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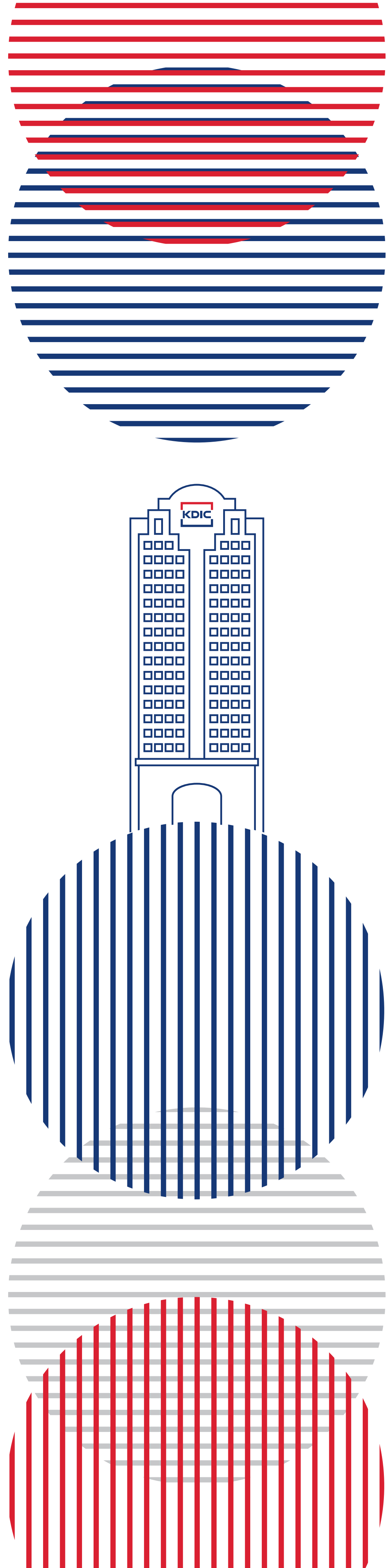
Korea Deposit Insurance Corporation

2021 ANNUAL REPORT



KDIC Korea Deposit Insurance Corporation

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CEO Message

Based on the Korean government's successful "K-Quarantine" to deal with the COVID-19 pandemic, 2021 was a year in which financial markets remained stable and the real economy demonstrated a gradual recovery. However, the confluence of an end to expansionary monetary policy and discussions on austerity to curb inflationary risk, both designed to overcome the COVID-19 crisis, gave rise to a major threat to financial stability in the form of a rapid increase in household and small business debt.

In spite of the unprecedented difficulties caused by the spread of COVID-19, the Korea Deposit Insurance Corporation (KDIC) continued to perform its mandated role of ensuring financial consumer protection and financial market stability to its utmost whilst contributing to the efforts to overcome the COVID-19 crisis.

First, the KDIC successfully sold a 11.3 percent stake in Woori Financial Group through a block sale and competitive bidding. This signified the recovery of most of the public funds injected into Woori Financial Group and reduced the KDIC's remaining stake to 5.8 percent. The Corporation's relinquishing of its majority stake in Woori Financial Group 23 years after the injection of public funds marked a significant achievement with a de facto completion of privatization.

Next, the Scheme to Support the Return of Misdirected Money Transfers was implemented in July 2021, paving the way for increased financial consumer protection. A dedicated unit was set up to build a collaborative system with related organizations, thereby simplifying return procedures and promoting multilateral public relations. These efforts were among a host of follow-up measures aimed at the soft landing of the new scheme.

In addition, to realize social values, support for those hardest hit by COVID-19 was strengthened through broader debt restructuring and the lowering of maximum interest rate on loans as well as extended operation of non-face-to-face financial literacy education programs.

Furthermore, to meet the steadily increasing social demand for Environmental, Social and Governance (ESG) Management, a new managerial infrastructure was established by devising an ESG strategy and composing a committee to promote its work. Efforts were also made to fulfill the KDIC's social responsibility as a public entity through such work as the support for social economy enterprises and promotion of various cooperative projects.

In other areas, with the introduction of recovery and resolution planing (RRP) requirements in June 2021 aimed at preparing a systematic response to a financial crisis brought about by the insolvency of a systemically important financial institution (SIFI), the KDIC developed resolution plans for 10 SIFIs, taking great care to make sure that the plans are effective and that the new scheme successfully takes hold.

Meanwhile, the risk-based premium system was improved to reflect recent changes in the financial environment. The assessment grades were further divided and indicators were adjusted to enhance suitability in order to induce more active efforts from financial institutions to improve their own soundness. In particular, to respond to household debt, an evaluation indicator was added to encourage more rigorous household debt risk management by the sector.

Finally, the Corporation contributed to the government's securing of national finances to overcome the COVID-19 crisis. Not only did it achieve the early repayment of the Deposit Insurance Fund Bond Redemption Fund debt six years earlier than originally planned, it also managed to revert the remaining property of the Fund to the government's Public Fund Repayment Fund for the first time since its establishment.

This annual report contains the outcomes of the KDIC's major activities in 2021. I sincerely hope it will provide a better understanding of the KDIC's work and achievements for the general public and I look forward to your continued support and encouragement in the future.

Chairman & President KIM Tae-hyun

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Table of Contents

I Major Initiatives

By responding actively to changes in financial environment and policy during 2021, the Korea Deposit Insurance Corporation (KDIC) dutifully performed its role to strengthen financial market stability, expand financial consumer protection and to realize social values as a key part of the financial safety net.

First, the risk-based premium system was improved by subdividing risk-based assessment grades to induce more sound management in insured financial companies and strengthen financial market stability. By strengthening the connection between risk monitoring and risk assessment work, the potential risk factors for each financial sector were reflected in supplementary risk indicators to ensure the system's effective operation. For financial companies revealed with high management risk by on-going risk monitoring system, voluntary risk reduction was advised during joint and independent examinations as well as interviews with the insured financial companies' management.

At the end of June 2021, the recovery and resolution planning (RRP) scheme was launched for systemically important financial institutions (SIFIs), laying the foundation for reliable and seamless response to financial system instability.

Additionally, in August 2021, the Deposit Insurance Fund Bond Redemption Fund debt arising from the restructuring costs in previous financial company insolvencies was repaid six years earlier than originally planned. For the first time since its establishment, the Deposit Insurance Fund Bond Redemption Fund was able to transfer its remaining assets to the Public Fund Repayment Fund managed by the Financial Services Commission, thereby contributing to national finances in difficult times caused by COVID-19. Various measures were taken to improve the Fund's soundness and modify its management system, including a revision of the Depositor Protection Act (DPA) to extend the sunset date for deposit insurance premium limit, diversification of investment assets and practices, etc.

Meanwhile, the successful sale of the KDIC's 11.3 percent stake in Woori Financial Group enabled the KDIC to achieve the dual goals of recovering public funds and achieving Woori's de facto privatization, thereby making a significant contribution to financial industry development. The work of the Korea-Cambodia task force to revitalize the Camko City project and allow for smooth progress in related lawsuits provided a stepping stone for the relief of victims affected by savings bank insolvencies. Efficient recovery of funds was enabled by the efficient management of bankruptcy estates and modification of the asset management system, as well as investigations of properties owned by insolvency-implicated persons and strict insolvency responsibility investigations.

