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KDIC

KOREA DEPOSIT INSURANCE CORPORATION

2015 ANNUAL REPORT

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CEO Message

In 2015, the global economy grew at a slower pace due to uncertainties surrounding the U.S. Fed's rate hike, a possible hard landing of the Chinese economy, and rising fears about the Eurozone debt crisis, spurred by the possibility of a sovereign debt default by Greece. In South Korea, growth failed to meet expectations as the economy faced one challenge after another including the MERS outbreak and sagging exports.

Against this challenging backdrop, however, the Korea Deposit Insurance Corporation (KDIC) achieved the largest year-over-year reduction in its debt incurred during the resolution of failed financial institutions. The number, KRW 8.1 trillion, exceeded the target for the year by KRW 2.2 trillion and included KRW 3.4 trillion in dividends received from the estates of failed financial institutions. It was a result of aggressive efforts by the KDIC to increase asset sales by developing systematic sales strategies tailored to the characteristics of each asset group, identifying potential buyers and trying a variety of sales methods.

The KDIC continued to encourage member institutions to manage themselves in a safe and sound manner and reduce excessive risk-taking voluntarily. One way of doing that was to enhance the fairness and objectivity of risk-based premium assessment under which financial institutions are charged different premiums based on their individual risk levels. Also, the KDIC made monitoring of risks at financial institutions a priority. To prevent any failures, the KDIC made improvements to the way it conducts examinations of member institutions (both independent and joint examinations with the supervisory authority).

Moreover, in order to strengthen protection of financial consumers, the KDIC decided to apply separate coverage to retirement pension plans and newly include the minimum guaranteed benefits of variable insurance policies in its coverage. Furthermore, financial institutions are now required to provide evidence showing that they adequately informed their customers about the availability of deposit insurance and the coverage limit before a contract is signed.

Most importantly, the KDIC is making every effort to make sure that it keeps abreast of any new developments in the international discussion about how to resolve systemically important financial institutions (SIFIs) without causing serious damage to the financial system. The KDIC is now working with financial authorities to discuss the development of recovery and resolution plans which will help to minimize the market impact of a SIFI failure and need for the injection of public funds.

At the same time, the KDIC conducted thorough investigations against those responsible for a financial institution's failure to bring them to justice and create an atmosphere of responsible and ethical conduct in the financial industry.

Externally, the KDIC has continued to expand cooperation with deposit insurers in other countries. Under MOUs with 16 organizations in 15 countries, the KDIC has shared its experience and knowledge in deposit insurance operations widely. In recognition of its achievement, the International Association of Deposit Insurers bestowed the Deposit Insurance Organization of the Year Award for Achievement in Core Principles and International Cooperation on the KDIC in 2015.

2016 marks the KDIC's 20th anniversary. In preparation of this milestone in its history, the KDIC overhauled its strategic plan and committed itself to becoming a deposit insurance service organization with the best ability to ensure financial stability and to preemptively respond to failure risks.

I hope that this Annual Report will help broaden the public's understanding of the role of the deposit insurance system and the KDIC's activities in ensuring financial stability in South Korea.

곽 범 국

GWAK Bumgook

Chairman & President

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Major Initiatives

In 2015, the Korea Deposit Insurance Corporation (KDIC) sought to further upgrade its deposit insurance scheme through the amendment of the Depositor Protection Act (DPA) and its Enforcement Decree. The revised Depositor Protection Act entered into force on December 22, 2015. In addition to financial products previously protected, the Act now protects customer deposits with securities finance companies and guaranteed minimum benefits of variable insurance (slated for June 23, 2016). The Act explicitly provides for the KDIC's authority to request tax offices to provide tax information on persons involved in insolvencies of financial institutions to allow for efficient investigation into concealed assets. The Act also requires financial institutions to indicate to what extent their financial products are covered by deposit insurance in order to safeguard depositors' interests more strongly.

According to the amendment of the Enforcement Decree of the Act identified above, the KDIC provides separate coverage of KRW 50 million to reserves for DC (Defined Contribution) pension and IRP (Individual Retirement Pension) plans invested in financial products eligible for deposit protection, apart from ordinary financial products including deposits. This further strengthens the rights of subscribers to those retirement pension plans.

The KDIC effected a number of other improvements as well. It enhanced the risk-based premium system, which has been in place since 2014, to make the premium calculation methodology more fair and accurate for all insured financial institutions. It modified its risk assessment method applied to asset management companies in response to changes in the financial regulatory environment. In addition, the KDIC streamlined its independent and joint examinations in such ways as shifting their focus to prevention of financial failures, easing the burden of the examinations on insured financial institutions by reducing the Financial Supervisory Service's (FSS') verification examinations, and shortening the duration of examinations.

In the meantime, the KDIC conducted fast and efficient resolutions of failed financial institutions suspended in 2015. It resolved Golden Bridge Savings Bank through a 'P&A (Purchase & Assumption) transaction with a third party in the course of normal operations,' thereby minimizing depositors' inconveniences due to lost access to their funds. It recovered KRW 653.7 billion by selling part (9.5%) of its stake in Hanwha Life Insurance. Pressing ahead with sale of its assets, the KDIC endeavored to expedite its fund recovery.

It employed sophisticated sales strategies for fund recovery that considered the characteristics of assets held by bankruptcy estates of failed mutual savings banks. As a result, its collection of bankruptcy dividends soared from KRW 2.6 trillion in 2014 to KRW 3.4 trillion in 2015. Besides, the KDIC published booklets on actual recovery cases and explored ways to overcome hurdles to its asset sales. In the process, it accumulated and shared valuable business know-hows about recovery while stringently holding persons responsible for failures of financial institutions including their employees and large shareholders according to set principles.

The new vision of the KDIC is to become a 'deposit insurance service organization that has the best ability to ensure financial stability and preemptively respond to failure risks.' It set up a new organization to materialize the vision. It simultaneously developed a blueprint for sustainable management. As part of the effort, it overhauled the strategy map and established a future strategy agenda on the occasion of its 20th anniversary in June 2016 to upgrade its deposit insurance system and pave the way for further advancement.

Stronger Risk Monitoring of Insured Financial Institutions

Using models developed in-house, the KDIC monitors changes in insured financial institutions' financial conditions and the risks they face on an ongoing basis. The models bolstered on-site examinations of insured financial institutions which were found to be at risk during regular monitoring, in an effort to prevent any failure before it even begins.

In 2015, the KDIC laid the foundation for independent and joint examinations focused on preventing failures of financial institutions. It rendered monitoring of insured financial institutions more efficient by inducing them to autonomously redress minor violations and shortening the duration of examinations. Thus, the framework for its independent and joint examinations shifted focus to prevention of financial distress to curb losses of the Deposit Insurance Fund (DIF). This lessened the burden on examined insured financial institutions, better protecting the rights and interests of their employees and improving communication.

In close cooperation with the FSS, the KDIC conducted joint examinations of nine insured financial institutions including six large or financial group-affiliated mutual savings banks that have the risk of causing significant losses if they fall into distress. It requested the FSS to order corrective action where necessary while issuing recommendations to the insured financial institutions about how to improve business management. The KDIC also carried out independent examinations of eight mutual savings banks which breached certain triggers (e.g. BIS capital adequacy ratio of +2% or less, deficits for three consecutive financial years). The findings of independent examinations were notified to the FSS and the pertinent banks in order to induce an improvement in their management. By its authority to request corrective action under the Depositor Protection Act amended in May 2014, the KDIC made requests for corrective action to the FSS based on findings from its independent examinations of six mutual savings banks.

The KDIC also dispatches administrators jointly with the FSS to mutual savings banks which show signs of financial distress and are likely to be placed under prompt corrective action (PCA), which has reinforced on-site monitoring of mutual savings banks. It also held workshops for the CEOs and risk management officers of mutual savings banks to discuss the most sound ways in which they can develop. By providing educational support services to small- and medium-sized mutual savings banks, it proactively encouraged players in the industry to sharpen their competitive edge.

Efficient Resolution of Failed Financial Institutions and Improvement of Applicable Systems

In January 2015, the KDIC resolved Golden Bridge Savings Bank, which had been declared insolvent in

Table Ⅰ - 1

Joint Examinations with the FSS and the KDIC's Independent Examinations

	2011	2012	2013	2014	2015
Joint Examinations	31	9	18	9	9
Independent Examinations	-	8	11	17	8

August 2014, by means of a ‘P&A transaction with a third party during normal operations,’ thereby minimizing depositors' inconveniences and damage. Following completion of a business improvement order, the primary stockholder of the bank expressed its determination to independently normalize the bank. This raised concerns about possible difficulties in the resolution process. In response, the KDIC pursued P&A and M&A transactions in parallel, by which it successfully conducted a P&A of some assets and liabilities with Choeun Savings Bank.

In the latter half of 2012, the KDIC introduced a resolution system that does not interrupt the normal flow of financial transactions: Suspending mutual savings banks declared insolvent at the close of business hours on a Friday, then completing a P&A to a bridge bank over the weekend so that business can resume on the following Monday. This helped to minimize hardship arising from interruption of financial services for depositors.

From the second half of 2012 to the first half of 2013, the KDIC sought to resolve insolvent mutual savings banks without interruption of financial services. However, as it experienced difficulties in finding buyers it was compelled to resolve them through bridge bank P&A, which increased the burden in managing and selling the bridge banks.

In response, the KDIC worked hard to find prospective buyers and succeeded in finding market investors. Thanks to such efforts, the new resolution method has been used successfully since the latter half of 2013, and the KDIC was able to minimize not only depositors' inconveniences, but also its burden concerning the sale and management of bridge savings banks.

In resolving Golden Bridge Savings Bank, it verified the costs of resolution through an M&A, in addition to the costs of a P&A transaction with a third party, establishment of a bridge bank, and liquidation or bankruptcy. In all such endeavors, it strove to minimize costs and apply resolution and sale procedures suitable for market conditions and customer needs.

Efficient Sale of Special Assets

Using the service of professional service providers specializing in different types of assets, the KDIC tried to identify the best sales opportunities and to develop and implement appropriate sales strategies. Different recovery approaches were adopted, depending on the characteristics of each PF (project financing) project. In collaboration with the related government and public agencies, the KDIC obtained or extended development permits and business licenses for PF

Table I - 2

Mutual Savings Banks Suspended in 2015

Date of suspension	Name
January 16, 2015	Golden Bridge

Table I - 3

Resolution of Mutual Savings Banks Suspended in 2015

Suspended Mutual Savings Bank	Acquirer
Golden Bridge	Choeun Savings Bank

projects in which the failed savings banks had invested, in an effort to maintain the value of those projects. Similar assets were grouped together and dedicated managers were assigned to each asset group to ensure their consistent and efficient management.

The KDIC also staged an aggressive marketing initiative. It held a media day to promote the sale of high-priced artworks, hosted exhibitions of artworks prior to their auction, and put them up for auction abroad. It indeed managed to build greater interest among potential investors and made a multi-pronged effort for maximum recovery.

In addition, the KDIC convened the Sales Consulting Committee comprising external experts at least once a month. Its deliberation and report on sales methods improved the fairness and transparency of special asset recovery.

Efficient Management of Bankruptcy Estates

For more efficient management of bankruptcy estates, the KDIC closed and consolidated bankruptcy estate offices scattered all around the country and developed new criteria for appropriate staffing, which helped curtail operating costs of bankruptcy estates and systemize their operations. To prevent financial fraud and reinforce discipline, the KDIC beefed up internal control of bankruptcy estates by conducting training of bankruptcy trustees/agents, examining the operational status of bankruptcy estates, and formulating a code of ethics.

By means of periodic re-valuation of assets performed by bankruptcy estates, the KDIC ascertained the value of assets in its possession as well as assets put up for sale. This system helped to develop sales methods that are tailored to each type of assets, which contributed to ensuring efficient asset sale.

The KDIC sets an annual target for bankruptcy dividend payment for each bankruptcy estate and constantly monitors whether the estates meet their targets. It strives to maximize bankruptcy dividends by encouraging dividend payment at the earliest possible date. Its recoveries in the form of bankruptcy dividends rose 29% from KRW 2,647.4 billion in 2014 to KRW 3,401.7 billion in 2015.

From time to time, the KDIC examines how cost efficient the estates are in their effort to dispose of assets. As of the end of 2015, it had closed 446 out of 490 bankruptcy estates after the final distribution of assets.

Holding Persons Responsible for Financial Institution Failures to Account

In the event of a failure, the KDIC immediately establishes an investigative unit comprised of experts to thoroughly investigate executive officers and employees of the failed bank and determine exactly who are responsible for the failure. It completed such investigations against all 31 financial institutions suspended from operations since 2011.

Meanwhile, the KDIC carried out more focused investigations into debtor corporations that did not honor their outstanding obligations to failed financial institutions following completion of investigations against those responsible for their insolvencies.

The KDIC ensured the most fair and objective review of investigation results into persons liable for failures of financial institutions and coped with the increasing complexity and diversity of outstanding issues by enhancing professionalism and transparency in the review process. It appointed highly-experienced external experts from legal services and financial industries as members of the Accountability Review Committee for Insolvent Financial Institutions. To duly protect the rights of persons subject to investigation and prevent them from sustaining any unjustifiable damage, the KDIC set a deadline for each stage of the investigation from receipt of objections to a decision notification of its investigation findings, and provided the complainants with information on any progress. It detailed its review results concerning such objections in a bid to improve related schemes.

In order to uncover assets hidden by persons responsible for mutual savings bank failures including large stockholders, the KDIC also conducts investigations of their properties immediately upon business suspension.

In addition, the KDIC hosts a workshop for auditors of mutual savings banks, holds regional meetings of loan officers at local banks, and provides training to bank staff members on how to detect risks and prevent failure in an effort to provide customized education programs and create an environment of sound business management. It also holds a workshop for legal representatives in damage claims to share litigation know-how and information on major legal issues. To increase the efficiency of litigation management, it publishes and distributes booklets analyzing court precedents where damages were claimed against bankers who committed illegal or wrongful acts. It carries out thorough follow-up management including rigorous control of any claims that have not been fully paid.

Increased Stability of the Deposit Insurance Fund

To support the smooth restructuring of failed mutual savings banks, the KDIC created the Special Account for Mutual Savings Bank Restructuring (Special Account)* in April 2011. Through the end of 2015, it raised and provided, in a timely manner, KRW 27,170.4 billion to 31 mutual savings banks to allow them to make deposit insurance payments, etc. In 2015, it disbursed KRW 53.7 billion from the Special Account for the restructuring of one mutual savings bank.

* The account was created to ensure the soundness of the mutual savings bank account of the Deposit Insurance Fund (DIF). It was funded by deposit insurance premiums, borrowings, bond issuance, and other means, and it has been used to fund the resolution of a number of mutual savings bank failures that began in January 2011.

Figure I - 1

Special Account for Mutual Savings Bank Restructuring

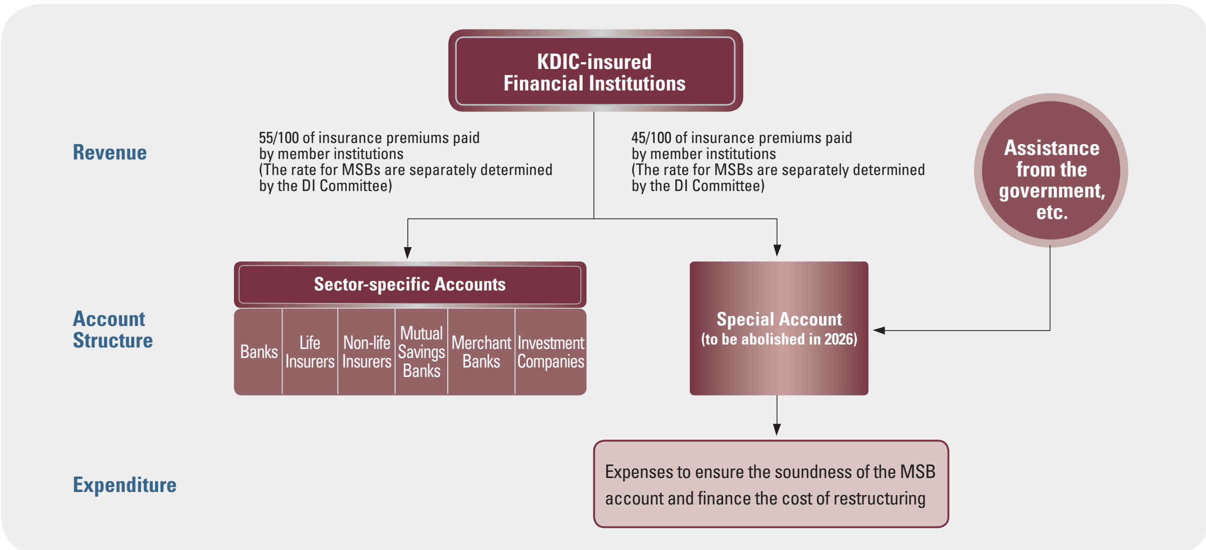


Table I - 4

Funding of and Expenditures from the Special Account

(As of Dec. 31, 2015, Unit: KRW 1 trillion)

Amount Provided in Financial Assistance			Amount Raised	
31 MSBs including Samhwa	Capital contributions, equity investments, deposit payoffs, etc.	27.2	Borrowing from the other DIF accounts	1.9
			Outside funding (e.g. issuance of bonds)	18.1
			Deposit insurance premiums, etc.	7.2
Total		27.2	Total	27.2

In July 2012, November 2013 and October 2014, the KDIC took a KRW-250-billion credit facility from the Public Capital Management Fund without interest for repayment over a 5 year period after a 10 year grace period. It also reduced borrowing costs by issuing 'Deposit Insurance Fund Bonds for the Special Account for Mutual Savings Bank Restructuring' to finance the repayment of debts from external entities, building its own electronic bidding system for bonds called E-BAS, and lowering interest rates when it negotiated extending a line of credit agreement.

Furthermore, the KDIC made efforts to collect funds provided in financial assistance from the DIF (including the Special Account). It recovered KRW 3,344.4 billion during 2015 by various means including bankruptcy dividend collection.

Not one insured financial institution raised objection to the assessment rates determined under the risk-based premium system introduced by the KDIC in 2014, which is a strong indication that their risk-based premiums were fair and reasonable. As part of its efforts to improve the risk-based premium system for more effective risk differentiation, the KDIC revised some regulations in February and December 2015 to reflect changes in the financial regulatory environment. Those revisions include a change in the risk rating method for asset management companies. For smooth implementation of the risk-based premium system, it also gave presentations to insured financial institutions prior to conducting its assessments. As a result, the system is functioning very effectively.

Under the Target Fund System, the KDIC waived insurance premiums for investment companies because the reserves in their accounts exceeded the highest reserve targets at the end of 2014. Meanwhile, life insurance companies received a discount of 17% on premiums charged for the period from January 1, 2015 to December 31, 2015 because their DIF reserves reached the lowest target amount.

Smooth Repayment of Public Funds

Under the Public Fund Redemption Plan formulated by the government in 2002, the KDIC established the Deposit Insurance Fund Bond Redemption Fund (Redemption Fund). The Redemption Fund contains all the assets and liabilities from the financial restructuring that occurred after the Asian financial crisis.

By the end of 2015, the KDIC had repaid KRW 67.7 trillion with government contributions (KRW 45.7

trillion) and recovered funds (KRW 22.0 trillion) out of KRW 82.4 trillion to be repaid under the Public Fund Redemption Plan. It plans to repay the remaining KRW 14.7 trillion with recovered funds and special contributions paid by member institutions by 2027 as scheduled. According to findings from the Financial Services Commission's (FSC's) regular public fund re-computation in 2013, the KDIC is expected to be able to repay the remaining debt without much difficulty.

In the meantime, the KDIC continues to recover public funds spent on restructuring failed financial institutions in the wake of the 1997 Asian financial crisis by selling equity stakes and receiving dividends. In 2015 alone, it recovered KRW 1,624.3 billion by selling its stakes in financial institutions and receiving dividends.

To speed up the privatization of Woori Bank, the KDIC devised a new sales method in July 2015 in addition to sale of the controlling stake to a single investor, a method approved under the Public Fund Oversight Committees' privatization plan for Woori. Under the new method, the KDIC is allowed to seek a group of investors who will each buy 4 to 10 percent of Woori's shares and form an oligopoly of shareholders.

In 2015, it recovered KRW 653.7 billion in a block sale of its 9.5% stake in Hanwha Life Insurance out of its 24.75% stake while collecting KRW 774.7 billion* through stock dividends.

* KRW 258.9 billion from Woori Bank, KRW 477.1 billion from Seoul Guarantee Insurance, and KRW 38.7 billion from Hanwha Life Insurance

The KDIC recovered another KRW 195.9 billion by disposing of the assets of bankruptcy estates into which public funds were injected and by selling the assets held by the Korea Resolution and Collection (KR&C).

Proactive Depositor Protection Services

With a view to helping depositors at 31 insured mutual savings banks reclaim deposit insurance payments, the KDIC began to provide information to corporate depositors as well as individual depositors in 2015. It also diversified its guidance services, for instance, sending text messages to depositors. To prepare for possible future failures, it made changes to its deposit insurance payment system as well.

Table I - 5

KDIC Stakes in Financial Institutions

(As of Dec. 31, 2015, Unit: KRW 1 billion, %)

Category	Financial Assistance	Recoveries[1]	Value of Remaining Stakes[2]	KDIC Stakes
Woori Financial Group	12,766.3	8,201.7[3]	3,044.2	51.06%
National Federation of Fisheries Cooperatives	1,158.1	-	1,158.1	Preferred Securities
Seoul Guarantee Insurance	10,250.0	2,946.7	136.1	93.85%
Hanwha Life Insurance	3,550.0	2,113.6	978.8	15.25%
Total	27,724.4	13,262.0	5,317.2	-

Note : 1) Based on the amounts recovered from the sale of stakes, collection of dividends, redemption of preferred shares of stock, etc.
2) The valuation is based on the closing prices as of December 31, 2015 for listed stocks, and the KDIC's balance sheet as of December 31, 2015 for unlisted stocks (preferred securities to be redeemed in the case of the National Federation of Fisheries Cooperatives).
3) Including proceeds from the sale of Kyongnam Bank and Kwangju Bank

Simultaneously, the KDIC bolstered its depositor protection services by employing a wider range of methods in inspecting financial institutions regarding their compliance with the requirements for public notification of deposit insurance coverage. It expanded online inspections to all types of insured financial institutions, and conducted special inspections of the head offices of insured financial institutions (PR departments) and non-face-to-face sales channels of financial instruments (home shopping and online sales outlets, etc.). These efforts did much to improve provision of information on deposit insurance.

In the meantime, the KDIC has implemented company-wide outreach programs to repay public confidence and fulfill its responsibility as a public institution. In 2015, its employees regularly visited Namsanwon, a foster care center for children, to render needed services. The Ministry of Agriculture, Food and Rural Affairs designated the KDIC as a certified corporation making a contribution to a rural community in recognition of its initiative to build cooperative ties with a rural village (Apple Village in Ungok-ri, Yesan-gun, Chungcheongnam-do). At the same time, it continued to provide financial literacy education to traditional market merchants studying at merchant universities, and members of senior welfare centers in cooperation with the Agency for Traditional Market Administration, and the Korea Association of Senior Welfare Centers. In 2015, the KDIC launched a financial literacy program for middle and high school students through a memorandum of understanding (MOU) signed with the Ministry of Education and Korea Foundation for the Advancement of Science and Creativity.

In 2015, the KDIC executed an Action-Prompting Publicity Initiative that is designed to raise public awareness of the depositor protection system and motivate depositors to check whether their deposits are protected. It produced advertisements on the essentials of the depositor protection system and carried them in newspapers, magazines, and on public transportation or broadcast them on cable television and radio. Besides, it actively executed customized publicity efforts for people with poor access to financial information, as well as online publicity initiatives by SNS. This greatly increased the level of public awareness* of the depositor protection system and the KDIC compared to the previous year.

* Level of awareness of the depositor protection system: 90.1% in 2014 → 91.2% in 2015, Level of awareness of the KDIC: 87.9% in 2014 → 88.0% in 2015

Improvement of Global Cooperation with Foreign Deposit Insurers

As of 2015, the KDIC had entered into MOUs on mutual cooperation with 16 institutions in 15 countries. It has, thereby, steadily expanded information and personnel exchange with foreign deposit insurers regarding outstanding issues.

Table I - 6

Financial Literacy Education in 2015

(As of Dec. 31, 2015, Unit: No. of Persons)

Category	Elementary school students	Middle and high school students	Traditional market merchants	The elderly	Multicultural families	Others	Total
No. of Persons	15,756	26,618	3,907	8,299	542	645	55,767

The global financial crisis in 2008 prompted emerging economies to take greater interest in deposit insurance and caused deposit insurers to bolster their global network. To support the establishment or improvement of deposit insurance systems in emerging economies, the KDIC has proactively pursued the 'Global-KDIC Knowledge Sharing Program (KSP)' since December 2010. It had worked with 15 emerging economies by the end of 2015, and it took part in the Knowledge Sharing Program undertaken by the Korean government, assisting Mongolia and Tanzania introduce and improve their deposit insurance systems through its advisory and capacity-building programs.

The KDIC has expanded the scope of its Global-KDIC KSP from simply providing policy advice for introduction and improvement of deposit insurance schemes to rendering technical advice for design and operation of IT systems. In 2015, it undertook a KSP consulting project for IT system implementation of the Deposit Insurance Corporation of Mongolia.

The KDIC's proactive efforts to share its experience in deposit insurance system operation and cooperate with foreign deposit insurers were duly recognized by the International Association of Deposit Insurers (IADI). At the 14th IADI Annual General Meeting held in Kuala Lumpur, Malaysia in 2015, the KDIC received the Deposit Insurance Organization of the Year Award for Achievement in Core Principles and International Cooperation.

The KDIC will boost its international status by solidifying global cooperation with foreign deposit insurers through sharing of knowledge on operation of deposit insurance systems.

Organization Operations

1. Organization Setup

Deposit Insurance Committee and Board of Directors

Deposit Insurance Committee

The Deposit Insurance Committee has seven members. Ex-officio members are the Chairman and President of the KDIC (who serves as the chairperson of the Committee), the Vice Chairman of the Financial Services Commission (FSC), the Vice Minister of the Ministry of Strategy and Finance (MOSF), and the Senior Deputy Governor of the Bank of Korea (BOK). The other three members include one person appointed by the FSC and two persons respectively recommended by the Minister of the MOSF and the Governor of the BOK and appointed by the FSC.

The Committee deliberates and decides on important matters including revision of the KDIC's Articles of Incorporation; development, modification, and settlement of the KDIC's budget; formulation of guidelines for the KDIC's operations; development of management plans for the Deposit Insurance Fund (DIF) and the Deposit Insurance Fund Bond Redemption Fund (Redemption Fund); issuance of DIF Bonds and DIF Bond Redemption Fund Bonds; transactions between DIF accounts; approval of plans for the management of surplus funds; setting of DIF reserve targets; decisions on payment of deposit claims and interim deposit payoffs; provision of financial assistance to resolution financial institutions and insured financial institutions; and requests to the Governor of the FSS to allow the KDIC's participation in joint examinations of insured financial institutions and financial holding companies.

Table Ⅱ - 1

Deposit Insurance Committee Members

(As of Dec. 31, 2015)

Title		Name
Ex-officio Members	Chairman and President of Korea Deposit Insurance Corporation	Bumgook Gwak
	Vice Chairman of Financial Services Commission	Chan Woo Jung
	Vice Minister of Ministry of Strategy and Finance	Hyung-hwan Joo
	Senior Deputy Governor of Bank of Korea	Byung Wha Jang
Commissioned Members	Designated by the Financial Services Commission	Young Chul Chang
	Recommended by the Minister of Ministry of Strategy and Finance	Chul Hwan Lee
	Recommended by the Governor of the Bank of Korea	Hee Kyoung Kim

Table Ⅱ - 2

Major Responsibilities of the Deposit Insurance Committee

Category		Responsibilities
Items for Resolution	Resolution	• Amendment of the Articles of Incorporation • Budget compilation/modification and settlement of accounts • Issuance of Deposit Insurance Fund (DIF) Bonds and DIF Bond Redemption Fund Bonds • Reduction/deferment on the payment of part of or all contributions, deposit insurance premiums and arrears charges • Decision on payment of deposit claims • Approval of advance payment of bankruptcy dividends • Provision of financial support to financial resolution institutions • Provision of financial support to insured financial institutions • Operational guidelines for the Deposit Insurance Committee • Request to the Governor of the FSS to share examination findings on insured financial institutions and financial holding companies and allow KDIC's participation in joint examinations • Request to the FSC for necessary measures such as a P&A order or a bankruptcy filing regarding insolvent financial institutions
	Decision	• Designation of insolvent financial institutions • Designation of insolvency-threatened financial institutions • Transactions between DIF accounts • Method of the Deposit Insurance Committee's minutes disclosure • Necessary measures for DIF Bonds and DIF Bond Redemption Fund Bonds • Service fee payment for third-party services • Payment of interim deposit payoffs • Exception to the least-cost principle
	Deliberation	• DIF operation plan • Formulation and revision of rules and regulations on KDIC operations
	Designation	• Management of surplus funds - Purchase of designated securities - Deposits at designated insured financial institutions
Items for Report		• Report of quarterly inspection results regarding business normalization MOUs

Table Ⅱ - 3

Deposit Insurance Committee Agenda in 2015

Date	Agenda
Jan. 12	• Financial assistance for partial P&A of ○○ Mutual Savings Bank • Decision on insurance payments to depositors at ○○ Mutual Savings Bank • Revision of the rules on deposit insurance payments • Issuance of DIF Bond Redemption Fund Bonds for 2015 • Modification of the KDIC budget for 2015
Feb. 25	• Request for participation in the joint examination for the first quarter of 2015 • Revision of the regulations on operation of the risk-based premium system • Issuance of guidelines on asset management of the DIF Bond Redemption Fund in 2015 • Issuance of guidelines on asset management of the DIF in 2015 • Settlement of the DIF, KDIC and DIF Bond Redemption Fund accounts for fiscal year 2014 • Reporting on execution of the DIF management plan for 2014 • Reporting on the transactions between accounts of the DIF and the DIF Bond Redemption Fund for 2014 • Reporting on KDIC operating expense settlement for 2014 • Reporting on the joint examination findings of ○○ Life Insurance • Reporting on the examination findings of three mutual savings banks including ○○ Mutual Savings Bank • Reporting on the progress in implementation of business normalization MOUs during the third quarter of 2014
Mar. 25	• Decision on the risk-based premiums of insured financial companies closing accounts at the end of September or October 2014 • Amendment of the business normalization plan for Woori Bank, credit business unit of the National Federation of Fisheries Cooperatives, and Seoul Guarantee Insurance • Reporting on the examination findings of ○○ Mutual Savings Bank
Apr. 29	• Request for participation in the joint examination for the second quarter of 2015 • Reporting on the progress in implementation of business normalization MOUs during the fourth quarter of 2014 (yearly) and related measures • Revision of the rules on operating expense allocation • Reporting on the examination findings of ○○ Mutual Savings Bank
May 20	• Decision on the risk-based premiums of insured financial companies closing accounts at the end of December 2014 • DIF Bond Redemption Fund management plan for 2016 • Issuance of DIF Bond Redemption Fund Bonds for 2016 and application for government guarantees for the bonds

Date	Agenda
Jun. 24	• Request for participation in the joint examination for the third quarter of 2015 • Decision on reduction of deposit insurance premiums for insured financial institutions whose DIF account reserves have exceeded reserve targets • Reporting on the joint examination findings of ○○ Mutual Savings Bank • Reporting on the examination findings of ○○ and △△ Mutual Savings Banks
Aug. 19	• Decision on the risk-based premiums of insured financial companies closing accounts at the end of March 2015 • Reporting on the joint examination findings of ○○ Insurance • Reporting on the progress in implementation of business normalization MOUs during the first quarter of 2015 • Reporting on the joint examination findings of ○○ and △△ Mutual Savings Banks • Reporting on the examination findings of ○○ Mutual Savings Bank
Sept. 23	• Request for participation in the joint examination for the fourth quarter of 2015 • Reporting on the results of semi-annual account settlement for the DIF and DIF Bond Redemption Fund for fiscal year 2015
Oct. 21	• Formulation of the rules on independent and joint examinations of insured financial companies, etc. • Reporting on the progress in implementation of business normalization MOUs during the second quarter of 2015 • Reporting on the joint examination findings of ○○ Mutual Savings Bank • Reporting on the examination findings of ○○ Mutual Savings Bank
Nov. 25	• Decision on the risk-based premiums of mutual savings banks for fiscal year 2014 • Revision of the regulations on management of business normalization MOUs
Dec. 9	• DIF management plan for 2016 • Reporting on the examination findings of ○○ and △△ Mutual Savings Banks
Dec. 23	• Revision of the regulations on operation of the risk-based premium system • Issuance of DIF Bond Redemption Fund Bonds for 2016 • Reporting on the joint examination findings of ○○ Securities • Reporting on the progress in implementation of business normalization MOUs during the third quarter of 2015
Dec. 29	• KDIC budget for 2016

Board of Directors

The Board of Directors is comprised of one Chairman and President, one Executive Vice President, four Executive Directors, and seven Non-executive Directors. The Auditor may express opinions at Board meetings but cannot participate in voting.

The Chairman and President of the KDIC is appointed by the President of the Republic of Korea on recommendation of the Executives Recommendation Committee and the Chairman of the FSC, and the Executive Directors are appointed by the Chairman and President of the KDIC. The Non-executive Directors are appointed by the Chairman of the FSC on recommendation of the Executives Recommendation Committee. The Auditor is appointed by the President of the Republic of Korea on recommendation of the Executives Recommendation Committee, deliberation and decision of the Public Agencies Operating Committee, and recommendation of the Minister of MOSF. The Chairman and President of the KDIC is appointed for a period of three years and the Executive Directors and the Auditor are appointed for a 2-year term each, renewable on a year-to-year basis after the expiration of their first term of office.

The Board of Directors deliberates and makes resolutions on the following matters: amendment of the Articles of Incorporation; budgeting and operational planning; settlement of accounts; setting and changing management goals; development, revision and abolition of internal rules; remuneration of executives; acquisition and disposal of assets; matters related to the KDIC's operations such as organization structures and human resources management; items that are required to be put to a vote of the Board of Directors by law, the Articles of Incorporation or internal rules; and any other matters deemed necessary by the Board of Directors or its chairperson.

Table Ⅱ - 4

Executive Board Members

(As of Dec. 31, 2015)

Title	Name
Chairman and President	Bumgook Gwak
Executive Vice President	Wookho Chung
Executive Director	Seung Wou Shin
Executive Director	Kwang-Nam Kim
Executive Director	Seong Yeol Lim
Executive Director	Joon Ki Kim
Non-executive Director	Hongsik Cho
Non-executive Director	Sool Young Lee
Non-executive Director	Seung-ho Choi
Non-executive Director	Don-sun Yang
Non-executive Director	Sung Soo Choi
Non-executive Director	Jae Youn Lee
Non-executive Director	Cheol Kyu Park
Auditor	Chang Keun Yoon

Organization

The KDIC was established on June 1, 1996 as a non-capital special corporation to effectively manage and operate the deposit insurance system under the Depositor Protection Act. As of December 31, 2015, it had 12 departments, five offices, and one division: Department of Planning and Coordination, Department of Human Resources and Administration, Department of Risk Management, Department of Risk Management Planning and Coordination, Department of Savings Bank Risk Management, Department of Research and Analysis, Department of Fund Management, Department of Resolution Planning and Coordination, Department of Resolution, Department of Recovery Planning and Coordination, Department of Bankruptcy Asset Management, Department of PF Asset Recovery, Office of Information Technology, Office of Creative Management, Office of the Chairman, Office of the Auditor, Office of Public Relations, and Insolvency Investigation Division.

Table II - 5

Organizational Chart

(As of Dec. 31, 2015)

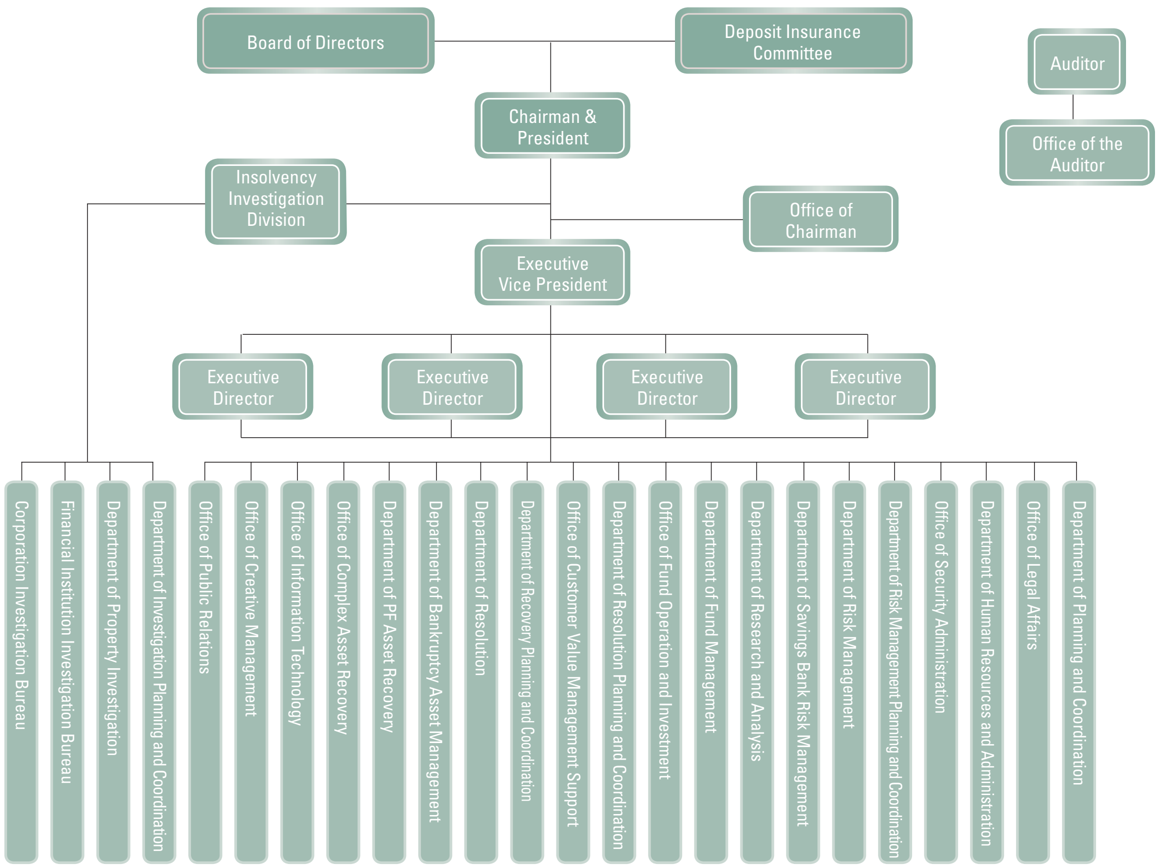


Table II - 6

Number of Staff

(As of Dec. 31, 2015, Unit: No. of Persons)

Category	Senior Management	Staff		
		Regular	Special[2)]	Total
No. of People	14[1)]	552	78	644

Note: 1) Including seven Non-executive Directors appointed under the Public Agencies Operational Act
2) Special employees are those with specialized expertise such as attorneys, doctoral researchers, administrators, receivers and examiners

2. Organization Management

Vision and Mid- to Long-Term Management Plan

The KDIC established its corporate vision in March 2005 and has duly refined it as necessary to grapple with changes in the business environment and to proactively reflect the Chairman and President's management philosophy and internal and external needs.

