002. Up until the end of December 2010, the Center had received 149 reports, recovered KRW 27.45 billion in 24 cases and paid KRW 1.32 billion in rewards.

Recognizing that the public's interest and participation is the key to more effective investigation, the Corporation carried out promotion campaigns for the Center at home and abroad. When a financial institution defaults, the Corporation launches a public campaign to encourage people to come out with information about hidden assets of insolvency-implicated persons. The Center is also linked to the Overseas Tax Evasion Report Center on the National Tax Service website to enhance cooperation with related agencies.

To encourage the reporting of hidden overseas assets, the KDIC runs banner ads on the websites of Koreans' Foundations in the U.S. (New York and LA) and Canada (Toronto), and Joongang Daily Newspaper and Hankook Daily Newspaper in the U.S. and appointed local Koreans in the U.S., Japan, and China as PR ambassadors. Also, to provide greater access to the Center, the Corporation launched and has operated a toll free number in the U.S. and Canada for persons reporting hidden overseas assets.

In particular, the KDIC distributed press releases in 2010 about its accountability investigations, overseas asset investigations, and future plans to raise awareness of executives and staff of financial companies and thus prevent insolvency, which was reported in Hankyung Daily Newspaper.

To encourage reporting about hidden properties in other countries, the KDIC placed an advertisement in major daily newspapers for local Koreans in the U.S. (Joongang Daily Newspaper and Hankook Daily Newspaper). It upgraded design in promotional materials of the Report Center, distributed them to financial companies and provided relevant training.

5. Enhancing Cooperation with Related Agencies

Including secondees from related agencies from the Prosecutor's Office, there are a total of 81 persons working in the Insolvency Investigation Division, a division composed of one bureau and one department. With help of secondees from related agencies sharing skills and information, the investigations could be carried out more efficiently and necessary data could be accessed more easily.

In the meantime, the Corporation, by establishing a close relationship with the Prosecutor's Office, requests for further investigations when its internal investigation reveals that the culpable parties committed fraud, embezzlement or misappropriation of assets. With the information given by the KDIC, the Prosecutor's Office conducts further investigations, and informs the KDIC of hidden assets of such parties, against which the KDIC take legal measures to exercise its preservation rights. Through that process, the KDIC was able to recover DIF funds in 2010 including voluntary repayment of KRW 7.6 billion from a person implicated in insolvency without going through a trial. Such close cooperation with the Prosecutor's Office allowed the KDIC to contribute to holding companies accountable for their civil and criminal responsibilities for insolvency and ensuring transparent accounting practices by cracking down on window dressing and poor auditing.

Ⅷ

Research and International Exchange & Cooperation on the Deposit Insurance System

Brushwork of a Calligrapher

VIII

Research and International Exchange & Cooperation on the Deposit Insurance System

1. Research on the Deposit Insurance System

In 2010, the KDIC conducted a research that is required to enhance the stability of the financial system and improve the deposit insurance system in order to adapt to the changes in the economic environment and the financial market in the wake of the global financial crisis.

First, the research paper on the deposit insurance system of major 8 countries including the G7 countries (e.g. the US and Taiwan) was developed. And a database was complied of major issues concerning the deposit insurance system in other countries. In addition, by analyzing the deposit insurance system and examples of savings bank restructuring in some European countries that experienced a fiscal crisis after the global financial crisis, lessons were drawn that can contribute to creating better financial stabilization policies.

The research on the financial regulatory reform in major countries was utilized as basic information for the discussion on the improvement of the Korean financial system. Regular events including policy symposiums helped the KDIC to develop policy suggestions and conducting research on the role of the deposit insurance system in maintaining financial stability.

The KDIC also studied domestic and overseas trends regarding deposit insurance and financial stabilization and published the research results in publications such as Efforts for the Financial Stabilization and the Deposit Insurance System, Monthly Overseas Deposit Insurance Trend, and Financial Stability Studies so that relevant organizations, academia, media, and policy makers could use them as reference materials.

【Table Ⅷ-1】 Major Research Projects in 2010

Subject	Title
Foreign Deposit Insurance Systems	Deposit insurance systems of eight major countries such as the US, UK, and Japan
	Deposit insurance system of south-western European countries
	Comparison of saving banks of Spain and Germany, and implications
	Strengthening of the deposit insurance system of each country as a countermeasure to the financial crisis
	Revision of EU's Directive on Deposit Guarantee Schemes
	How the deposit insurance system is being operated to reduce moral hazard
	Changes in the FDIC's role as a result of the financial regulatory reform in the US and implications
Foreign Financial Supervision Systems	Dodd-Frank Wall Street Reform and Consumer Protection Act passed by the US Congress
	The Bill to Establish the Consumer Financial Protection Bureau in the US
	Restructuring of the financial supervisory system in the UK
	BCBS' strengthening of regulation of banks' capital
	A case study of cooperation among financial safety net participants
Current Issues in International Finance and Economy	Progress report on the US Troubled Asset Relief Program (TARP)
	Imposition of a financial crisis responsibility fee in the US
	Regulation of systematically important financial institutions in the U.S. (Volker Rule)
	Regulation of the compensation for employees of financial institutions in major countries
	A case study of the DICJ's deposit payouts

2. International Exchange and Cooperation

2-1. Expansion and Strengthening of Global Networks

The KDIC played an active role in the discussion on international standards for the establishment of a global financial safety net and enhanced Korea's status in the international community by taking initiative in the activities of the International Association of Deposit Insurers (IADI). The IADI developed the Core Principles for Effective Deposit Insurance Systems Methodology in 2010, which are global standards for deposit insurance, strengthening its position as an international standard-setting body. The KDIC participated in the working group that brought together representatives of international organizations and deposit insurers from around the world to develop the Core Principles, and provided review comments. The Core Principles for Effective Deposit Insurance Systems Methodology include recommendations for each country's establishment of effective deposit insurance system, consisting of 18 principles such as public policy objectives, mandates and powers, governance, relationships with other safety-net participants, cross-border issues, compulsory membership and coverage, funding, public awareness, legal protection, failure resolution, reimbursing depositors, and recoveries, and methodologies for each principle. The Core Principles were confirmed after obtaining an internal approval of the IADI at the end of December 2010, and it will be added to the compendium of 12 key standards of the Financial Stability Board (FSB) under the G20 and the IMF's FSAP review in early 2011.

The KDIC is playing various roles as a founding member of the IADI and a member of its Executive Council. At the IADI Annual General Meeting which was held in October in Tokyo, Japan, Executive Vice President of the KDIC was elected as an Executive Councilmember with a three-year term. And the KDIC, recognized for the experience of successfully dealing with financial crises, has been conducting a research as a chair of the Subcommittee on Handling of a Systemic Crisis under the IADI. The KDIC organized a subcommittee with seven members including the US' FDIC in February and distributed and collected questionnaires in November after preparing the research plan and developing the survey questionnaire. The KDIC is currently drafting a discussion paper based on an analysis of the survey results, and will hold a Subcommittee meeting during the 32nd IADI Executive Council Meeting scheduled for February 2011 in order to share the discussion paper and get feedback from each deposit insurer.

In addition, the KDIC sent speakers to deposit insurance-related training programs on seven occasions including the IADI Executive Training Programs (2 times) and IADI Regional Committee meetings (2 times), and shared its experience in financial restructuring and deposit insurance system implementation.

The KDIC has put many efforts in having exchanges with individual deposit insurers, too. The KDIC renewed Memoranda of Understandings (MOUs) for information sharing and personnel exchange with deposit insurers in the US in March and Vietnam in May, and newly signed an MOU with the Indonesian deposit insurer in November. Overall, the KDIC has concluded MOUs with 9 deposit insurers in 8 countries as of the end of December 2010. The KDIC also made efforts to build a cooperative network with overseas deposit insurers. For instance, the KDIC dispatched a staff to the Deposit Insurance Corporation of Japan (DICJ) for a two-week work sharing program in May.

The KDIC has also continuously tried to improve the quality of its English publications and promotional materials. In October, a leaflet was developed in English in order to better promote the KDIC internationally, and English newsletters are being sent to other deposit insurers and international organizations every quarter.

2-2. Sharing Korea's Experience in Deposit Insurance Implementation with Other Countries

Since it was founded in 1996, the KDIC has achieved various experiences in public fund execution and deposit insurance system operation while it tried to overcome the Asian Financial Crisis. More recently, after seeing how successfully Korea dealt with the recent global financial crisis, an increasing number of emerging countries including developing ones expressed interest in learning from the KDIC's experiences in crisis response and deposit insurance system implementation. Also, the Korean government is focusing on enhancing Korea's global leadership and having partnership with strategically important countries for economic cooperation. Under the circumstance, the KDIC stepped up efforts to share system operation experiences with emerging countries. For more systematic sharing of experiences, the KDIC organized the Global-KDIC KSP team* in December.

* An ad-hoc steering committee for the Global-KDIC KSP which consists of staff members from departments responsible for failure resolution and deposit insurance. The committee is charged with building expert networks, collecting data and establishing a database on the deposit insurance system and financial restructuring, and modularizing contents.

The KDIC provided training and policy consultation to emerging nations in order to help them to design or improve the functions of their own deposit insurance systems. The KDIC assisted the Mongolian government in establishing the deposit insurance system in cooperation with the Korean government's Knowledge Sharing Program (KSP).* Specific activities include an on-site survey, visit of high-level officials, working group training for policy makers from the Ministry of Finance, etc. (for a one-week period), and issue-specific consultation. The KDIC is now preparing policy consultation for Tanzania to help it to strengthen its deposit insurance system, and will start providing support in 2011 through the KSP.

* A Korean style aid model that provides policy consultation to developing countries based on Korea's experience in economic development. The government has been driving this project in order to enhance the national brand since 2010 (managed by the Ministry of Strategy and Finance, operated by the KDI).