Next, to expand protection of financial consumers, the KDIC launched a scheme on July 6th to support the return of misdirected money transfers to facilitate the return of money transfers sent erroneously. This scheme is being operated in a stable manner through such efforts as building related infrastructure and conducting public awareness programs to minimize the loss of erroneous money senders in a quick and convenient way.

To prevent mis-selling and to provide accurate information regarding the deposit insurance system, the KDIC is actively monitoring adherence to the notification, explanation and confirmation scheme in the branches of insured financial companies as well as in non-face-to-face channels. An online platform was set up to publish and provide information contents such as investment practices to minimize financial consumer damages in the recent investment fever towards high-risk financial investment products. Another financial consumer protection measure was to utilize the KDIC's experience and know-how on insolvent financial institution resolution in support of the administration of insolvent private equity fund (PEF) firms and their swift liquidation.

Furthermore, in view of the circumstances posed by the COVID-19 crisis, debt restructuring was offered to the financially vulnerable while the repayment grace period was lengthened for those with amortized debts. Such efforts were supplemented with non-face-to-face financial literacy education programs to support the financially vulnerable.

Finally, the KDIC built the infrastructure for ESG management including a separate ESG strategic map and an ESG Committee reflecting social values, and environment and transparent governance goals. Also, various cooperative projects were pursued to support employee retention and stable operation of social economy enterprises by providing growth support funds and supporting market expansion. The KDIC also spearheaded performance of social responsibility as a public organization by pursuing recruitment strategies based on social equity including better representation of regional talent and the disabled as well as a focus on youth employment.

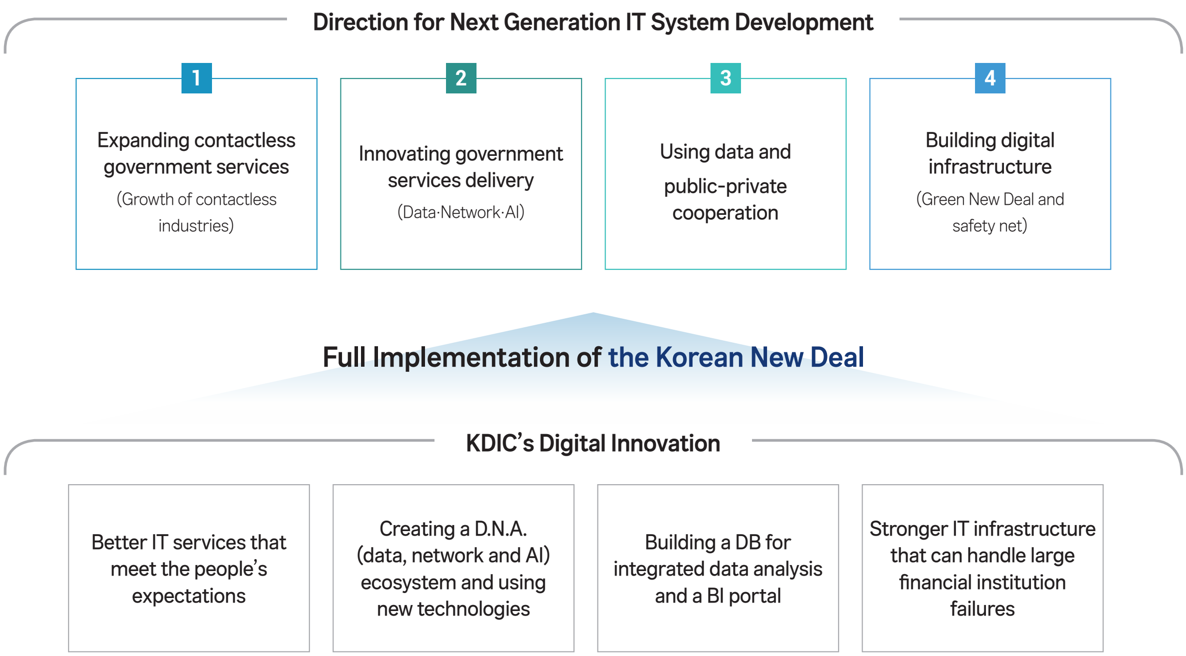
The Corporation aimed to innovate its organization and work by practicing ethical management with the development of the KDIC Anti-corruption Policy and by carrying out innovation plans which were devised in view of public opinions gathered from public participation and communication activities. In addition, the company-wide IT system was reorganized and digital capabilities were strengthened to provide better public services, paving the way for continued performance of the Korean New Deal and speedy response to changes in the digital environment.

Improvement of the Deposit Insurance System and the KDIC's Response to the Changing Environment

In August 2021, the KDIC revised the addenda to the DPA to expand the application timeline for current deposit insurance premium rates as a means of setting appropriate premium rates given the changing times and to provide stability to the deposit insurance system by ensuring adequate funding for the Special Account for Mutual Savings Bank Restructuring (Special Account). The existing DPA set a limit of 0.5 percent (of insurable deposits) for deposit insurance premiums across all financial sectors and fixed an application deadline of August 31, 2021 in its addenda. This was extended for three years until August 31, 2024 through the revision, which would mean a steady flow of premium income for the Deposit Insurance Fund (DIF) to repay the costs of past resolutions and ensure the stability of DIF.

In addition, to respond swiftly to changes in the digital environment and to achieve digital innovation, the KDIC has kicked-off a project to build the next generation of IT systems (at a cost of KRW 47.92 billion, during 2021~2023) for the first time in its history. During 2022, the project's prerequisite task called "Quick-win," which aims to launch a public consultation chatbot system, provide virtual reality (VR) real estate public sale information services and open an integrated communication system, is expected to be completed ahead of schedule to achieve results that can be felt by the public.

Figure Ⅰ-1 Direction for the KDIC's Next Generation IT System Development and Digital Innovation



Also, as the amended DPA took effect on July 6, 2021, the scheme to support the return of misdirected money transfers was formally launched in a timely manner. To provide a service that meets the public's real needs, draft webpages and the system itself were reviewed and verified by a group of volunteering members of the public who provided input. Also, a privacy impact assessment was conducted by a specialist organization for personal information protection, which led to more complete encryption and technical support measures for personal information protection. A mock hacking of the system was conducted to remove security weaknesses and enhance system reliability. The system is expected to be improved in the future to allow for mobile applications for the service to support the return of misdirected money transfers.

In other areas, the KDIC actively participated in the government's pursuit of the Korean New Deal. It performed 30 tasks as laid out in its own Action Plan for the Korean New Deal and held quarterly task force meetings to drive performance and review progress. Also, new tasks such as goals for reducing greenhouse gases and plugging the information gap for the underprivileged were added to reflect new requirements in line with the upgrade of the government's plan to Korean New Deal Policy 2.0.

Going forward, by checking the performance of New Deal tasks for continuous output creation, the KDIC intends to successfully support the government's Korean New Deal while also proactively adapting to the post-COVID era as a public organization.

Stronger International Cooperation and Exchange to Share Experiences in Operating the Deposit Insurance System

The KDIC continued to assume a global leadership role in the International Association of Deposit Insurers (IADI) and the International Forum of Insurance Guarantee Schemes (IFIGS) through the election to high profile positions and the use of initiative. By utilizing its uniquely branded KDIC Global Training Program, the KDIC conducted training programs for deposit insurers around the world to share its experiences in operating the deposit insurance system, living up to the expectations of government policy.