Ahead of its 20th anniversary in June 2016, the KDIC has been overhauling its strategy map including its mid- to long-term vision since the second half of 2015 to advance to the next level and upgrade the deposit insurance system.

Its new vision, which reflects its future direction, was created in consideration of the opinions of inside and outside stakeholders and advice from external professional consultants. The new vision is to become a 'deposit insurance service organization that has the best ability to ensure financial stability and preemptively respond to failure risks.' Following a resolution by its Board of Directors on September 15, 2015, the KDIC unveiled its new vision in a ceremony on September 23, 2015. The KDIC also rearranged its strategy map including strategic goals to attain the new vision and established new future strategy agendas to drive growth.

Figure Ⅱ - 1

KDIC's Overhaul of Its Vision

Previous Vision (2012)	New Vision (2015)
KDIC, the world's leading deposit insurer, opening a new future for financial stability	A deposit insurance service organization that has the best ability to ensure financial stability and preemptively respond to failure risks

Vision Structure

● **KDIC Vision and Its Meaning**

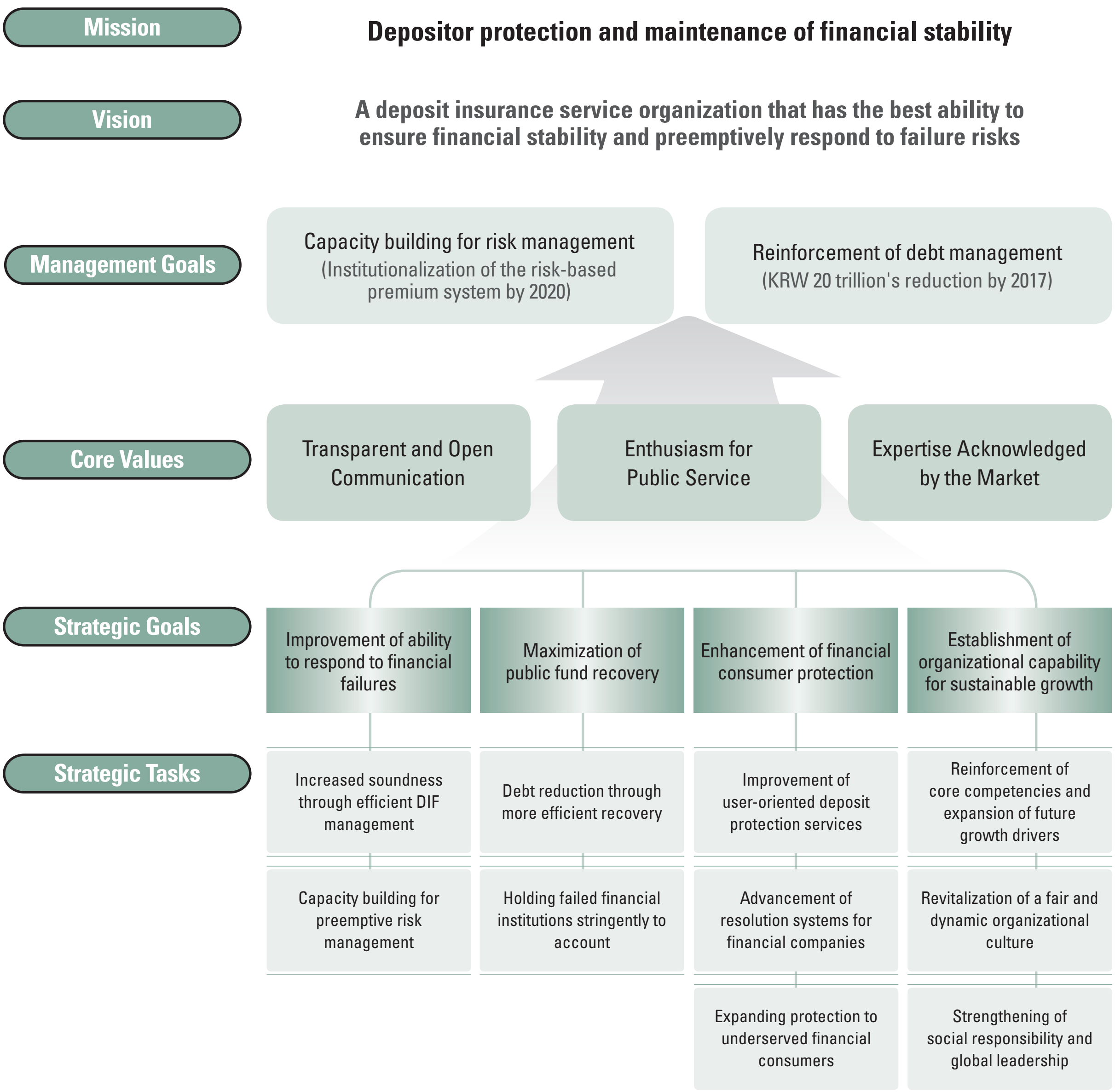
A deposit insurance service organization that has the best ability to ensure financial stability and preemptively respond to failure risks

Building on its 20-year experience in operating the deposit insurance system and restructuring failed financial institutions, the KDIC aims to develop the capacity to deal with ever-increasingly complex market risks in a proactive and preemptive manner and thereby provide best quality services for financial stability and deposit insurance

Vision and Strategy Map

Figure Ⅱ - 2

KDIC Vision and Strategy Map



Overhaul of Strategy Map and Establishment of Future Strategy Agendas

To realize the new vision and generate tangible results, the KDIC set four mid- to long-term strategic goals: 'improvement of ability to respond to financial failures,' 'maximization of public fund recovery,' 'enhancement of financial consumer protection,' and 'establishment of organizational capability for sustainable growth.' It then realigned 10 strategic tasks to achieve these strategic goals and devised new detailed annual action plans for the next five years (from 2016 to 2020).

Table Ⅱ - 7

Strategic Goals, Strategic Tasks, and Detailed Action Plans

Strategic Goals	Strategic Tasks	Detailed Action Plans
Improvement of Ability to Respond to Financial Failures	Increased soundness through efficient DIF management	• Stable management of the DIF
		• Efficient management of the Redemption Fund for the repayment of public funds
		• Striking a balance between profitability and stability
	Capacity building for preemptive risk management	• Early detection of risks and stricter monitoring
		• Effective operation of the risk-based premium system
		• Efficient performance of independent and joint examinations based on choice and focus
Maximization of Public Fund Recovery	Debt reduction through more efficient recovery	• Efficient sale of KDIC's assets including equities
		• Improvement of the MOU management system for increased enterprise value
		• Efficient management of bankruptcy estates and improved recovery
		• Efficient management of special assets and maximization of recovery
	Holding failed financial institutions stringently to account	• Rigorous investigation and closer post-failure monitoring
		• Efficient investigation into assets held by persons implicated in insolvencies at home and abroad
Enhancement of Financial Consumer Protection	Improvement of user-oriented deposit protection services	• Provision of user-oriented deposit insurance information
		• Fast and convenient deposit insurance claims payment
	Advancement of resolution systems for financial companies	• Prompt and efficient resolution of insolvent financial institutions
		• Development of a more advanced resolution system for large financial companies
	Expanding protection to underserved financial consumers	• Enhanced integrity in the administration of deposit insurance
		• Rendering support for reasonable choice by financial consumers
Establishment of Organizational Capability for Sustainable Growth	Reinforcement of core competencies and expansion of future growth drivers	• Efficient organization and budget management focused on core business activities
		• Efficient management and development of human resources
		• Exploration of future tasks and strategic response
	Revitalization of a fair and dynamic organizational culture	• Improved effectiveness of the compensation and performance evaluation systems
		• Creation of driving force for innovation through communication
		• Making the KDIC more capable through sharing and collaboration
	Strengthening of social responsibility and global leadership	• Enhancement of information security system and capacity building for the information system
		• Institutionalization of ethical management for greater public trust
		• Increasing customer satisfaction by an improved customer satisfaction (CS) management system
		• Exercise of global leadership by expanding the KDIC's role in the international community

To cope with changes in the financial environment including the introduction of many new kinds of complex financial products in line with the advancement of universal banking, the KDIC established future strategy agendas as new growth tasks to prepare for the future and promote satisfaction of public needs as an institutional priority. These agendas mostly pertain to corporation-wide strategic tasks led by its CEO including those requiring revision of law in connection with expansion of public services and enhancement of the KDIC's functions.

Dynamic Organizational Culture for Human Resource Management and Business Operations

'*Hi-KDIC*' Program to Build a Dynamic Organizational Culture

The KDIC has implemented the Hi-KDIC Program in 2015 to promote a dynamic organizational culture. The name alludes to 'kind service for the public (Hi)' and 'strengthening of KDIC's stature and competency (High).'

The Hi-KDIC Program entails 'communication facilitation'; 'consensus building'; and 'participation by all.' The program successfully added a boost to the KDIC's efforts to carry out its strategic tasks, thereby helping to achieve its mission and vision.

Figure Ⅱ - 3

10 Future Strategy Agendas

Management of Risks in the Financial Market	① Bolstered preemptive risk management capability ② Strengthened market stabilization in stages prior to financial failures
Efficient Resolution and Recovery	③ Improved resolution for systematically important financial institutions (SIFIs) and each financial sector ④ Shift of focus to increasing enterprise value in managing MOUs ⑤ Reinforced recovery & collection/examination capability (system expansion, etc.)
Advancement of the Deposit Insurance System	⑥ Improved deposit insurance system suitable for market size and conditions ⑦ Enhanced soundness of the DIF ⑧ Further protection for underserved financial consumers
Organizational Capacity Building	⑨ More efficient organizational management and stronger control tower function ⑩ Stronger business capacity and revitalized organization

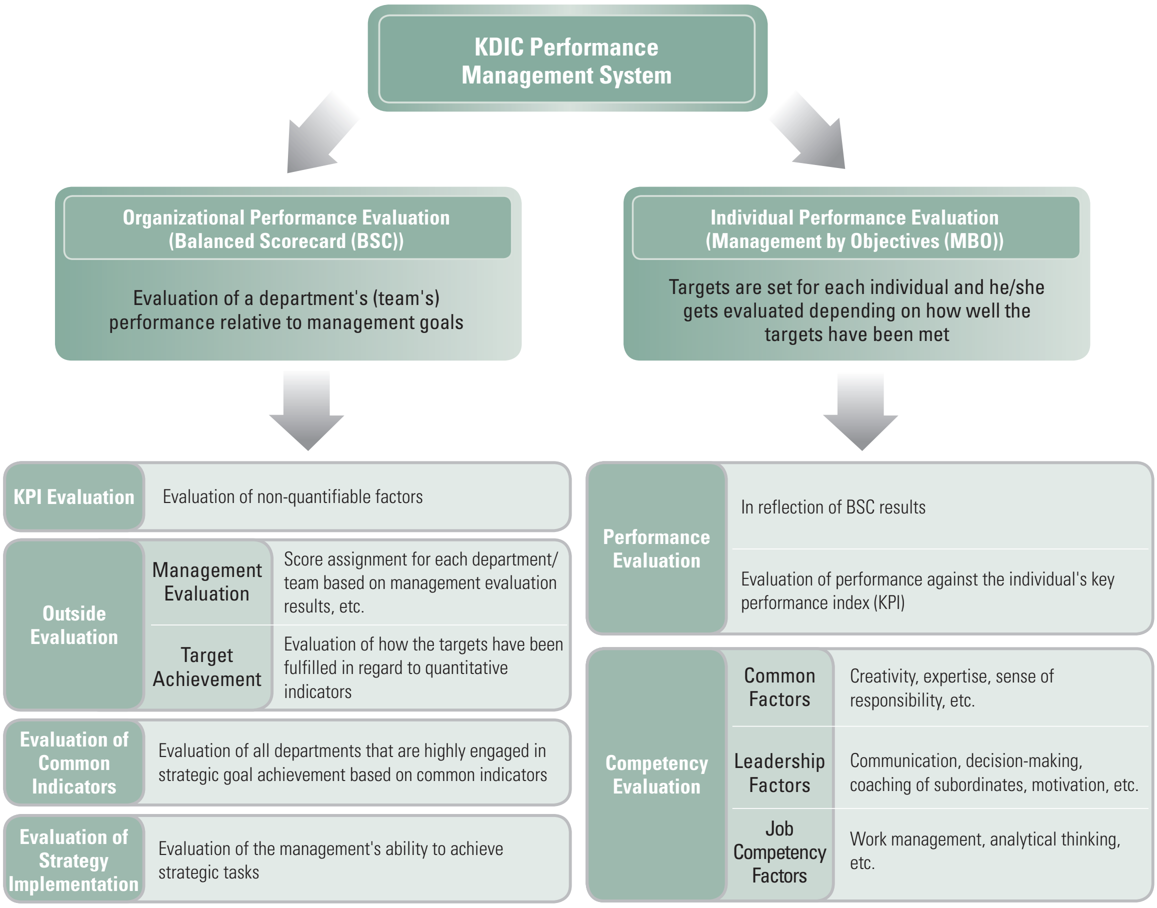
Table Ⅱ - 8

Hi-KDIC Program

Task	Program Name	Description
Communication Facilitation (Multi-directional communication)	Culture Day	• In line with the government's policy for 'cultural enrichment' and 'work-family balance,' employees are encouraged to engage in various cultural activities with their families.
	Smart Board	• Smart Board consists of 7 representatives from each level of the company hierarchy and serves as an "interactive communication channel."
	Cross Meeting	• Meetings between departments (teams) are held to promote mutual understanding, with business relevance taken into account.
	Happy Time	• Executives visit teams to give them encouragement when deemed necessary to boost employee morale company-wide.
	Lunch Call	• The CEO has lunch with any employees who wish to participate.
	Tea & Talk	• The CEO regularly visits selected teams to lend employees encouragement.
Consensus Building (Happy workplace)	Haengbok Yegam (Expecting Happiness)	• To fulfill social responsibility as a public institution, various activities are undertaken. For example, one department is matched with one person or an organization in need of help. And staff members serve at a soup kitchen or food banks on a regular basis.
	Mentoring	• Senior members with many years of service at the KDIC and extensive business knowledge mentor new staff members for a certain period.
	Job Posting System	• Competent in-house human resources are preferentially selected and deployed in appropriate positions to increase efficiency in HR management.
	KDIC-Highway Training	• To facilitate communication, staff members from different departments and different job levels team up and enjoy cultural activities together.
	Follow-up Training	• Training is given to employees who have spent more than 5 years at the KDIC so that they can have a better sense of belonging to the company and improve leadership skills.
	Family Day	• Every Wednesday is designated as Family Day to encourage employees to get off work on time so that they can have more family time.
Participation by All (Sharing of core values)	Space for Cooperation and Sharing	• The KDIC operates a portal for knowledge management.
	Pago TV	• VOD service is made available to share management strategies and relevant materials such as the KDIC mission, strategy meeting results, and PR messages/press releases.

Figure Ⅱ - 4

KDIC Performance Management System



Organizational Restructuring Reflecting Change in Business Environment Including Improved Preemptive Risk Management

In December 2015, the KDIC upgraded the Office of Risk Management Planning to the Department of Risk Management Planning and Coordination to beef up preemptive risk management. For efficient organizational management, it introduced the department-in-charge system where a department takes charge of planning and supervision of other departments in the same functional unit. Its organizational reshuffle included integration and coordination of similar or overlapping functions as well as change of the names of its organizational units from the perspective of users.

It also strived to increase management efficiency in various ways including, for example, increasing flexibility in HR management and productivity in business operations by streamlining business processes between departments and making use of temporary, yet specialized, task forces.

Performance Evaluation for a Performance-Based Organizational Culture

To build a performance-based organizational culture, the KDIC introduced a strategic performance management system called the Balanced Score Card (BSC) in late 2005. It applied the BSC to every department in 2006 and then to all teams in 2007. It then developed an IT system for performance management in 2009, and it has refined performance indicators and evaluation methods on a continuous basis. By inviting employee opinions and expert advice on those indicators and methods, it has consistently pressed for improvement of its performance evaluation system. In 2015, it (i) simplified the BSC evaluation process to ease the burden imposed by assessment, (ii) clarified the allocation standards of external evaluation findings during BSC assessment, and (iii) increased the portion of quantified metrics to improve objectivity and acceptability of assessment results.

For successful operation of the performance-based annual salary system, the KDIC adopted an individual performance evaluation system known as Management by Objectives (MBO) in 2010 under an agreement between labor and management. Under the MBO, each staff member consults with his or her supervisor, sets targets that will help to maximize the organization's performance, and regularly undergoes reasonable and fair evaluation. In 2012, the KDIC built an online system for MBO and focused on ensuring more complete adoption of the system. In 2014, the KDIC adjusted the ratios between achievement evaluation and competency assessment and improved career evaluation to refine the MBO system. In 2015, its labor and management jointly formulated evaluation methods for those subject to the wage peak system in line with introduction of the system (to be instituted in 2016).

Introduction of the Wage Peak System for Inter-Generational Win-Win Employment

The KDIC proactively implemented the government's labor reform initiative to facilitate the introduction of the wage peak system* in an effort to increase youth employment. The KDIC established a dedicated organization, analyzed its own personnel and compensation structure, and designed related schemes based on simulation results concerning mid- to long-term personnel and labor cost management, beginning in December 2014.

In the process of introducing those schemes, the KDIC sought to build trust through labor-management communication. As part of the efforts, its Chairman and President gave a presentation for all employees. In addition to a total of 13 customized presentations for each job category, the KDIC offered various opportunities for communication (town-hall meetings, Tea & Talk, smart board discussions, etc.) to form a consensus on the need to adopt the wage peak system. It also organized a labor-management joint task force team, which allowed labor and management to verify the adequacy of the proposed system design together, and they finally managed to work out a single agreed scheme. These aggressive efforts and the labor-management consensus on early introduction of the system greatly contributed to the KDIC's introduction of this innovative system in August 2015.

In addition, the KDIC thoroughly devised detailed personnel management methods for such purposes as development of duties appropriate to employees subject to the system, effective deployment of staff, performance evaluation, and education planning. It plans to seamlessly execute the system from 2016 and increase youth employment.

These endeavors by the KDIC were acknowledged as an exemplary initiative among public institutions. Its case was presented in the 2015 Policy Workshop for Public Institutions and the Workshop for the Heads of Public Institutions and was also introduced on the Policy Briefing webpage, the Korean government's policy portal, as a policy news item. This demonstrates that its case is widely regarded as a model of wage peak system adoption.

* The wage peak system is a new policy which allows workers to work past the retirement age in exchange for a reduced salary. It is basically a trade-off between job security (guaranteed employment until retirement or rehiring after retirement) and wages.

Ethical Management and Corporate Social Responsibility

Ethical Management

The KDIC adopted Transparent and Open Communication, Enthusiasm for Public Service, and Expertise Acknowledged by the Market as its core values, particularly to fulfill its corporate social responsibility. The KDIC aspires to high ethical standards by applying ethical management at every level of its corporate hierarchy. For that purpose, it formulated mid- to long-term and annual ethical management plans that properly reflect changes in the ethical management environment and government policy. It then developed and executed detailed action plans to help ensure that ethical management firmly takes root as an integral part of the corporate culture.

In 2015, the KDIC held 'Integrity Day' each month and regularly posted Integrity Talks and Integrity/Ethical Management Letters on its intranet to forge a consensus on ethical management among its employees and teach them how to handle ethical conflicts such as solicitation of special favors. To create an atmosphere more conducive to ethical management inside the organization, it conducted story-telling cyber education for all its employees, invited ideas for promotion of integrity, and hosted regular meetings and workshops for leaders of ethical management and integrity. In addition, it requested bankruptcy estates of failed savings banks, which are in direct contact with customers, to develop and implement anti-corruption/integrity tasks. It also hosted integrity workshops for bankruptcy estate trustees to promote application of its ethical management practices at the point of contact with customers. It reported progress in satisfying the requirements of the UNGC (United Nations Global Compact), an initiative under the UN to encourage businesses and organizations to fulfill their social responsibilities, and participated in the KoBEX SM (Korean Business Ethics Index Sustainability Management) survey conducted by the Ministry of Trade, Industry and Energy. In doing so, the KDIC has greatly enhanced public confidence in its commitment to ethical management.

These endeavors reaped excellent results when the Anti-Corruption and Civil Rights Commission gave the KDIC grade 2 in its integrity assessment in 2015, placing it in the first rank among fund-managing quasi-governmental agencies. It was also awarded an 'AAA' rating, the highest possible rating, in the KoBEX SM survey, as in 2014.

Corporate Social Responsibility

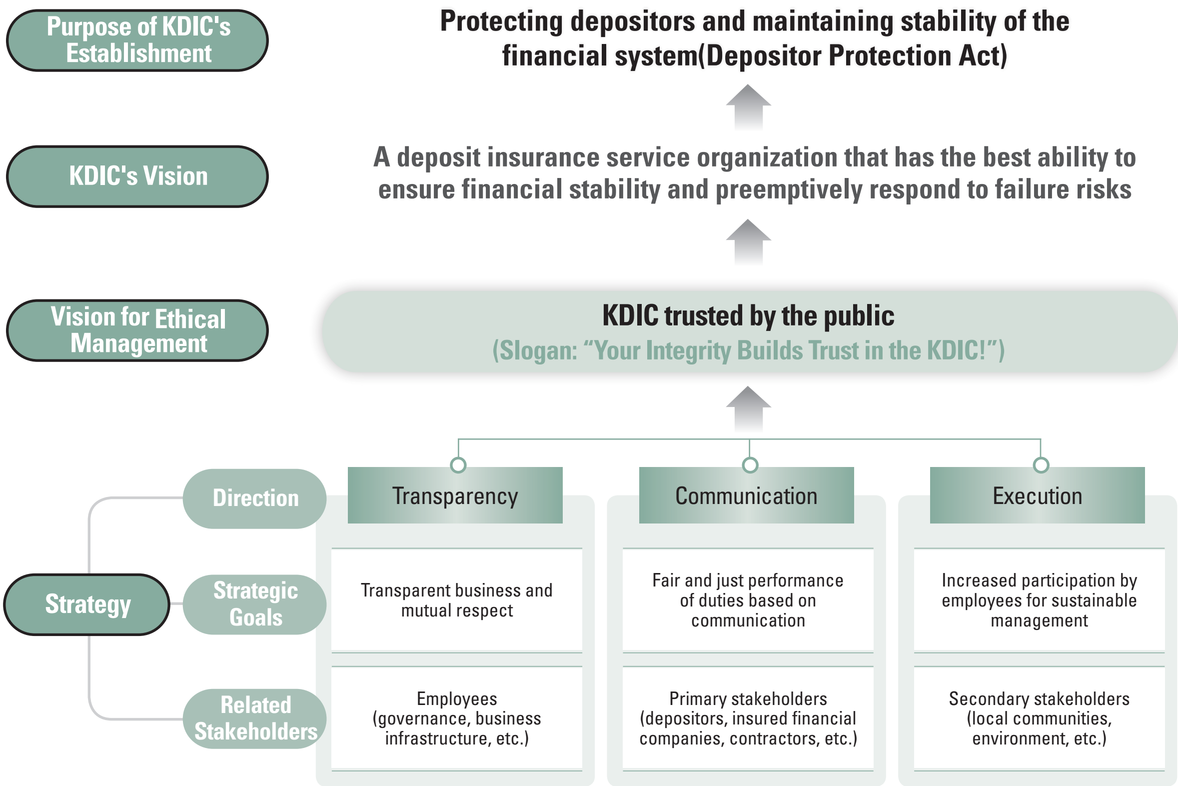
(1) Institutionalization of 'Haengbok Yegam (Expecting Happiness)' as a Brand Name Representing the KDIC's Social Contribution and Expansion of Its Social Contribution Activities

The KDIC has implemented extensive outreach programs involving all its employees to repay the trust that the public has invested in it and fulfill its responsibility as a public institution. Towards that end, it explored and executed diverse programs suitable for an institution of its nature including an employee and college student contest and workshop on social contribution ideas. In a bid to promote its social contribution programs, it expanded rewards for employees and their departments for their faithful service.

In 2014, the KDIC adopted 'Haengbok Yegam (Expecting Happiness)' as a brand name representing its social contribution activities to establish the identity of its social contribution activities and encourage employees' active participation. All social contribution programs of the KDIC are now undertaken under the brand name to firmly establish and steadily expand it. To serve diverse classes and local residents, the KDIC engaged in the following four social contribution initiatives: 'Communion with Neighbors,' 'Communion with Local Communities,' 'Communion with Rural Communities,' and 'Communion with the Environment.'

Figure Ⅱ - 5

Strategy Map for Ethical Management



In 2015, the KDIC implemented the 'Haengbok Yegam Voluntary Completion Program' launched in 2014 to encourage its employees to participate in social contribution activities on their own initiative. It engaged in many different activities each season that answer specific beneficiaries' needs, in turn greatly satisfying both the volunteers and beneficiaries alike.

(2) Various Haengbok Yegam Activities to Fulfill Social Responsibility

In 2015, the KDIC raised KRW 217.84 million for the 'Haengbok Yegam' Fund with employee donations including their contributions of fees earned outside as lecturers. It spent KRW 181.77 million on social contribution activities through 'Communion with Neighbors,' 'Communion with Local Communities,' 'Communion with Rural Communities,' and 'Communion with the Environment.'

For 'Communion with Neighbors,' the KDIC expanded its scholarship program, its major social contribution activity. In the past, it offered scholarships to high school students all across the nation including academic high achievers and students who are artistically or athletically talented or who practice uncommon filial piety towards their parents. In 2015, it began to provide scholarships to students from low-income families in Jung-gu, Seoul for local shared growth. It also extended a helping hand to the needy at the recommendation of employees and regularly visited a foster care center named Namsanwon to render needed services. It made cash and goods donations to social welfare organizations, conducted a blood donation drive among its employees, and provided assistance to climate refugees by producing T-shirts of Hope.

Table II - 9

Social Contribution Activities in 2015

(As of Dec. 31, 2015, Unit: No. of Times, No. of Persons)

Category	Program Names	Activities	No. of Times	No. of Participants	Frequency
Neighbors	Assistance for the needy	Support for individuals and facilities in need	18	-	Year-round
	KDIC scholarship	Granting of scholarships to high school students from low-income families nationwide	1	20	Yearly
	Employee recommendation for donations	Assistance for underprivileged neighbors at the recommendation of employees	6	7	Occasionally
	Assistance for people of national merit	Support for people of national merit (delivery of heating briquettes, provision of rice-cake soup, etc.)	5	35	Occasionally
	Service at Namsanwon	Arrangement of environment including cleanup of the foster care facilities	10	71	Monthly
	Blood donation	Blood donation by employees	15	15	Occasionally
	Assistance regarding bankruptcy estates	Discovery and support of underserved people concerning bankruptcy estates	4	-	Occasionally
	Assistance for climate refugees	Support of global warming victims (T-shirts of Hope and nourishing food)	3	36	Occasionally
Local Communities	Individual/group activities	Support for volunteer services by employees	9	18	Occasionally
	Soup kitchen services	Support for a soup kitchen (Nest of Sharing) and food distribution services	15	119	Monthly
	Matching 1 shelter (family) with 1 department	Support for each department's activities to help 1 shelter (family)	120	437	Year-round
	Repair of houses	Improvement of residential environment for low-income families (in cooperation with Habitat)	3	45	Quarterly
	Day to visit a traditional market	Reinvigoration of Tongin Market (purchase of brass coins usable in the market, meals, and grocery shopping)	64	1,049	Weekly
Rural Villages	Building cooperative ties with rural villages	Helping farmers at a sister village (apple orchard at Ungok-ri)	1	67	Yearly
Environment	Service at the Cheonggye Stream	Cleaning up the vicinity of Cheonggye Stream including picking up of litter	2	18	Occasionally
	Care for Park	Environment purification of Tapgol Park	9	98	Monthly
	Tree planting	Reduction of carbon emissions by planting trees	1	35	Yearly
	Up-Cycling Campaign	Helping hearing-impaired persons by recycling of discarded earphones	25	113	Quarterly
Total			311	2,183	

For 'Communion with Local Communities,' KDIC employees visited the Nest of Sharing, a social welfare organization in Seoul, to offer financial support and distribute foodstuff; under the Matching One Family with One Department campaign, KDIC employees visited an underprivileged family or a social welfare institution which each department chose and donated money and time on a regular basis; under the House of

Love campaign, KDIC staff repaired houses for low-income families in cooperation with the Seoul branch of Habitat for Humanity Korea; the KDIC supported the revitalization of traditional markets through the 'Day to visit traditional markets' and the 'Guide to deposit insurance system' campaigns; and delivering heating briquettes.

The KDIC built cooperative ties with a village in Ungok-ri, Eungbong-myeon, Yesan-gun, Chungcheongnam-do to provide a helping hand to the residents as part of the 'Communion with Rural Communities' initiative. It also helped clean up Cheonggyecheon Stream, a major rest area in downtown Seoul; participated in a tree-planting event to reduce carbon emissions; and waged the Up-Cycling Campaign through recycling of discarded earphones as part of the 'Communion with the Environment' initiative. The Ministry of Agriculture, Food and Rural Affairs designated the KDIC as a certified corporation making a contribution to a rural community in recognition of its endeavor to forge a sisterhood relationship with a rural village and provide hands-on assistance to farmers in the village over a period of 10 years.

(3) Increased Support for Traditional Markets for Their Revitalization

To support traditional markets, the KDIC established a sisterhood relationship with Seoul Tongin Market in Tongin-dong, Jongno-gu, Seoul, in August 2011. In 2012, the KDIC designated every Thursday as a day to visit traditional markets (Lunchbox Day) and provided shuttle bus service for those having lunch at traditional markets. It has continuously tried to revitalize traditional markets and has even staged a campaign for traditional markets during KDIC staff-provided lectures at merchant universities.

In 2013, the KDIC forged sisterhood relations with traditional markets in two areas (Daegu and Jeonju) where bankruptcy estates are located to give a nationwide boost to traditional markets. In 2014, it established additional sisterhood relations with traditional markets in the Seoul metropolitan area, Chungcheong-do, Gwangju, and Jeju-do. In 2015 alone, its 1,049 employees visited Tongin Market, a sister traditional market adjacent to the KDIC, on 64 occasions to help boost traditional markets.

Progress in the Mid- to Long-Term Information Technology Plan

To facilitate execution of its business strategies, the KDIC, based on an extensive analysis of its internal and external environment, has adopted the Mid- to Long-Term Strategy for IT Advancement to work on IT projects in an organized way.

In late 2013, it formulated the fourth Mid- to Long-Term Information Technology Plan (2014-2016). Under the new IT vision of 'Creative Leader in Financial IT Spearheading Depositor Protection and Financial Stability,' it has been implementing IT projects in phases in accordance with five strategic goals and 13 strategic tasks.

In 2015, the second phase of the 4th Mid- to Long-Term Information Technology Plan, corresponding strategic tasks were undertaken.

First, the KDIC upgraded its Enterprise Architecture (EA) management system in accordance with overhaul of the government's EA maturity model. As a result, its superior management of information resources was duly acknowledged in the Ministry of the Interior's EA maturity evaluation with the award of the 'grand prize.' It established an integrated database of court decisions including those in damage suits instituted against people responsible for the failure of financial institutions by the institutions' estates. By expanding the foundation for joint use of information in such manner, the KDIC gave a boost to information sharing and business coordination.

Second, the KDIC built a system to disclose to the public its original official documentation produced and approved internally as well as an information system on its public auctions where assets held by bankruptcy estates are sold. It made sweeping improvements to its webpage that greatly increased the public's information access and convenience. It improved overall access to information so that necessary information may be readily made available, expanding the basis of the government's 3.0 Information Sharing System.

Third, it shifted its host computer system to an open source operating system/software environment in order to minimize IT infrastructure management costs and improve performance and productivity. The system performance improved 2.1-fold at a lower cost. This allows for provision of high-quality IT services to financial consumers and insured financial companies using the KDIC's business system. This marked the first successful shift to a corporation-wide open source software environment among public institutions, which elevates the KDIC's stature in terms of IT services.

Fourth, the KDIC completely realigned its personal information protection management system to more rigorously protect personal information, including depositor information, and to improve information security. It has consistently strived to prevent information security violations by such means as stricter inspection and training of bankruptcy estate employees regarding personal information protection as well as comprehensive drills to respond to cyber threats. In 2015, the KDIC was named an ‘excellent institution’ for two consecutive years in the Ministry of the Interior's assessment of personal information protection by public institutions. It also obtained the Information Security Management System (ISMS) certification for the third consecutive year, demonstrating that it is a leader in information security.

Figure Ⅱ - 6

Mid- to Long-Term Strategy for IT Advancement (2014-2016)

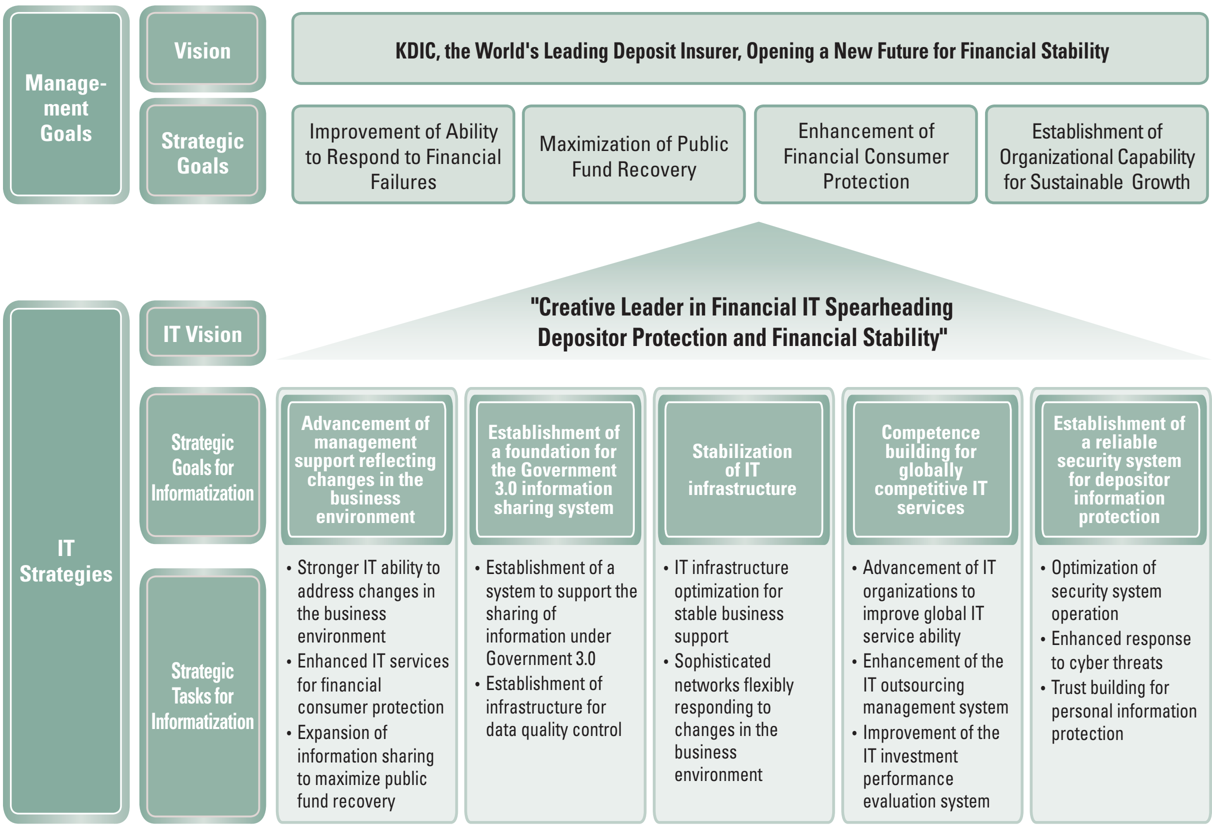


Table Ⅱ - 10

Detailed Action Plans for the Second Phase (2015)

Strategic Goals	Detailed Action Plans (2015)	
Ⅰ. Advancement of management support reflecting changes in the business environment	• Improvement of the insolvency investigation and litigation management system	~Dec.
	• Improvement of the e-HR system	~Dec.
	• Improvement of the deposit trend system	~Oct.
Ⅱ. Establishment of a foundation for the Government 3.0 information sharing system	• Implementation of the information disclosure system for original documentation	~Dec.
	• Implementation of the information system on the KDIC's public auctions	~Dec.
Ⅲ. Stabilization of IT infrastructure	• Shift to a corporation-wide open source software environment	~Nov.
Ⅳ. Capacity building for globally competitive IT services	• Improvement of the IT investment performance evaluation system - Exploration of improvement opportunities concerning the integrated resolution information and performance management systems	~Aug.
Ⅳ. Establishment of a reliable security system	• Strengthening of prevention for infringement on information security	Year-round
	• Follow-up assessment of the Information Security Management System (ISMS)	~Oct.
	• Strengthening of personal information protection measures for business systems	Year-round

Stronger Financial Consumer Protection

1. Prevention of Damage to Financial Consumers
2. Protection of Financial Consumers of Insolvent Financial Institutions

1. Prevention of Damage to Financial Consumers

Increased Awareness of the Deposit Insurance System

Key Promotional Activities

The KDIC conducted public surveys and analyzed the effects of promotional media during the previous year. Then, it sought to improve the public's understanding of the deposit insurance system, particularly among the most financially underserved (people in their 20s and 60s, market merchants, and housewives, etc.). It laid out a publicity plan for 2015 and launched a number of publicity campaigns.