In addition, the KDIC conducted training for emerging countries regarding how to improve the operation of the deposit insurance system. A delegation from Indonesia that included staff from the Indonesian Ministry of Finance and the ADB visited the KDIC to see its risk surveillance models and surveillance activities in July, And a training program on IT system establishment was provided to the staff of the Deposit Insurance of Vietnam (DIV) in September. Meantime, a staff member of the KDIC was selected as a consultant for the ADB's project to provide consulting for China and Mongolia to adopt the deposit insurance system. The KDIC will support the ADB in the consulting project starting in 2011.

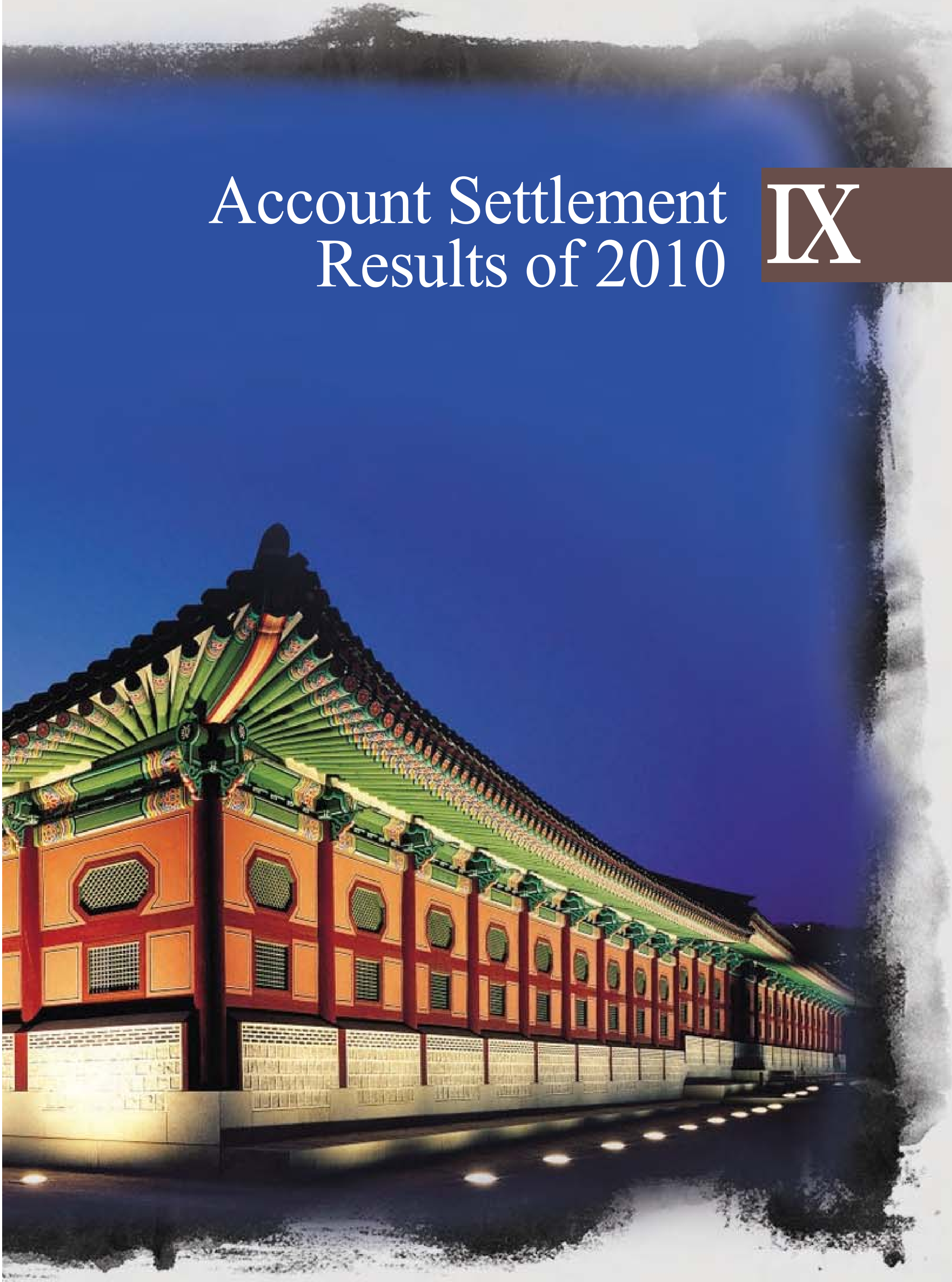
【Table Ⅷ-2】 Sharing of Korea's Experience in Operating the Deposit Insurance System with Other Countries in 2010

Country	Organization	Time	Contents
Vietnam	DIV	May	Working-level workshop
		Sep.	Training and research on IT system establishment for high-level officials
Mongolia	Government	Jun.	Kick-off of the policy consultation (KSP) for the adoption of the deposit insurance system
		Sep.	Participation in the ADB's workshop to prepare for a "policy consultation for Mongolia to adopt the deposit insurance system"
		Nov.	Training for working-level officials on the establishment of the deposit insurance system in Mongolia
Indonesia	Ministry of Finance	Jul.	Training on the establishment of a consolidated early warning system

【Table Ⅷ–3】 Sending Speakers for Training and Sharing Korea’s Exemplary Cases in 2010

Meeting	Place	Time	Contents
IADI Asia-Pacific Regional Committee	Goa, India	Jan.	Deposit Insurance Fund management in Korea
DICJ Roundtable	Tokyo, Japan	Mar.	Cooperation among FSN players in increasingly complex financial markets
IADI Executive Training Program	Washington DC, US	Apr.	Korea’s resolution system for insolvent banks
Summit Conference on Strengthening Deposit Insurance Systems in Crisis and Post Crisis Situation	Cebu, Philippines	Apr.	Online deposit payouts using the Integrated Resolution Information System (IRIS)
IADI Africa Regional Committee	Arusha, Tanzania	Jul.	Actions in response to the global financial crisis, and promotion of the KSP
IADI Executive Training Program	Kuala Lumpur, Malaysia	Aug.	Korea’s financial restructuring experience
IADI Annual General Meeting	Tokyo, Japan	Oct.	Regulation of financial conglomerates

Account Settlement Results of 2010 Ⅸ



A Korean Palace Located in Seoul

IX

Account Settlement Results of 2010

1. Overview of Account Settlement

The KDIC has classified its funds into three accounting units: the Deposit Insurance Fund (DIF), the Deposit Insurance Fund (DIF) Bond Redemption Fund and the KDIC Internal Account. The DIF is again classified into six accounts: banks, financial investment companies, life insurance companies, non-life insurance companies, merchant banks and mutual savings banks. The DIF Bond Redemption Fund has seven different accounts. Six are the same with those of the DIF and the other one is the credit unions account.

In order to enhance the credibility and transparency of its accounting, the KDIC has used the services of an accounting firm to conduct an outside audit from 2002 fiscal year. For the account settlement of 2010, the audit was conducted by Daejoo Accounting Corporation and the auditor's opinion was "Unqualified."

2. Criteria for Account Settlement

The financial statements of DIF and KDIC Internal Account are prepared based on the Accounting Rules for Public Corporations and Quasi-government Institutions and the financial statements of DIF Bond Redemption Fund are prepared based on the Rules on Government Accounting Standards. The major accounting standards are as follows.

2-1. DIF and KDIC Accounting

2-1-1. Accounting for Assets and Liabilities

A. Classification and Valuation of Securities

(1) Acquisition Costs of Securities and their Classification

The acquisition costs of securities are estimated by adding together the market price and associated costs incurred in acquiring the securities. The KDIC classifies securities as Trading, Available-For-Sale (AFS), Held-To-Maturity (HTS) and Equity-Method-Securities, according to the ownership purpose of each of the securities. Equity-Method-Securities refer to equity securities that can exercise material influence over the invested company.

(2) Valuation of Securities

The value of Trading and AFS securities is estimated by the fair value method. In the case of marketable securities, the market price, determined as the closing price as of the balance sheet date, is used as the fair value. However, in cases where AFS securities are not marketable, and, at the same time, the value cannot be assessed fairly, their acquisition cost is deemed to be the fair value. Unrealized gains/losses on Trading securities are booked in net income and unrealized gains/loss on AFS securities are treated as accumulated other comprehensive income. The accumulated other comprehensive income on AFS securities are recorded as net income at the time the AFS securities are sold or impairment losses are recognized. When the recoverable amount after the write-off of the securities is less than the acquisition cost of securities and there is no clear evidence that the impairment is not necessary, the impairment loss is booked as net income. The accounting treatment of a reversal of impairment loss that occurs subsequent to the recording of an impairment loss is as follows: When the reversal of impairment loss is objectively related to an event occurring after the recognition of the impairment loss, the amount of the reversal shall be recognized as a reversal of impairment loss and included in periodic income within the amount of previously recognized as impairment loss.

(3) Valuation of Equity Method Securities

The value of equity securities that can have material impact over the invested company is determined by using the equity method. Initially, equity securities are valuated at their acquisition cost and then the changes in their value after the acquisition are directly added to or deducted from the acquisition cost. If the changes originated from net income/loss of the invested company, the pertinent gains/losses are reflected in net income/loss by recording them as gains/losses on valuation using the equity method. If the amount of deferred retained earnings increased or decreased due to material misstatement or changes in the accounting procedures of the invested company, the increase/decrease is added to or deducted from the net income/loss or deferred retained earnings. The decision to choose which account of the two to use should be based on its impact on the invested company's balance sheet. If the decrease or increase was due to a fluctuation in the equity accounts, excluding net income and deferred retained earnings, the pertinent change is added to or deducted from accumulated other comprehensive income under the gain or loss on valuation of equity method investment.

B. Valuation of Loans, etc.

A bad debt allowance is reserved by estimating the expected loss from loans or indemnity receivables. As for the KDIC's indemnity receivables to bankruptcy estates, the corresponding bad debt allowance is calculated by estimating the expected loss of the receivables based on the valuation of assets held by bankruptcy estates.

C. Reserves for Outstanding Claims

The reserves for outstanding claims are estimated and set aside by the KDIC to cover any liability due to the failures of insured financial institutions or the loss of a court case.