First, the KDIC sought to increase its role and raise its standing within international organizations. In spite of the restrictive environment due to the continued proliferation of COVID-19, it pursued international cooperation work using non-face-to-face channels such as video conferencing. In the IADI, the KDIC made contact with all full members (86 in total) during the election campaign and succeeded in securing the election of the KDIC's Chairman and President to the IADI Executive Council at the Annual General Meeting of IADI in 2021. Also, as the Chair of IFIGS and the Chair of its Information Sharing Working Group, the KDIC contributed to strengthening global cooperation among insurance guarantee schemes in areas such as information sharing, public awareness and membership growth.

Furthermore, through the KDIC Global Training Program, the Corporation sought to strengthen global cooperation among deposit insurers by sharing its unique experiences in operating the deposit insurance system. Meanwhile, it also met government expectations with the digital new deal and social value creation activities. By conducting training programs using domestic webinar and metaverse platforms, it promoted Korea's digital technology to foreign participants. Also, by co-working with Chungju City, cultural experience videos were produced and aired during the training program to promote Chungju City to a global audience while contributing to the realization of social values.

Efficient Fund Management for the Smooth Repayment of Public Funds

The KDIC established the Deposit Insurance Fund Bond Redemption Fund (Redemption Fund), under the Public Fund Redemption Plan formulated by the government in 2002, which contains all the assets and liabilities from the financial restructuring that occurred after the Asian financial crisis in the late 1990s.

As of the end of 2021, the KDIC had completed the repayment of KRW 82.4 trillion as scheduled under the Public Fund Redemption Plan. And for the first time since the installation of the Redemption Fund, the KDIC was able to revert* KRW 1.25 trillion of remaining assets to the Public Fund Redemption Fund.

* Any remaining asset after the full repayment may be partly reverted to the Public Fund Redemption Fund even before the closure of the KDIC Redemption Fund (scheduled for the end of 2027) under the revised DPA of December 2020.

In the meantime, the KDIC continued 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 stock dividends. In 2021, the KDIC recovered KRW 1.047 trillion from the sale of its 11.33 percent stake in Woori Financial Group as well as KRW 35.0 billion from the purchase and retirement of preferred shares in the Special Account of the Credit Business Unit of the National Federation of Fisheries Cooperatives. Through efforts to maximize dividends*, the KDIC collected KRW 162.7 billion of dividends in 2021.

* KRW 61.4 billion from Woori Financial Group Inc., KRW 98.7 billion from Seoul Guarantee Insurance, and KRW 2.6 billion from Hanwha Life Insurance

The KDIC recovered another KRW 47.7 billion including the receipt of interest on loans (KRW 47.6 billion) from the Korea Resolution and Collection (KR&C) which is a KDIC subsidiary that carries out the acquisition, management and sale of assets and liabilities of failed financial institutions under the DPA.

Table Ⅰ-1 KDIC Stakes in Financial Institutions

(As of Dec. 31, 2021, Unit: KRW 1 billion, %)

Category		Financial Assistance	Recoveries[1]	Value of Remaining Stakes[2]	KDIC Stakes
KDIC	Woori Financial Group (prev Woori Bank)	12,766.4	12,336.0	536.2	5.80%
	Hanwha Life Insurance	3,550.0	2,507.1	254.9	10.00%
	Seoul Guarantee Insurance	10,250.0	4,133.3	3,046.3	93.85%
	Special Account of the Business Unit of the National Federation of Fisheries Cooperatives	1,158.1	339.8	818.3	Preferred equity investment
Total		**27,724.4**	**19,316.2**	**4,655.7**	**-**

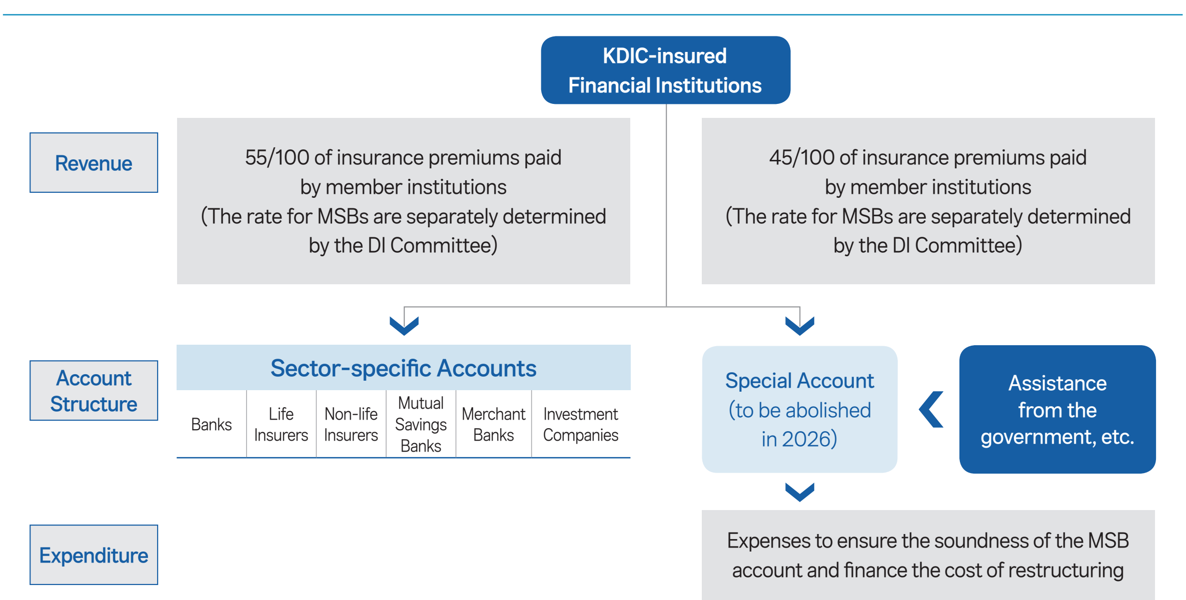
* 1) Based on the amounts recovered from share sales, collection of dividends, redemption of preferred shares of stock, etc.
2) For Woori Financial Group and Hanwha Life Insurance, the valuation is based on the closing prices as of December 31, 2021. The figure for Seoul Guarantee Insurance is based on the results of recomputation of the Redemption Fund in 2018. The valuation for the Special Account of the Credit Business Unit of the National Federation of Fisheries Cooperatives is based on the estimated recovery from the preferred equity investment.

Improved Stability of the Deposit Insurance Fund

To support the smooth restructuring of failed savings banks, the KDIC created the Special Account for Mutual Savings Bank Restructuring (Special Account)* in April 2011. Through to the end of 2021, it raised and provided KRW 27.172 trillion in payouts of insured deposits, etc. to handle the failures of 31 mutual savings banks.

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

Figure Ⅰ-2 Deposit Insurance Fund Structure and Flow of Revenue and Expenses



Between 2012 and 2014, the KDIC used a KRW 250 billion credit facility from the Public Capital Management Fund without interest to be repaid 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 (Special Account Bonds) to finance the repayment of loans from member institutions, utilizing short-term bonds, and having the Special Account Bonds certified and issued as social bonds (on five occasions with a total value of KRW 1.15 trillion during 2021).