It produced new promotional contents for newspaper, magazine, and radio advertisements and continued to utilize 'action-prompting' phrases (e.g. "Please Check Now" and "Three Things You Must Know"), which were indeed effective toward encouraging people to check essential information on the depositor protection system, including the types of protected products, companies, and coverage limits.

It mainly used newspaper, cable television, and radio advertisements in consideration of their high reliability. It chose channels and programs that are most effective for publicity, taking into account viewing/listening rates and major viewers/listeners. It also made heavy use of display boards on public transportation including the KTX (Korea Train Express), buses, subways, and outdoor electronic ad displays. It made the main screen of its webpage much simpler and intuitive and the menus more user-friendly.

Table Ⅲ - 1

Image Ads to Raise Public Awareness of Deposit Insurance

<table>
<tr><th>TYPE</th><th>2013</th><th>2014</th><th>2015</th></tr>
<tr><td>Image Ads</td><td>
</td><td>
</td><td>
</td></tr>
</table>

Table Ⅲ - 2

Rearrangement of Webpage

Description	Before	After
Webpage		

In 2015, the KDIC staged publicity campaigns targeting the least financially knowledgeable groups in an effort to promote public awareness of the organization and its depositor protection system. It hosted a contest for college students to receive ideas concerning its character and image advertisements. It appointed college students and housewives across the country as SNS reporters to publicize its essential role in the sound functioning of the financial system, and fully utilized SNS (blog, Twitter, and Facebook) for more effective communication with SNS users. It made LED advertisements targeting market merchants through their associations. It distributed publicity materials on its depositor protection system and financial literacy education carefully crafted specifically for multicultural families and North Korean defectors at 217 multicultural centers and 31 North Korean defector assistance centers around the country.

The KDIC even took part in investment technique exhibitions, of which more than 70% of the participants were people in their 50s or older. It introduced the depositor protection system primarily for financial products ineligible for insurance coverage including subordinated bonds, and it provided helpful information on assets for sale of bankruptcy estates.

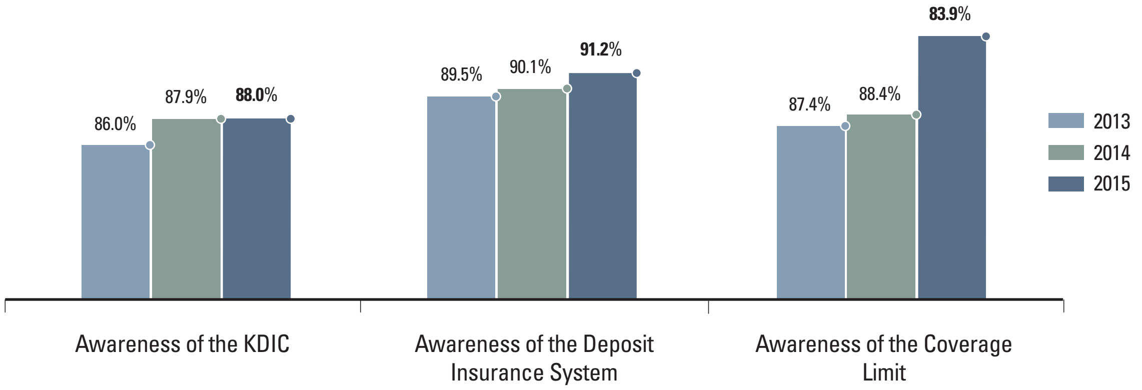
Awareness of the Deposit Insurance System

At the end of every year, the KDIC commissions an independent polling agency to gauge the level of public awareness of the KDIC and the deposit insurance system among those aged 19 or older. The KDIC has effectively managed to raise public awareness through promotional activities, social contribution activities, and economic education programs. The increasing frequency of citations of the KDIC in the media at large has helped to promote public awareness of the KDIC.

According to a survey conducted in 2015, 88.0% of the public is aware of the KDIC, an increase of 0.1%p from the previous year, and awareness of the deposit insurance system rose 1.1%p to 91.2%. Awareness of the deposit coverage limit was 93.9%, up 5.5%p from the previous year.

Table Ⅲ - 3

Survey Results Regarding Awareness of Deposit Insurance by Year



Review of and Guidance for Compliance with KDIC Signage Display Requirements

Under the Depositor Protection Act, insured financial institutions should indicate whether a certain financial product is covered by deposit insurance and, if so, for how much. The KDIC is authorized to verify their compliance with such signage display requirements. Insured financial institutions must provide accurate information about the deposit insurance system so that financial consumers can make informed decisions when choosing financial products.

The KDIC now employs a wider range of methods for inspection of financial institutions regarding their compliance with its requirements for public notification of deposit insurance coverage. In 2015, it expanded online inspections to the insurance and financial investment sectors, and conducted special inspections of the head offices of financial institutions (PR departments) and non-face-to-face sales channels of financial instruments (home shopping, online sales outlets, etc.). In sum, it examined insured financial institutions' compliance with the indication requirements more stringently.

Meanwhile, the KDIC kept guides on the depositor protection system, including leaflets, posters and ATM stickers, available at insured financial institutions in order to publicize and provide accurate information on the system. It translated the guides into 10 foreign languages (English, Chinese, Japanese, Filipino, Thai, Vietnamese, French, Arabic, Russian, and Spanish) to prevent foreigners who may lack access to financial information from sustaining damage.

Table Ⅲ - 4

Inspection of Compliance with KDIC Signage Display Requirements

(Unit: No. of inspections and branches)

Description	2011	2012	2013	2014	2014
On-site inspections	472	639	617	683	649
No. of branches inspected per inspector	120.3	159.8	205.7	227.7	268.2
On-line inspections	-	-	-	1,683	598
Total	472	639	617	2,366	1,247

Financial Literacy Education

Expanded Education for the Financially Underserved Population

Prompted by the global financial crisis in 2008 and the rising needs for financial literacy education, the KDIC provides education for future financial consumers (elementary, middle, and high school students) and financially underserved people (the elderly, market merchants, multicultural families, etc.). It expanded the scope of education to elementary school students and the elderly in 2010, market merchants in 2011, multicultural families in 2013, middle and high school students in 2014, and military servicemen to be discharged from military service, North Korean defectors, and persons of national merit in 2015.

In 2015, the KDIC utilized 11 local instructors to offer education at major sites in local areas where demand for education is especially high. As a result of its effort to reinvigorate local education, the ratio of local financial literacy education was raised 9.8%p from the previous year to 58.5%.

It entered into an MOU with the Ministry of Education and the Korea Foundation for the Advancement of Science and Creativity in February 2015 and recruit the targets of education with the assistance from the Foundation. It sent official notices on financial literacy education to elementary, middle and high schools around the nation and received applications from them. Then, KDIC employees visited those schools to carry out financial literacy education. In 2015, it held 200 education sessions for 15,756 elementary school students and 188 education sessions for 26,618 middle and high school students nationwide.

The KDIC occasionally held education sessions specifically designed for the elderly about the deposit insurance system, mainly at senior welfare centers and senior community centers. In September 2012, it reached an agreement with the Korea Association of Senior Welfare Centers, which helped to make financial literacy education for the elderly much more organized. The KDIC offered 83 regular courses for 8,299 seniors in 2015. It also provided some senior welfare centers with necessary educational devices. By taking part in the 23rd National Event for Senior Welfare Centers hosted by the Korea Association of Senior Welfare Centers, it introduced the deposit insurance system and publicized its financial literacy education programs.

In November 2011, the KDIC concluded an agreement with the Agency for Traditional Market Administration (currently the Small Enterprise and Market Service) under which it began to participate in 2012 in the regular curricula of merchant universities, which provide business education for merchants in traditional markets. It provided 92 financial literacy education sessions for 3,907 merchants in 2015. It also supplied traditional markets with needed educational devices to improve their educational environment. Furthermore, it participated in various exhibitions hosted by the Small Enterprise and Market Service, including the Korea Leading Market Expo and the Merchant University Workshop, where it introduced the deposit insurance system and publicized its financial literacy education programs.

The KDIC launched financial literacy education for multicultural families in 2013. It held 23 financial literacy education sessions for 542 persons in 2015. In coordination with a multicultural family support center in Guro-gu, Seoul, it implemented financial literacy education and hosted an event to experience shopping at a traditional market.

In 2015, the KDIC added military servicemen to be discharged from military service, North Korean defectors, and persons of national merit to the list of its trainees in a bid to expand the basis of education for the financially underserved. It conducted nine sessions of financial literacy education for 259 persons.

In 2015, the KDIC held a total of 603 financial literacy education sessions for 55,767 financially underserved persons including elementary, middle and high school students, market merchants, and the elderly.

Capacity Building for Financial Literacy Education Instructors

Financial literacy education instructors are either 'in-house instructors,' 'professional instructors,' or 'local instructors.' Most financial literacy education for elementary school students is conducted by 119 in-house instructors who are front-desk employees of the KDIC. They underwent in-house instructor training in 2015 to improve the quality of their lectures.

Five professional instructors at the KDIC Financial Literacy Education Center who completed necessary courses at an external educational institute rendered financial literacy education for middle and high school students, market merchants, and multicultural families.

Local instructors assigned to major sites undergo on-the-job training, are regularly observed during class for teaching effectiveness, and are evaluated for their development as instructors.

Development of Customized Textbooks and Experiential Teaching Tools for Financial Literacy Education

For the purpose of increasing the effect of user-oriented education, the KDIC adopted new textbooks specifically for targeted demographics in the first and second half of 2015. Out of the 10 existing textbooks, three textbooks developed in 2014 (for middle school students, high school students, and youth career education) were revised by an external professional agency in 2015. The KDIC also developed teaching aids for elementary school students to promote their experiential education.

2. Protection of Financial Consumers of Insolvent Financial Institutions

Alleviation of Inconveniences to Financial Consumers During Conservatorship

The restructuring of failed mutual savings banks that started in 2011 caused serious inconveniences to borrowers as well as depositors. The KDIC received complaints about confusion regarding loan repayment and financial strains resulting from suspension of due date extensions. Under these circumstances, the KDIC expanded the scope of protection to include borrowers as well as depositors.

For enhanced guidance to borrowers, the KDIC sent loan balance statements to each borrower and publicly notified loan repayment methods on its webpage upon commencement of conservatorship. It provided information on low-interest loans available to low-income families including Haetsal (Sunshine) Loans to high-interest loan borrowers. It also provided 'guidelines on loan extension' that allow loan modifications including due date extension, based on each borrower's individual circumstances.

It received applications for due date extension by visiting aged debtors in remote areas and tried to make

Table Ⅲ - 5

Approaches to Alleviate Inconveniences of Borrowers

Project	Description	Expected Outcome
Enhanced guidance for borrowers	Forwarding of loan balance statements to each borrower and posting of an official announcement regarding loan repayment on the KDIC webpage upon commencement of conservatorship	Prevention of damage to borrowers by helping them to avoid loan default
Guide on debt refinancing	Guide on debt refinancing options with lower interest rates including Haetsal (meaning sunshine) Loans	Reduction in interest payments
Provision of guidelines on loan extension	Clarification of eligible persons for due date extension and conditions regarding loans coming due	Improvement in borrowers' repayment ability

sure that collateralized real estate could be sold close to their market prices instead of being auctioned at fire-sale prices, which indicates the KDIC's effort to offer services that meet the very specific needs of customers.

Stable Deposit Insurance Payment and Improved Services

In 2015, the KDIC made a multi-faceted effort to ensure maximum disbursement of deposit insurance payments unclaimed by depositors with 31 insured mutual savings banks. To redress failure of depositors to claim deposit insurance payments due to lack of information, it sent letters by regular post and text messages in cooperation with the agencies concerned. To prepare for future failures, it also improved its deposit insurance payment system.

First, to those individuals who have yet to receive deposit insurance payments, the KDIC sent letters by regular post to their latest addresses confirmed with the assistance of the Ministry of the Interior. If depositors were deceased, it found the addresses of their heirs by perusing family relationship certificates with the help of the Jung-Gu Office in Seoul, and sent notices to their last known addresses with the assistance of the Ministry of the Interior. In 2015, it expanded the scope of its provision of information on unclaimed deposit insurance payments to corporate deposits. It sent notices by mail to their most recent addresses on certified copies of their corporate registers confirmed by a court registry office.

Second, the KDIC forwarded text messages on uncollected deposit insurance payments to depositors whose addresses were uncertain with the assistance of the three telecommunications carriers (SKT, KT, and LG) from the latter half of 2015. In the process, it proactively obtained the Korea Communications Commission's authoritative interpretation regarding provision of personal information to a third party. After persuading the three carriers to render assistance, the KDIC acquired information on whether the mobile phone numbers of depositors used at the time of business suspension of insolvent mutual savings banks were still in use. It subsequently sent text messages to 226 persons to inform them of uncollected deposit insurance payments.

Depositors and their heirs who receive such letters or text messages may retrieve information on deposit insurance payments and apply for their receipt on the KDIC webpage. Otherwise, they may visit a payment agent to receive deposit insurance payments. For their convenience, the KDIC currently indicates the locations of the branches of its payment agent in alignment with map services on portal sites (Naver and Daum). If persons entitled to deposit insurance benefits are deceased, the KDIC, in cooperation with the FSS, helps heirs making inquiries to the FSS into financial information of the deceased obtain access to their uncollected deposit insurance payments as well.

These proactive endeavors by the KDIC led to payment of KRW 1.9 billion in deposit insurance benefits to 5,893 depositors in 2015.

Third, the KDIC reinforced depositor protection services by preemptively upgrading its deposit insurance payment process to better prepare for future failures. In December 2015, it concluded an MOU on IT services for the standardization of deposit records for deposit insurance purposes with 12 mutual savings banks not using the Korea Federation of Savings Banks' IT system to ensure prompt deposit payouts in the event of failure of a financial institution. This translated into a cooperative framework for development and maintenance of deposit insurance programs.

As explained above, the KDIC is actively providing guidance on deposit insurance payments and improving the payment process to further strengthen depositor protection.

Minimization of Financial Transaction Suspension Period

The KDIC adopted the 'resolution without interruption in financial services' method in the latter half of 2012, which allowed it to resolve failed mutual savings banks without suspending their operations. It successfully arranged P&A transactions with third party investors or bridge mutual savings banks owned by the KDIC without any disruption to financial services, which minimized customer inconveniences and financial market turmoil.

From the latter half of 2012 to the first half of 2013, the KDIC institutionalized a system to 'resolve insolvent mutual savings banks without disruption to financial transactions' by using bridge banks. Their operations were suspended at the close of business hours on a Friday. Then a P&A with a bridge bank was completed over the weekend so that business could resume on the following Monday.

From the latter half of 2013, the KDIC resolved insolvent mutual savings banks by proactively searching for potential buyers and implementing 'third-party P&A during normal operations,' which does not require the use of a bridge bank. Thus, the KDIC has established a robust new resolution system that reduces not only depositors' inconveniences, but also its burden concerning the sale and management of bridge mutual savings banks, and greatly accelerated the restructuring of insolvent mutual savings banks. In 2015, it resolved Golden Bridge Savings Bank through a 'P&A transaction with a third party in the course of normal operations.'

Table Ⅲ - 6

Resolution of MSB Failures that Occurred in 2015

Bank Name	Resolution Method	Date of Business Suspension	Date of Business Resumption	Business Suspension Period
Golden Bridge	3rd-party P&A	Jan. 16, 2015	Jan. 19, 2015	0 business days

Effort for Bankruptcy Dividends Payment

When an insured financial institution goes bankrupt, the KDIC is usually appointed as receiver of the bankruptcy estate according to applicable laws including the Depositor Protection Act. Then, the KDIC liquidates the remaining assets and pays dividends to creditors, including depositors of over KRW 50 million, in proportion to their claims.

Bankruptcy creditors, including holders of deposits in excess of KRW 50 million, suffered financially because it took a considerable amount of time until payment of bankruptcy dividends owing to the prolonged duration of the bankruptcy proceedings. To minimize damage incurred by them, the KDIC makes partial advance payments of bankruptcy dividends. Pursuant to Article 35-2 of the Depositor Protection Act, the KDIC purchases unprotected claims in excess of KRW 50 million from depositors, makes an estimate of the expected dividends from the bankruptcy estate's assets, and upon depositor's request, makes payment on a pro-rata basis based on the estimated recovery amount.

If, after the final sale of assets, the amount of bankruptcy dividends payable is larger than the amount paid in advance, the KDIC distributes the excess to creditors. By the end of 2015, it had paid KRW 53.7 billion to over 53,000 depositors at 25 mutual savings banks to settle the difference.

By ensuring early payment of bankruptcy dividends through such advance payments and settlement, the KDIC minimizes financial inconveniences caused to holders of deposits in excess of the coverage limit. It also promoted depositors' convenience by building an IT system that allows them to apply for such advance payments and settlement through the KDIC's website.

The KDIC is striving to pay any amounts uncollected by depositors including their insured funds, bankruptcy dividends, and the difference between actual and advance dividend payments. Dubbed the "Unclaimed Amount Notification Services" campaign, its efforts to find beneficiaries and pay them their due uncollected payments are being publicized through newspaper advertisements and press releases. With the help of the Ministry of the Interior, it receives the most recent known addresses of persons eligible for uncollected amounts in order to send individual payment notices to them.

IV

Advancement of the Deposit Insurance System

1. Improvement of the Deposit Insurance System
2. Research on Deposit Insurance Schemes
3. International Exchange and Cooperation

1. Improvement of the Deposit Insurance System

Revamping of Laws Applicable to the Deposit Insurance System

The amended Depositor Protection Act was promulgated and entered into force on December 22, 2015. The amendment bill was submitted by the government to the 18th National Assembly on November 17, 2010, but was scrapped owing to expiration of the session. After being reintroduced by the government to the 19th National Assembly on October 9, 2012, the bill was passed by the National Policy Committee in July 2015 and by the Legislation and Judiciary Committee in November 2015 and finally carried on November 30, 2015 according to a decision by the plenary session of the National Assembly.

Major details of the revised Depositor Protection Act are as follows: in addition to financial instruments previously protected, the Act now protects customer deposits with securities finance companies and guaranteed minimum benefits of variable insurance (slated for June 23, 2016). Securities finance companies may receive funds in accordance with Article 330(1) of the Financial Investment Services and Capital Markets Act. As those funds are similar to deposits in nature, securities finance companies were included in the scope of insured financial companies and the corresponding customer deposits were subject to depositor protection. Guaranteed minimum benefits of variable insurance are now eligible for depositor protection because they are similar to an ordinary insurance contract in that guaranteed benefits are payable regardless of investment performance [Items (b) and (c) of Article 2(2)].

The Act explicitly provides for the KDIC's authority to request tax information. For investigation into concealed assets of people implicated in insolvencies of financial institutions, the Act now enables the KDIC to request necessary data, which specifically refers to tax information, from the heads of local governments and tax offices [Articles 21-3(2) and 21-3(3)]. The Act also mandates compliance with the requirements for public notification of deposit insurance coverage. When an insured financial company sells financial products to general depositors, it must explain whether and to what degree depositor protection is available and obtain evidence by such means as affixation of a signature or seal or voice recording. This is intended to safeguard financial consumers' interests more strongly in the face of mounting complaints about insufficient explanation about whether and to what extent financial products are protected against losses arising from investment in subordinated bonds of mutual savings banks and mis-selling of CPs and corporate bonds of Tongyang Securities [Articles 29(3) and 29(4)].

The term 'failed financial institution' was uniformly changed to 'failed financial company' and the negative prescription for the rights to claim payment of deposit insurance premiums and their refund was newly established. In the past, negative prescription under the Commercial Act applied mutatis mutandis: two years for the right to claim payment of deposit insurance premiums and three years for the right to claim a refund of deposit insurance premiums. Under the amended Act, both negative prescription for the rights to claim payment of deposit insurance premiums and their refund were fixed to three years as a result of insertion of a provision serving as a rationale [Articles 30(6) and 30(7)]. In addition, a provision was newly inserted to set forth the right of redemption in the event of excessive advance dividend payments. In the past, it was required to collect a letter of commitment to the effect that any advance dividend payments in excess of bankruptcy dividends shall be returned. The latest amendment newly provides for ex-post settlement and redemption, redressing the possibility of a legal dispute with depositors [Articles 35 and 35-2]. Lastly, the maximum amount of a penalty was increased from KRW 2 million to KRW 5 million in consideration of the fact that an accountability investigation into a failed financial institution is often set back by concealment of facts or misrepresentation by stakeholders including the spouse of a person involved in insolvency. This ensures efficacy of the authority to investigate into those responsible for financial failures [Article 44].

The amendment of the Depositor Protection Act, which expands the scope of deposit insurance coverage and mandates compliance with the indication requirements concerning financial instruments, will bolster protection of financial consumers. In addition, it is likely to contribute to building order in financial markets by increasing the maximum amount of a penalty imposed against a person implicated in insolvency if he/she fails to submit themselves to investigation, and by ensuring timely acquisition of tax information and facilitating recovery of public funds.

The provisions related to protection of guaranteed minimum benefits of variable insurance, compulsory notification of deposit insurance coverage, negative prescription for the rights to claim payment and refund of deposit insurance premiums, and prosecution of stakeholders in case of their failure to subject themselves to investigation, shall enter into force within 6 months from the promulgation date of the amended Depositor Protection Act after revision of its Enforcement Decree.

As a result of revision of the Enforcement Decree of the Depositor Protection Act in February 2015, the KDIC now provides separate coverage to reserves for DC (defined contribution) pension and IRP (individual retirement pension) plans invested in financial products eligible for deposit protection (bank deposits, interest rate sensitive or guaranteed interest insurance products, etc.) in accordance with the Guarantee of Workers' Retirement Benefits Act. In the past, if a depositor had other insured deposits with a financial company in addition to such protected reserves, a combined deposit protection limit of KRW 50 million applied. The latest revision of the Enforcement Decree of the Depositor Protection Act applies a separate protection limit of KRW 50 million respectively to each depositor's protected financial products and retirement pension plans (DC and IRP) deposited with an insured financial company to afford stronger protection of retirement plan participants' rights to receive benefits [Article 3(1)3].

2. Research on Deposit Insurance Schemes

Research on Deposit Insurance Schemes

The KDIC helps protect depositors and maintain the stability of the financial system by studying the deposit insurance system as well as financial and economic issues and thereby lays a theoretical basis for upgrading the deposit insurance system.

In the aftermath of the recent global financial crisis, major countries around the world have made multi-pronged efforts to rectify vulnerabilities in their financial systems. The International Association of Deposit Insurers (IADI) revised the *Core Principles for Effective Deposit Insurance Systems and Guidance Papers* after gleaning lessons from the global financial

Table Ⅳ- 1

Major Research Reports in 2015

Subject	Title
Guidelines for and status of global operation of deposit insurance schemes	• Major details of the IADI Guidance Paper on ex ante funding and its implications • Major details of theIADI Guidance Paper for developing differential premium systems and its implications • Major details of the IADI Guidance Paper on early detection and timely intervention for deposit insurance systems and its implications • Major details of the IADI Guidance Paper on dealing with parties at fault in a bank failure and fraud in deposit insurance and its implications • Major details of the IADI Guidance Paper on public awareness of deposit insurance systems and its implications • Major details of the IADI Guidance Paper on mitigating moral hazard and its implications • Major details of the IADI Guidance Paper on multiple deposit insurance organizations and its implications
Study on financial and economic issues including changes in the financial environment	• Progress in Europe's pursuit of the Banking Union and its implications for the deposit insurance system • Financial assistance for insolvent financial companies in major countries • Introduction of and prospects for an Internet primary bank network • Global financial crisis and role of the deposit insurance system • Operational status of depositor/investor protection schemes in Europe and its implications

crisis. Deposit insurers around the world have been improving their deposit insurance schemes to protect depositors more strongly. To prevent bank failures from degenerating into an overall crisis of the financial system and real economy, the EU is pressing for creation of the Banking Union for EU-level coordinated banking supervision.

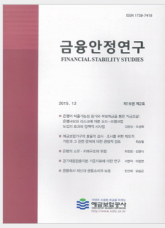
The KDIC analyzed the trends of institutional improvement in international organizations and major countries. It conducted forward-looking research into financial and economic issues to ascertain their implications for the Korean deposit insurance system and explore ways to introduce appropriate systems.

Sharing of Research Results

The KDIC has supported specialized and creative research on subjects such as the deposit insurance system and financial system stabilization, published research findings in *Financial Stability Studies* (an academic journal accredited by the National Research Foundation of Korea), compiled a collection of theses submitted for a contest for research funding, and distributed the findings to appropriate authorities, academia, and the media. By such publications and information sharing, the KDIC strives to ensure the efficient operation and improvement of the deposit insurance system.

Table Ⅳ-2

Major Publications in 2015

Title	Key Theses Published
Financial Stability Studies (Vol. 16; Issues 1 & 2) 	• Increasing possibility of banks' exit and funding through insured deposits • Legal review of the institutional foundation for efficient examination and investigation by deposit insurance agencies and related issues • Bank ownership/governance and risks • Study on standard indicators for counter-cyclical capital buffer • Bankruptcy of financial companies and protection of financial consumers • Risk structure and systemic risk of guarantee insurance • Study on the effect of bank loans on housing prices under the chonsei (lease) system • Analysis of correlation among short-term financing, stock, and foreign exchange market • Role of asset tangibility regarding corporate investment under Korea's financial restrictions • Empirical analysis of the trend and determinants of Korean stock's inherent variability
A Collection of Theses Submitted to a Contest for Research Funding 	• Discussion of efficient operation of the deposit insurance system and cooperation among deposit insurers in consideration of differences by country • Analysis of legal issues and performance regarding the KDIC's duties as a bankruptcy trustee • Tasks to render the DIF more sound - focusing on improvement of the resolution system including introduction of recovery and resolution planning • Effect of development of the FinTech industry on financial stability • Effect of cooperative banks on risks, stability of the financial industry, and employment

3. International Exchange and Cooperation

Stronger Global Leadership at International Organizations Including the IADI

Stronger Internal and External Activities for a More Advanced Deposit Insurance System

The global financial crisis in 2008 has created renewed international interest in deposit insurers as bulwarks of financial stability. The International Association of Deposit Insurers (IADI), an international consultative body of deposit insurance organizations, has a much higher profile as a result and is now in a position to set global standards. The IADI formulated the *Core Principles for Effective Deposit Insurance Systems and Methodology,* a set of global standards in deposit insurance, and had them included in the Compendium of Standards designated by the Financial Stability Board (FSB) in February 2011.

In February 2013, the IADI began the revision of the *Core Principles for Effective Deposit Insurance Systems* at the request of the FSB. The KDIC participated in the revision process, serving on the Steering Committee mainly comprising deposit insurers of leading countries. The revision was completed in November 2014. From June 22 to 24, 2015, an IADI assessment team invited by the KDIC evaluated the degree to which its deposit insurance system is consistent with the revised *Core Principles for Effective Deposit Insurance Systems*.

As a founding member of the IADI and a member of the IADI Executive Council, the KDIC has been playing a leading role in major projects initiated by the IADI. The KDIC resolved numerous failed financial institutions in the banking, insurance, securities, and mutual savings banking sectors in the process of tackling two financial crises. It, in the process, accumulated substantial know-how regarding resolution of insolvent financial institutions and successfully implemented the deposit insurance system. In recognition of such experience and capability, the IADI made KDIC Chair of the IADI Subcommittee on Integrated Protection Schemes. As part of its activities on the Subcommittee, the KDIC conducted a survey of deposit insurers around the world and published a research paper in 2015.

The IADI also requested that the KDIC, which has extensive experience in purchase and assumption (P&A) transactions, to chair the Subcommittee on P&A. The KDIC has been serving as the Subcommittee's Chair since leading its launch.

Receipt of the 2015 IADI Deposit Insurance Organization of the Year Award in Core Principles and International Cooperation

In 2015, the KDIC's proactive efforts in the international community were duly recognized by the IADI. In its 14th Annual General Meeting held in Kuala Lumpur, Malaysia on October 29, 2015, the KDIC received the Deposit Insurance Organization of the Year Award for Achievement in Core Principles and International Cooperation. The Deposit Insurance Organization of the Year Award is annually conferred by the IADI on its members that made a significant contribution to domestic financial stability and international cooperation in deposit insurance. The award is given in three divisions: Core Principles and International Cooperation, Banking Resolution & Payouts, and Deposit Insurance System Improvements.

Following its receipt of the Deposit Insurance Organization of the Year Award in 2012, it was granted the 2015 Deposit Insurance Organization of the Year Award for Achievement in Core Principles and International Cooperation as a result of its strenuous efforts for the last three years to improve relevant schemes and to share its experience in deposit insurance system operation with deposit insurers of 15 foreign countries including Mongolia and the Philippines.

Expansion of Exchange with Foreign Deposit Insurers

Conclusion of MOUs for Promotion of Information and Personnel Exchange

The KDIC has signed memorandums of understanding (MOUs) with foreign deposit insurers and central banks to promote information exchange for the development of deposit insurance schemes and to expedite consultation concerning current issues. The MOUs encompass a wide array of cooperation tasks including regular meetings between the two signatories, provision of policy advice and information, and personnel exchange. The MOUs facilitated the efforts to overcome the global financial crisis. The KDIC will continue to share its experience in operation of the deposit insurance system with its foreign counterparts.

In 2015, the KDIC renewed its MOUs with three foreign deposit insurers. The MOUs, which it signed with the Deposit Insurance Agency of Russia and the Savings Deposit Insurance Fund of Turkey in 2009, were renewed in 2012 and again in 2015 (March 24 for Russia and November 17 for Turkey). The MOU concluded with the Deposit Guarantee Fund of Ukraine in 2012 was renewed on November 11, 2015.

Based on the MOU provisions on personnel exchange, the KDIC held a workshop for employees of the Indonesia Deposit Insurance Corporation from July 28 to 29, 2015. In the workshop, the KDIC shared its experience in deposit insurance payments, resolution of failed financial institutions through bridge banks, publicity efforts, and IT system operation. It also transferred its know-how on deposit insurance scheme operation to employees of the Deposit Insurance of Vietnam, which is building an IT system of its own with support from the World Bank, in a training session from October 6 to 8, 2015. The training encompassed acquisition of data from insured financial institutions and operation of an IT system for risk management.

At the request of the Deposit Insurance Corporation of Mongolia, the KDIC dispatched staff capable of transferring experience in deposit insurance system operation for a year from August 2014. In August 2015, it sent employees to Mongolia to provide policy advice for stable operation and development of the nation's deposit insurance scheme. Also in August 2015, the KDIC dispatched staff to the Financial Services Compensation Scheme (FSCS) of the UK for three months according to their MOU to study the country's deposit insurance and resolution system.

The KDIC and its MOU counterparts have maintained close relations through active exchange. Steady expansion of their exchange will further strengthen mutual cooperation.

Sharing of Korea's Deposit Insurance System Experience

Deposit insurance has assumed greater importance worldwide since the global financial crisis in 2008 as it is needed to prevent recurrence of such crisis. Other nations, including emerging economies in particular, are increasingly asking the KDIC to share its experience in deposit insurance system operation.

In response, the KDIC organized the *Global-KDIC KSP (Knowledge Sharing Program) Team* in December 2010 and has actively promoted the *Global-KDIC KSP* to provide capacity-building training and policy consultation to other countries that intend to introduce or advance their deposit insurance system.

In 2015, the KDIC hosted customized international workshops and training sessions to share its knowledge and experience in deposit insurance with aspiring participants.

In March, at the request of the Lao Depositor Protection Fund, which is seeking to upgrade its deposit insurance system, the KDIC held a local seminar for employees of the organization and the Bank of Lao PDR, the country's central bank. Breaking out of simple introduction of its experience in management of the deposit insurance system and shifting to practical training including case studies, the KDIC sought a qualitative improvement in its training. As requested by the Deposit Insurance Corporation of Japan (DICJ), it also attended the 8th DICJ Round Table and gave a presentation on its achievements in accountability and property investigations. Foreign participants expressed a keen interest in the KDIC's system to deal with parties at fault in a bank failure.

In April, the KDIC gave a presentation on its resolution of failed financial institutions and recoveries following the Asian financial crisis to employees of Kazakhstan's central bank at the request of the Korea Asset Management Corporation (KAMCO), which executes the Korean government's Knowledge Sharing Program.

In addition, the KDIC explained how it cooperates with government agencies and financial safety net organizations to the visiting counselor of financial and economic affairs of the French embassy in Japan.

In June, it attended an international workshop on the target fund system hosted by the Philippine Deposit Insurance Corporation and reported on the progress in its introduction of the system, means of establishment, and operational status. The participants shared and discussed an international perspective on this issue.

In October, the KDIC held a workshop for employees of the Thai Deposit Protection Agency to share its experience in deposit insurance payments and resolution of insolvent financial companies.

Until the end of 2014, the KDIC performed KSP consulting projects initiated by the Korean government (Ministry of Strategy and Finance). In 2015, it embarked on an independent project to formulate deposit insurance payment procedures and implement an IT system for the Deposit Insurance Corporation of Mongolia. This was the first KDIC-KSP consulting project apart from the government's KSP consulting. In addition to sharing of its experience in deposit insurance system operation, it began to support establishment of an IT infrastructure abroad.

Table Ⅳ-3

Exchange with Foreign Deposit Insurers in 2015

Country	Audience	Month	Description
Laos	Depositor Protection Fund, central bank	Mar.	• Training for employees of the Lao Depositor Protection Fund and Bank of Lao PDR concerning the deposit insurance system
Japan, etc.	IADI members, related organizations	Mar.	• Attendance and presentation at the 8th DICJ Round Table
Kazakhstan	Central bank, Problem Loans Fund	Apr.	• Visit to the KDIC by working-level staff of the National Bank of Kazakhstan and the Problem Loans Fund
France	French embassy in Japan	Apr.	• Visit to the KDIC by the visiting counselor of financial and economic affairs of the French embassy in Japan
Philippines, etc.	IADI members	Jun.	• Attendance and presentation at an international workshop on the target fund system
Indonesia	Deposit Insurance Corporation	Jul.	• Workshop for sharing of experience in deposit insurance system operation for employees of the Indonesia Deposit Insurance Corporation
Thailand	Deposit Protection Agency	Oct.	• Capacity-building training for employees of the Deposit Protection Agency of Thailand
Vietnam	Deposit Insurance of Vietnam	Oct.	• Workshop for employees of the Deposit Insurance of Vietnam to share its experience in deposit insurance system operation
Mongolia	Deposit Insurance Corporation of Mongolia	Aug.-Dec.	• KDIC-KSP consulting project to formulate deposit insurance payment procedures and implement an IT system

V

Risk Management

1. Independent and Joint Examinations
2. Successful Implementation of the Risk-Based Premium System
3. Management of Financial Institutions into Which Public Funds Were Injected

1. Independent and Joint Examinations

Enhancement of Risk Surveillance

Reinforcement of the Basis for Risk Surveillance

The KDIC monitors and forecasts the volatilities of insured financial institutions through risk surveillance model analysis to detect and assess any risks that may affect the Deposit Insurance Fund (DIF). After analysis, each institution is graded in accordance with the risk classification criteria used for each type of financial institution for the purpose of ongoing monitoring.

The KDIC sought to develop a stress test model by which it could assess an insured financial institution's financial position in the event of an exceptional, but possible crisis. This was designed to effectively preempt a financial crisis by identifying those insured financial institutions that are most vulnerable to a crisis and estimating their financial impact on the DIF. The model will enable better planning to effectively respond to a crisis. It will involve, among other things, formulation of a DIF financing plan and alignment with the risk-based premium system through regular monitoring of risks associated with possible insurance incidents stemming from changes in macroeconomic variables, screening of vulnerable insured financial institutions, and estimation of the financial impact on the DIF in the event of a crisis.

In 2009, the KDIC signed an MOU on sharing of financial information with the organizations concerned including the FSS and the Bank of Korea, which was modified in 2012. Based on financial information on insured financial institutions acquired under the MOU, it closely monitors risks associated with the financial market and insured financial institutions.

Strengthening of Risk Surveillance Capabilities

The KDIC is improving its risk surveillance capabilities and the quality of analysis reports in a number of respects. It invited experts from appropriate local institutions and credit rating agencies to provide training in an effort to enhance its employees' ability to analyze the macroeconomic environment and assess risks.

It also conducted an internal user education session each in the first and second half of 2015 to improve trainees' ability to utilize the Financial Information Analysis System (FIAS), Examination/Inspection MOU Management System (EIMS), and risk surveillance model. In addition, the KDIC designated Wednesday as the Non-financial Information Collection Day to expedite gathering of non-financial information. It also improved the FIAS to enable efficient entry. It also monitored risk factors on an ongoing basis by actively using external financial information services specialized in each financial sector.