D. Transferred-out Capital Budget and Operating Expenses of KDIC

The DIF covers the costs incurred in acquiring assets and the KDIC's operating expenses. The funds used for the capital expenditure in the accounting of the KDIC is appropriated as transferred-out capital budget and, if the asset decreases in value due to depreciation etc. the corresponding amount is deducted from transferred-out capital budget and added to operating expenses. In addition, the money spent on running the KDIC such as salaries is treated as operating expense.

2-1-2. Accounting for Revenues and Expenses

A. Revenue Recognition Criteria

Revenues and expenses are booked in gross amount without any direct set-off between revenue and expense accounts. Insurance premium revenue is recognized as it accrues over time. Interest income arising from deposits etc. is also treated in this way but interest income from uncollectable loans is recognized on a cash basis as the likelihood to recognize the income is low.

B. Accrual of Revenues and Expenses

Revenues and expenses are accounted for on an accrual basis as follows:

(1) (Deferral of Expense) If expenses referring to the following fiscal year are prepaid, it is booked as prepaid expenses and deducted from the current expenses.

(2) (Expense Booking) An expense belonging to the current fiscal year but remaining unpaid as of the date of account settlement is recorded as unpaid expense and added to expenses. An expense of which the amount had not been fixed as of the date of account settlement is not recorded.

(3) (Revenue Booking) Revenue belonging to the current fiscal year that has not been received in cash as of the date of account settlement is recorded as accrued revenue and added to income.

2-2. DIF Bond Redemption Fund

2-2-1. Application of National Accounting Standards

The financial statements of DIF Bond Redemption Fund are prepared based on the Rules on Government Accounting Standards, which came into effect since January 1, 2009.

2-2-2. Accounting for Assets and Liabilities

A. Classification and Valuation of Securities

(1) Acquisition Cost and Classification of Securities

The acquisition cost of securities is calculated by adding ancillary costs to the purchase cost and applying the identified cost method. Securities are classified in accordance with asset classification standards into short-term and long-term investment securities. Short-term investment securities include debt securities, equity securities and other short-term securities with a maturity of less than one year or to be sold within one year. Long-term investment securities include debt securities, equity securities and other long-term investment securities with a maturity of one year or longer to be sold after one year.

(2) Valuation of Securities

Debt securities are valued at their amortized acquisition cost and equity securities, other long-term and short-term investment securities are valued at their acquisition cost. However, long-term and short-term investment securities for the investment purpose are valued at fair value if the fair value can be reliably estimated on the balance sheet date and the difference between the book value and fair value is recorded as adjustment in the statement of changes in net assets. In the meantime, in case the recoverable amount of securities declines below the book value and the decline is sustained for a prolonged period so that the recovery is not likely, the corresponding difference will be recognized as impairment loss and reflected in the net cost for financial management. When the recoverable amount of the securities recovers above the previous book value before the impairment, the amount of reversal shall be recognized as a reversal of impairment loss and included in the net cost for financial management within the book value.

B. Valuation of Loans etc.

A bad debt allowance is reserved by estimating the expected loss from loans, account receivables or indemnity receivables. As for the indemnity receivables to bankruptcy estates, the corresponding bad debt allowance is calculated by estimating the expected loss of the receivables based on asset valuation held by bankruptcy estates.

C. Valuation of Foreign Currency-denominated Assets and Liabilities

For foreign currency-denominated assets and liabilities, the base exchange rate as of the balance sheet date is applied. The gains/losses arising from the foreign exchange conversion are booked in the net cost for financial management.

D. Accounting for Derivatives Transactions

After valuing the rights and obligations associated with derivatives contracts at their fair market value, the determined values are appropriated as assets or liabilities. And the evaluation gains/losses are reflected in the net cost for financial management. However, as for the valuation of derivatives acquired to mitigate the risk in cash flow fluctuations, the evaluation gains/losses are recorded as gains/losses on valuation of derivatives instruments as adjustments of the statement of changes in net assets.

E. Long-term Liability Provision

If an outflow of resources is highly likely as a result of past events or transactions as of the balance sheet date, though the timing and amount is not clear yet, and the amount can be reliably estimated, the expected loss is appropriated to long-term liabilities provision.

F. Discount or Premium on Debentures Issued

The DIF Bond Redemption Fund records the difference between the issue price and the face value of DIF Bond Redemption Bonds as discount or premium on debentures, depreciates/appropriates it by applying the effective interest method throughout the period from the issue to the final repayment and the depreciated (appropriated) amount is added to or deducted from interest expenses.

G. Transferred-out Capital Budget and Operating Expense

The DIF Redemption Fund covers the costs incurred in acquiring assets and operating expenses. The funds used for capital expenditure in the accounting of the KDIC are appropriated to assets as other miscellaneous non-current assets and, if the asset decreases in value due to depreciation, etc., the corresponding amount is deducted from other miscellaneous non-current assets and added to management and operating expenses. In addition, the funds spent on the operation of KDIC such as salaries which are allocated to the financial policy support program are booked as total program costs and the rest as management and operation expenses.

2-2-3. Accounting for Revenues and Expenses

A. Revenue Recognition Criteria

All the revenues and expenses are recorded in the period during which the transaction or event occurs based on the accrual accounting principle. Exchange revenues are recognized when the revenue generating activity is completed and the amount can be reasonably estimated. Non-exchange revenues are recognized when the claim right for the relevant revenue takes place and the amount can be reasonably estimated. The interest income from unrecoverable claims is recognized on a cash basis as the likelihood of the recovery is deemed to be low.

B. Expense Recognition Criteria

Expenses are recognized when assets are consumed or used for the provision of goods or services and the amount can be reasonably estimated or when obligations for expenditure exist in law or regulations and the amount can be reasonably estimated. When the economic benefit of an asset that was recognized as an asset in the past decreases or disappears, or when a liability clearly incurs or increases without an expenditure of resources, it is recognized as an expense.

3. Account Settlement Status

3-1. Deposit Insurance Fund

A. Financial Status

As of the end of 2010, the total assets of the fund increased by KRW 696.8 billion or 11.5% to KRW 6.775 trillion compared to a year ago. Operating assets including deposits (KRW 5.590 trillion) increased by KRW 713.7 billion year-on-year and contributed assets including loans (KRW 130.7 billion) were reduced by KRW 25.7 billion with the repayment of loans to KR&C (formerly the RFC). Indemnity receivables (KRW 3.496 trillion) increased by KRW 522 billion year-over-year due to insurance premium payments and contributions to Jeonil MSB. However, the net indemnity receivables, after deducting allowances for bad debts, decreased by KRW 14.1 billion. The total assets of each account were: KRW 4.716 trillion for banks, KRW 293 billion for financial investment companies, KRW 3.182 trillion for life insurance companies, KRW 699 billion for non-life insurance companies, KRW 23.8 billion for merchant banks, and KRW 762.1 billion for MSBs. The credit unions were excluded from the deposit insurance scheme at the beginning of 2004 and assets and liabilities in its account were transferred to National Credit Union Federation of Korea as of January 1, 2010.

The total liabilities decreased by KRW 752.1 billion or 99.8% to KRW 1.5 billion. This is attributable to the full reversal of reserves for outstanding claims (KRW 687.1 billion) due to the failure of Jeonil MSB and the transfer of borrowings (KRW 66.4 billion) of the credit union to the National Credit Union Federation of Korea. The total liabilities for MSBs were KRW 2.902 trillion (including between-account borrowings) while the other accounts have a minimal level of borrowings.

The total equity increased by KRW 1.449 trillion or 27.2% to KRW 6.773 trillion from the previous year. The increase is attributable to the realization of net income of KRW 1.383 trillion in 2009 and the increase in DIF surplus due to a decrease in deficiencies of KRW 56.4 billion as a result of the credit union account's transfer to National Credit Union Federation of Korea. The total equity of each account was: KRW 4.716 trillion for banks, KRW 292 billion for financial investment companies, KRW 3.182 trillion for life insurance companies, KRW 699 billion for non-life insurance companies, KRW 23.8 billion for merchant bank, and KRW -2.14 trillion for MSBs.

B. Profit and Loss

The net income increased by KRW 884.9 billion or 177.5% to KRW 1.383 trillion in 2010 compared to a year ago. This is mainly attributable to the increase in operating income of KRW 31.8 billion benefitting from the rise in insurance premium payments and the increase in non-operating income of KRW 853.1 billion due to the reversal of reserves for outstanding claims in relation to Jeonil MSB's failure. The net income per financial sector was: KRW 660.4 billion for banks, KRW 35.3 billion for financial investment companies, KRW 303.5 billion for life insurance companies, KRW 79.2 billion for non-life insurance companies, and KRW 4.5 billion for merchant banks. The MSB account realized a net income of KRW 300.5 billion as the account was exempted from interest payments for between-account borrowings and the insurance premium rate was increased in July 2009, which resulted in decreased between-account transaction costs and increased insurance premium earnings. Furthermore, there was no failure in the MSB sector during 2010.

Operating revenues and expenses were KRW 1.399 trillion and KRW 61.3 billion, respectively, which generated KRW 1.338 trillion of operating income. Operating revenues break down into KRW 1.181 trillion (84.4%) in insurance premiums and KRW 215.6 billion (15.4%) in interests earned from fund management. 99.9% of operating expenses, or KRW 61.3 billion, were spent in running the company.

Meantime, non-operating revenues and expenses reached KRW 756 billion and 710.3 billion, respectively, which produced a non-operating income of KRW 45.7 billion. It is mostly attributable to the reversal of reserves for outstanding claims of KRW 687.1 billion and KRW 623.5 billion of net inflow of funds to provisions for bad debts.

3-2. DIF Bond Redemption Fund

A. Financial Status

The total assets of DIF Bond Redemption Fund as of the end of 2010 stood at KRW 16.588 trillion, up by KRW 1.09 trillion or 7.0% from the previous year. The increase in total assets was mainly due to the increase in current assets (KRW 1.868 trillion) with the disposal of equity securities. In particular, investment assets decreased by KRW 647.4 billion due to the disposal of equity securities and recovery of loans which offset the increase in valuation amount of equity securities by KRW 1.461 trillion.