Table I-2 Funding of and Expenditures from the Special Account (As of Dec. 31, 2021, Unit: 1 trillion)

Amount Provided in Financial Assistance			Amount Raised	
31 MSBs including Samhwa	Capital contributions, equity investments, deposit payoffs, etc.	27.2	Borrowings from the other DIF accounts	2.0
			Outside funding (e.g. issuance of Special Account Bonds)	7.5
			Deposit insurance premiums, etc.	17.7
Total		27.2	Total	27.2

Meanwhile, the KDIC changed the criteria for reducing or exempting deposit insurance premium payments to enhance the objectivity of the system and to increase the connectivity between reduction rates and the level of reserves in the respective DIF accounts. Also, as the reserves in the DIF's life insurance account exceeded the lowest target amounts at the end of 2020, life insurers got a discount (by 70 percent) on their premiums for 2020.

Stronger Risk Monitoring of Insured Financial Institutions

The KDIC monitors risk levels at KDIC-insured financial institutions on an ongoing basis for early detection and mitigation of risk events in order to prevent financial institution failures and minimize losses from a potential wave of failures to provide financial consumer protection and maintain financial stability.

First, the KDIC gathers financial data on member institutions and sector/market information regularly to analyze potential risks and runs the data through internally-developed risk monitoring models to assess the risk profile of individual institutions. Depending on the results, if the KDIC deems that a closer examination is needed to verify risks facing a financial institution, it conducts an examination of the institution on-site, either jointly with the FSS or independently.

When such on- and off-site monitoring leads to the finding of significant risk, the KDIC takes action to intervene and prevent such problems from becoming serious. For instance, it can request supervisory authorities to take corrective action or use moral suasion to encourage risk reduction.

The key to effective risk monitoring is timely collection of reliable data. This is continuously pursued through the maintenance and improvement of information sharing systems with related organizations including financial safety net participants like the Bank of Korea, Financial Supervisory Service (FSS), etc.

In addition, the KDIC operates an integrated platform to manage risk information to strengthen its ability to detect and manage at-risk institutions from an early stage. The platform aims to strengthen an IT-based risk monitoring system and is designed to digitize more of the risk monitoring process from the automation of basic analysis of financial data and one-stop search of financial and non-financial information, to trend analysis of failure signs and identification of outliers in financial performance indicators.

As for on-site examinations, the KDIC works closely with the FSS to hold working-level discussions for joint examinations and consultations for selecting examination targets for the quarter. Following the spread of COVID-19, on-site examinations were held remotely to adhere to quarantine guidelines and protocols and included detailed monitoring of COVID-19 related risk factors. Through these measures, a total of thirteen examinations were conducted in 2021 (one of which was conducted independently), which helped to prevent insurance events in financial companies and enable timely responses to failure risks.

Table I-3 Joint Examinations with FSS and Independent Examinations

	2017	2018	2019	2020	2021
Joint Examinations	9	8	12	7	12
Independent Examinations	6	3	1	-	1

Meanwhile, the KDIC sought ways to improve the risk-based premium system and provide additional incentives to encourage voluntary risk reduction by member institutions. To do that, the KDIC conducted a review of the risk assessment metrics and sub-divided the grades into more detailed ones in order to better discriminate healthy institutions from weaker institutions.

Stronger Financial Consumer Protection and Proactive Depositor Protection Services

Although the proliferation of easy-to-use financial transactions using online and mobile platforms has brought increased convenience to financial consumers, it has also given rise to a large increase* in the number of misdirected money transfers due to errors in entering the transaction amount, receiving bank's name, the receiver's account number, etc. The KDIC pursued ardent legislation efforts with the Financial Services Commission (FSC) to support the speedy redress of losses from misdirected money transfers. The amendment to the DPA, which provides for the scheme to support the return of misdirected money transfers (the Scheme), was passed by the plenary session of the National Assembly on December 9, 2020.

* Misdirected money transfers reached 200,000 cases (KRW 464.6 billion) across all financial sectors as of 2020. (source: Korea Financial Telecommunication & Clearing Institute)

With only seven months remaining from the legal amendment's passing to the Scheme's launch, the KDIC extended its best efforts to ensure a seamless launch. First, the KDIC amended the relevant sections of the Enforcement Decree of the DPA as well as internal regulations to prepare a detailed operation plan. It also established a framework for successful operation of the scheme by setting up co-work structures with related organizations like financial companies, the Ministry of the Interior and Safety, Korea Post as well as the major telecommunication service providers. Public relations activities were also pursued to raise public awareness of the Scheme using advertisements and commercials in print media, social media and television. As a result of these efforts, the scheme was successfully launched on July 6, 2021.

Efforts to enhance the Scheme's effectiveness were continued even after its launch. As of end-December 2021, a total of 5,281 applications were filed to get help claiming a reversal of a wire transfer gone wrong, of which 1,299 (KRW 1.6 billion) were returned to the sender and the average payback rate reached 96 percent, a sign that the Scheme was implemented successfully.

Going forward, the KDIC will continue to raise user convenience through the development of a mobile application to supplement the currently used internet and in-person application methods and address other issues that may arise during the Scheme's operation.

In the meantime, while the domestic private equity fund (PEF) market continued to grow rapidly on the back of favorable government policies, it has faced criticism for the lack of investor safeguards related to mis-selling, poor liquidity management and illegal/wrongful acts in fund management since 2019. In response, financial authorities formed an examination team dedicated to PEFs within the FSS in July 2020, in an effort to prevent any repeat of the problems and restore investor trust, and asked for the secondment of KDIC staff with relevant expertise. So the KDIC selected six staff members, each with a specialty in areas like bank examination and public accounting practice and seconded them to the FSS examination team.

In addition, the KDIC created a task force to support protection of financial consumers in 2020 in order to get a better grasp of the damage that PEFs caused to financial consumers and to ensure readiness to deal with the aftermath of PEF failures. After identifying the examination status, the KDIC performed resolution of two PEF firms (administration in one case and liquidation in the other) where insolvencies occurred.

In the case of one PEF firm which was placed under administration by an FSC emergency action order in June 2020, an administrator from the KDIC was put in charge of managing the firm's own assets to prevent further wrongdoing such as embezzlement and to support protection of fund investors. In November 2021, when the FSC made a disposition to revoke its permit and registration to engage in financial investment business citing illegal acts such as violation of the prohibition of fraudulent transactions and appointed the KDIC to act as liquidator, the KDIC dispatched personnel with relevant liquidation experience to perform liquidation procedures including the drafting and confirmation of asset inventory, announcing the start of claims filing procedures, etc.

Meanwhile, for another PEF firm where liquidation procedures began in December 2020, the KDIC sent a member of staff as liquidator who worked tirelessly to find resources to address financial consumer damages by filing lawsuits to claim damages against insolvency-implicated executives and employees, for example. A petition to file for bankruptcy was also put in motion to conduct liquidation proceedings on the grounds of excess debt.

All financial institutions insured by the KDIC must comply with the requirements for deposit insurance signage notification, coverage explanation and confirmation of customer understanding, as provided for by the DPA and related regulations and the KDIC conducted on-site inspections to ensure compliance. In addition, to respond to changes in the financial environment including the widespread adoption of non-face-to-face transaction methods, the deposit insurance protection signage notification was made mandatory for electronic financial transactions using websites and mobile apps on the account check screens as well as the display of a deposit insurance logo specifically designed for financial products that are not protected by the KDIC.