In 2014, the KDIC's risk management capability regarding mutual savings banks was subject to evaluation. In 2015, the scope of such evaluation was expanded to all insured financial sectors after the appointment of six external evaluators with ample experience and knowledge in different fields. The KDIC was evaluated in three areas: system/institutional arrangements, constant monitoring, and on-site examination. On the basis of the external evaluators' objective findings and inputs for institutional improvements regarding its risk management ability, the KDIC will examine possible areas of improvement and implement necessary changes to enhance its capacity for risk management.

On-Site Verification Including Independent and Joint Examinations

On-Site Risk Verification

For the purpose of reducing risks of insured financial institutions detected by its risk surveillance model analysis, the KDIC continues to check their risks on-site by means of joint examinations with the FSS under Article 21(3) of the Depositor Protection Act, independent examinations under Article 21(2) of the said Act, and interviews with the managements of insured financial institutions when necessary.

As the manager of the DIF, the KDIC defined the purpose of its independent and joint examinations of insured financial institutions as 'preemptive prevention of insolvencies to minimize the DIF's losses.' Prior to its independent and joint examinations, it selected key areas of focus by conducting in-depth risk analysis including a time-series analysis of financial statements. In line with its goals including prevention of insurance incidents and losses of the DIF, it carried out independent and joint examinations. In particular, it modified the method and direction of its on-site examinations, shifting focus to risk assessment and improvement of insured financial institutions. If their on-site examinations revealed a need for any corrective measures, the KDIC gave notice to the FSS to rectify the situation.

In 2015, it performed joint examinations with the FSS of nine insured financial institutions including insurance companies, securities companies and mutual savings banks. In collaboration with the entities involved in joint examinations such as the FSS and the Bank of Korea, it hosted workshops to promote mutual understanding and cooperation regarding joint examinations.

Pursuant to the standards stipulated in the Enforcement Decree of the Depositor Protection Act, the KDIC performed eight timely independent examinations of mutual savings banks. In selecting the targets of its independent examinations, the KDIC engaged in close prior consultation with the FSS as any overlap between their examinations could overwork the employees of examined entities. Among the mutual savings banks meeting the criteria for the declaration of 'at risk of insolvency' under the Enforcement Decree of the Depositor Protection Act, the KDIC selected targets for independent examinations excluding those subject to joint examinations, resolution procedures such as market sale, and examinations by the FSS. Through ongoing consultation with the FSS, it developed a well-coordinated plan for independent examinations and carried it out successfully.

The KDIC encouraged insured financial institutions to autonomously redress minor violations detected during its examination in an effort to institutionalize a climate of autonomous management in the mutual savings banking industry. The KDIC exercised its authority with restraint, requesting corrective measures only regarding grave issues such as illegal acts by majority shareholders and a sharp fall in BIS capital adequacy ratios. Thus, it reduced the additional burden of examination on insured financial institutions that might be caused by verification by the FSS concerning corrective measures requested by the KDIC. In addition, the KDIC remedied the excessive prolongation of the related process due to sanctions by the FSS.

Table V-1

Major Details of Improvements and Streamlining of Independent/Joint Examinations

	Previous	Improved
Change in the framework of independent and joint examinations	• Overall review of managerial issues • Lack of coordination between analysis of external risk factors and on-site verification • Inducement of improvements by requesting the FSS to order corrective measures	① More focus on prevention of financial failures ② More rigorous prior analysis of risk factors ③ Inducement of voluntary improvement by insured financial institutions
Lessened burden on insured financial institutions	• Collective request for materials to be examined before on-site verification • Determination of the duration of examination according to the size of assets and other criteria • Conventional collection of letters of confirmation/Q&As (abolished in early 2015) • Independent examination by the KDIC and ensuing verification by the FSS • Collective notification of independent/joint examination findings	④ Preferential utilization of information shared or disclosed by the FSS ⑤ Reduction of the duration of examination according to the degree of risks associated with a possible insurance incident ⑥ Issuance of written opinions on independent/joint examinations instead of letters of confirmation/Q&As - Establishment of the principle to collect objective evidentiary data ⑦ Alleviation of the burden of verification by standardizing evidentiary materials for each type of issue based on consultation with the FSS ⑧ Separate notification of issues in need of urgent corrective measures
Protection of the interests of insured financial institutions' employees and more efficient communication	• Integrity training at the discretion of the head of the executing department • Deployment of one officer in charge of rights protection - Either written inquiry or on-site visit • Ad hoc interviews mostly with regular officers/employees during examination • Granting of opportunities to express opinions mostly in writing • Finalization of findings and subsequent notification • Deliberation of findings by the department which conducted an independent/joint examination	⑨ Formulation of rules to mandate exercise of good manners in examinations and implementation of integrity training ⑩ Increase of officers and staff in charge of rights protection -On-site visits only (in principle) ⑪ Meetings with officers/employees from time to time during examination and interviews with external directors ⑫ Statements in person or in writing allowed at the time of deliberation ⑬ Introduction of a system to report the progress in handling of the examination findings ⑭ Introduction of a findings review system independent of the executing department

Implementation of Measures to Improve and Streamline Independent and Joint Examinations

In 2015, the KDIC executed measures to improve and streamline independent and joint examinations for the purpose of complying with government policy to reform financial regulation for greater competitiveness of the financial industry and facilitating such examinations. The gist of the measures is to change the framework of independent and joint examinations, ease the burden of examinations on insured financial institutions, protect the rights and interests of their employees, and promote communication among the parties concerned.

The measures were discussed and finalized by the 9th Financial Reform Committee. A press briefing was conducted in collaboration with the FSC. These efforts by the KDIC pushed up the ratio of autonomous corrections to total matters noted in examinations from 14% in 2014 to 72% in 2015. The average duration of on-site inspections was reduced from 17 days to 11 days. In addition, on-site interviews by officers in charge of rights protection went up to 100% from 34% prior to the improvement.

More Active Ongoing Risk Surveillance

For qualitative improvement in its ongoing risk surveillance, the KDIC analyzed individual insured financial institutions. Among other matters, it focused on the fluctuations in their capital adequacy arising from changes in the business environment such as interest rates and stock prices. It strengthened its ongoing risk monitoring by analyzing risks stemming from changes in the financial system and outstanding issues in each financial sector.

It took preemptive measures to grapple with institutional changes in each financial sector including imposition of more stringent Basel III capital requirements for the banking sector, introduction of IFRS4 Phase II for the insurance sector, and reshuffling of the NCR system for the financial investment sector. The KDIC deterred the risks of insolvency by carrying out ongoing monitoring of insured financial institutions which are not financially sound.

In addition, it beefed up its risk analysis ability and regularly hosted programs for risk analysis capacity building to make its ongoing surveillance more efficient in such ways as revitalization of the efforts to share information on risks among different financial sectors. It analyzed and shared information on the management status and risks of individual insured financial institutions, promoting their understanding of other financial sectors and utilizing such information in risk analysis.

Financial market volatility and uncertainty shot up in the wake of the financial crisis in China in August 2015. In response, the KDIC set up the Financial Market Task Force; prepared weekly risk analysis reports for each financial sector; monitored major risks of financial sectors and individual insured financial institutions, measures taken by the supervisory authorities, and the trends of investors; and reported any notable issues in a timely fashion.

For the purpose of overseeing and coordinating risk management activities and ensuring effective responses to insurance events, the KDIC established the Ongoing Surveillance Council in 2006. This solidified its role as a major agency in the event of a crisis by promoting extensive opinion exchange and information sharing among the related departments concerning important risk issues in the financial market and individual insured financial institutions.

Market-friendly Risk Surveillance

Stepped-Up Exchange with Market Experts

Since 2004, the KDIC has published the quarterly Financial Risk Review for market participants. The magazine offers analysis of risk factors of insured financial institutions in line with changes in financial markets and encourages greater market discipline.

In 2015, it conducted a survey of Financial Risk Review readers to explore improvement opportunities. Measures derived from the results of the survey were creation of an articles series contributed by financial market experts and solicitation of more articles from outside sources.

The KDIC hosted the Cheonggye Financial Forum[1)] 11 times for executives and employees of insured financial institutions and other related personnel. The Forum features lectures and discussions on risk factors and major issues in different financial sectors. Experts from insured financial institutions or outside professionals were invited as speakers at the Ongoing Surveillance Forum[2)] and Risk Study Forum[3)] meetings, which were each held eight times. During the forums, the attendees developed practical financial knowledge including risk management techniques.

Note :1) Featured discussion by personnel and experts on the development of a specific financial sector (meetings held by sector)

Table Ⅴ- 2

Main Contents of Financial Risk Review in 2015

Issue	Main Contents
Spring 2015	• Expected impact of FinTech innovation on the financial industry • Risks of financial conglomerates and the direction of their integrated supervision
Summer 2015	• Estimation of the bad debt ratio for mortgage loans by using asymmetrical distribution • Revision of the Core Principles for Effective Deposit Insurance Systems and its implications
Autumn 2015	• Methods to strengthen risk management of securities companies according to an increase in ELS/DLS • Findings of a liability adequacy test (LAT) for life insurance companies and their implications
Winter 2015	• Tasks for long-term stabilization of the risk-based premium system • Assessment of risk of a systemic crisis arising from marginal companies and policy alternatives • Need for and improvement of the KDIC's risk management • Internal and external risks in the insurance industry in 2016 and possible countermeasures

2) Sought to build up the KDIC's risk management capability by inviting experts from insured financial institutions(banking, financial investment, and insurance)
3) Tried to strengthen the KDIC's risk management capability by inviting external professionals (mutual savings banks)

Since 2011, the KDIC has sought to collect opinions of financial experts in academia and have more constant communication with college students. As part of the efforts, it operates the KDIC Exchange Program with the Finance Academy (KEPA), which consists of field training of college students, special lectures of KDIC staffs at universities, and lectures by academic experts. A total of 16 sessions were conducted by the end of 2015.

The KEPA originally concentrated on colleges in the Seoul metropolitan area. In 2015, it was expanded to regional colleges that have a relative lack of access to financial information. This helped bridge the gap in availability of financial information across regions. The program also provided students, as financial consumers, with information on the KDIC's duties and an opportunity for hands-on experience, thereby realizing the values of communication and sharing under the Government 3.0 initiative, South Korean government’s policy to provide transparency and open access to public records. The KDIC intends to consistently pursue the program to publicize its deposit insurance system and ensure efficient communication with academia. It will rectify any shortcomings in the program by considering others' opinions on its improvement.

Strengthened Exchange with Insured Financial Institutions

The KDIC generated risk assessment and analysis information through continued risk monitoring of insured financial institutions and provided feedback to them. It asked some financial institutions which were found in a joint examination with the FSS to have certain risk factors to take corrective action. These activities were undertaken as part of the KDIC's effort to provide market-friendly consulting services aimed at encouraging insured financial institutions to take voluntary risk reduction measures.

In notifying each insured financial institution of its premium rate determined by risk analysis, the KDIC provided the management of such institution with information on any improvements from the previous year and the results of a comprehensive analysis based on comparison with and analysis of the entire financial sector concerned. This was intended to enhance fairness in deposit insurance premium payment among insured financial institutions and to encourage their sound management.

The KDIC held a workshop for employees of mutual savings banks in which ways to pursue sound development of the sector in line with changes in the financial environment were explored through presentations and discussions by external experts on business practices of mutual savings banks and policy changes by the financial authorities. To improve risk management capabilities of the employees of mutual savings banks, the KDIC provided 36 on-site sessions in 2015 that focused on best practices and case studies.

The KDIC will continue to improve its market-friendly risk surveillance efforts by, for example, providing consultation and information.

2. Successful Implementation of the Risk-Based Premium System

Significance and Overview of the Risk-Based Premium System

The risk-based (or differential) premium system applies different premium rates to insured financial institutions in consideration of their managerial and financial conditions in order to reduce moral hazard and induce sound management. The KDIC strove to introduce the system and thus Article 30(1) of the Depositor Protection Act was amended in February 2009. The amended law mandates that the system be applied to all insured financial institutions, beginning from 2014.

Differential risk assessment entails (i) model-based assessment, (ii) assessment based on a specifically-assigned rate; and (iii) non-grade assessment, according to the expected effects of assessment, amount of premium payment, and the feasibility of assessment. The model for risk assessment comprises basic evaluation (80 points) and supplementary evaluation (20 points). Basic evaluation consists of assessment of the firm's ability to cope with a crisis (capital adequacy and liquidity), ensure financial soundness (asset soundness), and recover from losses (profitability). Supplementary evaluation involves the firm's ability to manage financial risks and non-financial risks as indicated by, for example, the number or severity of sanctions imposed by financial authorities.

To minimize the impact of the risk-based premium system on insured financial institutions, the KDIC designated 2014 to 2016 as a so-called soft landing period and decided to gradually increase premium rate differentiation in phases.

Table Ⅴ- 3

Types of Differential Risk Assessment

Category	Target	Assessment Method	Applicable Rates
Model-based Assessment	Insured financial institutions that are not subject to either of the other types of risk-based assessment	Assignment of a grade from 1 to 3 depending on the firm's score on a 100-point scale	The premium rate assigned to the relevant grade
Assessment Based on a Specifically-assigned Rate	Companies paying a small amount of premiums, etc.	No risk assessment needed	Rates predetermined in the regulations
Non-grade Assessment	Failed financial institutions, companies subject to a business improvement order including prompt corrective action restrictions, etc.		Rates predetermined in the regulations which are higher to compensate for risk

Table Ⅴ- 4

Applicable Rates by Grade (Compared to Standard Premium Rates* for Each Financial Sector)

Grade	Soft Landing		Full Operation		
	2014~2015	2016	2017~2018	2019~2020	2021~
Grade 1 (Discount)	△5%	△5%	△5%	△7%	△10%
Grade 2 (Standard)	0%	0%	0%	0%	0%
Grade 3 (Premium)	+1%	+2.5%	+5%	+7%	+10%

* Banks (0.08%), Insurers and Financial Investment Companies (0.15%), Mutual Savings Banks (0.40%)

Differential Assessment of Insured Financial Institutions

In 2015, the KDIC implemented differential assessment of 312 insured financial institutions for the first time. No single objection was raised against the differential assessment results, which testifies to the fact that risk-based premiums were calculated fairly and accurately. Such outcome was possible due to the KDIC's ceaseless efforts to raise awareness of the system and guarantee the accuracy of the differential assessment results, including holding presentations on the system for the staff of insured financial institutions. The KDIC also steadfastly improved the relevant IT system called Risk-Based Premium System (RBPS) towards that end.

Table Ⅴ- 5

Presentations Held for Each Financial Sector

Financial Sector	Bank	Life Insurance	Non-life Insurance	Financial Investment	Mutual Savings Bank	Total
No.	7	1	1	1	5	15

Ongoing Improvement of the Risk-Based Premium System and Reflection of Opinions

In February and December 2015, the KDIC revised the Regulations on Operation of the Risk-Based Premium System and their enforcement rules so as to incorporate changes related to the revision of supervisory regulations for each financial sector, including the Basel III requirements, and to better serve the interests of insured financial institutions. This was a part of the efforts to solidify the foundation for efficient operation of the risk-based premium system.

In the past, the KDIC merely informed each insured financial institution of the applicable premium rate upon completion of risk assessment. Since September 2015, the KDIC has notified not only the premium rate but also information necessary for the institution to improve its risk profile and thus lower its premium rate based on comprehensive analysis of differential premium assessment findings, such as the relative position of the institution in its sector and the particular risks facing it. This will help make the risk-based premium system more effective toward encouraging insured financial institutions to autonomously improve their management and competitiveness.

In December 2015, the KDIC rewarded employees of insured financial institutions that achieved an outstanding improvement in their differential assessment grade and made a huge contribution to the development of the risk-based premium system, thereby increasing awareness of the system by attracting keen industry-wide attention.

The KDIC implemented a survey on overall awareness of the risk-based premium system, in which the findings are being used to improve the system. Working-level officers of insured financial institutions were surveyed to gauge their awareness and acceptance of the system and evaluate the KDIC's endeavors for effective execution of the system. The survey indicated that insured financial institutions were generally becoming more aware of the system and the KDIC's efforts, and that they were determined to maintain sound management.

The International Monetary Fund (IMF) and the International Association of Deposit Insurers (IADI) recommend adoption of the risk-based premium system. Considering five of the G7 members already have such a system in place, the KDIC's successful implementation of the system will help the Korean deposit insurance system fully meet international standards and will ultimately raise the nation's sovereign credit standing.

3. Management of Financial Institutions into Which Public Funds Were Injected

MOU Conclusion and Examination of MOU Implementation

Since 1999, the KDIC has entered into MOUs with 14 public fund recipients and monitored their compliance with business normalization requirements in the MOUs in order to increase their corporate value and recover public funds injected into them as early as possible. Beginning from April 2002, 11 MOUs signed with financial institutions, including one with Jeju Bank, were terminated when these institutions were sold or merged with another healthy financial institution (Kwangju and Kyongnam Bank on October 10, 2014 and Woori Financial Group on November 3, 2014). As of the end of 2015, the MOUs with Woori Bank, credit business unit of the National Federation of Fisheries Cooperatives, and Seoul Guarantee Insurance were under the KDIC's management.

Table Ⅴ-6

Conclusion of, Addition to, and Revision of the MOUs on Business Normalization

(As of Dec. 31, 2015)

Name of the Financial Institution	MOU Conclusion (Renewal)	Business Performance Targets in the MOU		MOU Termination
		Addition	Adjustment	
Woori Bank (former Hanvit Bank)	1999. 1.22[1)] (2000.12.30)	2003. 1.22 2005. 3.23 2007. 3.28 2009. 3.30 2011. 3.30 2012. 3.29 2013. 4.24 2014. 3.25 2015. 3.25	2004. 9.22 2007.12.26 2010. 3.23	-
Credit business unit of the National Federation of Fisheries Cooperatives	2001. 4.25	2005. 3.23 2007. 3.28 2009. 3.30 2011. 3.30 2012. 3.29 2013. 4.24 2014. 3.25 2015. 3.25	2003. 2.12 2003. 7. 9 2005.12.21 2007.12.26 2010. 3.23	-
Seoul Guarantee Insurance Corporation	2000. 4.12[1)] (2001. 6. 9)	2005. 6.22 2007. 7.18 2009. 6.10 2011. 6. 8 2012. 6.12 2013. 6.26 2014. 3.25 2015. 3.25	2002. 7.10 2006. 6.21 2007.12.26	-

Name of the Financial Institution	MOU Conclusion (Renewal)	Business Performance Targets in the MOU		MOU Termination
		Addition	Adjustment	
Jeju Bank	2000.12.30	-	-	Apr. 29, 2002 (Sold to Shinhan Financial Group)
Seoul Bank	2000.12.30	-	2001. 6.29	Dec. 1, 2002 (Sold to Hana Bank)
Chohung Bank	1999.11.12[1] (2002. 1.31)	-	-	Aug. 19, 2003 (Sold to Shinhan Financial Group)
Daetoo Investment & Securities	2000. 9.25[1] (2002. 2.20)	-	-	May 31, 2005 (Sold to Hana Bank)
Korea Investment & Securities	2000. 9.25[1] (2002. 2.20)	-	-	Mar. 31, 2005 (Sold to former Dongwon Financial Group)
Korea Life Insurance	2000. 4.12[1] (2001. 9. 5)	-	-	Dec. 12, 2002 (Sold to Hanwha Consortium)
Woori Credit Card (former Peace Bank)	2000. 6. 7[1] (2000.12.30)	-	2002. 3.25	Mar. 31, 2004 (Merged with Woori Bank)
Woori Merchant Bank	2000.12. 9	-	2001. 6.29	Aug. 1, 2003 (Merged with Woori Bank)
Woori Finance Holdings Co.	2001. 7. 2	-	2004. 9.22 2007.12.26 2010. 3.23	Nov. 3, 2014 (Merged with Woori Bank)
Kwangju Bank	2000.12.30	-	2004. 9.22 2007.12.26 2010. 3.23	Oct. 10, 2014 (Merged with JB Financial Group Co.)
Kyongnam Bank	2000.12.30	-	2004. 9.22 2007.12.26 2010. 3.23	Oct. 10, 2014 (Merged with BS Financial Group Inc.)

Note : 1) MOUs were signed between the corresponding insured financial institution, the KDIC and the Financial Supervisory Commission (the predecessor to the Financial Services Commission)

After a review of performance under the MOUs during the period from the third quarter of 2014 to the third quarter of 2015, the KDIC found that Woori Bank had partly failed to attain the targeted financial ratios for 2014.

Under Article 21(2) of its MOU Management Rules, the KDIC exempted Woori Bank from measures against its failure to meet some of its financial targets for 2014, given that the bank had recorded satisfactory financial ratios across the board with only a few minor exceptions. However, the KDIC issued an admonition against Woori Bank for insufficient performance of non-financial obligations including a lack of effort for efficient personnel management.

The KDIC will continue to closely monitor the progress in MOU implementation. It will also try to enhance the corporate value of public fund recipients by calling for their system enhancement when necessary.

Improvement in MOU Management Efficiency

Setting of Reasonable Targets for MOU Signatories and Formulation of MOU Management Improvement Measures

The KDIC applied a better method of goal setting for MOUs according to its 2010 and 2011 MOU Management Improvement Plan. The financial and non-financial targets for 2015 were set using this method. In the second half of 2015, the KDIC pressed for an improvement of its overall MOU management framework in order to attract investors for privatization of Woori Bank and to increase its corporate value (stock price) by promoting its managerial autonomy.

Major details of such improvement include 1)addition of a cumulative recovery rate threshold (over 50%) to the list of conditions for easing an MOU so as to provide incentives for timely public fund repayment by the corresponding financial institutions by such means as dividends; 2)specification of the requirements for termination of an MOU including establishment of a rationale to terminate an MOU by resolution of the FSC Public Fund Oversight Committee if the 'KDIC does not exercise practical managerial rights for such reasons as creation of oligopolistic stockholders due to successful sale'; 3)shift of focus in management of profitability indicators from cost control to result indicators (deletion of the cost-income ratio and adjusted operating income per person from the list of indicators, and addition of the ROE indicator concerning financial institutions meeting the requirements for MOU relaxation); and 4)exclusion of one-time/non-recurring factors in setting additional targets for financial institutions subject to the requirements for MOU relaxation, introduction of additional points regarding indicators showing satisfactory improvement against competitors in target achievement assessment, and elimination of the indicator-by-indicator failure system. The KDIC increased efficiency in its MOU management by encouraging decision-making focused on mid- to long-term performance and thus increasing managerial autonomy, which will improve the corporate value of the MOU signatories and expedite its public fund recovery.

In follow-up, the KDIC revised the MOU Management Rules in November 2015. It is currently assisting the FSC in amending the Enforcement Decree of the Special Act on the Management of Public Funds, and the amendment process will be completed in the first quarter of 2016.

Consultation with the Executives of Financial Institutions with an MOU with the KDIC

In examining performance of the MOUs, the KDIC considered major risk factors facing individual financial institutions, in addition to goal attainment under the MOUs. When it notified its findings, the KDIC cited issues affecting the corresponding institution that required immediate attention. When necessary, it required them to formulate and submit plans regarding how they would deal with the issues. Thus, the KDIC contributed to raising the corporate value of MOU signatories and addressed the limitations of follow-up MOU management.

Following 2014, the KDIC held a consolidated working-level workshop for personnel in charge of carrying out MOU-related affairs in December 2015. It sought to share information and improve understanding between itself and the financial institutions to raise the quality and efficiency of MOU management.

VI

Resolution of Insolvent Financial Institutions

1. Conservatorship of Insolvent Financial Institutions

Insolvent Financial Institutions in KDIC Conservatorship

Many insolvent mutual savings banks (MSBs) were placed into restructuring simultaneously in 2011. The restructuring of some of them continued into 2013 through 2015. Immediately after Golden Bridge Savings Bank was designated as insolvent on August 27, 2014, the KDIC was appointed as a conservator. According to the business suspension and P&A (Purchase and Assumption) order by the FSC on January 16, 2015, the KDIC swiftly resolved the bank through a 'P&A transaction with a third party in the course of normal operations.'

Table Ⅵ - 1

Receivership of Insolvent Financial Institutions Since 2013

Bank Name	Date of Biz Suspension	Current Status (Acquirer)	Date of P&A	Date of Bankruptcy Declaration
Seoul Savings Bank	Feb. 15, 2013	Bridge bank P&A (Yeju Savings Bank)	Feb. 15, 2013	Sep. 26, 2013
Youngnam Savings Bank	Feb. 15, 2013	Bridge bank P&A (Yesol Savings Bank)	Feb. 15, 2013	Sep. 26, 2013
Shilla Savings Bank	Apr. 12, 2013	Bridge bank P&A (Yeshin Savings Bank)	Apr. 12, 2013	Oct. 29, 2013
Green Non-Life Insurance	May 3, 2013	3rd-party P&A (MG Non-Life Insurance)	May 3, 2013	Nov. 1, 2013
Smile Savings Bank	Nov. 1, 2013	Bridge bank P&A (OSB Savings Bank)	Nov. 1, 2013	Apr. 29, 2014
Hanul Savings Bank	Dec. 27, 2013	Bridge bank P&A (Pepper Savings Bank)	Dec. 27, 2013	Jul. 1, 2014
Haesol Savings Bank	May 2, 2014	3rd-party P&A (Welcome Savings Bank)	May 2, 2014	Oct. 21, 2014
Hanmag Investment Securities	Jan. 15, 2014	P&A of assets deposited by investors (IM Investment & Securities)	Dec. 26, 2014	Feb. 16, 2015
Golden Bridge Savings Bank	Jan. 16, 2015	3rd-party P&A (Choeun Savings Bank)	Jan. 16,2015	Jun. 15, 2015

Table Ⅵ-2

Number of Staff Dispatched to Each MSB Suspended in 2015

(As of Dec. 31, 2015, Unit : No. of persons)

Name of Insolvent Financial Institution	Administrator	Assistant Administrators		Total
		General	Special	
Golden Bridge Savings Bank	1	1	4	6

Systematic Conservatorship of Insolvent Financial Institutions

The KDIC's dispatch of staff and provision of business support ensures orderliness in the conservatorship of insolvent financial institutions.

The KDIC produced and distributed a manual to help its employees stationed at insolvent financial institutions as administrators to do their job more effectively and efficiently. It also held quarterly meetings of administrators and their assistants to expedite performance of their duties and to better communicate with people in the field. For major issues facing each insolvent financial institution, it lessened the burden on the staff by rendering multi-faceted support to them through business consultation and legal review.

The KDIC sent one administrator and five assistant administrators to Golden Bridge Savings Bank suspended in 2014, according to its staffing standards based on the amount of assets and the number of branches of the suspended mutual savings bank. The KDIC managed to successfully conclude its resolution procedures with the assistance of professional staff including the administrator who helped to make necessary preparations for sound management of operations, asset control, and a P&A of the insolvent mutual savings bank.

To minimize damage to customers resulting from suspension of insured financial institutions, the KDIC has analyzed customer complaints received while restructuring mutual savings banks and implemented improvement measures.

The KDIC has expanded the customer response unit dedicated to handling customer complaints since 2014 to address the huge inevitable influx of telephone inquiries immediately following suspension of a mutual savings bank. It ceaselessly strives to offer 'user-oriented services' to assure customers that they can easily connect with bank employees by telephone and to prevent situations which would cause customer complaints.

2. Depositor Friendly Resolution of Insolvent Financial Institutions

Resolution of Insolvent Financial Institutions and Improvement of the Resolution System

Beginning in the latter half of 2012, the KDIC introduced a resolution system that does not disrupt the normal flow of financial transactions. It closed mutual savings banks declared insolvent at the close of business hours on a Friday and then completed a P&A to a bridge bank over the weekend so that business could resume on the following Monday. This helped to minimize inconvenience arising from interruption of financial services.

In the second half of 2012 and the first half of 2013, the KDIC used P&A transactions with a bridge bank to swiftly resolve insolvent mutual savings banks based on 'resolution without interruption in financial services.' Managing and selling the bridge banks, however, was a substantial burden. To rectify the situation, the KDIC employed a robust new resolution system named 'P&A with a third party during normal operations,' beginning with Smile Savings Bank in the latter half of 2013. The system reduces both inconvenience to depositors and the KDIC's burden concerning management and sale of bridge mutual savings banks, and greatly accelerates the restructuring of insolvent mutual savings banks.

The KDIC pursued the same arrangement for Haesol Savings Bank, declared insolvent in October 2013. For Haesol Savings Bank, a P&A transaction with Welcome Savings Bank was completed in May 2014. For resolution of Golden Bridge Savings Bank, which fell into insolvency in August 2014, a P&A transaction with Choeun Savings Bank during normal operations was completed in January 2015, which maintained the momentum for resolving insolvent financial institutions without disruption to financial transactions.

In addition to the above-mentioned changes, the KDIC played a pivotal role in international joint researches initiated by the IADI including the establishment of a Subcommittee on P&A.

The IADI requested that the KDIC, which has extensive experience in resolution through P&A, chair the Subcommittee. The KDIC has been leading the Subcommittee as Chair in cooperation with other deposit insurers in the IADI.

Table Ⅵ - 3

Resolution of MSB Failures that Occurred in 2014 and 2015 (P&A with a third party in the course of normal operations)

Name of MSB	Date of Declaration of Insolvency	Date of P&A (=Date of Business Suspension)	Acquiring Institution
Haesol Savings Bank	Oct. 10, 2013	May 2, 2014	Welcome Savings Bank
Golden Bridge Savings Bank	Aug. 27, 2014	Jan. 16, 2015	Choeun Savings Bank

Details of Resolution in 2015

On August 27, 2014, the FSC declared Golden Bridge Savings Bank insolvent, prompting the KDIC to immediately embark on resolution of the bank.
After being declared insolvent and subject to certain measures including a business improvement order, Golden Bridge Savings Bank failed to perform the order. In response, the FSC requested on October 14, 2014 that the KDIC work out a solution to handle the bank.

At the request of the FSC, the KDIC made a bidding announcement on October 17, 2014 to find a buyer who will purchase all the shares in the bank or take over its assets and liabilities. The KDIC selected Welcome Savings Banks, Choeun Savings Bank, and Michang Oil Ind. as prospective acquirers. Then, the KDIC determined that a P&A transaction with Choeun Savings Bank would be the most appropriate resolution option after a least cost test as provided in Article 38-4 of the Depositor Protection Act. After the KDIC gave notice of the fact, the FSC decided to arrange a P&A transaction with Choeun Savings Bank and KR&C during normal operations on January 16, 2015 regarding a part of Golden Bridge Savings Bank's assets and liabilities.

Choeun Savings Bank assumed each individual deposit of Golden Bridge Savings Bank totaling KRW 50 million or less. Starting on January 19, 2015, a depositor with KRW 50 million or less at Golden Bridge Savings Bank was allowed to engage in financial transactions with Choeun Savings Bank under the original terms and conditions (maturity, agreed interest rate, etc.).

Table Ⅵ - 1

Diagram of Resolution of Golden Bridge Savings Bank through a P&A Transaction with a Third Party during Normal Operations

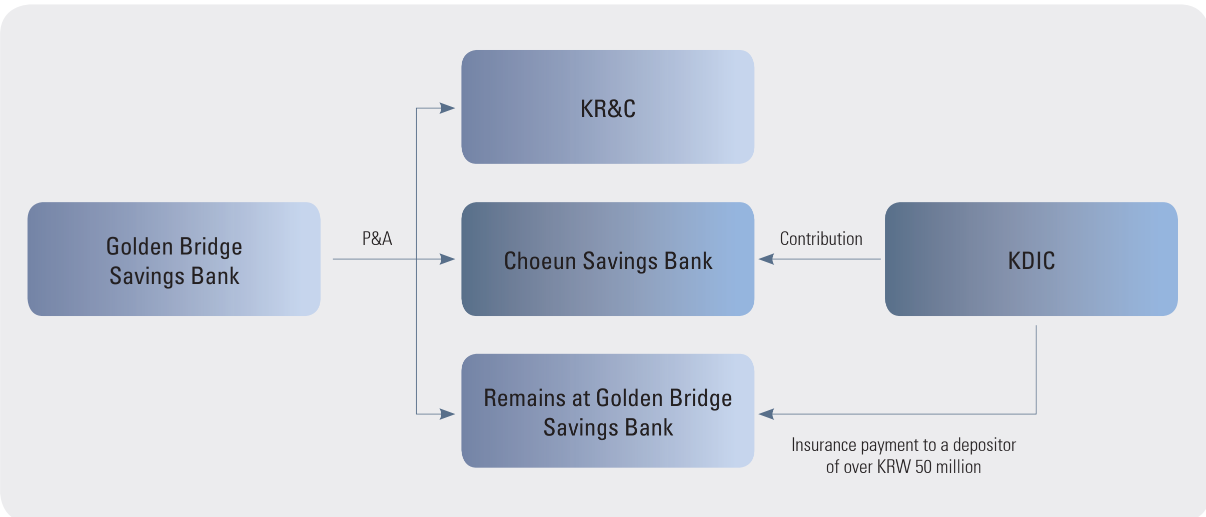


Table Ⅵ-4

Developments of P&A Transaction during Normal Operations for Golden Bridge Savings Bank

Date	Details	Remarks
Apr. 21 - May 30, 2014	• Examination of Golden Bridge Savings Bank	FSS
Jun. 10, 2014	• Prior notice of a business improvement order to Golden Bridge Savings Bank	FSC
Jun. 30, 2014	• Golden Bridge Savings Bank's submission of a business improvement plan to the FSC	-
Jul. 31, 2014	• Management Assessment Committee's decision to not approve the business improvement plan	Mgmt. Assessment Committee
Aug. 27, 2014	• Declaration of Golden Bridge Savings Bank as insolvent and imposition of a business improvement order	FSC
Oct. 14, 2014	• Report of non-compliance with the business improvement order (recapitalization)	-
Oct. 14, 2014	• Request to the KDIC to express opinions on how to handle Golden Bridge Savings Bank	FSC
Oct. 17 - 28, 2014	• Bidding announcement and LOI (letter of intent) receipt for resolution of Golden Bridge Savings Bank	KDIC
Nov. 26, 2014	• Designation of Choeun Savings Bank as the preferred bidder based on final bids and the outcome of the least cost test	KDIC
Dec. 5, 2014	• Presentation of opinions on how to handle Golden Bridge Savings Bank to the FSC	KDIC
Dec. 5, 2014	• Prior notification of the revocation of business authorization for, and administrative measures against, Golden Bridge Savings Bank	FSC
Dec. 17, 2014	• Public hearing for the revocation of business authorization for, and administrative measures against, Golden Bridge Savings Bank	FSC
Jan. 12, 2015	• Decision on financial support for a P&A transaction	Deposit Insurance Committee
Jan. 14, 2015	• Imposition of administrative measures (business suspension, P&A decision, etc.)	FSC
Jan. 16, 2015	• Business suspension of Golden Bridge Savings Bank and P&A transaction	-
Jan. 19, 2015	• Equity contributions to Choeun Savings Bank	KDIC

3. Management of Special Assets of Insolvent Financial Institutions

Status of Special Assets

Overview

Since 2011, financial authorities have suspended many mutual savings banks from operation including those affiliated with Busan Bank owing to deteriorating business conditions resulting from the prolonged slowdown in the real estate market, among other things. Many of the assets of these insolvent mutual savings banks were classified as special assets. As of the end of 2015, the KDIC was managing a total of KRW 11,441.8 billion in special assets, based on the amount of loans.

Special assets are those acquired through illegal means by, for example, establishing an SPC (special purpose company) under a borrowed name by persons closely related to a bank such as stockholders, granting of loans by the bank to such persons, and implementing a large-scale construction project such as apartment construction in Korea or abroad. Thus, there are numerous legal disputes among the interested parties concerning such assets, which can be extremely varied, ranging from artworks to luxury foreign vehicles. They must be managed very closely and appropriately in consideration of their nature to maintain their value.

The KDIC launched the Department of Special Asset Management and Recovery in the second half of 2011 for precisely that purpose. As of the end of 2015, the department was reorganized into one department and one office (Department of PF Asset Recovery and Office of Complex Asset Recovery).

Table Ⅵ - 5

Loans Related to Special Assets by Type

(As of Dec. 31, 2015, Unit: No., KRW 100 million)

Loans			Investments (Value, B)	Total (A+B)
Project Type	Number of Project Sites	Amount (A)		
Apartments, etc.	382	6,007.5	141.1 (14 Sites)	11,441.8
Resorts, etc.	38	1,101.2		
Golf Clubs	28	1,129.1		
Distribution Centers, etc.	74	1,113.4		
Ship Investments	3	307.1		
Overseas Construction	10	615.0		
Other (Mausoleums, etc.)	21	590.7		
General Loans	25	436.7		
Total	581	11,300.7	141.1	11,441.8

Table Ⅵ - 6

Management of Special Assets by Type

Special assets	Assets purchased with PF loans (apartments, resorts, golf clubs, and ships), artworks, foreign vehicles				
Asset Typ	**General PF Loans**	**Golf Clubs**	**Ships**	**Artworks**	**Foreign Vehicles**
How They Are Managed	Individually	Focused/ consolidated	Focused/ consolidated	Focused/ consolidated	Focused/ consolidated

Management of Special Assets

Beginning from business suspension of mutual savings banks, the department in charge of management of special assets identifies the current status of special assets by ascertaining the loan underwriting process pertinent to the special assets, analyzing related rights, and inspecting business sites. At the same time, it analyzes factors reducing the value of such assets and determines what needs to be done to efficiently manage them.

In addition, the KDIC preferentially handles recovery of special assets whose value is expected to drop sharply such as project sites regarding which authorizations, permits, or licenses are to expire soon. It consults with outside experts and formulates sales strategies appropriate for each type of asset for maximum recovery.

Ensuring Maximum Recovery of Special Assets

Recovery Management System

The KDIC employs a consistent management system for special assets held by mutual savings banks from business suspension to the completion of bankruptcy proceedings.