The amount of total liabilities of DIF Bond Redemption Fund as of the end of 2010 was KRW 27.206 trillion, down by KRW 710.5 trillion or 2.5% year-over-year. The decrease in liabilities is attributable to the repayment of debts including DIF Bond Redemption Fund Bonds with funds raised through the disposal of shares in Woori Financial Group, etc.

Net assets were KRW -10.618 trillion, up by KRW 1.801 trillion from the previous year. This is because of the realization of KRW 799 billion in profits and the increase in net asset adjustment including the valuation gains on investment securities following the price hike of stocks owned by the Corporation like Woori Financial Group shares.

B. Profit and Loss

The DIF Bond Redemption Fund's financial operation generated a result of KRW -799 billion, down by KRW 23.4 billion or 2.8% from the previous year. "Financial operation results" is a term that is the opposite of net income in corporate accounting. The negative results mean that profits exceed costs (net income in corporate accounting).

The net program costs incurred in operating the financial policy support program, an essential business of the DIF Bond Redemption Fund, were KRW 245.7 billion. The figure was arrived at by deducting program gains of KRW 1.483 trillion from total program costs of KRW 1.728 trillion.

The net costs for financial operation came to KRW 188.1 billion, calculated by adding KRW 11.2 billion of administrative and management costs and KRW 7.8 billion of non-allocated costs to net program costs of KRW 245.7 billion and then deducting KRW 76.6 billion of non-allocated revenues from the resulting figure. Administrative and management costs here mean management expenses (e.g. salaries and general expenses) not allocated as program costs. Non-allocated costs and revenues are those that are not related to the operation of the program.

On the other hand, the financial operation result of KRW -799 billion was calculated by deducting non-exchange revenues of KRW 987.1 billion from net financial management costs of KRW 188.1 billion. Here, non-exchange revenues mean the inflow of resources the Corporation received without an obligation to offer goods or services in return such as special assessment fees.

3-3. KDIC Accounting

A. Financial Status

The total assets of the KDIC stood at KRW 16 billion as of the end of 2010, up by KRW 450 million or 2.5% from the previous year. Asset holdings are divided into current assets including cash and deposits amounting to KRW 1.2 billion (12%) and non-current assets of KRW 14.1 billion (88%). The non-current assets are composed of investment assets including KRW 11.2 billion in guarantees and KRW 2.9 billion in tangible assets.

The total liabilities decreased by KRW 500 million or 3.0% to KRW 15.9 billion. This is attributable to a KRW 400 million decrease in current liabilities (KRW 1.2 billion) caused by a decrease in taxes withheld and an increase of KRW 100 million in non-current assets including the transferred-in-capital budget (KRW 14.7 billion). The liabilities are broken down into KRW 1.2 billion (7.5%) of current liabilities (e.g. deposits and accrued expenses) and KRW 14.7 billion (92.5%) of non-current liabilities (e.g. transferred-in-capital budget).

The total equity of the KDIC as of the end of 2010 stood at around KRW 100 million, which included a KRW 60 million increase from the previous year due to the current term surplus of KRW 60 million.

B. Profit and Loss

The total revenues and expenses of the KDIC were KRW 72.89 billion and 72.83 billion in 2010, respectively, resulting in KRW 60 million of current term surplus.

The total revenues are broken down into the revenue transferred from funds of KRW 72.4 billion (99.3%) and interest from deposits of KRW 400 million (0.6%).

The total expenses are composed of salaries of KRW 39.2 billion (53.8%), general expenses of KRW 30 billion (41.2%) and contributions to the provision for severance benefits of KRW 3.6 billion (4.9%).

【Table IX-1】 Condensed Balance Sheet

Current period: As of December 31, 2010
Previous period: As of December 31, 2009

■ DIF Account (Unit: KRW 100 million)

ASSETS	Amount		LIABILITIES AND EQUITY	Amount	
	Current Period	Previous Period		Current Period	Previous Period
Current Assets	**44,179**	**37,400**	**Current Liabilities**	**15**	**7,536**
1. Operating Assets	37,003	30,034	1. Contributed Liabilities	-	664
Deposits	17,013	10,841	Short-term Borrowings	-	664
Short-term Bonds	19,990	19,193	2. Other Current Liabilities	15	6,872
2. Contributed Assets	941	1,362	Reserves for Outstanding Claims	-	6,871
Short-term Loans	1,827	2,235	Others	15	1
(Allowance for Doubtful Accounts)	(-)886	(-)873	**Non-Current Liabilities**	**-**	**-**
			1. Contributed Liabilities	-	-
3.Other Current Assets	6,235	6,004	2. Other Non-Current Liabilities	-	-
Uncollected Premiums	5,575	5,367	**Total Liabilities**	**15**	**7,536**
Others	660	637			
Non-Current Assets	**23,570**	**23,381**	**DIF Surplus**	**67,517**	**53,119**
1. Operating Assets	18,900	18,732	(Net Income:		
Long-term Bonds	18,900	18,732	Current Period: 4,985		
2. Contributed Assets	366	202	Previous Period: 9,275)		
Long-term Securities	246	82	**Accumulated Other Comprehensive Gains/Losses**	**217**	**126**
Long-term Loans	120	120			
3. Indemnity Receivables	4,232	4,373	1. Gains/Losses on Valuation of Bonds	217	126
Indemnity Receivables for Insurance Premiums	10,763	10,796	2. Equity Adjustment under Equity Method	-	-
(Allowances for Doubtful Accounts)	(-)8,062	(-)7,419	**Total Equity**	**67,734**	**53,245**
Indemnity Receivables for Contributions	23,981	18,947			
(Allowances for Doubtful Accounts)	(-)22,669	(-)17,951			
Other Indemnity Receivables	219	-			
(Allowances for Doubtful Accounts)	-	-			
4. Other Non-Current Assets	72	74			
Transferred-out Capital Budget	72	74			
Total Assets	**67,749**	**60,781**	**Total Liabilities and Equity**	**67,749**	**60,781**

【Table Ⅸ-2】 Condensed Income Statement

Current Period: For the year ended December 31, 2010
Previous Period: For the year ended December 31, 2009

■ DIF Account

(Unit: KRW 100 million)

EXPENSES	Amount		REVENUES	Amount	
	Current Period	Previous Period		Current Period	Previous Period
Operating Expenses	**613**	**634**	**Operating Revenues**	**13,990**	**13,693**
1. KDIC Operating Expenses	613	588	1. Fund Revenues	11,824	11,337
2. Fund Administrative Expenses	-	46	Insurance Premiums	11,808	11,271
Contribution Expenses	-	-	Contributions	16	66
Interest on Loans	-	35	2. Revenues on Fund Management	2,156	2,332
Direct Expenses to the Fund	-	11	Interest on Deposits	516	575
			Interest on Securities	1,557	1,672
			Interest on Loans	63	83
			Gains on the Securities Disposal	20	2
			3. Other Operating Revenues	10	24
Operating Income	**13,377**	**13,059**	**Non Operating Revenues**	**7,560**	**2,302**
Non-Operating Expenses	**7,103**	**10,376**	1. Reversal of Reserves for Outstanding Claims	6,871	1,683
1. Contribution to Allowances for Doubtful Accounts	6,922	3,366	2. Gains on Valuation on Derivatives	-	-
2. Contribution to Reserves for Outstanding Claims	-	6,871	3. Reversal of Allowances for Doubtful Accounts	687	28
3. Equity Method Evaluation Loss	181	111	4. Gains on Disposal of Contributed Assets	-	589
4.Others	-	28			
Net Income	**13,834**	**4,985**	5. Others	2	2

【Table IX-3】 Condensed Statement of Financial Position

Current period: As of December 31, 2010
Previous period: As of December 31, 2009

■ DIF Bond Redemption Fund Account

(Unit: KRW 100 million)

ASSETS	Amount		LIABILITIES AND NET ASSET	Amount	
	Current Period	Previous Period		Current Period	Previous Period
Current Assets	**36,126**	**17,450**	**Current Liabilities**	**40,470**	**77,639**
1. Cash and Cash Equivalents	6,384	952	1. Current Portion of	38,435	75,497
2. Short-term Financial	25,449	13,267	Long-term Liabilities		
Instruments			2. Other Current Liabilities	2,035	2,142
3. Short-term Investment	4,096	3,093			
Securities			**Long-term**	**231,263**	**201,160**
4. Account Receivables	11,151	11,093	**Borrowing Liabilities**		
(Allowances for Doubtful	(-)11,027	(-)11,028	1. Public Bonds	228,985	197,657
Accounts)			2. Long-term Borrowings	2,278	3,503
5. Short-term Loans	73	73			
6. Other Current Assets	-	-			
			Provisions for	**126**	**201**
Investment Assets	**128,263**	**134,737**	**Long-term Liabilities**		
1. Long-term Loans	157,567	167,098	1. Provisions for	126	201
(Allowances for Doubtful	(-)132,154	(-)135,557	Other Long-term Liabilities		
Accounts)					
2. Long-term Investment Securities	102,850	103,196	**Other Non Current Liabilities**	**198**	**162**
3. Other Investment Securities	-	-	1. Other Non Current Liabilities	198	162
Non Current Assets	**1,486**	**2,786**	**Total Liabilities**	**272,057**	**279,162**
1. Long-term Notes Receivables	112	134			
(Allowances for Doubtful	(-)109	(-)129			
Accounts)			**Net Asset**		
2. Other Non Current Assets	1,483	2,781	1. Net Asset	523,064	523,064
			2. Reserves and Surplus	(-)670,151	(-)678,142
			3.Net Asset Adjustments	40,905	30,889
			Total Net Asset	**(-)106,182**	**(-)124,189**
Total Assets	**165,875**	**154,973**	**Total Liabilities and Net Asset**	**165,875**	**154,973**

【Table Ⅸ-4】 Financial Operating Statement

Current Period : For the year ended December 31, 2010
Previous Period : For the year ended December 31, 2009

■ DIF Bond Redemption Fund Account (Unit: KRW 100 million)