The KDIC engaged in various public relations activities to raise the level of public awareness of the deposit insurance system and the KDIC's work, using social media and YouTube as well as TV ads and transit advertising.

In particular, the KDIC produced a wide range of information contents for the public, including brochures on support services for the return of misdirected money transfers, financial investment product guides, deposit insurance system guides, etc., by strengthening its YouTube presence in line with the latest public relations trends. To better promote the KDIC and its activities to the public and generate greater public interest, the KDIC produced various Card News content to be uploaded to the KDIC's social media accounts on Facebook, Instagram and Naver blogs based on each social media channel's characteristics. General information programs on terrestrial TV channels were used to promote the KDIC's work to the more senior audience as well.

Finally, financial literacy education aimed at the protection of the financially underserved was stepped up using a non-face-to-face format after securing a safe and clean education environment, in view of the prolonged pandemic. This allowed the KDIC to continue to provide financial literacy education to a total of 14,874 persons (845 times) during 2021 to reduce the information gap for the financially underserved.

A total of 637 face-to-face lessons were also held in a safe environment under stronger COVID-19 guidelines for gatherings than are required by the government. Instructors were given updated protocols for classroom conduct and observed during class for better monitoring and they were also provided with ample sanitation supplies before each class. As for non-face-to-face lessons, a total of 208 were held reflecting customer needs for new online contents and experiential teaching aids as well as interactive online education.

Efficient Resolution of Insolvent Financial Institutions and Advancement of the Resolution Scheme

To carry out the Roadmap for the Sale of KDIC Stake in Woori Financial Group, the KDIC completed a block sale of its 2 percent stake in Woori Financial Group for recoveries totaling KRW 149.3 billion in April 2021, which had been held back due to the collapse of the stock market in the aftermath of COVID-19 in 2020, demonstrating its intent to execute the sale roadmap to the market.

In the second half of 2021, the KDIC successfully sold a 9.33 percent in Woori Financial Group through competitive bidding for desired quantity which enables the attraction of long-term investors compared with block sales and poses little risk for stock price decline even after the sale of a large stake. The high interest in the sale resulted in a recovery amount of KRW 897.7 billion, reaching a stock price level that far exceeds the amount needed to recover the original amount of funds injected. Due to these successful sales during 2021, the KDIC's stake in Woori Financial Group was reduced to 5.8 percent and the loss of its position as the largest shareholder signals the de facto privatization of Woori Financial Group.

Meanwhile, in the latter half of 2012, the KDIC introduced a resolution tool that does not interrupt the normal flow of financial transactions: closing a failed savings bank at the end of business hours on a Friday and completing a P&A (purchase of assets and assumption of liabilities) transaction over the weekend so that business can resume on the following Monday. This helped to minimize hardship arising from the interruption of financial services for depositors.

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

In response, in the second half of 2013, the KDIC began arranging P&A transactions while the failing bank remained open. This gave the KDIC time to find a 3rd-party buyer and thus reduced the pressure on the KDIC to manage and sell bridge banks. Also, to ensure timely payment of deposit insurance claims, it sought to facilitate the adoption of a scheme to impose depositor information requirements on depository institutions – banks, merchant banks and savings banks – and built the IT infrastructure necessary to implement it. Toward that end, it carried out the necessary system development with domestic branches of foreign banks and internet-only banks in 2018, following system setup for banks in 2017. In 2020, a review of depositor information at all (79) savings banks and the Korea Federation of Savings Banks was conducted to test their compliance with the KDIC-mandated requirements in an effort to ensure the ability to make accurate and prompt payouts in the event of a savings bank failure. In 2021, further efforts were made for scheme advancement through error correction in a focused inspection of five savings banks which had relatively insufficient test results in the previous year's review.

June 30, 2021 marked the launch of the RRP scheme for which the KDIC pursued legislation together with the FSC and the FSS. According to this system, the KDIC is required to prepare resolution plans for systemically important financial institutions* (SIFIs). To ensure a soft landing of the new system, the KDIC set an environment conducive to drafting resolution plans and has begun drafting such plans for ten SIFIs. The KDIC hopes to contribute to financial stability by making sure that the system performs its role by facilitating proactive responses to a crisis situation with effective resolution plans.

* Systemically important financial institutions are financial institutions that are critical to the financial system and are designated by the FSC each year. For 2022, the top five financial holding companies and their respective banks (Shinhan, KB, Hana, Woori and NH) were selected as SIFIs (in July 2021).

Efficient Sale of Major Assets Held by Bankruptcy Estates

The KDIC establishes plans for the sale of assets held by bankruptcy estates of failed financial institutions, which include project financing (PF) project sites, equities, artworks, and overseas properties, by type of assets, in cooperation with outside experts. Customized plans are prepared for the sale of each PF project site after an analysis of ownership structure and obstacles to sales. As for artwork, sales are pursued through domestic and overseas auctions, in cooperation with professional auction houses.

In order to facilitate the sale of those assets, the KDIC restructured its recovery process to deal directly with this area of work by setting up a department dedicated to asset recovery in 2011. New sales methods were devised including the Grand Fair approach as well as providing solutions to remove barriers that had blocked sales in the past. Also, asset sale briefing sessions were held to promote properties for sale, give an explanation of real estate rights relations by lawyers and provide one-on-one investment consultations and investment notes - all to provide potential buyers with sufficient information.

The KDIC has also formed a committee to provide advisory for asset recovery, comprising outside experts and other qualified personnel, to enhance fairness, transparency and professionalism in the sale of assets. The Committee reviews sales plans in advance and prepares countermeasures for prolonged delays in the sale of assets by examining legal issues and proposing solutions.

Meanwhile, the KDIC used new technology including drones for the marketing and sales of PF project sites through non-face-to-face and contactless channels. In addition, customized sales promotion was focused on PF project sites bearing in mind the rising demand for golf courses as well as the high market interest in potential apartment sites.

One of the most notable sales that took place in 2021 was the sale of the Maron New Day golf course site. Due to several barriers to sale, including debts related to security deposits for membership and difficulty in transferring the existing golf course license, it had been unsuccessfully offered for public sale four times since 2017. Thus, the sale was restructured so that the buyer would confirm and resolve debt obligations through a merger and acquisition (M&A) under a rehabilitation procedure and normalize golf course operation by opening it to the public. The KDIC also expanded marketing efforts and offered more information to interested buyers.

As a result, the golf course site was sold in March 2021 for KRW 50.2 billion, 2.5 times the lowest unsuccessful bid at the previous auction and the money will be spent to provide reimbursements to the creditors (former depositors) of Kyunggi, Hankook, Jinheung and Youngnam bankruptcy estates. When the golf course development project is normalized, it is expected to create new jobs in construction and golf club management and create demand for local tourism by attracting increased golf course patrons to the Cheonan area, adding vitality to the local economy.

Meanwhile, what accounts for the largest portion of overseas assets held by the KDIC is the Camko City development project in Cambodia. In order to get the stalled project back on track and make whole the depositors who suffered losses from the failures of savings banks which invested in the project, the KDIC has worked with the National Assembly, the government and the Prosecutors' Office to find ways for cooperation with the Cambodian government. Using the positive momentum created by the visit* by a group of Korean government representatives to Cambodia in 2019 as the starting point for cooperation between the two governments, the KDIC has kept in close contact with the Cambodian government as well as the Korean government to continue to have discussions and exchange of information.