To secure financial resources through on-site investigations for recovery of special assets, it takes measures needed to preserve creditor claims including provisional seizure of the property concerned. Then, it devises recovery strategies, including those for sale, suitable for each type of asset based on advice from outside experts. It follows the general procedure for their sale including public announcement and bidding. Finally, it carries out follow-up management including collection of payment for assets sold. The four-phase process is summarized as follows:

Table Ⅵ - 7

Four-Phase Special Asset Recovery Process

Pursuit of Sale Immediately After Business Suspension			
Phase 1 Preservation Measures	**Phase 2 Strategy Development**	**Phase 3 Sale**	**Phase 4 Ex-post Management**
Status of business is examined and measures for preservation of creditor claims are taken	Plans for asset recovery and sale are developed	Recovery procedures including sale are performed	Ex-post management after sale is performed

Table Ⅵ - 8

Types and Sale Procedures of Special Assets

Categorization of Special Assets	PF Loans	Overseas Assets	Ships	Other Assets (Artworks, etc.)
Sale Procedures	**Selection of Advisor, etc.** • Accounting firms, law firms, etc.	**Due Diligence** • Identification of claim categories • Value appraisal, etc.	**Market making** • Hosting of investment seminars • Preparation of bid packages • Discovery of prospective buyers	**Sale** • Public announcement of sale • Follow-up management

Based on investigation findings, similar assets are grouped together, and dedicated managers are assigned to each asset for more efficient recovery.

The KDIC set up the Asset Recovery Advisory Committee comprised of external experts from academia and the financial, legal, and accounting communities to enhance fairness and transparency in the sale of special assets. The Committee serves as an advisory body, deliberating on and receiving reports on important issues related to the sale of special assets. Since 2014, the KDIC hosted eight investor seminars in Seoul and seven major provincial cities including Busan to offer necessary information to prospective investors. In the process, it listened closely to the potential investors and provided them with the information that they had indicated in surveys as being most important.

The KDIC maintains cooperative ties with the agencies concerned for effective management and recovery of special assets. In close cooperation with the Public Prosecutors' Office, which is in charge of investigating irregularities involving major shareholders and other related parties of insolvent mutual savings banks, it swiftly takes over seized assets to preserve its claim as creditor. It also submits regular reports on special asset management to the court of competent jurisdiction. For efficient recovery of special assets located in foreign countries including Cambodia, the KDIC utilizes expert groups including local law firms and maintains close relations with Korean embassies abroad to resolve local legal and administrative issues.

Recovery Process

The procedure for the disposal of special assets is as follows: estimation of proper prices considering the characteristics of the project (usually construction) concerned and marketability of the collateral; development of a recovery plan appropriate for the project and assets; selection of a sales advisor; and sale with open bidding.

For the sale of special assets at fair value, the KDIC selects an accounting firm to conduct a feasibility study for a development project. Based on legal consultation by outside professionals including attorneys, priority of claims and any legal issues associated with the asset is analyzed. Then, a recovery plan is formulated to dispose of the asset in the most effective and expeditious manner possible, followed by the sales process.

Table Ⅵ - 9

Types of Outside Experts Retained by the KDIC for Asset Sale

Asset Type	Development Project, Stock, etc.	Ships	Artworks	Foreign Cars
Advisor, etc.	Accounting firms, securities companies	Ship brokerage companies	Specialized auction companies	Registration agents/ specialized auction companies

In the case of special development projects like those funded by project finance, the KDIC conducts a feasibility study which includes a calculation of the liquidation value and going concern value. It then determines whether to continue or stop the project. A project whose liquidation value exceeds going concern value is directly sold or put up for a public or court auction. There are also other ways to recover assets such as debt restructuring negotiations with parties affiliated with the project.

For artworks, it held an exhibition tour at major sites prior to their auction to build interest.

The entire sale process is evaluated on a quarterly basis. In case of underperformance, a report is written to identify the causes and necessary measures are taken. Except for cases which take a long time to resolve due to complicated issues such as legal disputes, the KDIC seeks early recovery of loans based on consultation with creditors, consultation with interested parties, or debt restructuring negotiations.

Recovery Performance

The KDIC strived to maximize recovery by using its special asset recovery management system. Since 2011, its annual recovery has registered steady growth. By the end of 2015, it had collected KRW 2,895.2 billion in total.

Table Ⅵ - 10

Recovery of Special Assets by Type

(As of Dec. 31, 2015, Unit: KRW 1 billion)

Type	Recovery Performance					
	2011	2012	2013	2014	2015	Total
Real Estate	82.8	156.7	334.6	804.8	865.5	2,244.4
Golf Clubs	-	10.0	21.2	15.8	31.7	78.7
Ships	0.3	21.9	66.1	87.1	119.9	295.3
Stock	-	83.8	64.1	21.4	18.3	187.6
Foreign Assets	5.8	0.9	3.8	35.7	8.1	54.3
Other (artworks, etc.)	-	5.3	4.9	8.6	16.1	34.9
Total	88.9	278.6	494.7	973.4	1,059.6	2,895.2

VII

Management of Bankruptcy Estates and Acquired Assets

1. Management of Bankruptcy Estates

Management Status of Bankruptcy Estates

KDIC's Role as Bankruptcy Trustee

A bankruptcy trustee is a "person appointed by court to manage the assets of a bankruptcy estate and handle its affairs in accordance with bankruptcy procedures" (Legal Glossary; Ministry of Government Legislation). Upon declaration of bankruptcy, a court appoints a bankruptcy trustee who shall determine the date of the first meeting of creditors and the like [Article 312(1) of the Debtor Rehabilitation and Bankruptcy Act].

Under the Debtor Rehabilitation and Bankruptcy Act, a bankruptcy trustee possesses, manages and disposes of the assets held by a bankruptcy estate, assesses their value, and distributes the proceeds of asset sales to creditors with court approval. A bankruptcy trustee must fulfill his duties by exercising due care and shall be liable to render compensation for losses incurred by stakeholders as a result of his neglect of due care [Article 361 of the same Act].

The Special Act on the Management of Public Funds, designed to efficiently raise and manage public funds, provides for a special case concerning bankruptcy procedures: If an insured financial institution that received public funds is dissolved or bankrupt, in turn necessitating an efficient recovery of the funds, the KDIC or its employee shall be appointed as a liquidator or bankruptcy trustee notwithstanding applicable laws [Article 20(1) of the same Act; December 22, 2015].

Accordingly, KDIC bankruptcy trustees were appointed to 44 bankruptcy estates of insured financial institutions nationwide, either as solitary trustees or in groups of two or more, as of the end of 2015. In close consultation with a court, they pursued efficient and swift implementation of bankruptcy procedures to maximize the recovery of public funds.

Efficient Management of Bankruptcy Estates

The KDIC established its Regional Supervisor System in July 2007, according to which it groups the bankruptcy estates scattered all over the country into eight regional groups for more efficient management. A single bankruptcy trustee takes responsibility for multiple bankruptcy estates located in the region under his/her charge. This consolidation of bankruptcy estates has indeed increased the efficiency in management of employees and asset holdings; prevented cash seepage; and significantly reduced the costs of rent, building maintenance, office supplies, and the like.

Table Ⅶ- 1

Appointment of Trustees

(As of Dec. 31, 2015, Unit: No. of estates)

Category	Total No. of Bankruptcy Estates[1]	Trustees		
		KDIC Employee	Attorney	Joint[2]
No. of Bankruptcy Estates	44	43	-	1

Note : 1) Excluding legally terminated bankruptcy estates (446), and estates of 14 failed credit unions which were transferred to the National Credit Union Federation of Korea

2) Bankruptcy estates to which KDIC (or its employee) was jointly appointed as trustee with an attorney, etc.

The KDIC has several schemes in place to prevent financial incidents and to improve work efficiency. For instance, it regularly rotates employees stationed at bankruptcy estates including trustees. It hosts annual workshops for bankruptcy trustees in which they are encouraged to share their experience and know-how and provides them with estate management guidelines and business instructions. In July and December of 2015, the KDIC held workshops for bankruptcy estate staff for recovery capacity building in Seoul, metropolitan areas, and Chungcheong-do.

In order to boost recovery of funds by bankruptcy estates, the KDIC began offering special bonuses as incentives to the staff at bankruptcy estates who achieve considerable progress in the liquidation of real estate, recovery of non-performing loans, etc.

Improvement of Debt Rescheduling

Since 2001, the KDIC has employed a debt rescheduling system for debtors of bankruptcy estates not expected to normally repay their loans, given their financial conditions and debt service capacity. It has consistently improved the debt rescheduling scheme.

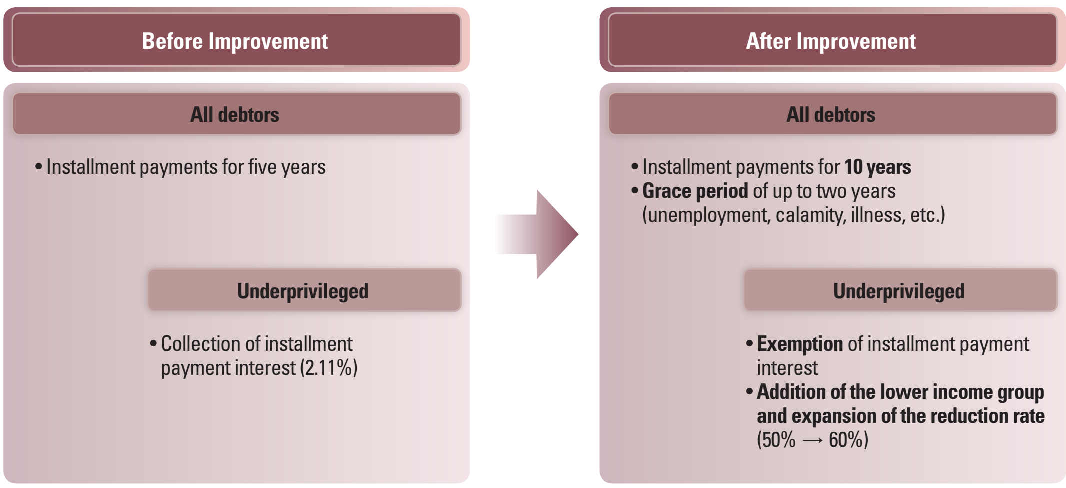
In 2015, it waged a debt rescheduling campaign for debtors who have been in default for over 10 years. It recovered KRW 6.5 billion from 1,598 long-term overdue debtors and reduced their debts by KRW 21.1 billion in an effort to efficiently collect bankruptcy claims and promote their financial self-rehabilitation.

With respect to debt rescheduling, the KDIC increased the permitted duration of installment payments from five years to 10 years. It introduced a system where a grace period may be granted to debtors in the event of their unemployment, calamity, or illness. It permitted the underprivileged, including basic livelihood aid recipients and disabled or aged persons, to repay debts in installments without any interest. For lower-income earners with incomes below a certain threshold, the principal reduction rate was increased from 50% to 60% as part of expansion of debt rescheduling services.

With a series of actions to enhance its debt rescheduling system, the KDIC has lessened the financial burden on ordinary people. At the same time, it will make ceaseless efforts to recover public funds granted to bankrupt mutual savings banks more efficiently.

Figure Ⅶ- 1

Institutional Improvement for Debt Rescheduling Services



Maximization of Asset Marketability and Dividend Collection

The KDIC streamlined operations in an effort to sell off assets owned by bankruptcy estates in an efficient and prompt manner. To boost asset sales and improve potential buyers' information access, it established the KDIC Public Auction Information, an IT system dedicated to customized public auction information, by overhauling its existing information services available on its webpage.

The KDIC made various efforts for asset sale by means of utilizing the Korea Asset Management Corporation's OnBid electronic bidding system. It began to regularly announce public auctions by asset on Thursday, ensuring predictability and convenience for users.

In order to publicize assets for sale to potential buyers, the KDIC regularly forwarded information on sales of real estate held by bankruptcy estates by e-mail and text messages. It explored potential demand for investment all year round by introducing promising sale items in various events for financial consumers by such means as investment presentations, investor meetings, and the Chosun Ilbo Money Expo.

The KDIC established the Fund Asset Status Tracking System, also known as the FASTs, for efficient management of assets owned by bankruptcy estates. The system has greatly improved asset management by facilitating systemic and ongoing identification of asset status per type and per asset targeted for sale.

In 2008, the KDIC established the Credit and Dividend Information System (CDIS) to improve bankruptcy estates' efficiency in recovering claims and managing dividend collection and payment.

The KDIC incessantly strives to maximize dividends collection and accelerate public fund recovery by efficient management of bankruptcy estates.

Timely Closure of Bankruptcy Estates

With respect to bankruptcy estates whose bankruptcy proceedings have been so drawn out that they can not be managed efficiently any more, the KDIC pursues legal closure of inefficient bankruptcy estates after evaluation and sale of remaining assets and final distribution of dividends, based on consultation with a competent court. Such early termination of inefficient bankruptcy estates maximizes dividend payments to bankruptcy creditors.

As of the end of December 2015, 446 out of a total of 490 bankruptcy estates were declared closed by the court and the KDIC plans to proceed with early closure of the remaining 44 estates by selling off remaining assets.

Table Ⅶ- 2

Sales of Assets Owned by Bankruptcy Estates

(As of Dec. 31, 2015, Unit: No. of sales, KRW 1 billion)

Category	2013		2014		2015	
	No.	Amount	No.	Amount	No.	Amount
Real Estate	406	262.6	304	521.9	238	309.7
Non-listed Stocks	32	4.0	90	10.4	132	11.8
Golf and Condominium Membership, etc.	26	15.7	23.5	10.4	19	2.3

* Number and volume of sales by means of public sale of assets and negotiated contracts

Even after closure of bankruptcy estates, the KDIC commissions each regional supervisor to carry out follow-up management including the provision of public information services and resolution of legal issues.

Table Ⅶ- 3

Bankruptcy Estates[1] That Were Closed or Are Still Open

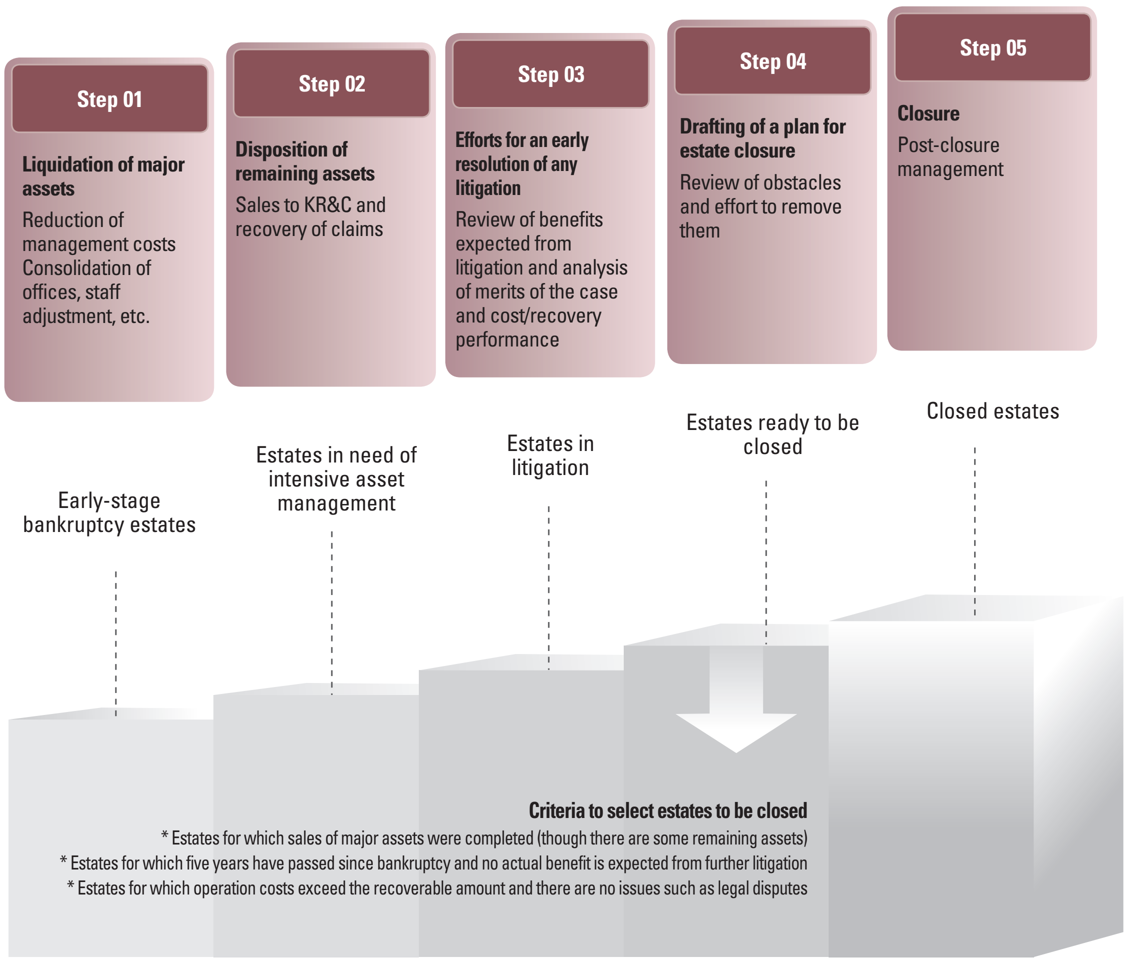
(As of Dec. 31, 2015, Unit: No. of estates, %)

Category		Banks	Insurers	Investment Firms	Merchant Banks	Savings Banks	Credit Unions	Total
Total No. of Estates(A)		5	11	6	22	121	325	490
Closed	No. of Closed Estates (B)	5	10	4	21	81	325	446
	Closure Rate (B/A×100)	100	91	67	95	67	100	91
Remaining Estates (A-B)		0	1	2	1	40	0	44

Note: 1) Including all bankruptcy estates tied to the DIF and DIF Bond Redemption Fund

Figure Ⅶ- 2

Bankruptcy Estate Management from Establishment to Termination



2. Management of Assets Acquired from Insolvent Financial Institutions

Assets Acquired from Insolvent Financial Institutions

By year-end 2015, the KDIC had acquired a total of KRW 49,058.0 billion in assets (based on acquisition costs) through a resolution financial institution (Korea Resolution & Collection, called KR&C). Of that amount, KRW 6.7 billion worth of assets (based on acquisition costs) were acquired in 2015.

In December 1999, the Resolution & Finance Corporation (RFC, currently the KR&C) was established to acquire assets of Korea First Bank (KFB) which the acquirer (New Bridge Capital) refused to take over and KFB's put-back options, along with assets that had not been assumed by any acquirer in the process of restructuring of other failed financial institutions. By the end of 2015, with borrowings from the DIF Bond Redemption Fund of the KDIC, the RFC had acquired assets worth KRW 49,058.0 billion (based on acquisition costs). This included KRW 7,838.6 billion from KFB, KRW 158.8 billion from five acquiring banks (Kookmin, H&CB, Shinhan, Hana, and Koram), KRW 355 billion from five failed life insurance companies (Kookmin, Dong-A, Taepyongyang, Handuk, and Korea), KRW 1,307.2 billion from the sale of three financial investment companies (Korea, Daehan, and Hyundai), KRW 372.8 billion from 467 bankruptcy estates, KRW 514.7 billion from 37 mutual savings banks*, and KRW 38,510.9 billion from the absorption of Hanareum Merchant Bank and Hanareum Mutual Savings Bank.

* Hanmaum, Hanjung, Arim, Good Friend, Daewon, Hongik, Kyongbook, Hyundai, Bundang, Jeonbuk, Eutteum, Jeonil, Busan, Busan 2, Busan Central, Daejeon, Jeonju, Bohae, Domin, Kyongeun, Ace, Jeil, Jeil 2, Jinheung, Tomato, Tomato 2, Parangsae, Prime, Hanju, Gyeonggi, Shilla, Seoul, Youngnam, Smile, Hanul, Haesol, and Golden Bridge

Efficient Management of Assets Acquired from Insolvent Financial Institutions

The KR&C quickly acquires troubled assets of insolvent financial institutions to expedite the P&A process, and purchases remaining assets from bankruptcy estates to expedite their closure.

As of the end of 2015, the balance of assets held by the KR&C stood at KRW 10,178.4 billion, of which KRW 788.1 billion was directly managed by the KR&C while the remaining KRW 9,390.3 billion was entrusted to outside agencies for efficient management.

In addition, the KDIC devises and implements recovery methods suitable for each type of asset to increase the value of assets held by the KR&C and ensure timely recovery. It recovers loans by means of using services from specialized external agencies for loan collection and modification. It pursues recovery through regular joint public auctions for securities and real estate, and through collection of bankruptcy dividends for indemnity claims.

Table Ⅶ-4

Assets Acquired by the Resolution Financial Institution in 2015

(As of Dec. 31, 2015, Unit: KRW 1 billion)

Category		Amount of Claims	Amount Purchased	Note
KR&C	Bankruptcy Estates	594.9	0.6	9 bankruptcy estates including that of Kyongbook Savings Bank
	Failed Savings Banks	16.6	6.1	Golden Bridge Savings Bank

Table Ⅶ- 5

Assets Acquired by the Resolution Financial Institution (Accumulated)

(As of Dec. 31, 2015, Unit: KRW 1 billion)

Category		Amount of Claims	Amount Purchased	Note
KR&C	Banks	9,869.3	7,997.4	6 banks (including Korea First Bank)
	Insurance Companies	403.2	355.0	5 life insurers
	Investment Companies	2,532.4	1,307.2	3 investment companies
	Bankruptcy Estates	9,629.6	372.8	467 estates (5 banks, 10 insurers, 4 investment firms, 22 merchant banks, 87[1] savings banks, 339 credit unions)
	Mutual Savings Banks	2,642.5	514.7	37 mutual savings banks
	Subtotal	250,77.0	10,547.1	-
Hanareum Merchant Bank[2]	Merchant Bank	33,058.8	32,662.5[3]	16 merchant banks
Hanareum Savings Bank[2]	Savings and Loan Institution	7,984.8	5,848.4[3]	41 mutual savings banks
Total		66,120.6	49,058.0	-

Note : 1) Including 14 bankruptcy estates transferred to the responsibility of the National Credit Union Federation of Korea on Jan. 1 of 2010
2) Resolution financial institutions eligible for the KDIC's deposit protection (based on the classification criteria for public fund assistance)
3) Claims acquired in return for deposit payoffs (excluding write-offs)

Figure Ⅶ- 3

Duties of the KR&C

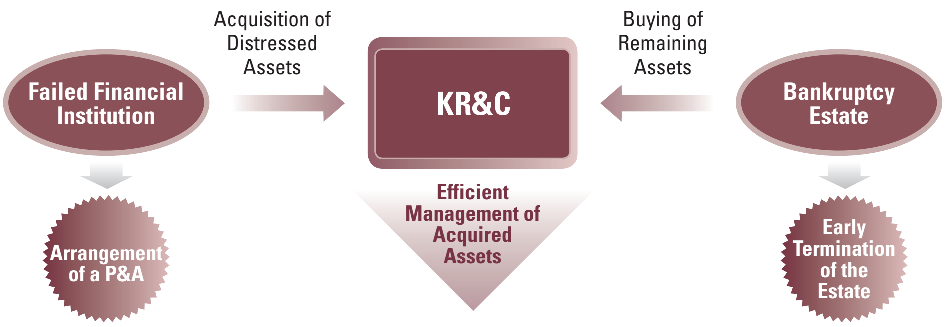


Table Ⅶ- 6

Assets Owned by the KR&C (Balance)

(As of Dec. 31, 2015, Unit: KRW 1 billion)

Asset Type	Directly Managed	Commissioned to Outside Experts for Management	Total
Loans	42.4	9,325.8	9,368.2
Securities	31.3	-	31.3
Indemnity Receivables	641.4	-	641.4
Real Estate, etc.	73.0	64.5	137.5
Total	788.1	9,390.3	10,178.4

Note: Compensation for damages claims and etc. are excluded

VIII

Promotion of Sound Business Management and Accountability for Insolvency

1. Investigations into Insolvent Financial Institutions

Improvement of Efficiency in Investigations Into Illegal and Wrongful Acts at Insolvent Financial Institutions

According to Article 21-2 of the Depositor Protection Act, the KDIC conducts investigations into insolvent financial institutions for any illegal or wrongful acts. The KDIC then requires the financial institutions to claim damage against the parties* who caused losses to the financial institutions by illegal or wrongful acts and hold them liable.

* Current or former officers or employees of insolvent financial institutions, persons who instruct others to perform duties as prescribed in the Commerce Act, debtors who have not performed obligations to insolvent financial institutions, and other third parties

The KDIC found it imperative to systematically investigate unlawful activities by insolvent financial institutions and default debtor companies in close collusion with those institutions. It organized the Insolvency Investigation Division in March 2008 by merging the Investigation Department in charge of investigations into insolvent financial institutions and the Special Investigation Mission for Default Debtor Corporations responsible for investigations into default debtor companies. Structured as two bureaus and two departments, the Insolvency Investigation Division had 80 members as of end-2015 including seconded officers from related organizations such as the Public Prosecutors' Office. For increased efficiency of investigations, the Division not only utilizes the expertise and know-how of the seconded officers but actively seeks data from appropriate organizations.

The KDIC refers illegal activities revealed in investigations to the Accountability Review Committee for Insolvent Financial Institutions for fair and objective review. The Committee is made up of external experts from the legal services industry, academia, financial industry, etc. Legal and financial experts were appointed as members of the Committee to cope with the increasing diversity and complexity of accountability issues involved in large-scale failures

Table Ⅷ- 1

Investigations into Illegal and Wrongful Activities Regarding Insolvent Financial Institutions (Accumulated)

(As of Dec. 31, 2015, Unit: No. of cases, No. of persons)

Category	Redemption Fund		DI Fund	
	No. of Institutions	No. of Persons Responsible for the Failures	No. of Institutions	No. of Persons Responsible for the Failures
Banks	15	191	-	-
Investment Companies	6	65	-	-
Insurance Companies	18	244	1	6
Merchant Banks	22	160	-	-
MSBs	86	789	45	506
Credit Unions[1]	325	4,146	-	-
Total	472	5,595	46	512

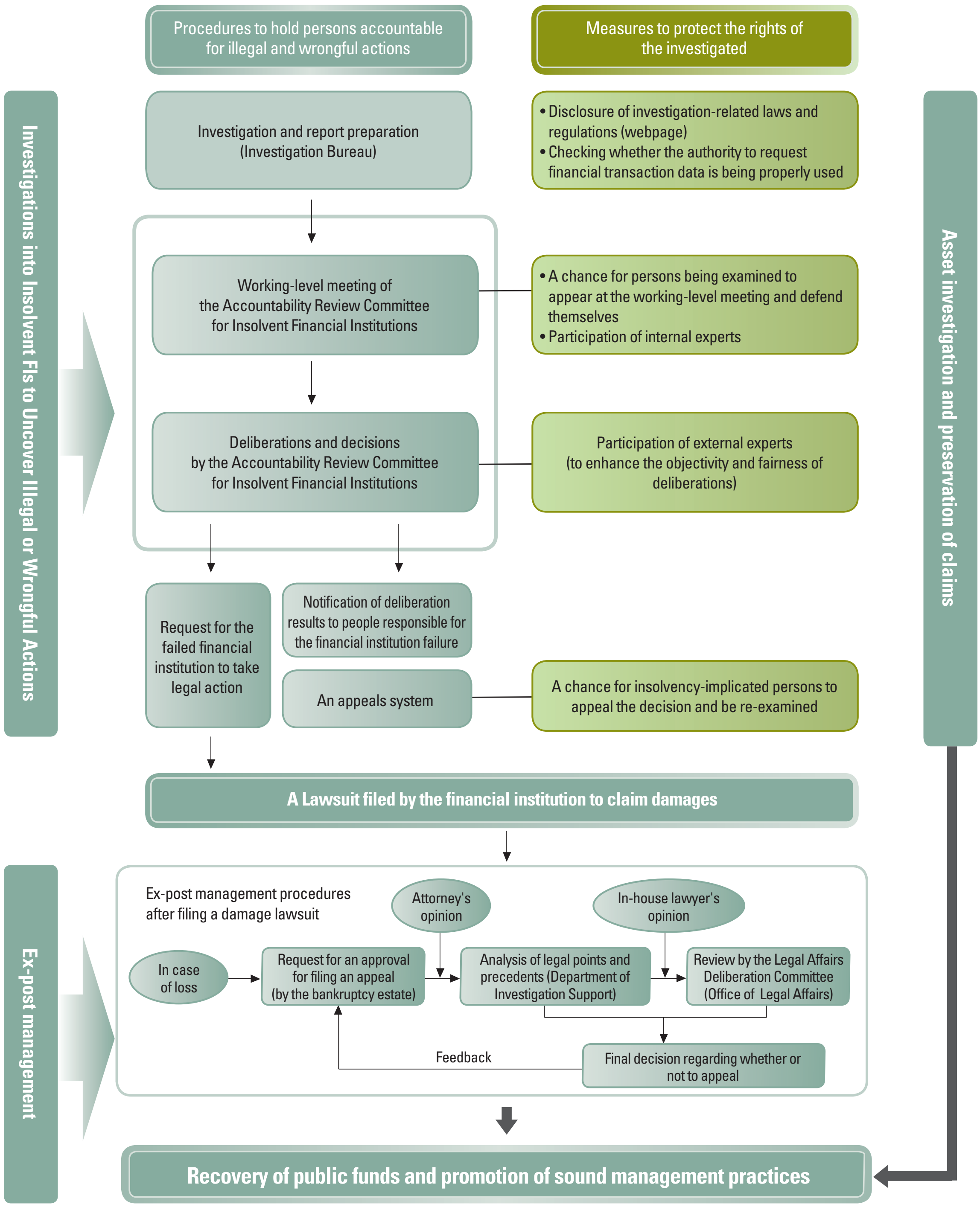
Note : 1) 14 credit unions which were transferred to the National Credit Union Federation on Jan. 1, 2010 were not included.

of mutual savings banks and suspension of insurance companies that happened in the past five years. As a result, the KDIC is improving its expertise in the review of illegal and wrongful acts.

By the end of 2015, deliberations on accountability for financial institution failures resulted in a confirmation of accountability for 6,107 persons in 518 insolvency cases. The KDIC requested the insolvent financial institutions and their bankruptcy estates to file for damages against these people.

Figure Ⅷ- 1

Procedures to Hold Persons Accountable for Their Illegal and Wrongful Acts and the System to Protect the Rights of the Investigated



Damage Claim Proceedings against Insolvency-Implicated Persons

Following the KDIC's request for seeking damage, insolvent financial institutions and their bankruptcy estates have filed damage claims against persons involved in insolvencies. By the end of 2015, damage claims for KRW 1,811.8 billion were instituted against 9,013 persons implicated in insolvencies of financial institutions into which funds of the Deposit Insurance Fund (DIF) Bond Redemption Fund had been injected. Most of the lawsuits have come to a close. The KDIC is now striving to collect monetary sanctions from insolvency-implicated persons, which was finalized by a court ruling, by various means including foreclosure on their property.

The KDIC also requests that insolvent financial institutions and their bankruptcy estates file litigation claiming damages against persons involved in insolvencies of mutual savings banks that received financial support from the Deposit Insurance Fund. By the end of 2015, damage claims for KRW 442.2 billion were filed against 682 persons implicated in failures of 46 mutual savings banks.

The KDIC provides support and conducts ex-post management of legal actions taken by insolvent financial institutions and their bankruptcy estates following the KDIC's demand for damage claims and preservation of creditor claims. The KDIC established the Litigation Support Team mainly comprised of legal experts, including attorneys, to enable a clear and

Table Ⅷ- 2

Lawsuits Filed in Relation to Insolvent Financial Institutions that Received Financial Assistance from the Redemption Fund

(As of Dec. 31, 2015, Unit: No. of cases, No, of persons, KRW 1 billion)

Category	Banks	Investment Companies	Insurance Companies	Merchant Banks	MSBs	Credit Unions[1]	Total
No. of Failed Financial Institutions	15	6	18	22	85	311	457[3]
No. of Defendants	191	83	276	181	1,026	7,256	9,013
Amount Claimed	100.4	34.2	243.5	304.8	543.3	585.6	1,811.8
Amount Awarded	47.1	21.8	1,34.6	54.8	405.6	320.8	984.7
Amount Collected[2]	10.2	5.4	21.8	66.0	92.3	76.9	272.6

Note: 1) 14 credit unions which were transferred to the National Credit Union Federation of Korea on Jan. 1, 2010 were excluded
2) The amount of damages actually collected through the court's enforcement procedures, etc.
3) Excluding 15 companies that did not institute legal action after investigation completion for such reasons as voluntary repayment and liability exemption.

Table Ⅷ- 3

Lawsuits Filed in Relation to Insolvent Mutual Savings Banks that Received Financial Assistance from the Deposit Insurance Fund

(As of Dec. 31, 2015, Unit: No. of cases, No, of persons, KRW 1 billion)

No. of Failed Financial Institutions	No. of Defendants	Amount Finalized[1]	Amount Awarded	Amount Collected[2]
46	682	184.9	139.6	49.6

Note : 1) Claimed amount: KRW 442.2 billion; pending litigation KRW 257.3 billion
2) The amount of damages actually collected through the court's enforcement procedures, etc.

logical presentation of defense and submission of evidence. To allow an additional lawsuit to be filed immediately if more assets of persons implicated in insolvencies are found, the KDIC established a plan to improve management of outstanding claims for damages. In addition, it held a workshop for legal representatives of bankruptcy estates in the course of damage suits to promote sharing of necessary know-how and maximize the possibility of winning lawsuits. It also published a collection of litigation cases that addressed legal issues of major court decisions and distributed it to all of the bankruptcy estates in order to improve their litigation efforts.

Stepped-Up Protection of Rights of Persons Subject to Accountability Investigations

The KDIC seeks to protect the legitimate rights of persons subject to accountability investigations and to prevent any undue damage to them. It thoroughly safeguards their rights from commencement of investigations to final determination of accountability.

Upon commencement of investigations on-site, the KDIC informs the investigated parties of how the investigations will proceed and how they can give an explanation of their situation and raise objection in any phase of investigations. The KDIC permits them to attend deliberations in person to defend themselves and grants them the right to request new deliberations.

In 2015, the KDIC formulated standards to handle objections raised by persons subject to accountability investigations, safeguarding the rights of those under investigation more rigorously. It set a deadline for handling objections at each stage, from receipt of objection to notification of results. It provided updated information on any new developments in objection handling to alleviate the uneasiness of those being investigated, and it explained, in detail, the results of its objection review to them to better protect their rights.

The KDIC intends to protect the rights of the investigated by preventing any infringement on their rights and any undue damage while still stringently holding them accountable for any wrongful acts.

2. Investigations Into Default Debtor Corporations

Investigations Into Illegal and Wrongful Acts of Default Debtor Corporations

By the end of 2006, the KDIC's former Special Investigation Mission for Default Debtor Corporations completed its investigations into insolvent default debtor corporations that failed to pay their debts to public fund-injected insolvent financial institutions. In 2007, it began to investigate illegal and wrongful acts of default debtor corporations of mutual savings banks that had received financial assistance from the Deposit Insurance Fund.

In 2008, it was reorganized into the Insolvency Investigation Division following a merger with the Investigation Department in charge of investigations into insolvent financial institutions. In 2013, Investigation Bureau II was set up to take responsibility

Table Ⅷ- 4

Investigations against Default Debtor Corporations

(As of Dec. 31, 2015, Unit: No. of cases, No. of persons)

No. of Corporations Investigated On-site	No. of Insolvency-Implicated Persons
322	845

for default debtor companies. This reinforced investigations into unlawful or wrongful actions by default debtor companies and increased the effectiveness of claim recovery by securing assets held by persons involved in insolvencies. In December 2015, Investigation Bureau I and II were respectively renamed as the Financial Institution Investigation Bureau and the Corporation Investigation Bureau.

After reviewing the Insolvency Investigation Division's investigation results regarding illegal and wrongful acts of default debtor corporations, the Accountability Review Committee for Insolvent Financial Institutions confirmed as of the end of 2015 that 845 persons were responsible for financial institution failures and gave notice to the insolvent financial institutions and their bankruptcy estates so that they could start damage claim proceedings against those persons.

Support for Damage Claim Proceedings Against Insolvency-Implicated Persons of Default Debtor Corporations

Based on steadfast assistance and follow-up management of insolvent financial institutions and their bankruptcy estates, the KDIC seeks to ensure that the same legal measures as applicable to persons responsible for their failures are taken against default debtor companies' personnel at fault. In compliance with the KDIC's request, insolvent financial institutions and their bankruptcy estates filed 208 suits claiming KRW 997 billion of damages in total against persons implicated in insolvencies as of the end of 2015.

Table Ⅷ- 5

Lawsuits Filed in Relation to Default Debtor Corporations

(As of Dec. 31, 2015, Unit: No. of cases, No. of persons, KRW 1 billion)

No. of Companies	No. of Defendants	Amount Claimed	Amount Awarded	Amount Collected[1)]
322	1,230	997.0	459.7	118.7

Note : 1) The amount of damages actually collected through the court's enforcement procedures, etc.

3. Investigations Into Properties Owned by Insolvency-Implicated Persons

Stricter Investigations Into Assets Located in Korea

The KDIC endeavors to maximize its fund recovery and create a climate of sound management at insured financial institutions. Towards that end, it holds insolvency-implicated persons stringently to account by systematically tracking and reclaiming the assets held by responsible personnel at failed financial institutions (including their bankruptcy estates) or concealed by them with the help of a third party.

By utilizing its right to request data guaranteed by the Depositor Protection Act, the KDIC requests the National Court Administration, central administrative agencies, local governments, public institutions, and financial institutions to provide information on the assets of insolvency-implicated persons. Amendment of the Act in December 2015 allows the KDIC's timely acquisition of tax information from tax offices, which is expected to improve the KDICs capability to track concealed assets.

In response to the increasing sophistication and diversity of asset concealment techniques, the KDIC holds regular meetings of the Working-Level Information Sharing Council involving eight agencies: the KDIC, Supreme Prosecutors' Office, National Tax Service, Korea Customs Service, Seoul Main Customs, Seoul Metropolitan Government, Korea Credit Guarantee Fund, and the Korea Technology Finance Corporation. This has further solidified its cooperation with important organizations.