Classification	Current Period			Previous Period		
	Total Cost	Profit	Net Cost	Total Cost	Profit	Net Cost
I. Program Net Cost	**17,284**	**14,827**	**2,457**	**18,686**	**17,973**	**713**
1. Financial Policy Support	**17,284**	**14,827**	**2,457**	**18,686**	**17,973**	**713**
Insurance Expenses	120	-		38	-	
Salaries	14	-		21	-	
General Expenses	7	-		10	-	
Payment Fees	101	-		69	-	
Loss on Disposal of Long-term Investment Securities	2,148	-		2,490	-	
Allowances for Doubtful Accounts	551	-		652	-	
Interest Expenses on Public Bonds	14,117	-		14,728	-	
Interest Expenses on Borrowings	226	-		273	-	
Impairment Loss on Investment Securities	-	-		405	-	
Other Interest Income	-	6		-	25	
Gains on Disposal of Long-term Investment Securities	-	8,871		-	6,566	
Gains on Disposal of Other Investment Securities	-	21		-	-	
Reversal of Provisions	-	83		-	407	
Reversal of Impairment Loss on Investment Securities	-	427		-	1,428	
Miscellaneous Revenues	-	84		-	312	
Reversal of Allowances for Doubtful Accounts	-	4,455		-	9,046	
Dividend Income	-	872		-	181	
Interest Income from Loans to Non-Government Organizations	-	8		-	8	
II. Management and Administrative Expenses			**112**			**128**
1. Salaries			73			86
2. General Expenses			39			42
III. Non-Allocated Costs			**78**			**468**
1. Payment Fees			1			1
2. Valuation Loss			65			346
3. Other Expenses			12			121
IV. Non-Allocated Revenues			**766**			**877**
1. Interest Income			637			372
2. Valuation Gains			65			346
3. Other Revenues			64			159
V. Net Cost for Financial Operation (I+II+III-IV)			**1,881**			**432**
VI. Non-Exchange Revenues			**9,871**			**8,656**
1. Revenues from Contributions			9,871			8,656
VII. Financial Operation Result (V-VI)			**(-)7,990**			**(-)8,224**

【Table Ⅸ-5】 Condensed Balance Sheet

Current period: As of December 31, 2010
Previous period: As of December 31, 2009

■ KDIC Account

(Unit: KRW 100 million)

ASSETS	Amount		LIABILITIES AND EQUITY	Amount	
	Current Period	Previous Period		Current Period	Previous Period
Current Assets	**1,912**	**1,828**	**Current Liabilities**	**1,189**	**1,585**
1. Cash and Deposits	1,189	1,464	1. Account Payable	-	2
2. Account Receivables	-	134	2. Accrued Expenses	438	456
3. Advanced Payments	670	182	3. Deposits	751	1,127
4. Accrued Income	8	5			
5. Prepaid Expenses	45	43	**Non-Current Liabilities**	**14,670**	**14,777**
			1. Contribution to Capital Budget	14,670	14,777
Non-Current Assets	**14,077**	**14,607**	2. Provisions for Severance Benefits	10,041	7,567
1. Investment Assets	11,155	11,456			
Security Deposits	9,441	9,852	(Contribution to National Pension Plan)	(-)3	(-)3
Long-term Securities	-	-			
Other Investments	1,714	1,604	(Deposits for Severance Benefits)	(-)10,038	(-)7,564
2. Tangible Assets	2,922	3,151	**Total Liabilities**	**15,859**	**16,362**
Leasehold Facilities	460	552	1. Retained Earnings	130	73
Vehicles	-	-	(Net Surplus or Deficit)		
Other Tangible Assets	15,146	15,404	Current Period: 34		
(Accumulated Depreciation)	(-)12,684	(-)12,805	Previous Period: (-)475		
			Total Equity	**130**	**73**
Total Assets	**15,989**	**16,435**	**Total Liabilities and Equity**	**15,989**	**16,435**

【Table Ⅸ-6】 Condensed Income Statement

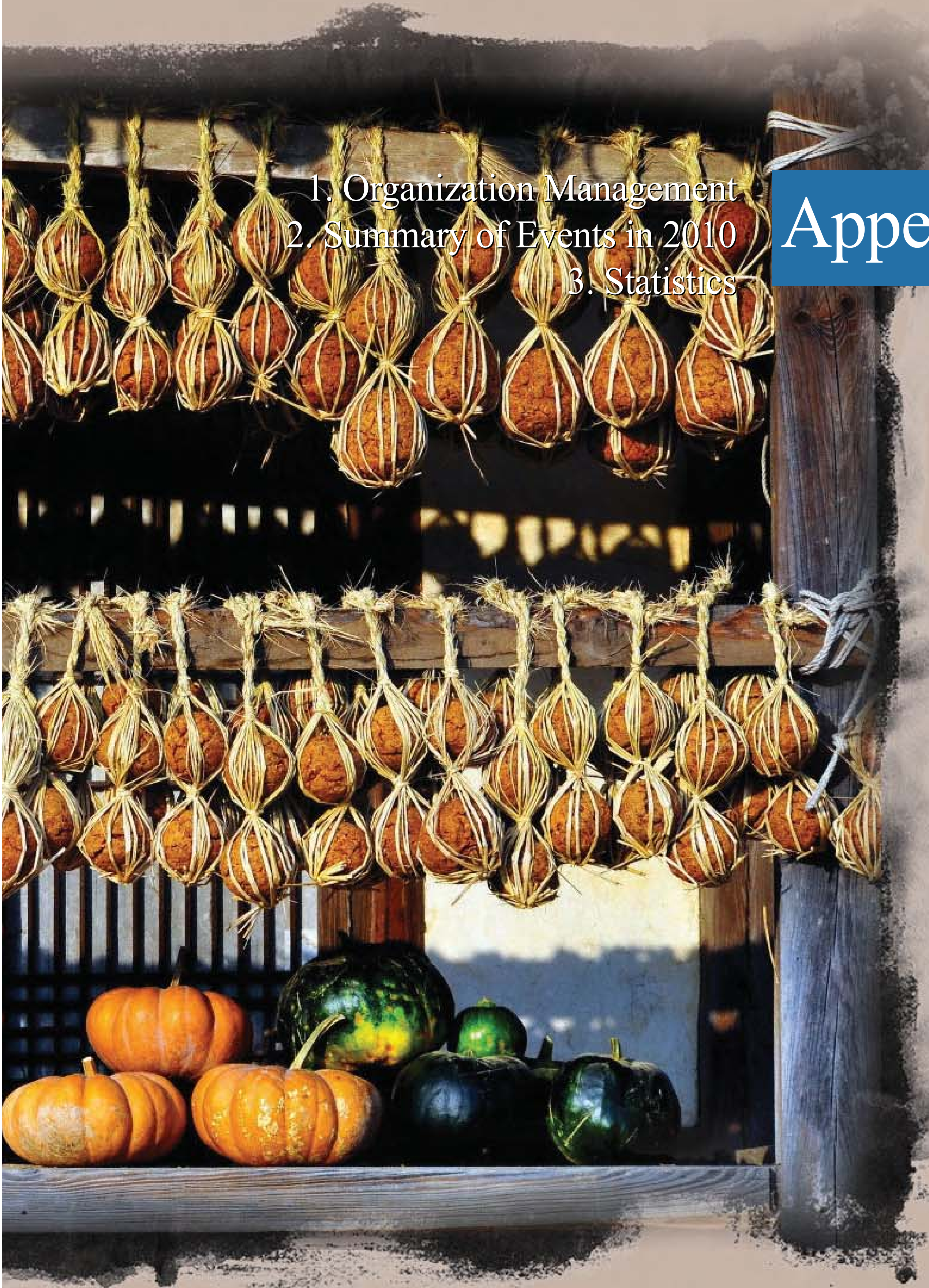
Current Period: For the year ended December 31, 2010
Previous Period: For the year ended December 31, 2009

■ KDIC Account

(Unit: KRW 100 million)

EXPENSES	Amount		REVENUES	Amount	
	Current Period	Previous Period		Current Period	Previous Period
1. Salaries	39,247	41,641	1. Contribution Revenue to Fund	72,388	73,301
2. General Expenses	29,982	30,319	2. Interest on Deposits	427	961
3. Transferred-in Provisions	3,608	2,224	3. Interest on Securities	-	-
4. Other Expenses	-	239	4. Other Revenues	79	195
5. Corporate Tax Expenses	-	-			
Total Expenses	**72,837**	**74,423**			
Net Surplus	**57**	**34**	**Total Revenues**	**72,894**	**74,457**

Appendix



Making Korean Soybean Malt 'Mejoo'

Appendix

1. Organization Management

A. Deposit Insurance Committee

The Deposit Insurance Committee is composed of seven individuals including the Chairman & President of the KDIC, who serves as Committee Chairman. Other ex-officio members are: the Vice Chairman of the Financial Services Commission (FSC), the Vice Minister of the Ministry of Strategy and Finance (MOSF), the Senior Deputy Governor of the Bank of Korea (BOK). The three remaining committee members are appointees commissioned by the FSC. Of the three, one committee member is commissioned directly by the FSC with the other two being recommended by the Minister of MOSF and the Governor of BOK each and commissioned by the FSC.

The committee deliberates and renders decisions on important matters including the following: establishment of basic guidelines for the Corporation's operations; review of fund management plans; amendments to the Articles of Incorporation; enactment, amendment and nullification of rules and regulations related to the Corporation's fund management; issuance of Deposit Insurance Fund Bonds (DIF Bonds) and DIF Bond Redemption Fund Bonds; payment of (advance) deposit payouts; financial assistance for the resolution financial institution and insured financial institutions; between-account transactions of the KDIC's Funds; and management of surplus funds.