* Officials from the Prime Minister's Office, the Ministry of Foreign Affairs, the FSC, the Prosecutors' Office and other government agencies visited Cambodia and held meetings with their Cambodian counterparts in November 2019.

In particular, the formation of a joint task force between the two governments and the holding of the first task force meeting as well as a working group meeting has provided an intergovernmental consultation channel for the two governments to discuss current issues and challenges and share information quickly.

After several discussions, the two governments agreed on the Terms of Reference for the Camko City Information Sharing Task Force in December 2020. The task force is made up of officials from the Prime Minister's Office, the FSC, the Ministry of Land, Infrastructure and Transport, the Ministry of Foreign Affairs and the Supreme Prosecutors' Office on the Korean side and officials from the Council for the

Development of Cambodia, Ministry of Land Management, Urban Planning and Construction, Ministry of Foreign Affairs and International Cooperation, Ministry of Justice, Office of the Council of Ministers and Phnom Penh Capital Hall on the Cambodian side. The launching of the task force completed the consultation channel between the two governments to move the project forward.

The two governments held the first task force meeting in January 2021 immediately after its launch to discuss how the task force would be run and what information needed to be shared. Later in June, a working group meeting was held which reconfirmed the Cambodian government's intent to swiftly respond to the Korean side's information requests and discussed the plan for the working group's operation. Using the accurate information provided by the Cambodian government going forward, workable solutions to resolve current issues surrounding the Camko City Project are expected to materialize.

Also, earlier on February 27, 2020, the KDIC acquired a legal right to resume the Camko City Project by winning the final trial in the appellate court against a person responsible for the project's failure who filed a lawsuit* for the return of an equity stake in the local developer. The KDIC also won a subsequent lawsuit pertaining to a property preservation procedure and is extending its best efforts to finalize the lawsuit for the restoration of management rights in the local developer.

* A case filed by a person responsible for the project's failure in the Cambodian local court to claim the return of an equity stake in the local developer which is now owned by the KDIC

These sustained efforts by the KDIC resulted in the recovery of KRW 5.578 trillion between 2011 and the end of 2021 from the sale of PF properties, equities, ships, artworks and other assets.

Efficient Management of Bankruptcy Estates

The KDIC performs the role of bankruptcy trustee for a total of 34 financial company bankruptcy estates, including the 30 savings banks to which it provided financial support during a series of savings bank failures between 2011 and 2013. By selling assets owned by the bankruptcy estates, the KDIC was able to make recoveries totaling KRW 337.2 billion in 2021.

The KDIC is striving to make sure that cost savings and other benefits of efficient bankruptcy estate management will lead to the maximization of bankruptcy dividends. Efforts were made to ensure bankruptcy estates' size and staffing was maintained at an optimal level in line with the trend of decreasing assets by merging and closing down small bankruptcy estates and by having one trustee overseeing multiple estates. Other efforts include the reorganization of operational regulations and standards to reflect the changing work environment and increasing the efficiency of management by offering more support to assist the estates in legal affairs including litigation.

The job of managing bankruptcy estates involves many interested parties and demands fair and transparent conduct of duties, especially in the liquidation of assets through sales. Bearing this in mind, the KDIC enhanced training on anti-corruption and ethical management and adopted a code of conduct for bankruptcy estate staff. Also, new safety and public health protocols were established between the KDIC and the estates to prevent any interruption of the work for the protection of bankruptcy creditors from COVID-19, accompanied by regular emergency preparedness training, facility inspections and education.

Strict and Efficient Investigations to Hold Persons Responsible for Failures to Account

When a financial institution fails, the KDIC conducts strict investigations against insolvency-implicated persons to hold them to account for their role in the failure and the KDIC's Accountability Review Committee, comprising outside experts in the legal, academic and financial sectors, reviews the investigation results and decides on the accountability of the accused.

As a result, the KDIC has so far completed deliberations on accountability for illegal and wrongful acts of the staff and management of 31 financial companies which have failed since 2011. From 2017, it has concentrated efforts on deliberations into default debtor corporations.

Based on those deliberations, the KDIC files lawsuits to claim damages from insolvency-implicated persons through the relevant bankruptcy estates and provides support in the litigation process in the form of legal advice and evidence collection. It files additional suits when it uncovers assets stashed away by such persons as part of a continuing effort to bring wrongdoers to justice.

The KDIC performed asset investigations, using its power provided for under the DPA to request information on property ownership of insolvency-related persons from central government agencies and financial institutions and simultaneously, strove to maximize the recovery of financial assistance by operating the Concealed Property Report Center. Also, the KDIC established the Information Protection Review Committee, comprising outside experts, to deliberate on the suitability of such requests and their utilization so as to enhance the protection of peoples' rights and interests.

Efforts to Realize Social Values as a Public Organization

In addition to performing its mandated role of protecting financial consumers and maintaining financial stability, the KDIC also made active strides in creating social values for the public good and community development as a public-sector organization.

First, PF development project sites that remained unsold for a long time were put to use for the good of young entrepreneurs and small business owners badly affected by COVID-19, which helped realize social values and helped to raise their sale value. In 2021, two out of six units in Olive Shopping Mall in Cheongju City that remained unsold despite several attempts at public sale were provided free of charge as start-up space for young entrepreneurs (two start-ups) who had suffered difficulties due to COVID-19, through co-work with the Chungcheongbuk-do Academy of Young Entrepreneurship. As a result, the previously unoccupied shopping mall drew pedestrian flow revitalizing the business area and leading to the sale of all four of the six remaining units in the shopping mall, excluding the two provided for public utilization. In addition, a unit within the Rich Plus Shopping Mall in Namyangju was provided as a space for marketing goods sold by the Korea Federation of Micro Enterprise, in cooperation with the local authority (Namyangju City).

Furthermore, the KDIC extended a special moratorium on loan repayment and the deadline for temporary extra loan reduction for debtors with amortized debts hit hard by COVID-19 each by one year in view of the prolonged COVID-19 situation. It participated in the national effort to overcome losses due to COVID-19 by broadening the eligibility for additional loan reduction so that more of the people adversely affected by COVID-19 could bounce back from economic hardship.

The KDIC also developed a detailed annual hiring plan to make more systematic hiring decisions and enhance the predictability of human resources management. By performing a simulation analysis of hiring over the next five years, the KDIC tried to reduce the gap between current staffing and the level mandated by the government. Using this approach, the KDIC recruited 36 new staffers and in particular, expanded employment opportunities for the graduates from specialized vocational high schools by holding an open hiring process for the first time in three years for that group of candidates and successfully recruited two. Also, in an effort to strengthen job capabilities of young job-seekers, the KDIC extended the term of its experiential internship program. And to meet the government's personnel management innovation policy for public organizations, two team leader positions were offered up for internal and external competition in a bid to enhance the professional capability of the Corporation.

Meanwhile, in the face of a national emergency caused by COVID-19, the KDIC made every effort to protect and support vulnerable groups such as small merchants, the self-employed and senior citizens. By contacting welfare facilities across the country, the KDIC donated everyday necessities and foodstuff and expanded the scale of assistance delivered by way of Onnuri gift certificates so that small merchants would be eligible for it, too. Furthermore, by buying those goods from small businesses through Dongban Mall, an online shopping mall run by the Small & Medium Business Distribution Center, the KDIC could help both small businesses and welfare facilities at the same time.