The KDIC conducted property investigations to bring to account the insolvency-implicated persons of the 30 mutual savings banks, which were suspended and declared insolvent in or after 2011 such as Busan Savings Bank, and Green Non-Life Insurance and to recover related claims. It found KRW 287.4 billion in

Figure Ⅷ-2

Flow Chart of Domestic Asset Investigation

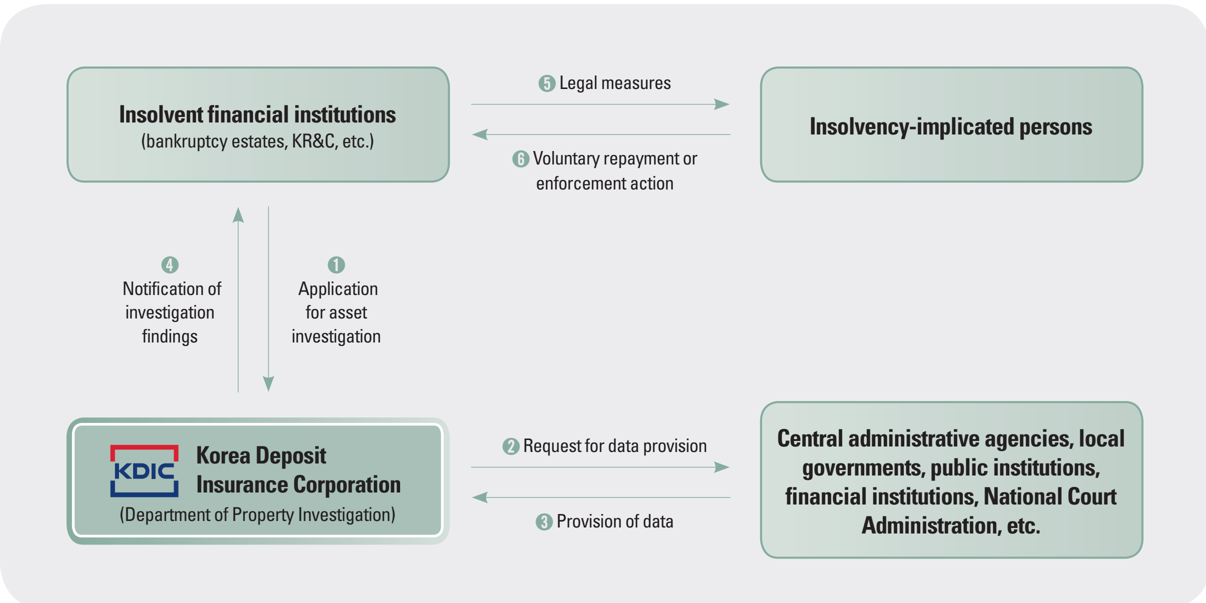


Table Ⅷ- 6

Asset Investigations and Claims Preservation Measures Taken in Relation to MSB Failures that Occurred in 2011 and Afterward

(As of Dec. 31, 2015)

Category	Assets Uncovered		Claims Preservation	
	Financial Assets (KRW 1 bn)	Real Estate (No. of lots)	(Provisional) Seizure[1] (KRW 1 bn)	Provisional Disposition (No. of cases)
Responsible Parties	287.4	5,259	489.1	45

Note : 1) The amount claimed on the (provisional) seizure order

financial assets and 5,259 lots of real estate owned by such persons including large stockholders and employees who had inflicted losses upon the failed financial institutions by illegal or wrongful acts. Those financial institutions took appropriate legal action by way of (provisional) seizures of assets worth KRW 489.1 billion in total and 45 provisional injunctions as of the end of December 2015.

Expanded Investigations Into Assets Located Overseas

The KDIC embarked on investigation of overseas assets owned by insolvency-implicated persons in 2002. It began a full-swing investigation into offshore assets in September 2006 in the US, Canada, Japan, Australia, China, New Zealand, and the Philippines.

Due to business suspension of numerous mutual savings banks, a rapidly increasing number of persons became implicated in insolvencies starting in 2011. In addition, insolvency-implicated persons became more sophisticated in their ability to conceal their assets. Since 2014, the KDIC expanded investigations involving assets in 37 countries.

It established a network for investigation into offshore assets and diversified investigation channels by pursuing cooperation with the Supreme Prosecutors' Office and expanding independent investigations. It conducted country-specific investigations by strengthening investigation into community property (that is equally owned by husband and wife) based on research on each country's systems and laws. In 2015, the KDIC carried out investigations of overseas assets concerning 563 persons highly likely to have concealed assets abroad, and this resulted in discovery of USD 12 million (equivalent to KRW 13.5 billion). In addition, it increased the number of candidate legal representatives for overseas litigation from 16 law firms in 12 countries to 26 law firms in 14 countries to enable quicker legal action.

As a result of these efforts, the KDIC recovered assets concealed abroad in the amount of USD 5.03 million (equivalent to KRW 5.8 billion) in 2015, a 2.2-fold increase from the previous year.

Table Ⅷ- 7

Recovery of Assets Hidden Overseas by Year

(As of Dec. 31, 2015, Unit: USD 1,000)

Year	2003~2007	2008	2009	2010	2011	2012	2013[1]	2014[1]	2015	Total
Amount	3,044	-	2	349	1,400	415	11,653	2,252	5,027	24,142

Note : 1) Reflects the difference due to currency conversion, etc.

Recoveries through the Concealed Property Report Center

The KDIC opened the Concealed Property Report Center in May 2002 to encourage reporting on concealed assets that cannot otherwise be found by regular and special property investigations and to maximize recovery of those assets.

Upon receipt of a report on concealed assets, a preliminary investigation including a cash-flow examination is carried out. Then, a report containing useful and valuable information is delivered to creditor financial institutions, which in turn take measures for claims preservation such as provisional seizure and consequently recover claims by means of a lawsuit for rectification of a fraudulent act and the like.

To promote reporting on concealed assets, the KDIC increased the maximum amount of a reward from KRW 1 billion to KRW 2 billion on May 15, 2015. For the sake of reporters' convenience, it set up a banner for reporting hidden assets on its website, simplifying the reporting process. It rigorously protects reporters' personal information under applicable laws including the Personal Information Protection Act and the Depositor Protection Act.

To enhance public participation in reporting of concealed assets, the KDIC employed numerous channels including subway and SNS advertisements and banner advertisements on the websites of related organizations (National Tax Service, Korea Federation of Banks, and Overseas Koreans Foundation). In the US, Canada, Japan, Australia, New Zealand, the Philippines, and Cambodia, it appointed local Koreans as public relations ambassadors and waged publicity campaigns through the websites and newsletters of Korean associations.

Through the end of December 2015, the KDIC received 311 reports, recovered KRW 36.2 billion in 56 cases, and paid out KRW 2.3 billion in rewards. As shown above, the Concealed Property Report Center fully performs its role as a hidden vanguard for recovery of concealed assets.

Figure Ⅷ- 3

Work Flow at the Concealed Property Report Center

Receipt of Report	Basic Investigation	Transfer of Reported Information	Recovery Procedures and Reward Payment
Review of a report including whether the reported person is implicated in insolvency and subsequent issuance of a receipt certificate	Confirmation of facts through cash-flow examination and on-site investigation	Notification of a report to creditor financial institutions when deemed appropriate	Payment of a reward (up to KRW 2 billion) to a reporter when recovery of concealed assets is completed

Table Ⅷ- 8

Number of Cases Reported, Number of Recoveries, and the Recovered Amount by Year

(As of Dec. 31, 2015, Unit: No. of cases, KRW 1 million)

Category	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
No. of Cases Reported	21	12	17	10	22	21	15	19	12	17	23	53	33	36	311
No. of Recoveries	-	1	1	2	3	8	4	2	4	2	5	9	7	8	56
Recovered Amount	-	3,156	374	231	11,791	6,184	2,637	2,830	605	1,058	825	2,553	732	3,203	36,179

4. Promotion of Sound Business Management Among Insured Financial Institutions

Preemptive measures to prevent financial institution failures have assumed renewed importance in the wake of the recent spate of business suspensions of mutual savings banks since 2011. Wrongful acts and moral hazard on the part of large shareholders and employees have been cited as the main causes of their insolvencies.

To prevent financial incidents of mutual savings banks and ensure their sound management, the KDIC gives training designed for specific groups of their employees.

Insolvency Prevention Training for Employees of Mutual Savings Banks

The KDIC provided on-site training on prevention of insolvencies to employees of mutual savings banks in operation. They were taught about the laws and regulations that apply to their day-to-day operations and other useful information including detailed inspection items for each type of financial failure, recent insolvency cases, and relevant court rulings.

In 2015, the KDIC improved the training textbook by explaining actual insolvency cases in a readily understandable manner and increasing visibility and interest. Even after training sessions, it regularly made the latest court decisions available online to promote information sharing and build interest.

To ease the burden on employees of mutual savings banks of frequent on-site training sessions and to improve the training, the KDIC expanded joint training aligned with educational support services of Department of Risk Management II.

Table Ⅷ- 9

Insolvency Prevention Training for Mutual Savings Banks Employees for the Past Five Years

(As of Dec. 31, 2015, Unit: No. of banks, No. of persons)

Description	2011	2012	2013	2014	2015
Number of MSBs	35	43	60	67	78
Number of Trainees	1,026	1,581	1,788	1,810	2,614

Table Ⅷ- 10

Joint Training for Mutual Savings Banks

Description	2014	2015
Number of MSBs	3	8
Number of Trainees	52	204

Regional Meetings of Executive Loan Officers

The KDIC holds regional meetings of executive loan officers to direct attention to the risks associated with the lending business, which is vulnerable to improprieties including illegal or improper granting of loans. Starting in 2013, it visited mutual savings banks in major cities including Daegu and Gwangju on a quarterly basis to introduce cases of unjustified lending and explain the consequences confronted by insolvency-implicated executives; address inquiries and difficulties faced by executive loan officers; and find ways to overcome challenges together. In 2015, the KDIC worked hard to create a climate of sound management in many ways including increasing the scope of participants to compliance officers.

Workshop for Personnel of Mutual Savings Banks

The KDIC holds an annual workshop for auditors of all mutual savings banks to ensure that they have the expertise to properly conduct audits of business affairs and to strengthen internal control. In 2015, it hosted a workshop not just for auditors, but for all relevant personnel of mutual savings banks in coordination with the Department of Risk Management II to reduce the burden on attending auditors and deal with mutual savings banks' increasing demand for information on business strategies.

The KDIC plans to establish a culture in which the rule of law is respected and to create a climate of sound management for insured financial institutions.

IX

Fund Management

1. Deposit Insurance Fund Bond Redemption Fund
2. Deposit Insurance Fund

1. Deposit Insurance Fund Bond Redemption Fund

As of January 1, 2003, under the Public Fund Redemption Plan (Redemption Plan) devised by the government in 2002, the assets and liabilities of the Deposit Insurance Fund (DIF) related to the restructuring process that was undertaken after the 1997 Asian financial crisis were separated from the Fund and put into a new fund called the Deposit Insurance Fund Bond Redemption Fund (Redemption Fund). The Redemption Fund was established to facilitate the financial restructuring efforts as well as recovery and repayment of public funds. The new DIF, which is funded by insurance premiums paid by KDIC-insured financial institutions, has been used for the operations of the KDIC concerning insurance events that have occurred since 2003.

Stable Financing

Special Assessment Payments

Pursuant to Article 30-3 of the Depositor Protection Act and Article 16-4 of its Enforcement Decree, insured financial institutions, for the period from 2003 to 2027, are required to pay a given percentage of their deposit balances (the arithmetic mean of liability reserves and premium revenues in case of insurance companies) to the KDIC as Special Assessment Payments (SAPs). Banks must pay the SAPs within one month following the end of each quarter and other insured financial institutions within three months following the end of each fiscal year. In 2015, the KDIC received KRW 1,406.8 billion in SAPs.

Table Ⅸ- 1

Special Assessment Payment Rates by Financial Sector

Sector	Banks	Investment Companies	Insurance Companies	Merchant Banks	Mutual Savings Banks	Credit Unions
Rates	1/1,000	1/1,000	1/1,000	1/1,000	1/1,000	5/10,000[1)]
Legal Limits	3/1,000	3/1,000	3/1,000	3/1,000	3/1,000	3/1,000

Note : 1) The rate for credit unions was changed from 1/1,000 to 5/10,000, effective from 2007

Table Ⅸ- 2

Special Assessment Payments from Each Financial Sector

(Unit: KRW 1 billion)

Year	Banks	Investment Companies	Insurance Companies		Merchant Banks	Mutual Savings Banks	Credit Unions[1]	Total
			Life	Non-life				
2003	477.5	15.6	88.9	18.5	2.1	22.2	-	624.7
2004	495.6	16.8	97.8	19.8	0.6	26.4	-	657.0
2005	487.2	14.5	106.9	21.9	0.5	31.9	-	662.8
2006	498.7	15.1	116.0	24.2	0.6	37.0	21.6	713.3
2007	502.7	15.6	126.5	27.8	0.7	43.0	11.6	728.0
2008	497.6	18.5	136.4	31.9	0.8	49.1	12.9	747.2
2009	596.5	16.9	143.0	35.2	1.0	59.3	13.7	865.6
2010	681.1	21.3	153.4	40.9	1.9	71.5	17.0	987.1
2011	778.9	22.7	165.0	48.7	1.2	71.8	20.5	1,108.7
2012	851.8	22.6	176.0	59.2	1.0	52.1	22.8	1,185.5
2013	897.3	20.2	229.7	70.7	0.9	39.4	24.8	1,283.0
2014	959.0	20.0	238.6	79.0	0.7	32.3	26.3	1,356.0
2015	978.6	17.9	261.7	89.6	0.7	30.8	27.5	1,406.8
Total	8,702.4	237.9	2,039.8	567.2	12.6	566.8	198.6	12,325.5

Note : 1) Credit unions make payments from 2006 to 2017

Contributions from the Public Fund Redemption Fund

In accordance with the Redemption Plan, the KDIC had received a total of KRW 52,306.4 billion in contributions from the Public Fund Redemption Fund during the 4-year period from 2003 to 2006 and partially repaid the principal and interest of the Deposit Insurance Fund Bonds (DIF Bonds) issued on or before December 31, 2002, as provided in Article 4 of the Act on the Fund for Repayment of Public Funds. The KDIC has not received any more contributions from the Public Fund Redemption Fund since 2007.

Deposit Insurance Fund Bonds Issued On or Before December 31, 2002 and Their Redemption

As stipulated in Article 26-2 of the Depositor Protection Act, the KDIC may issue DIF Bonds. The KDIC issued a total of KRW 87,159.9 billion in DIF Bonds from 1998 to 2002.

With the establishment of the Redemption Fund in 2003, the outstanding balance of DIF Bonds amounting to KRW 80,974.4 billion as of the end of 2002 was transferred to the Redemption Fund. All DIF Bonds issued on or before December 31, 2002 that matured afterwards were repaid with contributions from the Redemption Fund, money raised by issuing DIF Bond Redemption Fund Bonds (Redemption Fund Bonds), Special Assessment Payments, and other recovered funds, etc. in accordance with the Redemption Plan as of the end of 2008.

Table Ⅸ-3

Issuance and Redemption of DIF Bonds Issued before Dec. 31, 2002

(Unit: KRW 1 billion)

Year	Issued Amount	Redeemed Amount	Balance
1998	21,015.0	-	21,015.0
1999	22,484.9	-	43,499.9
2000	8,940.7	-	52,440.6
2001	31,059.3	1,464.0	82,035.9
2002	3660.0	4,721.5	80,974.4
2003	-	9,737.1	71,237.3
2004	-	16,622.7	54,614.6
2005	-	18,090.4	36,524.2
2006	-	19,063.6	17,460.6
2007	-	6,067.2	11,393.3
2008	-	11,393.3	-
Total	87,159.9[1)]	87,159.9	-

Note: 1) Total amount issued (accumulated) including conversion issue

Issuance and Repayment of Redemption Fund Bonds

Under Article 26-3 of the Depositor Protection Act, the KDIC is authorized to issue Redemption Fund Bonds to repay the principal and interest of DIF Bonds issued on or before December 31, 2002. In 2015, the KDIC issued Redemption Fund Bonds in the amount of KRW 880 billion through public offering at a fixed rate and a 5-year maturity. The KDIC repaid KRW 4,690 billion that matured in 2015, and the outstanding balance of Redemption Fund Bonds as of the end of 2015 was KRW 14,710 billion.

Table Ⅸ-4

Issuance and Redemption of Redemption Fund Bonds

(Unit: KRW 1 billion)

Year	Issued Amount	Redeemed Amount	Balance
2004	6,500.0	-	6,500.0
2005	7,440.0	-	13,940.0
2006	2,870.5	315.5	16,495.0
2007	2,720.0	45.0	19,170.0
2008	8,800.0	10.0	27,960.0
2009	5,860.0	6,500.0	27,320.0
2010	6,810.0	7,440.0	26,690.0
2011	780.0	3,730.0	23,740.0
2012	4,770.0	5,690.0	22,820.0
2013	7,270.0	7,570.0	22,520.0
2014	1,010.0	5,010.0	18,520.0
2015	880.0	4,690.0	14,710.0
Total	55,710.5	41,000.5	14,710.0

Borrowings

Pursuant to Article 26 of the Depositor Protection Act and Article 15 of its Enforcement Decree, the KDIC is authorized, when necessary for payment of deposit 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 other institutions specified in Article 15(3) of the Enforcement Decree. Up to 2002, the KDIC borrowed funds from the Special Account for Government Investment and Financing, the International Bank for Reconstruction and Development (IBRD), the Asian Development Bank (ADB), and KDIC-insured financial institutions.

The balance of the previous borrowings of the KDIC was transferred to the Redemption Fund, which was established in 2003. As the KDIC was exempted from repaying all previous borrowings from the Special Account for Government Investment and Financing as of January 1, 2003 in accordance with the Redemption Plan, it has not borrowed any money since 2003 under the Redemption Fund's lines of credit. In 2013, the KDIC repaid KRW 116.8 billion (USD 100 million) for the principal of loans from the IBRD. As of the end of 2015, there was no outstanding balance.

Table Ⅸ-5

Borrowings and Loan Repayment of the Redemption Fund

(Unit: KRW 1 billion)

Year	Borrowed Amount				Repaid Amount	Balance
	Member Institutions	Loans[1]	Special Account for Government Investment and Financing	Subtotal		
Amount Received	7,601.1	-	-	7,601.1	-	7,601.1
1998	329.5	241.6	1,058.2	1,629.3	933.7	8,296.7
1999	1,387.0	1,201.6	2,625.4	5,214.0	3,387.0	10,123.7
2000	9,002.8	1.3	3,953.3	12,957.4	980.2	22,100.9
2001	-	0.8	4,967.2	4,968.0	11,019.6	16,049.3
2002	-	-	5,955.3	5,955.3	0.3	22,004.3
2003	-	-	-	-	19,599.3	2,405.0
2004	-	-	-	-	1,116.8	1,288.2
2005	-	-	-	-	353.8	934.4
2006	-	-	-	-	116.8	817.6
2007	-	-	-	-	116.8	700.8
2008	-	-	-	-	116.8	584.0
2009	-	-	-	-	116.8	467.2
2010	-	-	-	-	116.8	350.4
2011	-	-	-	-	116.8	233.6
2012	-	-	-	-	116.8	116.8
2013	-	-	-	-	116.8	-
Total	18,320.4	1,445.3	18,559.4	38,325.1	38,325.1	-

Note: 1) Loans from the International Bank for Reconstruction and Development (IBRD) and the Asian Development Bank (ADB), etc.

Financial Assistance

Overview

The KDIC provides financial assistance from the Redemption Fund in the form of deposit payoffs as well as equity investment, contributions, loans, etc. to resolve insolvent financial institutions. The Redemption Fund provided a total of KRW 10 million in financial assistance during 2015, all of which was in the form of contributions.

The total amount of public funds provided from the Redemption Fund for the restructuring of insured financial institutions came to KRW 110,894.5 billion as of the end of 2015. This amount includes KRW 30,312.4 billion (27.3%) in payment of deposits for depositors of insolvent financial institutions, KRW 50,793.7 billion (45.8%) in equity investment for business normalization, KRW 18,611.7 billion (16.8%) in contributions for P&As, and KRW 11,176.7 billion (10.1%) for the purchase of other assets.

Table Ⅸ-6

Financial Assistance and Deposit Insurance Payments from the Redemption Fund (2015)

(Unit: KRW 1 million)

Sector	Equity Investment	Capital Contributions	Asset Purchase	Loans	Deposit Insurance Payments	Total
Banks	-	-	-	-	-	-
Investment Companies	-	-	-	-	-	-
Insurance Companies	-	10	-	-	-	10
Merchant Banks	-	-	-	-	-	-
Mutual Savings Banks	-	-	-	-	-	-
Credit Unions	-	-	-	-	-	-
Total	-	10	-	-	-	10

Table Ⅸ-7

Financial Assistance and Deposit Insurance Payments from the Redemption Fund (Accumulated)

(As of Dec. 31, 2015, Unit: KRW 1 billion)

Sector	Equity Investment	Capital Contributions	Asset Purchase[1]	Loans	Deposit Insurance Payments	Total
Banks	22,203.9	13,918.9	8,106.4	-	-	44,229.2
Investment Companies	9,976.9	414.3	2,123.9	-	11.3	12,526.4
Insurance Companies	15,919.8	3,119.2	349.5	-	-	19,388.5
Merchant Banks	2,693.1	743.1	-	-	18,271.8	21,708.0
Mutual Savings Banks	0.1	416.1	-	596.9	7,289.2	8,302.3
Credit Unions	-	-	-	-	4,740.2	4740.2
Total	50,793.7	18,611.7	10,579.9	596.9	30,312.4	110,894.5

Note : 1) Including financial assistance through the resolution financial institution

Assistance for Each Sector of the Financial Industry

A. Banks

In 2015, the KDIC did not provide any funds to banks in the form of deposit insurance claim payments, equity investment, contributions, or loans from the Redemption Fund.

B. Insurance Companies

KB Life Insurance, based on the contribution agreement that it signed with the KDIC when it took over Hanil Life Insurance, requested the KDIC to settle dormant claims paid upon customer requests from December 1, 2014 to May 31, 2015. Thus, the KDIC paid KRW 10 million in additional contributions from the Redemption Fund in 2015.

C. Investment Companies

In 2015, the KDIC did not provide any funds to investment companies in the form of deposit insurance claim payments, equity investment, contributions, or loans from the Redemption Fund.

D. Mutual Savings Banks

In 2015, the KDIC did not provide any funds to mutual savings banks in the form of deposit insurance claim payments, equity investment, contributions, or loans from the Redemption Fund.

Table Ⅸ- 8

Deposit Insurance Payments for Mutual Savings Bank Depositors by Year

(Unit: No. of banks, KRW 1 billion)

Year	No. of Failed MSBs	Amount of DI Payments
1998	17	1,470.5
1999	19	1,427.2
2000	11	650.0
2001	5	2,953.7
2002	10	771.9
2003	7	0.5
2004	8	2.6
2005	7	0.1
2006	8	0.3
2007	2	12.8
2008	-	△0.4
2009	1	-
2010	-	-
2011	-	-
2012	-	-
2013	-	-
2014	-	-
2015	-	-
Total	95	7,289.2

Table Ⅸ- 9

Financial Assistance to Mutual Savings Banks

(As of Dec. 31, 2015, Unit: KRW 1 billion)

Name	Equity Investment		Capital Contributions		Loans	
	Before 2014	2015	Before 2014	2015	Before 2014	2015
Gyeonggi (former Commit)	-	-	25.4	-	1,65.4	-
Kyungbuk (former Hanuri)	-	-	8.5	-	-	-
Daecheon (current Daejeon)	-	-	-	-	10.2	-
Domin (Keumkang)	-	-	2.8	-	70.9	-
Dongwon (Korea Investment)	-	-	6.3	-	78.3	-
Bumin (Busan)	-	-	24.3	-	-	-
Busan 2	-	-	-	-	27.1	-
Sangup (former Hyundai)	-	-	70.1	-	-	-
Saenuri	-	-	1.3	-	2.1	-
Solomon (former Gold)	-	-	66.3	-	-	-
New Choongbuk	-	-	-	-	16.1	-
Arim	-	-	-	-	61.5	-
Union	-	-	3.9	-	51.8	-
J-one	-	-	32.5	-	-	-
Choil	-	-	2.9	-	73.8	-
Choongnam (former New Onyang)	-	-	-	-	4.5	-
Choongil	-	-	-	-	8.9	-
Telson (former New Hankook)	-	-	77.5	-	-	-
Hanaro	-	-	42.2	-	-	-
Hanmaum	-	-	52.1	-	-	-
Haedong (Kyunggi)	-	-	-	-	26.3	-
KR&C	0.1[1)]	-	-	-	-	-
Total	0.1	-	416.1	-	596.9	-

Note : 1) Equity investment in Hanareum Savings Bank that merged into the Resolution & Finance Corporation at the end of December 2001

Maximization of Public Fund Recovery

Overview

Depending on the nature of the support extended, the KDIC uses a number of methods to recover public funds. Firstly, equity stakes received in exchange for financial assistance are liquidated. Secondly, for insolvent financial institutions whose liabilities exceed assets and for whom the KDIC made deposit payoffs or contributions, the KDIC directly participates in their bankruptcy process as a creditor and receives dividends. Thirdly, if the KDIC has taken over assets of, or extended loans to, an insured financial institution, it recovers the money through asset disposal or loan collection by various methods.

The accumulated amount of public funds recovered as of the end of 2015 totaled KRW 55,027.9 billion including KRW 1,624.3 billion recovered in 2015 alone.

Table Ⅸ- 10

Redemption Fund Recovery (2015)

(As of Dec. 31, 2015, Unit: KRW 1 billion)

Sector	Recovery of Equity Investment	Settlement of Capital Contributions, etc.	Asset Sales[1]	Recovery of Loans	Collection of Bankruptcy Dividends[1]	Total
Banks	249.9	0.01	27.3	-	-	277.2
Investment Companies	-	14.2	0.3	-	-	14.4
Insurance Companies	1,169.5	0.01	3.3	-	-	1,172.8
Merchant Banks	8.9	-	-	-	150.6	159.6
Mutual Savings Banks	-	-	-	-	0.2	0.2
Credit Unions	-	-	-	-	-	-
Total	1,428.4	14.2	30.9	-	150.8	1,624.3

Note: 1) Including recoveries through the resolution financial institution

Table Ⅸ- 11

Redemption Fund Recovery (Accumulated)

(As of Dec. 31, 2015, Unit: KRW 1 billion)

Sector	Recovery of Equity Investment	Settlement of Capital Contributions, etc.	Asset Sales[1]	Recovery of Loans	Collection of Bankruptcy Dividends[1]	Total
Banks	18,744.4	70.1	6,631.2	-	1,847.2	27,293.0
Investment Companies	1,212.1	337.3	1,800.7	-	7.8	3,357.9
Insurance Companies	5,087.2	88.8	245.3	-	431.0	5,852.3
Merchant Banks	169.5	5.9	-	-	9,119.6	9,295.0
Mutual Savings Banks	-	34.3	-	596.9	5,179.3	5,810.5
Credit Unions	-	0.4	-	-	3,418.8	3,419.2
Total	25,213.3	536.8	8,677.1	596.9	20,003.8	55,027.9

Note: 1) Including recoveries through the resolution financial institution

Sale of Equity Stakes, etc.

A. Banks

In 2015, the KDIC recovered KRW 249.9 billion (equivalent to its stake in the banking account) in dividends from Woori Bank. It also recovered KRW 27.3 billion by means of asset sale through KR&C.

B. Insurance Companies

In 2015, the KDIC recovered KRW 653.7 billion by selling 9.5% of its stake in Hanwha Life Insurance, and it recovered KRW 38.7 billion and KRW 477.1 billion through dividend collection from Hanwha Life Insurance and Seoul Guarantee Insurance, respectively. It recovered KRW 3.3 billion by selling assets through KR&C.

C. Investment companies

The KDIC recovered KRW 300 million by selling the assets that it purchased in the course of restructuring Hyundai Investment & Securities.

D. Merchant Banks

The KDIC recovered KRW 8.9 billion (equivalent to its stake in the mutual savings bank account) through dividend collection from Woori Bank.

Bankruptcy Dividends

In 2015, the KDIC (and KR&C) received KRW 150.6 billion in bankruptcy dividends from bankruptcy estates of merchant banks and KRW 200 million in bankruptcy dividends from bankruptcy estates of mutual savings banks. By the end of 2015, the cumulative total of money recovered through bankruptcy dividend collection was KRW 20,003.8 billion.

Recovery of Loans, etc.

By the end of 2015, the KDIC had provided KRW 596.9 billion in loans, all of which were recovered. By the end of 2015, it recovered KRW 536.8 billion by settlement of contributions, etc. In 2015, it recovered KRW 14.2 billion when it won the 'Hyundai SPC loss sharing lawsuit,' KRW 10 million from Hanwha Life Insurance in connection with its P&A, and KRW 14.2 billion in damage claims against the parties implicated in mutual savings bank failures.

Table Ⅸ-12

Bankruptcy Dividends Collection by Financial Sector[1)]

(As of Dec. 31, 2015, Unit: No. of estates, KRW 1 billion)

Sector	No. of Estates[2)]	Recovered Amount	
		2015	From 1999 to 2015
Banks	5	-	1,847.2
Investment Companies	4	-	7.8
Insurance Companies	10	-	431.0
Merchant Banks	22	150.6	9,119.6
Mutual Savings Banks	75	0.2	5,179.3
Credit Unions	325	-	3,418.8
Total	441	150.8	20,003.8

Note : 1) The amount of bankruptcy dividends collected by the KDIC from estates of failed financial institutions (in cases where the KDIC reimbursed depositors directly) and the KR&C (in cases where the KDIC repaid depositors through the former Hanareum Merchant Bank or Hanareum Savings Bank)
2) Based on bankruptcy estates tied to the Redemption Fund; the number of bankruptcy estates in Table Ⅶ-3 represents the combined number of estates tied to the Redemption Fund and the Deposit Insurance Fund

Recovery by the KR&C

The KR&C also employs a variety of means of recovery in addition to the traditional method of recovery-at-maturity. These include sales through M&A transactions, disposal of non-performing loans (NPLs) through joint venture special purpose companies (J.V. SPCs), and issuance of asset-backed securities (ABSs). By the end of 2015, the KR&C recovered a total of KRW 41,056.1 billion and repaid KRW 20,662.1 billion to the KDIC.*

* Amount of loans from the KDIC for the purpose of resolving insolvent financial institutions: KRW 33.8297 trillion

In 2015, the KR&C recovered a total of KRW 109.0 billion including KRW 48.5 billion by collecting loans receivable, KRW 6.3 billion by selling its securities, and KRW 54.2 billion in bankruptcy dividends based on the rights of indemnity. It repaid KRW 177.9 billion to the KDIC (including recoveries before 2015 in part).

Table Ⅸ- 13

Recovery from Sale of KR&C-Owned Assets

(As of the end of December 2015, Unit: KRW 1 billion)

Year	Asset Type	Assets Subject to Sale	Amount Recovered	Recovery Method
Amount recovered in 2015	Loans	Loans in KRW	48.5	Direct collection and litigation
		Loans in foreign currencies	-	
		Subtotal	48.5	
	Marketable securities	Listed and unlisted stock	6.3	Auction, sale on the stock market, and dividend collection
	Real estate	Business buildings, etc.	0	Auction, etc.
	Right of indemnity	Claims as subrogee for insured depositors, etc.	54.2	Bankruptcy dividend collection
	Total		109.0	-
Accumulated amount	Loans	Loans in KRW	10,331.5	International bidding, NPL sale, ABS issuance, etc.
		Loans in foreign currencies	3,072.6	
		Subtotal	13,404.1	
	Marketable securities	Listed and unlisted stock	6,187.7	Auction, block sale, etc.
	Real estate	Business buildings, etc.	622.0	Auction, etc.
	Right of indemnity	Claims as subrogee for insured depositors, etc.	20,842.3	Bankruptcy dividend collection
	Total		41,056.1	-

2. Deposit Insurance Fund

Stable Financing

Deposit Insurance Premiums

Pursuant to Article 30 of the Depositor Protection Act and Article 16 of its Enforcement Decree, insured financial institutions are required to pay the KDIC a given percentage of their deposit balances (in the case of insurance companies, the arithmetic mean of liability reserves and premium revenues) as insurance premiums. At present, banks must pay premiums within one month following the end of each quarter and other insured financial institutions within six months following the end of each fiscal year.

Table Ⅸ- 14

Insurance Premium Rates for Different Financial Sectors

Category	Banks	Investment Companies	Insurance Companies	Merchant Banks	Mutual Savings Banks
DI Premium Rates	8/10,000	15/10,000[1)]	15/10,000	15/10,000	40/10,000[2)]
Legal Limit	50/10,000	50/10,000	50/10,000	50/10,000	50/10,000

Note : 1) The premium rate assessed on customer depositors at securities firms deposited by investment firms was cut by 30% starting from 2007
2) The rate was changed in July, 2011 in accordance with the amended Enforcement Decree of the Depositor Protection Act (previously 35/10,000)

Table Ⅸ- 15

Deposit Insurance Premium Revenue by Financial Sector

(As of the end of December 2015, Unit: KRW 1 billion)

Year	Banks	Investment Companies	Insurance Companies		Merchant Banks	Mutual Savings Banks	Special Account[2)]	Total[4)]
			Life	Non-life				
2003[1)]	477.5	31.2	258.0	53.5	7.3	66.7	-	894.2
2004	496.0	33.6	283.2	57.1	1.7	79.3	-	950.9
2005	486.9	30.0	310.9	62.8	1.5	97.4	-	989.5
2006	498.7	30.3	336.2	69.7	1.9	111.6	-	1,048.4
2007	502.7	25.6	365.4	80.1	2.2	130.6	-	1,106.6
2008	480.8	30.5	393.4	91.8	2.4	148.3	-	1,147.2
2009	529.1	27.6	409.7	101.6	2.9	173.7	-	1,244.6
2010	545.1	28.4	260.9	69.8	3.4	252.4	-	1,160.0
2011	479.5	28.3	236.2	70.0	1.8	233.2	174.2	1,223.1
2012[5)]	374.8	0.2	△1.4[3)]	10.0	0.8	134.5	581.6	1,100.4
2013[5)]	394.8	-	22.1	48.8	0.8	25.3	667.2	1,159.0
2014[5)]	419.7	-	81.1	44.5	0.6	25.6	615.8	1,187.2
2015[5)]	436.9	-	128.0	71.0	0.4	6.4	712.0	1354.7
Total	6,122.4	265.8	3,083.7	830.6	27.6	1,484.9	2,750.9	14,565.9

Note : 1) Insurance premiums received up to 2002 were transferred to the DIF Bond Redemption Fund
2) The Special Account for Mutual Savings Bank Restructuring was established in April 2011 (to be maintained until the end of 2026)
3) There was a refund of some of the premiums paid before 2012
4) The credit union account in the DIF, which was transferred to the Korean Federation of Community Credit Cooperatives on January 1, 2010 was not included
5) According to implementation of the target fund system, insurance premiums were exempted or reduced in 2012 (exemption for financial investment and life insurance companies and 15% reduction for non-life insurance companies); in 2013 (exemption for financial investment companies, 45% reduction for life insurance companies, and 7% reduction for non-life insurance companies); in 2014 (exemption for financial investment companies, 38% reduction for life insurance companies, and 1% reduction for non-life insurance companies); and in 2015 (exemption for financial investment companies, and 17% reduction for non-life insurance companies)

Deposit insurance premiums collected up to 2002 were transferred to the Redemption Fund established under the Redemption Plan while deposit insurance premiums collected since 2003 have been placed in the Deposit Insurance Fund (DIF).

The KDIC set up the Special Account for Mutual Savings Bank Restructuring (Special Account) to improve the financial health of the mutual savings bank account in the DIF in accordance with Article 24-4 of the Depositor Protection Act amended in March 2011. The Special Account is funded by 45% of the yearly insurance premiums paid by KDIC-insured financial institutions (such ratio as determined by the Deposit Insurance Committee in the case of mutual savings banks), issuance of DIF Bonds to finance the Special Account, external borrowings, and recovered funds, etc.

The total amount of premiums received from insured financial institutions including the Special Account in 2015 remained at KRW 1,354.7 billion.

Contributions from Insured Financial Institutions

Article 24 of the Depositor Protection Act and Article 14 of its Enforcement Decree requires that a newly insured financial institution which obtained authorization for its operations or incorporation should contribute a specific proportion of its paid-in-capital or equity capital within one month of starting business in order to receive deposit insurance coverage. With the creation of the Redemption Fund, contributions received up to 2002 were transferred to the Redemption Fund, whereas contributions received since 2003 have been incorporated into the Deposit Insurance Fund.

Table Ⅸ- 16

Contributions from KDIC-insured Financial Institutions

(Unit: KRW 1 billion)

Year	Banks	Investment Companies	Insurance Companies		Merchant Banks	Mutual SavingsBanks	Special Account	Total[2]
			Life	Non-life				
2003[1]	0.03	-	0.65	0.2	-	-	-	0.88
2004	0.34	0.2	0.60	0.2	-	-	-	1.34
2005	0.22	0.2	-	-	-	1.25	-	1.67
2006	0.38	0.8	-	0.2	-	1.34	-	2.72
2007	-	-	-	-	-	-	-	-
2008	0.16	11.01	-	-	-	0.56	-	11.72
2009	0.77	4.31	0.42	0.34	0.02	0.78	-	6.63
2010	0.08	0.58	0.90	0.03	-	-	-	1.59
2011	0.03	-	-	-	-	1.2	-	1.23
2012	0.58	0.13	5	0.8	-	2.4	-	8.91
2013	0.08	2.17	0.32	0.31	0.00	4.98	-	7.86
2014	-	0.06	-	-	-	9.06	-	9.12
2015	-	-	-	-	-	-	-	-
Total	2.66	19.46	7.89	2.08	0.02	21.56	-	53.67

Note : 1) Contributions received up to 2002 were transferred to the DIF Bond Redemption Fund
2) The credit union account in the DIF, which was transferred to the Korean Federation of Community Credit Cooperatives on January 1, 2010 was not included

Issuance and Redemption of DIF Bonds for the Funding of the Special Account

Pursuant to Articles 24-4 and 26-2 of the Depositor Protection Act, the KDIC, for the first time, issued DIF Bonds to finance the Special Account without government guarantees using its own credit facility in December 2011. Since 2013, it issued KRW 23,330 billion in bonds for funding to meet sustained demand for financial assistance for the resolution of insolvent financial institutions, etc. In 2014, it redeemed KRW 1,200 billion in bonds. In 2015, it redeemed KRW 9,880 billion in special account bonds and refunded KRW 5,640 billion.