Deposit Insurance Committee Members

(As of December 31, 2010)

TITLE	NAME
Chairman & President of KDIC (Chairman)	Seung-Woo LEE
Vice Chairman of FSC	Hyeok Se KWON
Vice Minister of MOSF	Jong Ryong LIM
Senior Deputy Governor of BOK	Ju Yeol LEE
Commissioned Member	Chang Hyun YUN
Commissioned Member	Se-il AHN
Commissioned Member	Kyoung Ho KIM

Deposit Insurance Committee Activities

CLASSIFICATION		MAJOR ACTIVITIES
Items for Resolution	Resolution	▶ Amendments to the Articles of Incorporation ▶ Budget and account settlement ▶ Issuance of Deposit Insurance Fund (DIF) Bonds and DIF Bond Redemption Fund Bonds ▶ Reduction/deferment of insurance premiums ▶ Payment of insurance claims ▶ Approval for the payment of provisional deposit payouts ▶ Financial assistance for resolution financial institutions ▶ Financial assistance for insured financial institutions ▶ Operational guidelines for the Deposit Insurance Committee ▶ Request to the Governor of the Financial Supervisory Service (FSS) to share examination results on insured financial institutions and allow KDIC's participation in a joint examination ▶ Request to the Financial Services Commission (FSC) to take necessary action against failed financial institutions such as a P&A order and a bankruptcy declaration
	Decision	▶ Determination of insolvent financial institutions ▶ Determination of insolvency-threatened financial institutions ▶ Between-account transactions of the KDIC's Funds ▶ Method to disclose Committee meeting minutes ▶ Matters related to DIF Bonds and DIF Bond Redemption Fund Bonds ▶ Payment of fees for third party services ▶ Advance payment of insurance claims ▶ Approval for making an exception to the least-cost principle, etc.
	Deliberation	▶ Fund management plan ▶ Adoption and revision of rules and regulations related to KDIC's operations
	Designation	▶ Management of surplus funds of the DIF and the DIF Bond Redemption Fund - Purchase of securities - Deposits in designated insured financial institutions
Items for Report		▶ Report of quarterly inspection results on MOU implementation

List of Agenda Items for the Deposit Insurance Committee in 2010

DATE	AGENDA ITEMS
Jan. 11	• Plan for the payment of advance deposit payouts to (Jeonbuk) Jeonil MSB depositors and transfer of funds between accounts
Jan. 20	• Report on the government's agreement to guarantee bond issuance and the DIF Bond Redemption Fund management plan for 2010 • Report on the changes in the 2009 DIF Bond Redemption Fund management plan • Report on between-account transactions of the DIF Bond Redemption Fund in 2009
Feb. 10	• Draft guidelines on asset management for the DIF Bond Redemption Fund in 2010 • Draft guidelines on asset management for the DIF in 2010 • Report on the results of MOU implementation review during the third quarter of 2009 and planned measures • Report on the results of a joint examination of Daegu Bank
Feb. 22	• Plan to request participation in joint examinations of MSBs
Feb. 24	• Proposed revision to the rules on insurance relations indication • Plan for the payment of deposit payouts to (Jeonbuk) Jeonil MSB depositors • Draft report on account settlement of the DIF, DIF Bond Redemption Fund and the KDIC in 2009 • Report on operational expenses settlement for the year 2009 • Report on the results of joint examinations of (Kyungbuk) Daeah, (Gwangju) Mudeung, (Seoul) Jungang Busan, (Seoul) Prime and (Jeonbuk) Jeonil MSB
Mar. 10	• Plan to request participation in joint examinations in 2010
Mar. 23	• Plan on the provision of financial assistance to Yenarae MSB, etc. and transfer of funds between accounts • Proposed revision to the rules on MOU management • Draft revised plan to normalize operations of Woori Financial Group and its three banking subsidiaries, the credit business unit of the National Federation of Fisheries Cooperatives in 2010 • Proposed revision to the rules regarding the payment of insurance premiums and special assessment fees
Apr. 22	• Plan to establishment of rules on the purchase of claims (e.g. deposit obligations) and payment of provisional deposit payouts • Plan to purchase claims (e.g. deposits in excess of the deposit insurance coverage limit) and make provisional deposit payouts for Jeonil MSB • Report on the results of MOU implementation review during the fourth quarter of 2009 and planned measures
May. 26	• Draft agreement on partial revision to the MOU • Report on the results of a joint examination of Green Non-life Insurance • Report on the results of joint examinations of (Seoul) Seoul, (Busan) Parangse, (Incheon) Shilla, (Gwangju) Changup, (Gyunggi) Tomato, and (Busan) Busan MSB

DATE	MAJOR EVENTS
Jun. 25	• Draft plan for the DIF Bond Redemption Fund management in 2011 (9th round) • Draft plan to issue DIF Bond Redemption Fund Bonds in 2011 and apply for government guarantees for the bonds
Jul. 28	• Proposed revision to the rules on the purchase of claims (e.g. deposit obligations) and payment of provisional deposit payouts • Plan to purchase claims (e.g. deposits in excess of the deposit insurance coverage limit) and make provisional deposit payouts for Eutteum MSB • Report on the results of MOU implementation review during the first quarter of 2010 and planned measures • Report on the results of joint examinations of (Seoul) Hanshin and (Seoul) Hyundai Swiss MSB
Sep. 1	• Proposed revision to the rules on surplus fund management • Draft revised guidelines on asset management for the DIF Bond Redemption Fund in 2010 • Draft revised guidelines on asset management for the DIF in 2010
Sep. 15	• Report on account settlement of the DIF and DIF Bond Redemption Fund for the first half of FY 2010 • Report on the results of a joint examination of Jeju Bank • Report on the results of joint examinations of (Gyunggi) Korea Investment, (Gyunggi) Samsin and (Daegu) Union MSB
Oct. 27	• Report on the results of MOU implementation review during the second quarter of 2010 and planned measures
Nov. 10	• Report on the results of joint examinations of (Seoul) Jeil 2, (Chungnam) Hanju, (Gyunggi) Ahnguk and (Daegu) Cham MSB
Dec. 21	• Draft plan for the KDIC budget in 2011 • Draft plan for DIF management in 2011 • Draft plan for DIF Bond Redemption Fund Bond issuance in 2011 • Confirmed plan for DIF Bond Redemption Fund management in 2011

B. The Board of Directors

The board of directors is composed of the Chairman & President, the Executive Vice President, four Executive Directors and seven Non-Executive Directors. The Auditor may express opinions at board meetings, but cannot participate in the Board's voting process.

The Chairman & President of the KDIC is appointed by the President of the Republic of Korea on recommendation of the Executive Director Recommendation Committee and agreement to the recommendation of the Chairman of the Financial Services Commission (FSC). Executive Directors are appointed by the Chairman & President of the KDIC. Non-Executive Directors are appointed of the Chairman of the FSC on recommendation of the Executive Director Recommendation Committee. The Auditor is appointed by the President of the Republic of Korea on recommendation of Executive Director Recommendation Committee, deliberation and decision of the Public Agencies Operating Committee and agreement to the recommendation of the Minister of Strategy and Finance. The Chairman & President is appointed for a term of three years and Executive Directors and the Auditor are appointed for two years, renewable on a year-to-year basis after the expiration of their first term of office.

The board of directors delivers resolutions on: amendment to the Articles of Incorporation; development, change and settlement of the KDIC's budget; development and change of management goals; establishment and revision of internal policies; remuneration of executives; acquisition and disposal of assets; and other matters recognized as necessary by the Board or the Chairman.

Management Team

(As of December 31, 2010)

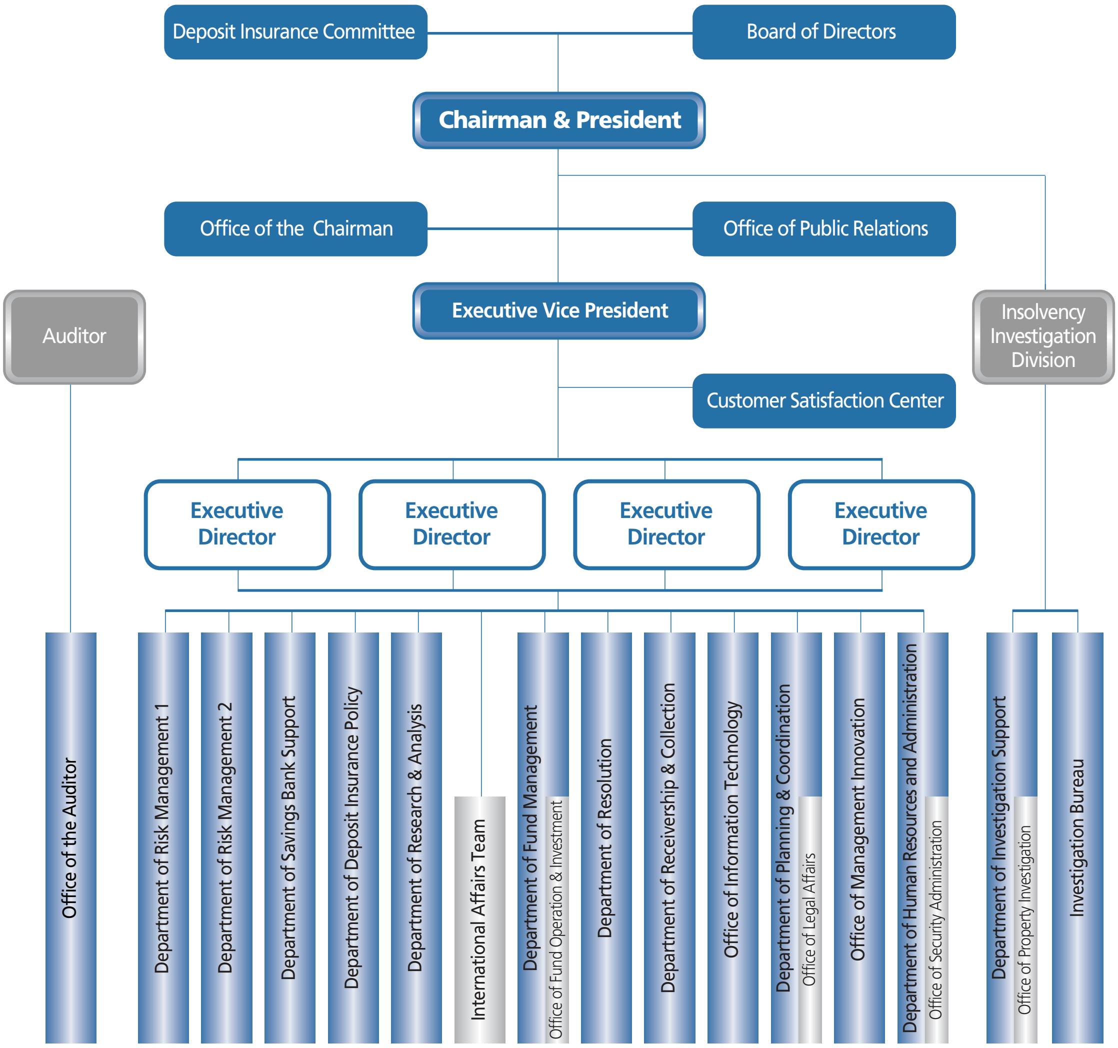
TITLE	NAME
Chairman and President	Seung-Woo LEE
Executive Vice President	Won-Tae YI
Executive Director	Dong Jin SHIN
Executive Director	Won KIM
Executive Director	Jong Tae KIM
Executive Director	Sang Keun JIN
Non-Executive Director	Dae Seok KANG
Non-Executive Director	Deok Ro LEE
Non-Executive Director	Jae Kook LEE
Non-Executive Director	Kyu Yung CHUNG
Non-Executive Director	Jung Sang CHOI
Non-Executive Director	Young-Sik LEE
Non-Executive Director	Chan-Woo JEONG
Auditor	KyoMyung SOHN