To help struggling farmers and fishermen, the KDIC jointly held farmers' market events with the NH Agribusiness Group, purchased agricultural produce which didn't meet commercial standards for appearance and would've gone to waste otherwise ("ugly strawberries"), and bought grocery packages to be delivered to employees' homes to help farmers who could not sell their goods due to COVID-19.

In other areas, the KDIC actively participated in the Cheonggyecheon Stream environmental cleanup activities based on its agreement as an official member of the organization for social contribution activities concerning the Cheonggyecheon Stream.

In particular, this year, the KDIC put a focus on ESG management to realize social values and to incorporate principles of environment protection and transparency into its management in keeping with the rising demand for social responsibility of public-sector organizations. A strategic framework was created for the practice of ESG management and an infrastructure for ESG management was established including the ESG Promotion Committee and a dedicated team to address ESG matters. Also, every effort was made to reach ESG strategic goals by drawing up detailed action plans based on the KDIC's mandate and business characteristics.

With these changes, the Social Values Newsletter was also changed to the ESG Newsletter comprising various contents covering the KDIC's efforts on ESG, best practices, government policy, etc. to actively promote the importance of ESG management both internally and externally.

Furthermore, the senior management of the KDIC announced the Safety and Health Management Policy to all employees to put the life, safety and health of employees and the public as the foremost value. It also reviewed its safety and health management system as part of follow-up management of and adherence to the previously acquired ISO 45001 international certification. Care was also taken to prevent negligent accidents in the KDIC building, especially with top management making on-site inspections of high-risk facilities. Moreover, a health care office was newly created within the Corporation for the provision of non-medical health products and medical consultations, designed to provide all KDIC staff with the best environment to maintain and improve their health.

Finally, in preparation for the enforcement of the Act on the Prevention of Conflict of Interest in May 2022 and to meet stronger requirements for anti-corruption and integrity while living up to the people's expectations, the KDIC refined its system to prevent the use of undisclosed information obtained during the performance of duties (with restrictions on investment in financial products and participation in asset sales of bankruptcy estates), thus demonstrating a strong will to prevent the seeking of private gain using inside information by the KDIC staff. Efforts to address institutional weaknesses in anti-corruption work including integrity monitoring continued to be made resulting in a sustained high rating (second grade) in external integrity audits and these efforts also translated into anti-corruption and integrity policies tailored to the unique characteristics of the KDIC which were turned into plans and acted upon.

II Organization Operations

1.
Organization Setup

1. 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 Economy and Finance (MoEF), 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 MoEF 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 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 insurance claims and interim deposit payoffs, provision of financial assistance to resolution financial institutions and insured financial institutions, and requests to the Governor of the Financial Supervisory Service (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, 2021)

Composition		Name
Ex-officio Members	Chairman & President, Korea Deposit Insurance Corporation	KIM, Tae-hyun
	Vice Chairman, Financial Services Commission	DOH, Kyu-sang
	Vice Minister, Ministry of Economy and Finance	LEE, Eog-weon
	Senior Deputy Governor, Bank of Korea	LEE, Seoung-heon
Commissioned Members	Designated by the Financial Services Commission	KIM, Son-ku
	Recommended by the Minister of Economy and Finance	CHOI, Hee-nam
	Recommended by the Governor of the Bank of Korea	KIM, Sung-min

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 DIF Bonds and Redemption Fund Bonds • Reduction/deferment of the payment of part of or all contributions, deposit insurance premiums and arrears charges • Setting of reserve targets for the DIF • Decision on payment of deposit insurance claims • Approval of advance payment of bankruptcy dividends • Provision of financial support to resolution financial 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 to allow the 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 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 - Designation of eligible securities for purchase - Deposits at designated insured financial institutions
Items for Report		• Report of quarterly performance monitoring results regarding business normalization MOUs

2. Board of Directors

The Board of Directors comprises the KDIC 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 the MoEF. 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-3 Board Members (As of Dec. 31, 2021)

Title	Name
Chairman and President	KIM, Tae-hyun
Executive Vice President	Vacant
Executive Director	PARK, Yeon-seo
Executive Director	CHO, Yang-ig
Executive Director	KIM, Sang-ki
Executive Director	PARK, Sang-jin
Non-executive Director	WON, Bong-hee
Non-executive Director	LEE, Sung-chul
Non-executive Director	SUN, Jong-moon
Non-executive Director	SUNG, Young-ae
Non-executive Director	KIM, Jin-ill
Non-executive Director	KIM, Young-do
Non-executive Director	KIM, Jung-beom
Auditor*	LEE, Han-gyu

* The Auditor can attend board meetings and state opinions.

3. Organizational Reshuffle and Current Structure

A large-scale reorganization was conducted at the KDIC with a focus on areas involving industry analysis, improvement of the deposit insurance system and consumer protection. The primary aims of the reorganization were: to upgrade the risk monitoring system to prevent financial company insolvencies and enhance financial stability; to improve the effectiveness of the deposit insurance system in response to changes in the financial environment such as the growth of capital markets and fintech; and to strengthen the protection of financial consumers.

Monitoring of macro-prudential and financial industry conditions was reinforced by reorganizing the existing risk monitoring organization from sector-oriented operations to functional operations with the establishment of Departments of Financial Industry Analysis I and II. Also, the Department of Risk-based Premium Assessment was newly established to improve risk assessment models, to explore risk indicators that better reflect the different characteristics of each financial sector and to strengthen verification of the calculation results for risk-based premium rates.

Moreover, amid rapid changes in the financial environment, the KDIC tried to focus its capabilities on enhancing the effectiveness of the deposit insurance system by establishing the Department of Resolution and Financial System Improvement to conduct a review of a potential scheme to provide preemptive financial support and the appropriate scope of deposit insurance coverage. Also, the Department of SIFIs Management was newly created to prevent and prepare for possible chaos in the financial market and the injection of public funds in case of the insolvency of a systemically important financial institution (SIFI). Also, a unit to research and respond to the latest issues in financial markets such as digital finance, fintech and virtual assets was set up within the Deposit Insurance Research Center.

Meanwhile, the Office of Financial Consumers Protection was created to contribute to risk management of financial companies, to prevent damages to financial consumers through analysis of new, complex and sophisticated financial instruments, and to strengthen inspection of compliance with the deposit insurance coverage notification, explanation, and confirmation scheme. In order to respond to the rise in social costs associated with the increase in misdirected money transfers caused by non-face-to-face financial transactions over the internet, mobile banking and peer-to-peer payment apps, the Department of Misdirected Money Transfers Recovery Support was created in a bid to fortify the social safety net for the financially vulnerable.