Borrowings

According to Article 26 of the Depositor Protection Act and Article 15 of its Enforcement Decree, the Deposit Insurance Fund (DIF) is authorized to, when necessary for deposit payoffs or resolution of insolvent financial institutions, borrow funds from various entities including the government, the Bank of Korea, insured financial institutions, and other financial institutions set forth in Article 15(3) of the Enforcement Decree. Accordingly, the KDIC borrowed a total of KRW 166.4 billion in 2003 and 2004 to reimburse depositors of failed credit unions and KRW 231.4 billion in 2007 to resolve failed mutual savings banks. In 2011 and afterwards, it borrowed KRW 33,379.5 billion.

Table Ⅸ- 17

Issuance and Redemption of Bonds for the Funding of the Special Account in the DIF

(Unit: KRW 1 billion)

Year	Amount Issued	Redeemed Amount	Balance
2011	1,200	-	1,200
2012	20,040	-	21,240
2013	2,090	-	23,330
2014	-	1,200	22,130
2015	5,640	9,880	17,890
Total	28,970	11,080	17,890

Table Ⅸ- 18

Borrowings and Loan Repayments of the DIF

(Unit: KRW 1 billion)

Account Name	Year	Borrowed Amount[1]				Repaid Amount	Balance
		Member Institutions	BOK etc.	Government	Subtotal		
Mutual Savings Banks	2007	231.4	-	-	231.4	-	231.4
	2008	-	-	-	-	231.4	-
	Subtotal	231.4	-	-	231.4	231.4	-
Special Account	2011	10,419.9	-	-	10,419.9	1,200.0	9,219.9
	2012	14,193.2	-	100.0	14,293.2	22,262.5	1,250.6
	2013	1,936.5	-	100.0	2,036.5	3,087.1	200.0
	2014	96.0	-	50.0	146.0	96.0	250.0
	2015	6,733.9	-	-	6,733.9	6,733.9	250.0
	Subtotal	33,379.5	-	250.0	33,629.5	33,379.5	250.0
Total		33,610.9	-	250.0	33,860.9	33,610.9	250.0

Note : 1) The credit union account in the DIF, which was transferred to the Korean Federation of Community Credit Cooperatives on January 1, 2010 was not included

Of the borrowings in the credit union account, a total of KRW 92 billion had been repaid from 2004 to 2008 through independent recoveries including bankruptcy dividends. The debt balance of the credit union account was transferred to the National Credit Union Federation of Korea on January 1, 2010, which left the account with no borrowings. Borrowings in the mutual savings bank account totaling KRW 231.4 billion were entirely repaid in 2008.

As for the Special Account set up in 2011 for the mass resolution of insolvent mutual savings banks, a total of 33,379.5 billion was borrowed from insured financial institutions including banks by the end of 2015. To increase funding for the Special Account, the KDIC applied for government loans from the Public Capital Management Fund at no interest (10-year maturity and installment payments over a 5-year period) starting in 2012. It received KRW 250 billion's government borrowings in total.

By the end of 2015, KRW 33,379.5 billion was repaid out of KRW 33,629.5 billion in borrowings in the Special Account through issuance of DIF Bonds, etc. As of the end of 2015, the outstanding borrowings amounted to KRW 250 billion, and all of them represent long-term borrowings from the government.

Timely Provision of Financial Assistance

Overview

Since 2003, the KDIC has provided financial assistance from the DIF for deposit payoffs in the event of insurance events and resolution of insolvent financial institutions in the form of equity investment, contributions, and loans.

Until 2010, a total of KRW 4,527.6 billion was provided, from the DIF's mutual savings bank account, to 16 insolvent mutual savings banks, including Kimchun Mutual Savings and Finance. From 2011, a total of KRW 27,170.4 billion was provided to 31 insolvent mutual savings banks from the Special Account.

In 2013, KRW 22.6 billion was provided to one non-life insurance company from the Non-Life Insurance Account.

Table Ⅸ- 19

Financial Assistance and Deposit Insurance Payments from the DIF (2015)

(Unit: KRW 1 billion)

Account Name[1]	Equity Investment	Capital Contributions	Deposit Insurance Payment[2]	Loans	Advance Dividend Payments	Total
Mutual Savings Banks	-	-	0.1	-	-	0.1
Special Account	-	52.0	1.8[1]	-	-	53.7
Total	-	52.0	1.9	-	-	53.8

Note : 1) Deposit insurance payments in relation to failures of mutual savings banks that occurred before 2015

Table Ⅸ-20

Financial Assistance and Deposit Insurance Payments from the DIF (Accumulated)

(As of Dec. 31, 2015, Unit: KRW 1 billion)

Account Name	Equity Investment	Capital Contributions	Deposit Insurance Payment	Loans	Advance Dividend Payments	Total[1]
Banks	-	-	-	-	-	-
Investment Companies	-	-	-	-	-	-
Insurance Companies	-	22.6	-	-	-	22.6
Merchant Banks	-	-	-	-	-	-
Mutual Savings Banks	121.1	2,454.2	1,441.3	489.1	21.9	4,527.6
Special Account	365.5	22,987.3	3,626.5	113.6	77.5	27,170.4
Total	486.6	25,464.1	5,067.8	602.7	99.4	31,720.6

Note : 1) The credit union account in the DIF, which was transferred to the Korean Federation of Community Credit Cooperatives on January 1, 2010 was not included.

Assistance for Each Financial Sector

A. Banks

In 2015, the KDIC did not provide any funds to banks in the form of deposit insurance claim payments, equity investment, contributions, or loans from the DIF.

B. Insurance companies

In 2015, the KDIC did not provide any funds to insurance companies in the form of deposit insurance claim payments, equity investment, contributions, or loans from the DIF.

C. Investment companies

In 2015, the KDIC did not provide any funds to investment companies in the form of deposit insurance claim payments, equity investment, contributions, or loans from the DIF.

D. Mutual Savings Banks (Special Account)

For the 31 insolvent mutual savings banks that were suspended from operations in 2011 or afterwards, the KDIC made deposit payoffs, including interim deposit payments, from funds in the Special Account. The assistance took the form of equity contributions to make up for net asset shortages to enable P&A of failed mutual savings banks. Troubled assets were transferred to the KR&C in P&A transactions and the KR&C purchased the assets with loans from the KDIC.

Above is a summary of financial assistance and deposit payoffs for mutual savings banks that were suspended by the end of 2015.

Recovery Maximization

Overview

The DIF uses the same methods as in the case of the Redemption Fund to recover the public funds provided in financial assistance. Such methods include: sale of equity stakes in insured financial institutions, collection of bankruptcy dividends through participation in bankruptcy procedures, and recovery of loans it made to insured financial institutions.

Table Ⅸ- 21

Financial Assistance and Deposit Insurance Payments from the Special Account

(As of Dec. 31, 2015, Unit: KRW 1 billion)

Bank Name	Date of Business Suspension	Payment of Deposit Insurance	Capital Contributions, Loans, etc.	Total
16 failed MSBs including Samhwa	2011	32,78.9	12,703.4	15,982.3
8 failed MSBs including Solomon	2012	3,44.8	8,670.6	9,015.4
5 failed MSBs including Seoul	2013	2.8	1,818.5	1,821.3
Haesol	2014	-	299.4	299.4
Golden Bridge	2015	-	52.0	52.0
Total		3,626.5	23,543.9	27,170.4

The KDIC recovered KRW 9,030.2 billion in total from 2003 to 2015 including KRW 75.9 billion in the mutual savings bank account and KRW 3,344.4 billion in the Special Account recovered in 2015 alone.

Collection of Bankruptcy Dividends and Recovery of Loans

In 2015, the KDIC collected KRW 3,397.2 billion in bankruptcy dividends through the sale of remaining assets owned by bankruptcy estates of insolvent mutual savings banks that had received public fund assistance from the DIF. From 2003 to 2015, a cumulative total of KRW 7,714.3 billion was recovered.

From 2003 to 2015, the KDIC offered KRW 602.7 billion in loans to the KR&C to facilitate the resolution of failed mutual savings banks, from which KRW 566.5 billion was recovered.

Table Ⅸ- 22

DIF Recovery (2015 and Accumulated)

(As of Dec. 31, 2015, Unit: KRW 1 billion)

Category		Equity Investment	Capital Contributions	Money Paid in Deposit Insurance Payments	Loans[1]	Money Paid in Advance Dividends	Total [2]
2015	MSBs	-	15.4	38.2	22.6	△0.3	75.9
	Special Account	-	2920.8	405.5	0.5	17.6	3,344.4
	Total	-	2936.2	443.7	23.1	17.3	3,420.3
2003 to 2015 Accumulated		594.8	5,994.0	1,775.5	566.5	99.4	9,030.2

Note : 1) Recovery of loan principal and interest through the KR&C
2) The credit union account in the DIF, which was transferred to the Korean Federation of Community Credit Cooperatives on January 1, 2010 was not included

Table Ⅸ-23

Collection of Bankruptcy Dividends and Loans

(As of Dec. 31, 2015, Unit: KRW 1 billion)

<table>
<tr><th rowspan="2">Financial Sector</th><th colspan="2">Collection of Dividends from Estates</th><th colspan="2">Collection of Loans</th></tr>
<tr><th>2015</th><th>2003-2015 Accumulated</th><th>2015</th><th>2003-2015 Accumulated</th></tr>
<tr><td>Mutual Savings Banks (Including the Special Account)</td><td>3,397.2</td><td>7,714.3</td><td>23.1</td><td>566.5</td></tr>
</table>

Recovery by the KR&C

The KR&C recovered a cumulative total of KRW 620.6 billion by the end of 2015 by various means including recovery at maturity, disposal of non-performing loans, and public auctions. Of the amount, it redeemed KRW 566.5 billion to the KDIC.*

* Amount of loans from the KDIC for the purpose of resolving insolvent mutual savings banks from 2003 to 2015: KRW 602.7 billion

In 2015, the KR&C recovered KRW 35.1 billion including KRW 33.5 billion by collecting loans receivable and KRW 1.6 billion by selling its real estates. Of the amount, it repaid KRW 23.1 billion to the KDIC.

Table Ⅸ-24

Recovery from Sale of KR&C-Owned Assets

(As of the end of Dec. 31, 2015, Unit: KRW 1 billion)

<table>
<tr><th>Year</th><th>Asset Type</th><th>Assets Subject to Sale</th><th>Amount Recovered</th><th>Recovery Method</th></tr>
<tr><td rowspan="6">Amount recovered in 2015</td><td rowspan="3">Loans</td><td>Loans in KRW</td><td>33.5</td><td rowspan="2">Direct collection, debt rescheduling, etc.</td></tr>
<tr><td>Loans in foreign currencies</td><td>-</td></tr>
<tr><td>Subtotal</td><td>33.5</td><td>-</td></tr>
<tr><td>Marketable securities</td><td>Listed and unlisted stock</td><td>-</td><td>-</td></tr>
<tr><td>Real estate and etc.</td><td>Land, etc.</td><td>1.6</td><td>Auction, etc.</td></tr>
<tr><td colspan="2">Total</td><td>35.1</td><td>-</td></tr>
<tr><td rowspan="6">Accumulated Amount</td><td rowspan="3">Loans</td><td>Loans in KRW</td><td>556.9</td><td rowspan="3">NPL sale, direct collection, debt rescheduling, etc.</td></tr>
<tr><td>Loans in foreign currencies</td><td>-</td></tr>
<tr><td>Subtotal</td><td>556.9</td></tr>
<tr><td>Marketable securities</td><td>Listed and unlisted stock</td><td>0.2</td><td>Auction, etc.</td></tr>
<tr><td>Real estate and etc.</td><td>Land, etc.</td><td>63.5</td><td>Auction, etc.</td></tr>
<tr><td colspan="2">Total</td><td>620.6</td><td></td></tr>
</table>

Enhancement of the Financial Health of the DIF

The new Deposit Insurance Fund (DIF) was launched in 2003. The ministerial meeting for regulatory reform held in May 2006 approved the adoption of the Target Fund System and the overhaul of insurance premium rates as a means to improve the deposit insurance system. Thus, the KDIC outsourced research services and held a deposit insurance policy symposium to gather opinions from various fields. In October 2007, a private-public joint task force team was formed to make improvements to the deposit insurance system including the introduction of the Target Fund System and adjustment of the premium rates. In December 2007, the National Assembly amended the Depositor Protection Act as proposed by lawmakers and thus approved the implementation of the Target Fund System starting in 2009.

Amendment of the Depositor Protection Act in February 2009 allowed the separation between accounts for life and non-life insurance companies as well as a delay in setting up reserve targets for the merchant bank account that covers only a small number of institutions. Also, amendment of the Enforcement Decree of the Depositor Protection Act in June 2009 authorized the Deposit Insurance Committee to reduce, exempt, or refund premium payments by its resolution if fund reserves reach the targeted amount.

Revision of the Depositor Protection Act in March 2011 allowed the establishment of the Special Account for Mutual Savings Bank Restructuring as the 7th account of the DIF. Based on this effort, the KDIC sought to enhance the DIF's capability to handle insolvencies and effectively carry out the resolution and restructuring of failed mutual savings banks. The Special Account is financed by a portion of insurance premiums paid by players in each area of the financial industry and recovered funds and is used to fund the resolution of mutual savings banks that became insolvent in 2011 and afterwards.

After 2012, the KDIC published a white paper on management of the Special Account pursuant to Article 24-4 of the Depositor Protection Act. It also reported the results of settlement of accounts for the Special Account for 2011 as well as its management plan for 2012 to the corresponding standing committee in the National Assembly for the purpose of increasing transparency. On three occasions in July 2012, November 2013, and October 2014, the KDIC received a combined total of KRW 250 billion of no-interest-bearing borrowings from the government (Public Capital Management Fund) to expand financing for, and diversify the funding sources of, the Special Account. Such endeavor helped make its management more healthy and reliable.

In order to repay borrowings from banks and other sources that it obtained through the Special Account, the KDIC started to issue DIF Bonds to finance the Special Account in December 2011, based on its own credit. However, growing demand for bond issuance resulted in an increase in commissions paid to use outside systems. In August 2012, the KDIC implemented its own electronic bidding system for bond issuance, thereby reducing the costs of funding and making financing more stable.

In 2015, strains on management of DIF surplus funds persisted as in the previous year. The Bank of Korea lowered its official interest rate in March and June 2015 in response to deterioration in economic conditions in Korea and abroad due to quantitative easing by the EU and Japan, slowing growth of China and other emerging economies, and outbreak of the MERS (Middle East Respiratory Syndrome). This situation meant that the low interest rates would remain in place for an even more prolonged period of time. In December 2015, the FRB (Federal Reserve Board of Governors) of the US raised its interest rate, which underscored a need for risk management regarding the KDIC's DIF surplus funds.

The KDIC actively responded to changes in market conditions by appropriately allocating assets and adjusting bond durations on the basis of major economic trends and market rate prospects. It also improved performance evaluation and follow-up management standards for external asset managers. It strove to enhance profitability of DIF surplus funds by widening the differentials in fund allocation and applying a different investment limit for each financial institution.

For greater transparency in DIF management, the KDIC revamped the internal rules related to the Asset Management Committee, Asset Management Performance Assessment Committee, and Risk Management Committee. In addition, it applied more rigorous minimum requirements to selection of financial institutions with which it makes transactions for DIF management. It bolstered its risk management by implementing an integrated management process for credit, liquidity, and operating risks concerning management of DIF surplus funds.

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Account Settlement for Fiscal Year 2015

1. Overview of Account Settlement

The KDIC has classified its funds into three accounting units: the Deposit Insurance Fund (DIF), the KDIC Internal Account, and the DIF Bond Redemption Fund (Redemption Fund) pursuant to Article 24-3 (Separate Audit of Accounts) of the Depositor Protection Act. However, the DIF and the KDIC Internal Account issue consolidated financial statements with the exception of internal transactions between separate accounting entities and unrealized gains (losses) in accordance with the Act on the Management of Public Institutions and the Accounting Rules for Public Corporations and Quasi-Government Institutions.

The DIF is again divided into seven accounts based on the Depositor Protection Act: banks, financial investment traders/brokers, life insurance companies, non-life insurance companies, merchant banks, mutual savings banks, and the Special Account for Mutual Savings Bank Restructuring (Special Account). The Redemption Fund is divided into seven accounts as well: banks, financial investment traders/brokers, life insurance companies, non-life insurance companies, merchant banks, mutual savings banks, and credit unions.

The KDIC has retained the services of accounting firms to conduct independent audits since fiscal year 2002 to enhance the credibility and transparency of its financial statements. For the account settlement of 2015, the audit was conducted by Yeil Accounting Corp., and the auditor's opinion was “unqualified.”

2. Criteria for Account Settlement

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

Deposit Insurance Fund and KDIC Internal Account

Accounting for Assets and Liabilities

• Classification and Valuation of Securities

A. Acquisition Cost and Classification of Securities

The acquisition costs of securities are estimated by adding together the purchase prices and incidental costs incurred in acquiring the securities. The KDIC classifies securities as available-for-sale (AFS) financial assets, held-to-maturity (HTM) financial assets, and investments in associates, according to their nature and ownership purpose. In 2015, only the DIF held securities, all of which were categorized as AFS financial assets.

B. Valuation of Securities

The value of AFS financial assets is estimated by the fair value method. Unrealized gains/losses on AFS financial assets arising from fair value assessment are treated as accumulated other comprehensive income/losses, which are subsequently recorded as net income/losses at the time the AFS financial assets are sold or impairment losses are recognized. If it is impossible to reliably measure the fair value of non-marketable equity securities among AFS financial assets, they are evaluated at their acquisition cost.

As for HTM financial assets, the difference between their acquisition cost and maturity face value is depreciated, based on application of the effective interest method throughout the period until their redemption. Such depreciated amount is added to or deducted from acquisition cost and interest income. Investments in associates are valued by the equity method. Any change in an invested company's net asset value is directly added to or deducted from the acquisition cost in proportion to the KDIC shareholding ratio, and such amount is reflected as an increase/decrease in an asset, or credited or charged to current-term operations. In the event of an impairment of AFS or HTM financial assets, the difference between their acquisition cost (or depreciated acquisition cost) and fair value (or projected future cash flow discounted by the initial effective interest rate) is recognized as an impairment loss.

• Valuation of Loans, etc.

A bad debt allowance is set aside by estimating expected losses from loans or indemnity receivables. The bad debt allowance for the KDIC's indemnity receivables from bankruptcy estates is calculated by estimating losses from the receivables based on the valuation of assets held by bankruptcy estates.

• Reserves for Outstanding Claims

Other provisional liabilities (reserves for outstanding claims) are estimated and set aside by the KDIC to cover any liability arising from an insurance event or loss in a lawsuit.

• Transferred-out Capital Budget and General Expenses of the KDIC

The DIF covers the costs incurred in the KDIC's acquisition of assets as well as its general expenses. The money used for capital expenditures of the KDIC Internal Account is appropriated as other non-current assets (transferred-out capital budget) and, if the asset decreases in value due to depreciation, etc. the corresponding amount is deducted from other non-current assets (transferred-out capital budget) and added to general expenses. The costs of the operation of the KDIC such as labor costs are treated as recurring general expenses.

Accounting for Revenues and Expenses

• Revenue Recognition Criteria

Revenues and expenses are booked in gross amount without any direct set-off between revenue and expense accounts. Deposit insurance premium income is recognized on an accrual basis. Interest income arising from deposits, etc. is treated the same way, but interest income from uncollectable loans is recognized on a cash basis as the income is unlikely to be realized.

• Accrual of Revenues and Expenses

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

(1) **Deferral of Expenses:** If an expense belonging to the following fiscal year is prepaid, it is booked as a prepaid expense and deducted from current expenditures.

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

(3) **Revenue Booking:** Any revenue belonging to the current fiscal year that has not been received in cash as of the date of account settlement since its due date has not arrived under a certain contract or agreement is recorded as accrued revenue and added to income.

DIF Bond Redemption Fund

Application of Government Accounting Standards

The financial statements of the Redemption Fund are prepared according to the Rules on Government Accounting Standards that came into force on January 1, 2009.

Accounting for Assets and Liabilities

● Classification and Valuation of Securities

A. Acquisition Cost and Classification of Securities

The acquisition costs of securities are calculated by adding ancillary costs to the purchase prices 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 no more 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 more than one year or to be sold after one year.

B. Valuation of Securities

Debt securities are valued at their amortized acquisition cost, while equity securities and other long- and short-term investment securities are valued at their acquisition cost. However, long- and short-term investment securities purchased for investment purposes are valued at fair value if the fair value can be reliably estimated on the balance sheet date and the difference between book value and fair value is recorded as an adjustment in the statement of changes in net assets.

In the meantime, if the recoverable amount of securities declines below their book value and the decline is sustained for such a prolonged period that restoration is not likely, the corresponding difference is recognized as an impairment loss and reflected in the net cost for financial management. If the recoverable amount of impaired securities recovers above the book value prior to the recognition of their impairment loss, the amount of a reversal shall be recognized as a reversal of impairment loss and included in the net cost for financial management, but not exceeding the book value.

● Valuation of Loans, etc.

A bad debt allowance is reserved by estimating expected losses from loans, account receivables, and indemnity receivables. The bad debt allowance for the indemnity receivables from bankruptcy estates is calculated by estimating losses from the receivables based on the valuation of assets held by bankruptcy estates.

● Provisions for Long-Term Liabilities

If an outflow of resources is highly likely to occur to perform obligations of the DIF as of the balance sheet date as a result of a past event or transaction, even though the timing and amount are not yet clear, and if the amount can be reliably estimated, the expected loss is appropriated to provisions for long-term liabilities.

● Discount or Premium on Debentures Issued

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

● Transferred-out Capital Budget and General Expenses of the KDIC

The Redemption Fund covers the costs associated with assets used by the KDIC and other general expenses. The money spent for capital expenditures of the KDIC Internal Account is appropriated to assets as other non-current assets, and if the asset decreases in value due to depreciation, etc., the corresponding amount is deducted from other non-current assets and added to administrative and general expenses.

The costs of the operation of the KDIC such as labor costs which are allocated to the financial policy support program are booked as total program costs and the rest as administrative and general expenses.

Accounting for Revenues and Expenses

● Revenue Recognition Criteria

All 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 for the relevant revenue accrues and the amount can be reasonably estimated. Interest income from unrecoverable claims is recognized on a cash basis as the income is unlikely to be realized.

● Expense Recognition Criteria

Expenses are recognized when assets are reduced for the provision of goods or services and the amount can be reasonably estimated, or when obligations for expenditures exist under applicable laws 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 is clearly incurred or increases without an expenditure of resources, it is recognized as an expense.

3. Account Settlement Results

Integration of the Deposit Insurance Fund and KDIC Internal Account

The KDIC prepares consolidated financial statements for the DIF and the KDIC Internal Account under the Act on the Management of Public Institutions and the Accounting Rules for Public Corporations and Quasi-Government Institutions. Accordingly, though the two are separate accounting entities according to the Depositor Protection Act, internal transactions and unrealized gains (losses) between them are not included in the consolidated statements.

The financial status and profit/loss status by accounting unit are as follows:

Deposit Insurance Fund

A. Financial Status

The total assets of the DIF decreased by KRW 2,010.5 billion or 12.2% in 2015 to KRW 14,423.4 billion. This is primarily attributable to a reduction in indemnity receivables of KRW 2,113.0 billion due to payment of bankruptcy dividends.

Total liabilities decreased by KRW 4,202.0 billion or 18.6% in 2015 to KRW 18,431.8 billion. This is mainly ascribed to redemption of DIF Bonds to finance the Special Account totaling KRW 4,240.0 billion through bankruptcy dividends.

* Bankruptcy dividends (KRW 3.4 trillion), deposit insurance premiums (KRW 0.8 trillion), etc.

Total equity increased by KRW 2,191.5 billion or 35.3% to KRW △4,008.4 billion in 2015 as a result of a reduction in deficits stemming mainly from the net income of KRW 2,198.4 billion.

B. Profits and Losses

In 2015, net income stood at KRW 2,198.4 billion, up KRW 1,817.7 billion or 477.5% from 2014.

The operating profits calculated by deducting operating costs from operating revenues amounted to KRW 940.4 billion. The operating revenues (KRW 1,658.9 billion) are mainly comprised of insurance premium revenues (KRW 1,457.0 billion) and interest income earned from asset management (KRW 195.0 billion). The operating costs (KRW 718.5 billion) include interest expenses for borrowings (KRW 624.7 billion) and KDIC operating expenses (KRW 92.5 billion).

Non-operating profits were KRW 1,258.0 billion, mainly attributable to the reversal of allowances for doubtful accounts (KRW 1,239.2 billion) because of an increase in expected recovery of indemnity receivables and to the reversal of provisions (KRW 16.7 billion).

KDIC Internal Account

A. Financial Status

Total assets stood at KRW 20.1 billion as of the end of 2015, up KRW 500 million or 2.8% compared the end of the previous year.

Current assets decreased by KRW 100 million to KRW 2 billion in 2015. This is ascribed to a decrease in cash reserves for corporate credit card payments. Concurrently, non-current assets rose KRW 600 million to KRW 18.1 billion, primarily because tangible assets grew about KRW 700 million as a result of acquisition of other tangible assets.

Total liabilities increased by KRW 2.1 billion or 8.5% to about KRW 26.9 billion as of the end of 2015.

Total equity stood at approximately KRW △6.8 billion at the end of 2015, down KRW 1.6 billion (30.8%) compared to a year ago. The KDIC has a negative total equity because balance sheet liabilities soared irrespective of actual cash flows since annual leaves granted according to provision of services in 2015 and management evaluation incentives in the amount of KRW 4.2 billion were reflected in advance following application of international accounting standards from 2013 and KRW 2.8 billion in net defined benefit liabilities according to actuarial assumptions were recorded.

B. Profits and Losses

The net income, the variance between total revenues and total costs, in 2015 remained at KRW 100 million.

Total revenues, at KRW 98.2 billion, consist of operating revenues of KRW 97.8 billion including revenues transferred from the DIF (KRW 97.7 billion) and other revenues (KRW 400 million).

The total costs, at KRW 98.3 billion, include labor costs of KRW 59.3 billion (60.3%) and general expenses of KRW 39.0 billion (39.7%).

Redemption Fund

Financial Status

As of the end of 2015, the total assets of the Redemption Fund stood at KRW 6,555.6 billion, down KRW 2,551.4 billion or 28.0% from the end of the previous year.

Current assets decreased by KRW 1,007.3 billion, including a reduction of KRW 1,328.6 billion in operating assets owing to net redemption of the Redemption Fund Bonds. Investments shrank by KRW 1,540.5 billion including a decrease in equity securities as a consequence of partial disposition of shares in Hanwha Life Insurance (KRW 684.0 billion) and reduction of the price of shares in possession (Woori Bank and Hanwha Life Insurance) (KRW 476.8 billion). Other non-current assets declined KRW 3.6 billion due to a decrease in indemnity receivables arising from the receipt of bankruptcy dividends.

As of the end of 2015, total liabilities decreased by KRW 3,870.6 billion or 20.7% year-on-year to KRW 14,870.4 billion. This was mainly due to net redemption of KRW 3,810.0 billion in Redemption Fund Bonds by use of operating assets, etc.*

* Sale of shares in Hanwha Life Insurance (KRW 0.7 tirllion), stock dividends (KRW 0.8 trillion), beginning operating assets (KRW 1.3 trillion), and special contributions (KRW 1.0 trillion)

As of the end of 2015, total equity stood at KRW △8,314.8 billion, up KRW 1,319.2 billion or 13.7% from the end of 2014. The change was due to KRW 2,117.2 billion in net income and KRW 798.0 billion in downward net asset adjustment arising from partial disposition of shares in Hanwha Life Insurance and reduction of the price of shares in possession.

Profits and Losses

In 2015, the Redemption Fund's financial operation* generated a result of KRW △2,117.2 billion, recording a year-on-year decrease of KRW 344.5 billion or 14.9%. The reduction in net income in 2015 was largely ascribed to an increase of KRW 666.1 billion in dividend income, reduction of KRW 137.5 billion in interest expenses, and a decline of KRW 1,204.8 billion in gains from disposition of shares.

* ‘Financial operation result’ is the opposite of net income in corporate accounting. The negative result means that revenues exceeded costs.

The net program costs incurred for the operation of the financial policy support program, an essential business of the Redemption Fund, remained at KRW △673.5 billion. This figure was arrived at by deducting program income of KRW 1,268.4 billion from the total program costs of KRW 594.9 billion.

The net cost for financial management came to KRW △710.4 billion, which was calculated by adding KRW 6.5 billion in administrative and operating expenses to, and deducting KRW 43.4 billion in non-allocated revenues from, the net program costs of KRW △673.5 billion. The administrative and operating expenses above refer to management expenses including labor costs and general expenses that are not allocated to program costs. Non-allocated costs and revenues are those that are not related to the program operation.

The financial operation result of KRW △2,117.2 billion was calculated by deducting non-exchange revenues of KRW 1,406.8 billion from the net cost for financial management of KRW △710.4 billion. Non-exchange revenues above are Special Assessment Payments received that arise without any direct consideration in return.

Table Ⅹ- 1

Condensed Statement of Financial Position

Current period : As of December 31, 2015
Previous period : As of December 31, 2014

(DIF and KDIC Internal Account Combined) (Unit : KRW 1 billion)

ASSETS	Amount		LIABILITIES and EQUITY	Amount	
	Current period	Previous period		Current period	Previous period
Current Assets	6,149.1	7,331.4	Current Liabilities	4,521.1	10,134.9
1. Cash and Cash Equivalents	313.7	154.6	1. Accounts and Other Payables	154.0	233.9
2. Current Financial Assets	4,939.0	6,360.5	Short-term Payables	0.2	0
Available-for sale Securities	1,805.8	1,218.5	Short-term Accrued Expenses	153.8	233.9
Short-term Loans	101.2	121.1	2. Current Financial Liabilities	4,220.0	9,881.6
(Allowance for Doubtful Accounts)	△48.3	△55.9	Bonds	4,220.0	9,880.0
Short-term Financial Instruments	3,080.3	5,076.8	Discounts on Bonds Payable	-	1.6
3. Trade and Other Receivables	895.8	816.2	3. Current Non-financial Liabilities	145.3	0.9
Short-term Accrued Income	897.0	818.2	Short-term Deposits	145.3	0.9
(Allowance for Doubtful Accounts)	△1.2	△2.0	4. Current Provisions	1.8	18.3
4. Current Non-financial Assets	0.6	0.1	Provisions for Employee Benefits	1.8	1.7
Short-term Advance Payments	0.2	-	Other Current Provisions	-	16.6
Short-term Prepaid Expenses	0.4	0.1	Non-current Liabilities	13,926.7	12,513.8
Non-current Assets	8,283.5	9,111.9	1. Non-current Financial Liabilities	13,916.3	12,505.0
1. Non-current Financial Assets	3,561.4	2,277.4	Long-term Borrowings	250.0	250.0
Available-for-sale Securities	1,769.3	2,244.5	(Present Value Discount)	△73.1	△78.9
Long-term Loans	0.7	0.7	Government Subsidy	70.1	77.0
Long-term Financial Instruments	1,791.4	32.2	Bonds	13,670.0	12,250.0
2. Long-term Trade and other Receivables	10.1	11.2	(Discounts (Premiums) on Bonds Payable)	△0.7	6.9
Long-term Deposits Provided	11.7	11.6	2. Non-current Non-financial Liabilities	7.4	7.4
(Present Value Discount)	△1.6	△0.4	Other Non-current Non-financia Liabilities	7.4	7.4
3. Tangible Assets	5.2	4.5	3. Employee Benefit Liabilities	2.8	1.1
Lands	0.1	0.1	Net Defined Benefit Liabilities and etc.	2.8	1.1
Buildings	1.5	1.5	4. Non-current Provisions	0.2	0.3
Structures	0.9	0.9	Total Liabilities	18,447.8	22,648.5
Other Tangible Assets	23.0	20.9			
(Accumulated depreciation)	△20.3	△18.9			
4. Intangible Assets Other than Goodwill	0.6	0.6	Deficit	△4,033.4	△6,230.2
Other Intangible Assets	0.6	0.6	Current Period: 2,198.3		
5. Non-current Non-financial Assets	4,706.2	6,818.2	Previous Period: 380.9		
Long-term Advanced Payment	1.4	0.4	Elements of Other Equity	18.2	25.0
Long-term Indemnity Receivables	22,007.6	25,467.7	Accumulated Other Comprehensive Income (Loss)	18.2	25.0
(Allowance for Doubtful Accounts)	△17,302.8	△18,649.9	Total Equity	△4,015.2	△6,205.2
Total Assets	14,432.6	16,443.3	Total Liabilities and Equity	14,432.6	16,443.3

Table Ⅹ-2

Condensed Income Statement

Current period : For the year ended December 31, 2015
Previous period : For the year ended December 31, 2014

(DIF and KDIC Internal Account Combined) (Unit : KRW 1 billion)

Categories	Current Period	Previous Period
Income from Operations (A=B–C)	940.1	834.4
Operating Revenues (B)	1,666.2	1,747.4
Premium Revenues	1,457.0	1,484.8
Interest Revenues	195.0	239.0
Transfer Income	6.9	15.0
Other Income	7.3	8.6
Operating Expenses (C)	726.1	913.0
Interest Expenses	624.7	815.1
Personnel Expenses	59.3	56.6
General Expenses	39.9	36.8
Others	2.2	4.5
Other Gains and Losses (D)	1,258.2	△484.3
Net Reversal of (Transfer to) Other Provisions	16.6	114.4
Net Reversal of (Transfer to) Allowance for Doubtful Accounts	1,239.2	△603.5
Others	2.4	4.8
Financial Gains and Losses (E)	-	30.8
Gains on Disposal of Financial Assets	-	30.8
Net Profit of Loss for Current Period (F=A+D+E)	2,198.3	380.9
Other Comprehensive Income (G)	△8.3	18.2
Total Comprehensive Income (H=F+G)	2,190.0	399.1

Table Ⅹ-3

Condensed Statement of Financial Position

Current period : As of December 31, 2015
Previous period : As of December 31, 2014

(DIF) (Unit : KRW 1 billion)

ASSETS	Amount		LIABILITIES and EQUITY	Amount	
	Current period	Previous period		Current period	Previous period
Current Assets	6,147.1	7,329.3	Current Liabilities	4,515.3	10,128.6
1. Cash and Cash Equivalents	312.4	152.6	1. Accounts and Other Payables	150.9	230.4
2. Current Financial Assets	4,939.0	6,360.5	Short-term Accrued Expenses	150.9	230.4
Available-for-sale Securities	1,805.8	1,218.5	2. Current Financial Liabilities	4,220.0	9,881.6
Short-term Loans	101.2	121.1	Bonds	4,220.0	9,880.0
(Allowance for Doubtful Accounts)	△48.3	△55.9	Discounts on Bonds Payable	-	1.6
Short-term Financial Instruments	3,080.3	5,076.8	3. Current Non-financial Liabilities	144.4	-
3. Trade and Other Receivables	895.7	816.2	Short-term Deposits	144.4	-
Short-term Accrued Income	896.9	818.2	4. Current Provisions	-	16.6
(Allowance for Doubtful Accounts)	△1.2	△2.0	Non-current Liabilities	13,916.5	12,505.2
Non-current Assets	8,276.3	9,104.6	1. Non-current Financial Liabilities	13,916.3	12,504.9
1. Non-current Financial Assets	3,560.6	2,276.7	Long-term Borrowings	250.0	250.0
Non-Current Available-for-Sale Financial Assets	1,769.2	2,244.5	(Present Value Discount)	△73.1	△78.9
Long-term Financial Instruments	1,791.4	32.2	Government Subsidy	70.1	77.0
2. Non-current Non-financial Assets	4,715.7	6,827.9	Bonds	13,670.0	12,250.0
Long-term Indemnity Receivables	22,007.6	25,467.7	(Discounts (Premiums) on Bonds Payable)	△0.7	6.8
(Allowance for Doubtful Accounts)	△17,302.8	△18,649.9	2. Non-current Provisions	0.2	0.3
Other Non-current Non-financial Assets	10.9	10.1	Long-term Litigation Provisions	0.2	0.3
			Total Liabilities	18,431.8	22,633.8
			Deficit	△4,026.6	△6,225.0
			Current Period: 2,198.4		
			Previous Period: 380.7		
			Elements of Other Equity	18.2	25.1
			Accumulated Other Comprehensive Income (Loss)	18.2	25.1
			Total Equity	△4,008.4	△6,199.9
Total Assets	14,423.4	16,433.9	Total Liabilities and Equity	14,423.4	16,433.9

Table Ⅹ-4

Condensed Income Statement

Current period : For the year ended December 31, 2015
Previous period : For the year ended December 31, 2014

(DIF) (Unit : KRW 1 billion)