C. Organization

The KDIC was established on June 1, 1996, as a non-capital special corporation to provide an effective deposit insurance system for the public based upon the Depositor Protection Act (DPA). As of December 31, 2010, it is composed of 10 departments, 5 offices and 1 division; Department of Risk Management 1, Department of Risk Management 2, Department of Savings Bank Support, Department of Deposit Insurance Policy, Department of Research & Analysis, Department of Fund Management, Department of Resolution, Department of Receivership & Collection, Office of Information Technology, Department of Planning & Coordination, Office of Management Innovation, Department of Human Resources and Administration, Office of Public Relations, Office of the Chairman, Office of the Auditor, and Insolvency Investigation Division.

Organization Chart

(As of December 31, 2010)



※ Customer Satisfaction Center and International Affairs Team are team units.

Designated Number of Staff

(As of December 31, 2010)

Type	Executive Directors	Employees		
		Regular	Special[2]	Total
No.	14[1]	399	162	561

1) Including seven Non-Executive Directors appointed in accordance with the Act on the Management of Public Agencies
2) Special employees include experts such as attorneys, doctoral researchers, conservators, receivers, examiners, etc.

2. Summary of Events in 2010

DATE	MAJOR EVENTS
Mar. 12	Recovered KRW 158.6 billion during IPO of Korea Life Insurance by selling old shares (2.23%)
Mar. 16	Recovered KRW 108.8 billion in joint sales of Hynix shares with creditors (locked-up stock)
Mar. 18	Financial Service Commission approved establishment of Yes Mutual Savings Bank.
Mar. 25	Invested KRW 4 billion in the form of equity participation in Yes Mutual Savings Bank in relation to the P&A of Jeonbuk Mutual Savings Bank
Apr. 1	Financial Services Commission decided to transfer contracts of Jeonbuk Mutual Savings Bank to Yes Mutual Savings Bank and KR&C.
Apr. 1	Provided contribution to Yes Mutual Savings Bank (KRW 79.9 billion) in relation to the P&A of Jeonbuk Mutual Savings Bank
Apr. 13	Recovered KRW 1,160.6 billion by selling an equity stake (9%) in Woori Financial Group
May. 7	Recovered KRW 162.6 billion during IPO of Samsung Life Insurance by selling old shares (6.64%)
Jun. 18	Recovered KRW 124.2 billion in block sale of Hynix shares (released stock)
Jul. 16	Recovered KRW 252.5 billion from Seoul Guarantee Insurance Corporation, an amount equivalent to 75% of its net profit in FY 2009 (KRW 336.7 billion), by redeeming redeemable preferred stocks
Jul. 27	Recovered KRW 69.3 billion in joint sale of Hynix shares with creditors (locked-up stock)
Aug. 7	Jeonju District Court declared Jeonbuk Mutual Savings Bank bankrupt.
Aug. 11	Financial Services Commission suspended operation of Eutteum Mutual Savings Bank.
Aug. 19	Recovered KRW 168.5 billion in repayments of callable preferred stocks of Shinhan Financial Group
Sep. 20	Recovered KRW 67.3 billion in joint sale of Daewoo International shares with creditors
Nov. 11	Invested KRW 10 billion in the form of equity participation in Yes Mutual Savings Bank in relation to the P&A of Eutteum Mutual Savings Bank
Nov. 18	Financial Services Commission decided to transfer contracts of Eutteum Mutual Savings Bank to Yes Mutual Savings Bank and KR&C.
Nov. 18	Provided contributions to Yes Savings Bank (KRW 249 billion) in relation to the P&A of Eutteum Mutual Savings Bank
Dec. 31	Financial Services Commission suspended operation of Jeonil MSB.
Oct. 4 ~ Dec. 31	Recovered KRW 2.8 billion by selling common stocks of Jeju Bank during the trading hours

3. Statistics

A. Number of Insured Financial Institutions[1)]

Financial Sector	End of 2004	End of 2005	End of 2006	End of 2007	End of 2008	End of 2009	End of 2010
Banks	55	56	53	53	55	54	54
(Domestic)	(18)	(18)	(17)	(17)	(17)	(17)	(17)
(Foreign)	(40)	(37)	(38)	(36)	(36)	(38)	(37)
(Others)[2)]	-	-	-	-	-	-	-
Financial Investment Companies[3)]	56	53	53	53	60	115	118
Insurance Companies	43	42	43	44	43	44	44
(Life)	(23)	(22)	(22)	(22)	(22)	(22)	(23)
(Non-Life)	(20)	(20)	(21)	(22)	(21)	(22)	(21)
Merchant Banks	2	2	2	2	2	2	1
MSBs	113	111	110	109	106	106	105
Credit Unions[4)]	-	-	-	-	-	-	-
Total	**269**	**264**	**261**	**261**	**266**	**321**	**322**

1) The number of insured financial institutions is tallied based on business opening date and the date of license revocation or business dissolution or bankruptcy.
2) Regional fisheries cooperatives that conduct credit business were excluded from deposit protection as of January 1, 2003.
3) As the Financial Investment Services and Capital Markets Act came into force as of Feb. 2009, financial investment companies include not only securities companies but also investment traders and brokers. (Prior to Feb. 2009, it only included securities companies.)
4) Credit Unions were excluded from the deposit protection scheme as of January 1, 2004.

B. Insurable Deposits by Financial Sector[1)]

(As of December 31, 2010, Unit: KRW billion, %)

Financial Sector	End of 2009 (A)	End of 2010 (B)	Difference (B-A) (rate of increase)
Banks	632,776	738,224	105,448 (16.7)
Financial Investment Companies	18,786	22,207	3,421 (18.2)
Insurance Companies	293,571	322,521	28,950 (9.9)
(Life)	(248,105)	(268,954)	20,849 (8.4)
(Non-Life)	(45,466)	(53,567)	8,101 (17.8)
Merchant Banks	2,057	1,226	-831 (40.4)
MSBs	72,929	76,602	3,673 (5.0)
Total	**1,020,119**	**1,160,779**	**40,660 (13.8)**

1) Insurable deposits refer to depository products sold by financial institutions and protected under Article 2 of the DPA and exclude deposits made by the government, local governments and other insured institutions as determined under Article 3 of the Enforcement Decree of the DPA.

C. DIF Bond Redemption Fund Revenues

(As of December 31, 2010, Unit: KRW 100 million)

Financial Sector	Insurance Premium Revenue Prior to the Creation of DIF Bond Redemption Fund[2]						Special Assessments Paid by Insured FIs to the DIF Bond Redemption Fund								
	Prior to 1998[1]	1999	2000	2001	2002	Total	2003	2004	2005	2006	2007	2008	2009	2010	Total
Banks	1,613	1,975	2,630	4,139	4,361	14,718	4,775	4,956	4,871	4,987	5,027	4,976	5,965	6,811	42,368
Financial Investment Companies	-	51	156	218	262	687	156	168	145	151	156	185	169	213	1,343
Insurance Companies	2,322	1,260	1,781	2,416	2,780	10,559	1,074	1,176	1,288	1,402	1,543	1,683	1,782	1,943	11,891
(Life)	(1,800)	(1,011)	(1,402)	(1,938)	(2,295)	(8,446)	(889)	(978)	(1,069)	(1,160)	(1,265)	(1,364)	(1,430)	(1,534)	9,690
(Non-Life)	(522)	(249)	(379)	(478)	(485)	(2,113)	(185)	(198)	(219)	(242)	(278)	(319)	(352)	(409)	2,201
Merchant Banks	980	336	233	139	130	1,818	20	6	5	6	7	8	10	19	81
MSBs	2,407	377	323	529	604	4,240	222	264	319	370	430	491	593	715	3,404
Credit Unions	402	162	281	407	641	1,893	-	-	-	216	116	129	137	170	767
Total	7,724	4,161	5,404	7,848	8,778	33,915	6,247	6,570	6,628	7,133	7,280	7,472	8,656	9,871	59,857

1) The insurance premium revenue for 1998 is inclusive of the applicable funds transferred from the Insurance Supervisory Board, Credit Management Fund, National Federation of Credit Unions on April 1, 1998 as a result of the consolidation of the funds into the DIF at the beginning of 1998 with the exception of the Securities Investor Protection Fund which was dismantled subsequent to the consolidation.

2) DIF premium revenue until 2002 was transferred to the DIF Bond Redemption Fund according to the amendment of related laws.