Categories	Current Period	Previous Period
Income from Operations (A=B–C)	940.4	834.8
Operating Revenues (B)	1,658.9	1,738.8
Premium Revenues	1,457.0	1,484.8
Interest Revenues	195.0	238.9
Transfer Income	6.9	15.1
Operating Expenses (C)	718.5	904.0
Interest Expenses	624.7	815.2
Operating Expenses and etc.	93.8	88.8
Other Gains and Losses (D)	1,258.0	△484.9
Net Reversal of (Transfer to) Other Provisions	16.7	114.3
Net Reversal of (Transfer to) Allowance for Doubtful Accounts	1,239.2	△603.5
Others	2.1	4.3
Financial Gains and Losses (E)	-	30.8
Gains on Disposal of Financial Assets	-	30.8
Net Profit of Loss for Current Period (F=A+D+E)	2,198.4	380.7
Other Comprehensive Income (G)	△6.9	20.6
Total Comprehensive Income (H=F+G)	2,191.5	401.3

Table Ⅹ-5

Condensed Statement of Financial Position

Current period : As of December 31, 2015
Previous period : As of December 31, 2014

(KDIC Internal Account Combined) (Unit : KRW 1 billion)

ASSETS	Amount		LIABILITIES and EQUITY	Amount	
	Current period	Previous period		Current period	Previous period
Current Assets	2.0	2.1	Current Liabilities	5.8	6.2
1. Cash and Cash Equivalents	1.4	2.0	1. Accounts and Other Payables	3.1	3.5
2. Current Non-financial Assets	0.6	0.1	Short-term Payables	0.2	-
Short-term Prepaid Expenses and etc.	0.6	0.1	Short-term Accrued Expenses	2.9	3.5
Non-current Assets	18.1	17.5	2. Current Non-financial Liabilities	0.9	0.9
1. Non-current Financial Assets	0.7	0.7	Short-term Deposits	0.9	0.9
Long-term Loans	0.7	0.7	3. Current Provisions	1.8	1.8
2. Long-term Trade and Other Receivables	10.1	11.2	Management Assessment Incentive Liabilities	1.8	1.8
Long-term Deposits Provided	11.6	11.6	Non-current Liabilities	21.1	18.6
(Present Value Discount)	△1.5	△0.4	1. Non-current Non-financial Liabilities	18.3	17.5
3. Tangible Assets	5.3	4.6	Other Non-current Non-financial Liabilities	18.3	17.5
Lands	0.1	0.1	2. Employee Benefit Liabilities	2.8	1.1
Buildings	1.4	1.4	Net Defined Benefit Liabilities and etc.	2.8	1.1
Structures	0.2	0.2	Total Liabilities	26.9	24.8
Other Tangible Assets	22.9	20.9			
(Accumulated depreciation)	△19.3	△18.0			
4. Intangible Assets Other than Goodwill	0.6	0.6	Deficit	△6.8	△5.2
Other Intangible Assets	0.6	0.6	Current Period: △0.1		
5. Non-current Non-financial Assets	1.4	0.4	Previous Period: 0.2		
Long-term Advanced Payment	1.4	0.4	Total Equity	△6.8	△5.2
Total Assets	20.1	19.6	Total Liabilities and Equity	20.1	19.6

Table Ⅹ-6

Condensed Income Statement

Current period : For the year ended December 31, 2015
Previous period : For the year ended December 31, 2014

(KDIC Internal Account Combined) (Unit : KRW 1 billion)

Categories	Current Period	Previous Period
Income from Operations (A=B–C)	△0.5	△0.7
Operating Revenues (B)	97.8	92.7
Interest Revenues	0.1	0.1
Revenues of Funds Transfer	97.7	92.6
Operating Expenses (C)	98.3	93.4
Personnel Expenses	59.3	56.6
General Expenses	39.0	36.8
Other Gains and Losses (D)	0.4	0.9
Net Reversal of Other Provisions	-	0.2
Government Grants Received	0.1	0.1
Others	0.3	0.6
Net Profit of Loss for Current Period (F=A+D+E)	△0.1	0.2
Other Comprehensive Income (G)	△1.5	△2.4
Total Comprehensive Income (H=F+G)	△1.6	△2.2

Table Ⅹ-7

Condensed Statement of Financial Position

Current period : As of December 31, 2015
Previous period : As of December 31, 2014

(DIF Bond Redemption Fund) (Unit : KRW 1 billion)

ASSETS	Amount		LIABILITIES and EQUITY	Amount	
	Current period	Previous period		Current period	Previous period
Current Assets	1,232.5	2,239.8	Current Liabilities	4,287.6	4,896.6
1. Cash and Cash Equivalents	6.7	93.7	1. Current Portion of Long-term Liabilities	4,131.3	4,690.1
2. Short-term Financial Instruments	819.2	2,030.4	2. Other Current Liabilities	156.3	206.5
3. Short-term Investment Securities	70.0	100.4			
4. Outstanding Bonds	1,104.1	1,111.5			
(Allowance for Doubtful Accounts)	△1,102.8	△1,102.8	Long-term Borrowing Liabilities	10,582.8	13,844.4
5. Short-term Loans	14,292.7	11.3	1. Public Bonds	10,582.8	13,844.4
(Allowance for Doubtful Accounts)	△13,957.4	△4.7			
			Total Liabilities	14,870.4	18,741.0
Investment Assets	5,315.7	6,856.2			
1. Long-term Loans	22.6	14,368.6			
(Allowance for Doubtful Accounts)	△9.2	△13,975.4			
2. Long-term Investment Securities	5,302.3	6,463.0			
			Net Asset		
Other Non-current Assets	7.4	11.0	1. Net Asset	52,306.4	52,306.4
1. Long-term Notes Receivables	0.1	4.1	2. Reserves and Surplus	△60,937.8	△63,055.0
(Allowance for Doubtful Accounts)	△0.1	△4.1	3. Net Asset Adjustment	316.6	1,114.6
2. Long-term Indemnity Receivables, etc.	8.5	654.7			
(Allowance for Doubtful Accounts)	△1.1	△643.7	Total Net Asset	△8,314.8	△9,634.0
Total Assets	6,555.6	9,107.0	Total Liabilities and Net Asset	6,555.6	9,107.0

Table Ⅹ-8

Condensed Financial Operating Statement

Current period : For the year ended December 31, 2015
Previous period : For the year ended December 31, 2014

(DIF Bond Redemption Fund) (Unit : KRW 1 billion)

Categories	Current Period			Previous Period		
	Total Cost	Profit	Net Cost	Total Cost	Profit	Net Cost
Ⅰ. Program Net Cost	594.9	1,268.4	△673.5	876.4	1,956.3	△1,079.9
1. Financial Policy Support	594.9	1,268.4	△673.5	876.4	1,956.3	△1,079.9
Loss on Disposal of Long-term Investment Securities	-			149.2		
Payment Fees	0.9			6.6		
Allowance for Doubtful Accounts	43.7			32.8		
Interest Expense on Public Bonds and etc.	550.3			687.8		
Gains on Disposal of Long-term Investment Securities		241.2			1,595.2	
Gains on Disposal of Other Investment Securities		0.3			1.4	
Interest Income from Loans to Non-Government Organizations		183.4			132.6	
Reversal of Impairment Loss on Investment Securities		49.7			78.6	
Reversal of Allowances for Doubtful Accounts		5.0			39.8	
Dividend Income		774.7			108.6	
Miscellaneous Revenue		14.1			0.1	
Ⅱ. Management and Administrative Expenses			6.5			7.6
1. Personnel Expenses			-			-
2. General Expenses			6.5			7.6
Ⅲ. Non-Allocated Costs			-			-
Ⅳ. Non-Allocated Revenues			43.4			33.4
1. Interest Income			28.8			21.9
2. Valuation Gains			14.6			2.4
3. Other Income			-			9.1
Ⅴ. Net Cost for Financial Operation (Ⅰ + Ⅱ + Ⅲ - Ⅳ)			△710.4			△1,105.7
Ⅵ. Non-Exchange Revenues			1,406.8			1,356.0
1. Revenues from Contributions			1,406.8			1,356.0
Ⅶ. Financial Operation Result (Ⅴ - Ⅵ)			△2,117.2			△2,461.7

Appendix

1. Overview of the Deposit Insurance System

Significance of the Deposit Insurance System

The deposit insurance system protects depositors and stabilizes financial markets by reimbursing depositors or providing financial assistance in a timely manner when an insured financial institution fails. For that purpose, it maintains the Deposit Insurance Fund ex ante with deposit insurance premiums paid by insured financial institutions during normal times.

Insured Financial Institutions

Insured financial institutions are those that are required to join the deposit insurance system under the Depositor Protection Act. They include banks, financial investment traders/brokers, insurance companies, merchant banks, and mutual savings banks. In Korea, deposit insurance membership is compulsory for individual companies in the corresponding areas of the financial industry.

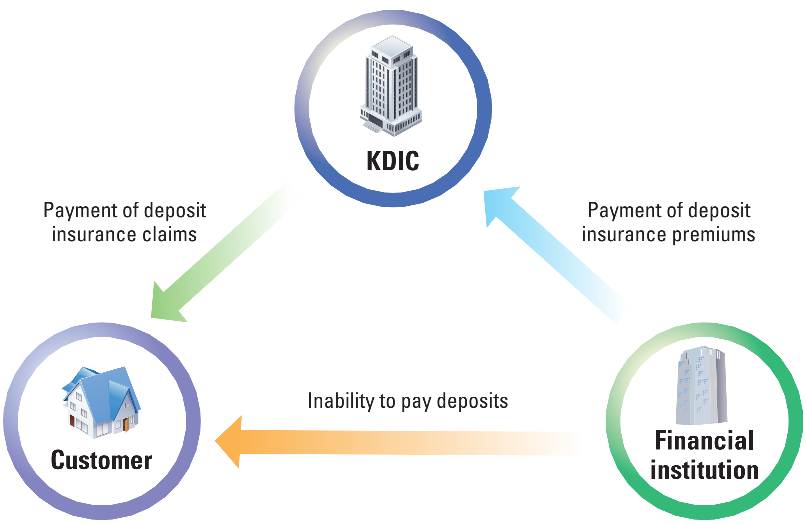
“Banks” include banks licensed under the Banking Act such as commercial banks and regional banks, in addition to domestic branches of international banks and special-purpose banks except the Export-Import Bank of Korea. They also include the National Federation of Agricultural Cooperatives under the Agricultural Cooperatives Act and the National Federation of Fisheries Cooperatives under the Fisheries Cooperatives Act.

“Investment traders/brokers” are any investment traders and brokers including domestic offices of international investment firms authorized to engage in the securities investment trading and brokerage business. All "insurance companies" except re-insurance firms are included from the scope of insured financial institutions.

“Merchant banks” and “mutual savings banks” licensed under relevant laws are also insured by the KDIC.

Figure Appendix - 1

Structure of Deposit Insurance



Insured Financial Products

Insured financial products are deposits that are guaranteed by the KDIC on behalf of financial institutions if they cannot pay deposits to depositors for reasons such as bankruptcy. The coverage scope is defined in Article 2 of the Depositor Protection Act and Article 3 of its Enforcement Decree.

Table Appendix - 1

Insured and Uninsured Financial Products

(As of Dec. 31, 2015)

Financial Sector	Insured Financial Products	Uninsured Financial Products
Banks	• Demand deposits (e.g. ordinary deposits, corporate deposits, temporary deposits, checking deposits) • Savings deposits (term deposits, time and savings deposits, housing subscription deposits, and issued notes) • Installment deposits (e.g. installment savings deposits, installment savings for housing, and mutual installment deposits • Foreign currency deposits • Money trusts with principal guarantees • Deposits in defined contribution retirement pension accounts or individual retirement accounts that are invested in KDIC-insured products	• Certificates of Deposits (CD), Repurchase agreements (RP) • Financial investment products (e.g. beneficiary certificates, mutual funds, money market funds (MMF)) • Real fiduciary accounts (e.g. money market trust) • Bank-issued bonds • Some types of housing subscription deposits
Investment Traders and Brokers	• Money that remains in cash in customer accounts which has not been used to purchase securities, etc. • Cash balance from deposits for stock margin loans (proprietary), deposits for opening a margin account and deposits for margin loans • Money trusts with principal guarantees • Deposits in defined contribution retirement pension accounts or individual retirement accounts that are invested in KDIC-insured products • Cash deposits with securities finance companies made under Article 330(1) of the Financial Investment Services and Capital Markets Act	• Financial investment products (e.g. beneficiary certificates, mutual funds, MMF) • Subscription deposits, taxes withheld, deposits for futures and options trading, deposits for stock margin loans (KSFC) • Repurchase agreements (RP), bonds issued by securities companies • Cash management accounts (CMA), wrap accounts, equity-linked securities (ELS), equity-linked warrants (ELW), etc.
Insurance Companies	• Individual policies • Retirement insurance • Deposits in defined contribution retirement pension accounts or individual retirement accounts that are invested in KDIC-insured products • Monetary trusts with principal guarantees	• Policies of which the holders and premium payers are corporate entities • Guarantee insurance or reinsurance policies • Main contract of a variable insurance contract, etc.
Merchant Banks	• Notes issued, CMA	• Financial investment products (e.g. beneficiary certificates, mutual funds, MMF) • Repurchase agreements (RP), Certificates of Deposits (CD), Commercial Papers (CP), bonds issued by merchant banks, etc.
Mutual Savings Banks	• Ordinary deposits, savings deposits, term deposits, term installment savings, mutual installment deposits, notes issued, etc. • Cashier's checks issued by the Korea Federation of Savings Banks, etc.	• Bonds issued by savings banks (subordinated bonds), etc.

* Deposits of the central and local governments (including national and public schools), the Bank of Korea, FSS, KDIC and insured financial institutions are excluded from the scope of protection

Coverage Limit

When the KDIC was launched in 1996, the coverage was up to KRW 20 million per depositor. However, as financial markets became unstable and systemic risk started to manifest itself across the economic system in the wake of the Asian financial crisis in 1997, deposit insurance coverage was expanded to cover both principal and interest in full with the revision of the Enforcement Decree of the Depositor Protection Act in December 1997. Financial restructuring served to ease the turmoil in the financial market somewhat, but moral hazard ran rampant among depositors and financial institutions as a result of the adoption of blanket coverage. In response, the Enforcement Decree was revised again in July 1998 and limited coverage was re-introduced. Under the revision, if principal (or insurance premiums paid in the case of policyholders) was no more than KRW 20 million, principal and designated interest* were guaranteed up to KRW 20 million. If principal (or insurance premiums paid in the case of policyholders) exceeded KRW 20 million, only principal was protected.

* The lesser amount between the interest rate publicly announced by the KDIC (average of the base rates applicable to one-year term deposits (monthly interest payment) of 11 nationwide commercial banks) and the contractual interest rate (interest rate after maturity if the deposit has already reached maturity)

As the markets became more stable, the Enforcement Decree of the Depositor Protection Act was revised in October 2000 to raise the coverage limit to KRW 50 million in an effort to minimize moral hazard.

Since January 1, 2001, the KDIC has insured up to KRW 50 million per depositor including principal and designated interest in the event of the failure of a bank, financial investment trader/broker, merchant bank or a mutual savings bank. For insurance companies, up to KRW 50 million for both surrender value (or insurance payout at maturity) and other payments are covered.

Starting in June 2009, the KDIC protected reserves for DC (defined contribution) pension and IRP (individual retirement pension) plans invested in financial products eligible for deposit protection (bank deposits, interest rate sensitive or guaranteed interest insurance products, etc.) in accordance with the Guarantee of Workers' Retirement Benefits Act.

If a depositor had other insured deposits with an insured financial institution in addition to such protected reserves, however, a combined deposit protection limit of KRW 50 million applied. This raised the need to adjust the protection limit in order to safeguard the rights of subscribers to retirement

Table Appendix - 2

Coverage Limit

Period	Coverage Limit
Jan. 1, 1997 ~ Nov. 18, 1997	• KRW 20 million per person
Nov. 19, 1997 ~ Jul. 31, 1998	• Blanket guarantee for principal and interest
Aug. 1, 1998 ~ Dec. 31, 2000	• Subscribed before Aug. 1, 1998: Blanket guarantee • Subscribed on or after Aug. 1, 1998: • Principal exceeding KRW 20 million: Principal only • Principal of up to KRW 20 million: Up to KRW 20 million including principal and designated interest
Jan. 1, 2001 ~ Feb. 25, 2015	• KRW 50 million per person (Blanket guarantee for bank demand deposits made by December 31, 2003)
Feb. 26, 2015 ~ Present	• KRW 50 million per person (Reserves for DC and IRP plans* managed as financial instruments eligible for deposit protection: KRW 50 million separately) * Including retirement insurance and retirement lump-sum payment trust

pension plans more strongly. The Enforcement Decree of the Depositor Protection Act revised in February 2015 applies a separate protection limit of KRW 50 million respectively to each depositor's protected ordinary financial products and reserves for retirement pension plans.

2. Independent Evaluation

Management Evaluation of Public Institutions

In March 2015, the KDIC submitted its managerial performance report for 2013 to the Minister of Strategy and Finance under Article 47 of the Act on the Management of Public Institutions. Based on the report, a team organized by the Minister of Strategy and Finance evaluated the performance of the KDIC.

In its announcement in June 2015, the evaluation team gave the KDIC an "A" grade for the performance of the KDIC and its Chairman & President in 2014.

Fund Management Evaluation

Under the National Finance Act, the Ministry of Strategy and Finance is authorized to examine and evaluate the performance of funds governed by the Act and determine whether to maintain the funds every three years. The fund management evaluation is consisted of two categories : business management and asset management.

The KDIC prepared a fund management performance report (asset management) for the DIF Bond Redemption Fund in 2014 and submitted it to the Fund Management Evaluation Committee in February 2015. The Committee made available the evaluation results in May 2015 after conducting due diligence and opinion gathering.

According to the fund management evaluation (asset management) results for 2014, the Redemption Fund gained the rating of “excellent.” This attests to the fact that the KDIC has the strongest fund management ability among finance-oriented funds.

Anti-Corruption Policy Evaluation and Integrity Assessment for Public Institutions

The KDIC subjected itself to integrity assessment and anti-corruption policy evaluation by the Anti-Corruption and Civil Rights Commission in compliance with the Act on the Prevention of Corruption and the Establishment and Management of the Anti-Corruption and Civil Rights Commission. The assessment and evaluation were intended to measure the integrity of public institutions and encourage them to address all known risks of corruption.

According to the anti-corruption policy evaluation findings for 2015 unveiled in February 2016, the KDIC was rated grade 1 (excellent). The KDIC achieved grade 2 (good) or higher rating every year since 2010.

※ Number of organizations rated grade 2 (good) or higher for the last three consecutive years: 44 out of 268

In a public institution integrity survey for 2015 targeting its own employees and customers, the KDIC obtained grade 2 (third out of 44 type-III public institutions) with a score of 8.81 (overall integrity level), up 0.25 points from the previous year. It earned grade 2 for six consecutive years since 2010.

3. Summary of Major Events in 2015

Date	Major Events
Jan. 16	· Golden Bridge Savings Bank subjected to a P&A
Feb. 26	· Began to apply a separate protection limit to reserves for DC and IRP plans managed as financial instruments eligible for deposit protection
Mar. 23	· Recovered KRW 133.4 billion through a block sale of a 2% stake in Hanwha Life Insurance
Mar. 27	· Recovered KRW 38.7 billion in regular dividends from Hanwha Life Insurance
Mar. 30	· Recovered KRW 11.26 billion in loans from Daewon Savings Bank
Apr. 15	· Recovered KRW 172.6 billion in regular dividends from Woori Bank
Apr. 27	· Recovered KRW 337.4 billion in regular dividends from Seoul Guarantee Insurance
May 27	· Bumgook Gwak inaugurated as the 9th Chairman & President
Jul. 21	· Introduced a sale to oligopolistic shareholders as an alternative sale method for Woori Bank
Aug. 13	· Recovered KRW 86.3 billion in interim dividends from Woori Bank
Aug. 20	· Introduced the wage peak system based on labor-management agreement
Aug. 31	· Recovered KRW 139.7 billion in interim dividends from Seoul Guarantee Insurance
Mar. ~ Aug.	· Recovered KRW 6.5 billion from 1,598 persons through a debt rescheduling campaign and forgave KRW 21.1 billion in debt
Sep. 1	· Revised debt rescheduling standards to support financial self-rehabilitation of ordinary people
Sep. 23	· Unveiled its new vision and future strategy agendas
Oct. 29	· Received the IADI Deposit Insurance Organization of the Year Award for Achievement in Core Principles and International Cooperation
Nov. 2	· Recovered KRW 520.3 billion through a block sale of a 7.5% stake in Hanwha Life Insurance
Nov. 13	· Received the grand prize in the Ministry of the Interior's EA (Enterprise Architecture) maturity evaluation
Nov. 25	· Introduced as a model of wage peak system adoption in the workshop for the heads of public institutions jointly held by related ministries
Dec. 22	· Obtained certification as a family-friendly corporation from the Ministry of Gender Equality and Family
Dec. 22	· Revised the Depositor Protection Act (expansion of coverage, compulsory notification of insurance coverage, etc.)

4. Statistics

Insured Financial Institutions[1]

(As of Dec.31, 2015, Unit: No. of financial institutions)

Financial Sector	2009	2010	2011	2012	2013	2014	2015
Banks	54	54	55	56	57	56	58
Domestic	17	17	17	17	17	17	16
Foreign	37	37	38	39	40	39	42
Investment Companies[2]	115	118	117	115	117	116	114
Insurance Companies	43	44	44	46	47	48	48
Life	22	23	23	24	25	25	25
Non-Life	21	21	21	22	22	23	23
Merchant Banks	2	1	1	1	1	1	1
MSBs[3]	106	105	107	101	91	80	79
Total	320	322	324	319	313	301	300

Note : 1) The number of insured financial institutions is tallied based on the business opening date and the date of license revocation or business dissolution / bankruptcy.
2) Financial investment traders and brokers in the securities market licensed under Article 12 of the Financial Investment Services and Capital Markets Act and securities finance companies licensed under Article 324(1) of the Act
3) Excluding the Korea Federation of Savings Banks (which joined the DI system in December 2007)

Insurable Deposits by Financial Sector[1]

(As of Sep. 30, 2015, Unit: KRW 1 billion)

Financial Sector	2014 (A)	2015 (B)	Change (B-A)
Banks	956,870.1	1,034,418.9	77,548.8
Investment Companies	18,380.6	24,637.1	6,256.5
Insurance Companies	549,556.6	608,937.3	59,380.7
Life	435,100.8	475,890.9	40,790.1
Non-Life	114,455.8	133,046.4	18,590.6
Merchant Banks	684.7	825.6	140.9
MSBs	30,792.0	34,702.8	3,910.8
Total	1,556,284.0	1,703,521.7	147,237.7

Note : 1) The term "insurable deposits" refers to (balance) amounts in depository products sold by financial institutions and protected by the KDIC under Article 2 of the DPA. It does not include deposits made by the central government, local governments or KDIC-insured institutions as determined under Article 3 of the Enforcement Decree of the DPA.

DIF Bond Redemption Fund Revenues

(As of Dec. 31, 2015, Unit: KRW 1 billion)

Financial Sector	Insurance Premium revenue Prior to Creation of DIF Bond Redemption Fund (KRW 100 million)[2]						Special Assessments Paid by Insured FIs to the DIF Bond Redemption Fund (KRW)								
	Before 1998[1]	1999	2000	2001	2002	Total	2007	2008	2009	2010	2011	2012	2013	2014	2015
Banks	161.3	197.5	263.0	413.9	436.1	1,471.8	502.7	497.6	596.5	681.1	778.9	851.8	897.3	959.0	978.6
Investment Companies	-	5.1	15.6	21.8	26.2	68.7	15.6	18.5	16.9	21.3	22.7	22.6	20.2	20.0	17.9
Insurance Companies	232.2	126.0	178.1	241.6	278.0	1,055.9	154.3	168.3	178.2	194.3	213.7	235.2	300.4	317.6	351.3
Life	180.0	101.1	140.2	193.8	229.5	844.6	126.5	136.4	143.0	153.4	165.0	176.0	229.7	238.6	261.7
Non-Life	52.2	24.9	37.9	47.8	48.5	211.3	27.8	31.9	35.2	40.9	48.7	59.2	70.7	79.0	89.6
Merchant Banks	98.0	33.6	23.3	13.9	13.0	181.8	0.7	0.8	1.0	1.9	1.2	1.0	0.9	0.7	0.7
MSBs	240.7	37.7	32.3	52.9	60.4	424.0	43.0	49.1	59.3	71.5	71.8	52.1	39.4	32.3	30.8
Credit Unions	40.2	16.2	28.1	40.7	64.1	189.3	11.6	12.9	13.7	17.0	20.5	22.8	24.8	26.3	27.5
Total	772.4	416.1	540.4	784.8	877.8	3,391.5	728.0	747.2	865.6	987.1	1,108.7	1,185.5	1,283.0	1,356.0	1,406.8

Note : 1) The insurance premium revenue for 1998 is inclusive of the applicable funds transferred from the Insurance Supervisory Board, Credit Management Fund, and 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) It was transferred to the DIF Bond Redemption Fund after the revision of related laws in 2002.

DIF Premium Revenues

(As of Dec. 31, 2015, Unit: KRW 1 billion)

Financial Sector	2003[1]	2004	2005	2006	2007	2008	2009	2010	2011	2012[5]	2013[5]	2014[5]	2015[5]	Total
Banks	477.5	496.0	486.9	498.7	502.7	480.8	529.1	545.1	479.5	374.8	394.7	419.7	436.9	6,122.4
Investment Companies	31.2	33.6	30.0	30.3	25.6	30.5	27.6	28.4	28.3	0.2	-	-	-	265.8
Insurance Companies	311.5	340.3	373.7	405.9	445.5	485.2	511.3	330.7	306.2	8.6	70.8	125.6	199.0	3,914.3
Life	258.0	283.2	310.9	336.2	365.4	393.4	409.7	260.9	236.2	△1.4[3]	22.1	81.1	128.0	3,083.7
Non-Life	53.5	57.1	62.8	69.7	80.1	91.8	101.6	69.8	70.0	10.0	48.7	44.5	71.0	830.6
Merchant Banks	7.3	1.7	1.5	1.9	2.2	2.4	2.9	3.4	1.8	0.8	0.8	0.6	0.4	27.6
MSBs	66.7	79.3	97.4	111.6	130.6	148.3	173.7	252.4	233.2	134.5	25.3	25.6	6.4	1,484.9
Special Account[2]	-	-	-	-	-	-	-	-	174.2	581.6	667.2	615.8	712.0	2,750.9
Total[4]	894.2	950.9	989.5	1,048.4	1,106.6	1,147.2	1,244.6	1,160.0	1,223.1	1,100.4	1,159.0	1,187.2	1,354.7	14,565.9

Note : 1) Insurance premiums paid until 2002 were transferred to the Redemption Fund after the revision of relevant laws.

2) Establishment of the Special Account for Mutual Savings Bank Restructuring in April 2011 (to be maintained until the end of 2026)

3) Refund of deposit insurance premiums paid before 2012

4) The credit union account of the DIF which was transferred to the National Credit Union Federation of Korea as of January 1, 2010 is excluded.

5) Insurance premium reductions under the target fund system: exemption for financial investment companies and life insurance companies and 15% reduction for non-life insurance companies in 2012; exemption for financial investment companies, 45% reduction for life insurance companies, and 7% reduction for non-life insurance companies in 2013; exemption for financial investment companies, 38% reduction for life insurance companies, and 1% reduction for non-life insurance companies in 2014; exemption for financial investment companies and 17% reduction for life insurance companies in 2015.

DIF Bonds Issued

(As of Dec. 31, 2015, Unit: KRW 1 billion)

Financial Sector	1998	1999	2000	2001	2002	Total
Banks	12,065.0	15,859.1	6,030.7	7,761.7	3,660.0	45,376.5
Investment Companies	16.0	0.3	-	3,218.5	-	3,234.8
Insurance Companies	1,153.4	4,210.0	1,000.0	9,208.9	-	15,572.3
Life	1,153.4	4,142.2	-	2,412.0	-	7,707.6
Non-Life	-	67.8	1,000.0	6,796.9	-	7,864.7
Merchant Banks	6,512.0	-	1,260.0	7,334.4	-	15,106.4
MSBs	991.7	1,597.7	650.0	3,333.1	-	6,572.5
Credit Unions	276.9	817.8	-	202.7	-	1,297.4
Total	21,015.0	22,484.9	8,940.7	31,059.3	3,660.0	87,159.9[1)]

Note : 1) Cumulative issue amount that includes conversion issuance

Financial Assistance from the DIF Bond Redemption Fund

(As of Dec. 31, 2015, Unit: KRW 1 billion)

Financial Sector	Equity Investment	Contributions	Deposit Payoffs[1)]	Asset Purchase[1)]	Loans	Total
Banks	22,203.9	13,918.9	-	8,106.4	-	44,229.2
Investment Companies	9,976.9	414.3	11.3	2,123.9	-	12,526.4
Insurance Companies	15,919.8	3,119.2	-	349.5	-	19,388.5
Life	5,669.7	2,751.9	-	349.5	-	8,771.0
Non-Life	10,250.1	367.3	-	-	-	10,617.4
Merchant Banks	2,693.1	743.1	18,271.8	-	-	21,708.0
MSBs	0.1	416.1	7,289.2	-	596.9	8,302.3
Credit Unions	-	-	4,740.2	-	-	4,740.2
Total	50,793.7	18,611.7	30,312.4	10,579.9	596.9	110,894.5

Note : 1) Including financial assistance provided through resolution financial institutions

Details of Financial Assistance from the DIF Bond Redemption Fund

(As of Dec. 31, 2015, Unit: KRW 1 billion)

Injection Type & Recipient Institutions		Amount Provided
Equity Investment	Seoul Bank	4,680.9
	Korea First Bank	5,024.8
	Hanvit Bank	6,028.6
	Five acquiring banks including Kookmin Bank	1,192.3
	Hana Bank (Merger of Hana Bank and Boram Bank)	329.5
	Chohung Bank	2,717.9
	Peace Bank	493.0
	Kyungnam Bank	259.0
	Kwangju Bank	170.4
	Jeju Bank	53.1
	National Federation of Fisheries Cooperatives	1,158.1
	National Agricultural Cooperative Federation	96.2
	Hanareum Banking Corporation	30.0
	Hanaro Merchant Bank	2,491.2
	Hans, Korea, Joongang Merchant Bank	0.2
	Youngnam Merchant Bank	171.7
	Hanareum MSB	0.1
	Seoul Guarantee Insurance Corporation	10,250.0
	Korea Life Insurance	3,550.0
	Kookmin, Taepyongyang, Doowon, Dong-A, Handuck, Chosun Life Insurance	2,119.7
	Korea Investment Trust Management & Securities	5,164.9
	Daehan Investment Trust Securities	2,900.3
	KR&C	0.1
	Daehan, Kookje Fire Insurance	0.1
	Hyundai Investment & Securities	1,911.6
	Sub-total	50,793.7
Contribution	Kookmin, Housing & Commercial, Shinhan, Hana, Koram Bank (five acquiring banks)	9,711.3
	Hanvit, Kyungnam, Gwangju, Peace, Seoul, Jeju Bank	2,967.7
	National Agricultural Cooperative Federation	87.0
	Samsung, Heungkuk, Kyobo, Allianz Life (four acquiring insurance companies)	1,164.1
	Korea First Bank (KFB)	1,152.8
	Korea, Hyundai, Kumho, Tongyang, SK Life	1,422.0
	Financial companies including Boomin MSB	416.1
	Daehan Fire	50.9
	Woori (Former Hanaro Merchant Bank) Merchant Bank	743.1
	Kookje Fire	73.9
	Tongyang, Samsung, Hyundai, LG, Dongbu Fire	242.5
	Green Cross (Daishin) Life	139.3
	KB (Hanil) Life	26.5
	Korea Investment Trust Management & Securities	78.4
	Daehan Investment Trust Securities	63.0
	Hyundai Investment & Securities	273.0
	Sub-total	18,611.7

Injection Type & Recipient Institutions			Amount Provided
Deposit Payoffs	Deposit Payoffs	Credit Unions	4,740.2
		Financial Investment Companies (4 companies)	11.3
		MSBs	1,233.5
		Youngnam, Hansol, Korea Merchant Bank	0.1
	Payment through Resolution Financial Institutions	Hanareum Banking Corporation(in resolving 18 merchant banks)	18,271.7
		Hanareum MSB (in resolving 59 MSBs)	6,055.7
	Sub-total		**30,312.4**
Asset Purchase	Direct Purchase	Korea First Bank (BW)	24.9
		Korea First Bank (Shares of KFB's Vietnam and New York subsidiaries)	16.5
		Hyundai Investment & Securities(Shares of Hyundai Autonet, etc.)	857.0
	Indirect Purchase by Lending Money to the RFC	Five acquiring banks including Kookmin Bank (KB)	158.8
		Korea First Bank	7,906.3
		Dong-A, Kookmin, Taepyongyang, Daehan, SK Life	349.5
		Korea Investment Trust Management & Securities	483.0
		Daehan Investment Trust Securities	653.9
		Hyundai Investment & Securities	130.0
	Sub-total		**10,579.9**
Loans		MSB (13 MSBs)	596.9
		Sub-total	596.9
Aggregate Total			**110,894.5**

Financial Assistance from the DIF

(As of Dec. 31, 2015, Unit: KRW 1 billion)

Financial Sector	Equity Investment	Contributions	Deposit Payoffs	Loans	Provisional Deposit Payment	Total[1)]
Banks	-	-	-	-	-	-
Investment Companies	-	-	-	-	-	-
Insurance Companies	-	22.6	-	-	-	22.6
Life	-	-	-	-	-	-
Non-Life	-	22.6	-	-	-	22.6
Merchant Banks	-	-	-	-	-	-
MSBs	121.1	2,454.2	1,441.3	489.1	21.9	4,527.6
Special Account	365.5	22,987.3	3,626.5	113.6	77.5	27,170.4
Total	486.6	25,464.1	5,067.8	602.7	99.4	31,720.6

Note : 1) The credit union account of the DIF which was transferred to the National Credit Union Federation of Korea as of January 1, 2010 is excluded.

Recovery of Injected Funds by Year (DIF Bond Redemption Fund)

(As of Dec. 31, 2015, Unit: KRW 1 billion)

Year	Amount
2000 and before	10,345.7
2001	4,117.9
2002	2,663.4
2003	5,603.4
2004	5,667.2
2005	3,611.7
2006	3,400.1
2007	4,366.0
2008	2,398.0
2009	2,411.8
2010	2,929.5
2011	1,267.9
2012	1,376.9
2013	799.2
2014	2,444.9
2015	1,624.3
Total[1)]	55,027.9

Note : 1) Including KRW 235.1 billion (2004), KRW 45.8 billion (2006), KRW 9.3 billion (2007) and KRW 20 billion (2012) in liability charges paid by majority shareholders of insolvent financial institutions such as Hyundai Investment & Securities

Fund Recoveries by Type (DIF Bond Redemption Fund)

(As of Dec. 31, 2015, Unit: KRW 1 billion)

Financial Sector		Recovery of Equity Investment	Settlement of Contributions, etc.	Dividends from Bankruptcy Estates[1)]	Asset Sales[1)]	Collection of Loans	Total
Banks		18,744.4	70.1	1,847.2	6,631.2	-	27,293.0
Investment Companies		1,212.1	337.3	7.8	1,800.7	-	3,357.9
Insurance Companies		5,087.2	88.8	431.0	245.3	-	5,852.3
	Life	2,140.3	84.8	366.2	245.3	-	2,836.6
	Non-Life	2,946.9	4.0	64.8	-	-	3,015.7
Merchant Banks		169.5	5.9	9,119.6	-	-	9,295.0
MSBs		-	34.3	5,179.3	-	596.9	5,810.5
Credit Unions		-	0.4	3,418.8	-	-	3,419.2
Total		25,213.3	536.8	20,003.8	8,677.1	596.9	55,027.9

Note: 1) Including financial assistance provided through resolution financial institutions.

Progress in Financial Restructuring

(As of Jun. 30, 2015, Unit: No. of financial institutions, %)

Financial Sector		No. of Institutions, Year-end 1997 (A)	Restructuring Status					Newly Opened	Current Total
			Revocation of License	Merger	Liquidation, Bankruptcy, and/or Business Transfer, etc.	Total (B)	Proportion (B/A)		
Banks		33	5	11	-	16	48.5	1	18
Non-Banks	Merchant Banks	30	22	8	-	30	100.0	1	1
	Investment Companies	36	6	11	6	23	63.9	32	45
	Insurance Companies	50	11	7	6	24	48.0	31	57
	Asset Management Companies	24	7	11	1	19	79.2	82	87
	MSBs	231	144	38	1	183	79.2	31	79
	Credit Unions	1,666	3	185	584	772	46.3	19	913
	Lease Companies	25	6	13	-	19	76.0	22	28
	Sub-total	2,062	199	273	598	1,070	51.9	218	1,210
Total		2,095	204	284	598	1,086	51.8	219	1,228

Source: Public Fund Management White Book published in August 2015

Amount of Financial Assistance Provided from Public Funds by the Type of Assistance

(from Nov. 1997 to Dec. 31, 2015, Unit: KRW 1 trillion)

Financial Sector		Equity Investment	Contributions	Deposit Payoffs	Asset Purchase	Non-performing Loan Purchase	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
	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 Financial Institutions, ect.		-	-	-	-	2.4	2.4
Total		63.5	18.6	30.3	17.8	38.5	168.7

Source: Financial Services Commission

5. Acronyms

ABS	Asset-backed Securities
APRC	Asia-Pacific Regional Committee
BOK	Bank of Korea
DIF	Deposit Insurance Fund
DPA	Depositor Protection Act
FDIC	Federal Deposit Insurance Corporation
FSC	Financial Services Commission
FSS	Financial Supervisory Service
IADI	International Association of Deposit Insurers
IBRD	International Bank for Reconstruction and Development
KDIC	Korea Deposit Insurance Corporation
KR&C	Korea Recovery and Collection Corporation
KRW	Korean Won
KSP	Knowledge Sharing Program
MOSF	Ministry of Strategy and Finance
MOU	Memorandum of Understanding
MSB	Mutual Savings Banks
NPL	Non-Performing Loans
P&A	Purchase and Assumption
PF	Project Financing
SPC	Special Purpose Company

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