D. DIF Premium Revenues

(As of December 31, 2010, Unit: KRW 100 million)

Financial Sector	2003	2004	2005	2006	2007	2008	2009	2010	Total
Banks	4,775	4,960	4,869	4,987	5,027	4,808	5,291	5,451	40,168
Financial Investment Companies	312	336	300	303	256	305	276	284	2,372
Insurance Companies	3,115	3,403	3,737	4,059	4,455	4,852	5,113	3,307	32,041
(Life)	(2,580)	(2,832)	(3,109)	(3,362)	(3,654)	(3,934)	(4,097)	(2,609)	(26,177)
(Non-Life)	(535)	(571)	(628)	(697)	(801)	(918)	(1,016)	(698)	(5,864)
Merchant Banks	73	17	15	19	22	24	29	34	233
MSBs	667	793	974	1,116	1,306	1,483	1,737	2,524	10,600
Total	8,942	9,509	9,895	10,484	11,066	11,472	12,446	11,600	85,414

E. Status of DIF Bond Issuance

(As of December 31, 2010, Unit: KRW 100 million)

Financial Sector	1998	1999	2000	2001	2002	Total
Banks	120,650	158,591	60,307	77,617	36,600	453,765
Financial Investment Companies	160	3	-	32,185	-	32,348
Insurance Companies	11,534	42,100	10,000	92,089	-	155,723
(Life)	(11,534)	(41,422)	-	(24,120)	-	(77,076)
(Non-Life)	-	(678)	(10,000)	(67,969)	-	(78,647)
Merchant Banks	65,120	-	12,600	73,344	-	151,064
MSBs	9,917	15,977	6,500	33,331	-	65,725
Credit Unions	2,769	8,178	-	2,027	-	12,974
Total	210,150	224,849	89,407	310,593	36,600	871,599

Note) Cumulative issue amount that includes conversion issuance

F. Status of the DIF Bond Redemption Fund Provisions

(As of December 31, 2010, Unit: KRW 100 million)

Financial Sector	Equity Participation	Contributions	Deposit Payouts	Asset Purchases	Loans	Total
Banks	222,039	139,093	-	81,064	-	442,196
Financial Investment Companies	99,769	4,143	113	21,239	-	125,264
Insurance Companies	159,198	31,191	-	3,495	-	193,884
(Life)	(56,697)	(27,518)	-	(3,495)	-	(87,709)
(Non-Life)	(102,501)	(3,673)	-	-	-	(106,174)
Merchant Banks	26,931	7,431	182,718	-	-	217,080
MSBs	1	4,157	72,892	-	5,969	83,019
Credit Unions	-	-	47,402	-	-	47,402
Total	507,937	186,016	303,124	105,799	5,969	1,108,844

G. Details of Financial Assistance from the Redemption Fund

(As of December 31, 2010, Unit: KRW 100 million)

Injection Type / Recipient Institution		Amount
Equity Participation	Seoul Bank	46,809
	Korea First Bank	50,248
	Hanvit Bank	60,286
	Five acquiring banks including Kookmin Bank	11,923
	Hana Bank (Merger of Hana bank and Boram Bank)	3,295
	Chohung Bank	27,179
	Peace Bank	4,930
	Kyungnam Bank	2,590
	Gwangju Bank	1,704
	Jeju Bank	531
	National Federation of Fisheries Cooperatives	11,581
	National Agricultural Cooperative Federation	962
	Hanareum Banking Corporation	300
	Hanaro Merchant Bank	24,912
	Hans Merchant Bank, Korea Merchant Bank, Joongang Merchant Bank	2
	Youngnam Merchant Bank	1,717
	Hanareum MSB	1
	Seoul Guarantee Insurance Corporation	102,500
	Korea Life Insurance	35,500
	Kookmin, Taepyongyang, Doowon, Dong-A, Handuck, Chosun Life Insurance	21,197
	Korea Investment Trust Management & Securities	51,649
	Daehan Investment Trust Securities	29,003
	KR&C	1
	Daehan, Kookje Fire Insurance	1
	Hyundai Investment & Securities	19,116
	Sub-total	**507,937**
Contributions	Kookmin, Housing & Commercial, Shinhan, Hana, Koram Bank (Five acquiring banks)	97,113
	Hanvit, Kyungnam, Gwangju, Peace, Seoul, Jeju Bank	29,677
	National Agricultural Cooperative Federation	870
	Samsung, Heungkuk, Kyobo, Allianz Life (Four acquiring insurance companies)	11,641
	Korea First Bank (KFB)	11,433
	Korea, Hyundai, Kumho, Tongyang, SK Life	14,220
	Financial companies including Boomin MSB	4,157
	Daehan Fire	509
	Woori (Former Hanaro Merchant Bank) Merchant Bank	7,431
	Kookje Fire	739
	Tongyang, Samsung, Hyundai, LG, Dongbu Fire	2,425
	Green Cross (Daishin) Life	1,393
	KB (Hanil) Life	265
	Korea Investment Trust Management & Securities	784
	Daehan Investment Trust Securities	630
	Hyundai Investment & Securities	2,730
	Sub-total	**186,016**

Injection Type / Recipient Institution			Amount
Deposit Payouts	Direct Payments	Credit Unions	47,402
		Financial Investment Companies (4 companies)	113
		MSBs	12,335
		Youngnam, Hansol, Korea Merchant Bank	1
	Payments through Resolution Financial Institution	Hanareum Banking Corporation (in resolving 18 merchant banks)	182,717
		Hanareum MSB (in resolving 59 MSBs)	60,557
		Sub-total	303,124
Asset Purchase	Direct Purchase	Korea First Bank (BW)	249
		Korea First Bank (Shares of KFB's Vietnam and New York subsidiaries)	165
		Hyundai Investment & Securities (Shares of Hyundai Autonet, etc.)	8,570
	Indirect Purchase by Lending Money to the RFC	Five acquiring banks including Kookmin Bank (KB)	1,588
		Korea First Bank	79,063
		Dong-A, Kookmin, Taepyongyang, SK Life	3,495
		Korea Investment Trust Management & Securities	4,830
		Daehan Investment Trust Securities	6,539
		Hyundai Investment & Securities	1,300
		Sub-total	105,799
Loans		MSB (13 MSBs)	5,969
		Sub-total	5,969
Aggregate Total			1,108,844

H. Status of Financial Assistance by DIF

(As of December 31, 2010, Unit: KRW 100 million)

Financial Sector	Equity Participation	Contributions	Deposit Payouts	Loans	Provisional Insurance Payment	Total
Banks	-	-	-	-	-	-
Financial Investment Companies	-	-	-	-	-	-
Insurance Companies	-	-	-	-	-	-
(Life)	-	-	-	-	-	-
(Non-Life)	-	-	-	-	-	-
Merchant Banks	-	-	-	-	-	-
MSBs	1,211	24,542	14,415	4,891	219	45,278
Total	1,211	24,542	14,415	4,891	219	45,278

I. Recovery of Injected Public Funds by Year

(As of December 31, 2010, Unit: KRW 100 million)

Year	Amount
Prior to 2000	103,457
2001	41,179
2002	26,634
2003	56,034
2004	56,672
2005	36,117
2006	34,001
2007	43,660
2008	23,980
2009	24,118
2010	29,295
Total[1]	475,147

1) Including KRW 235.1 billion (2004), KRW 45.8 billion (2006) and KRW 9.3 billion (2007) in liability charges paid by majority shareholders of insolvent financial institutions such as Hyundai Investment & Securities

J. Recovery by Type of DIF Bond Redemption Fund Provisions

(As of December 31, 2010, Unit: KRW 100 million)

Financial Sector	Recovery of Equity Participation	Settlement of Contributions, etc.	Dividends from Bankruptcy Estates[1]	Asset Sales[2]	Repayment of Loans	Total
Banks	158,129	695	18,181	57,696	-	234,702
Financial Investment Companies	12,121	3,230	75	17,026	-	32,452
Insurance Companies	30,250	884	4,266	2,325	-	37,725
Merchant Banks	1,349	59	79,504	-	-	80,913
MSBs	-	340	48,998	-	5,969	55,306
Credit Unions	-	4	34,045	-	-	34,049
Total	201,850	5,213	185,069	77,047	5,969	475,147

1) Including recovery of dividends from resolution financial institution
2) Including recovery of asset sale proceeds from resolution financial institution

K. Financial Restructuring Progress

(As of June 30, 2010, Unit: %)

Financial Sector	No. of Companies, Year-end 1997 (A)	Restructuring Status					Newly Opened	Current Total
		Revocation of Licenses	Mergers	Liquidation, Bankruptcies, and/or Transfer of Business	Total (B)	Proportion (B/A)		
Banks	33	5	11	-	16	48.5	1	18
Non-Banks	2,069	165	216	569	950	45.6	159	1,281
• Merchant Banks	30	22	8	-	30	100.0	1	1
• Securities Companies	36	6	8	2	16	44.4	30	50
• Insurance Companies	50	10	7	6	23	46.0	25	52
• Asset Management Companies	31	6	8	-	14	45.2	58	75
• MSBs	231	116	28	1	145	62.8	19	105
• Credit Unions	1,666	2	144	560	706	42.4	14	973
• Lease Companies	25	3	13	-	16	64.0	16	25
Total	**2,102**	**170**	**227**	**569**	**966**	**46.0**	**160**	**1,299**

Source: Public Fund Management White Book published in August 2010

L. Public Fund Assistance Provision Status

(Between November 1997 and December 31, 2010, Unit: KRW trillion)

Financial Sector		Equity Participation	Contributions	Deposit Payouts	Asset Purchases	Non-performing Loan Purchases	Total
Banks		34.0	13.9	-	14.4	24.6	86.9
Non-Banks	**Merchant Banks**	2.7	0.7	18.3	-	1.0	22.8
	Financial Investment Companies	10.9	0.4	0.01	2.1	8.5	21.9
	Insurance Companies	15.9	3.1	-	0.3	1.8	21.2
	Credit Unions	-	-	4.7	0.3	-	5.0
	MSBs	-	0.4	7.3	0.6	0.2	8.5
	Sub-total	29.5	4.7	30.3	3.3	11.5	79.4
Foreign Institutions		-	-	-	-	2.4	2.4
Total		**63.5**	**18.6**	**30.3**	**17.8**	**38.5**	**168.6**

Source: Financial Services Commission

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