Figure II-1 Organizational Chart

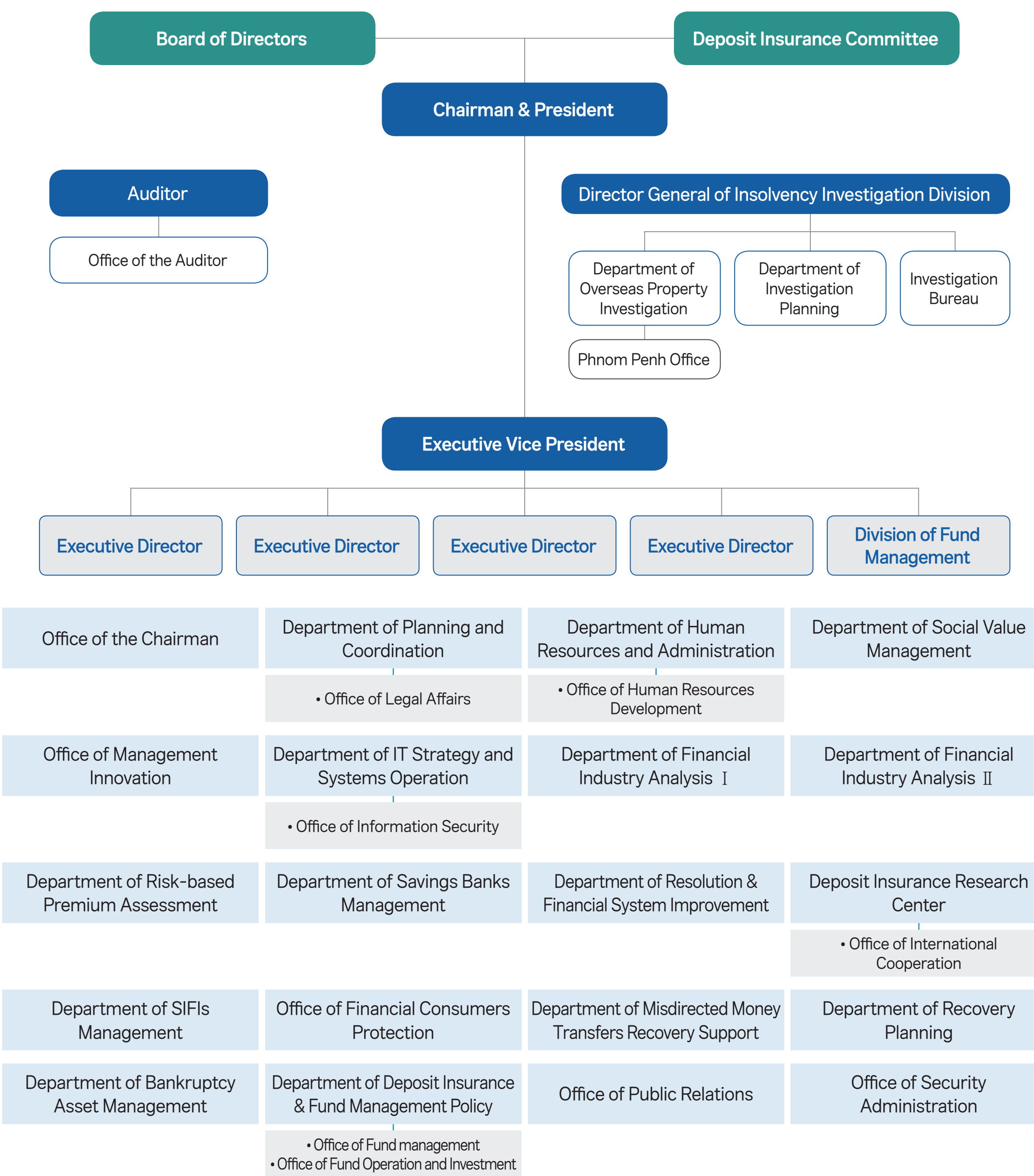


Table II-4 Number of Staff

(As of Dec. 31, 2021, Unit: No. of Persons)

Category	Senior Management	Staff				Total
		Regular	Special[2]	Support Staff[3]	Sub-total	
No. of People	13[1]	702	52	57	811	824

* 1) Including seven Non-executive Directors appointed under the Act on the Management of Public Institutions
2) Staff with professional qualifications, special service providers, etc.
3) A new job category created in December 2017 in line with the conversion of non-regular workers into regular workers

2.
Organizational Management

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

In December 2018, the KDIC effected an extensive overhaul of its strategic framework including its vision and core values to achieve the purpose of its establishment and to create social values. Since then, the strategic framework has been updated every year for better alignment and execution to produce substantive results.

In 2021, the basic structure of the strategic framework was kept intact since the main policy stance of the government remained unchanged and the financial environment continued to be impacted by COVID-19. However, some strategic tasks were revised to reflect changes in the internal and external environment such as cumulative increase of risk of insolvencies from the ongoing coronavirus pandemic, introduction of new programs for the return of misdirected money transfers and recovery and resolution planning (RRP), and the need to enhance environmental, social and governance (ESG) management.

Vision Structure

(1) KDIC Vision and Its Meaning

In consideration of the KDIC's mandated mission and the prevailing business environment, the KDIC set the current vision of "safe deposits," "compassionate finance" and "happy people" in 2018.

"Safe deposits" refers to the KDIC's responsibility to ensure the stability of the financial system and protection of depositors. "Compassionate finance" expresses the KDIC's will to lead and achieve social values and inclusive finance through the protection of vulnerable social groups and "Happy people" indicates the KDIC's future orientation to contribute to the happiness and shared growth of depositors, financial consumers and the public.

Figure II-2 KDIC Vision and Its Meaning

(2) Vision and Strategy Map

Figure II-3 KDIC Vision and Strategy Map

Mission	Vision
Depositor Protection and the Maintenance of Financial Stability	Safe Deposits, Compassionate Finance and Happy People

Core Values		
Trust	Public Service	Inclusion

Strategic Goals		
Expanding Protection of Financial Consumers	Strengthening Financial Market Stability	Realizing Social Values

Strategic Tasks		
Reinforcing Depositor Protection Service	Improving Fund Soundness and Fund Management System	Management Innovation such as Strengthening ESG
Expanding Protection of Financial Users and Investors	Strengthening Risk Management in Conjunction with Risk-based Premium Assessment	Establishing Public Ethics that Meet the Expectations of the People
Enhancing Support for the Financially Vulnerable	Advancing Systems for Preemptive Response to Financial Crisis	Strengthening Safety and Health Management
	Efficient Recovery and Management of Public Funds Injected	Strengthening Digital Capabilities for Public Service

Strategic Goals, Strategic Tasks and Detailed Action Plans

To achieve the vision and create sustainable results, the KDIC set the mid- to long-term strategic goals for the next five years (2022-2026) as “Expanding Protection of Financial Consumers,” “Strengthening Financial Market Stability” and “Realizing Social Values.” To that end, it also developed 11 strategic tasks and 48 detailed action items that are aligned with the strategic tasks.

Notably, the strategic tasks were improved to reflect new business priorities such as ensuring the soft landing of the schemes for the recovery of misdirected money transfers and RRP, refining the fund management system through a revision of the deposit insurance premium assessment system, and developing a closer connection between risk-based premium assessment and risk monitoring results.

In addition, the strategic tasks for the realization of social values were also changed by adding new ones including the development of an ESG management system which will be driven by the new ESG Promotion Committee, stronger safety and health management to prepare for the return to normal life after COVID-19, establishment of public service ethics for fighting corruption and promoting integrity, and delivering improved digital capabilities to enhance the quality of IT services for the public.

Table II-5 Strategic Goals, Strategic Tasks and Detailed Action Plans

Strategic Goals	Strategic Tasks	Detailed Action Plans
Expanding Protection of Financial Consumers	Reinforcing Depositor Protection Service	Stronger enforcement of deposit insurance information display requirements to prevent damages to depositors and protect their rights and interests
		Rational enhancement of the deposit insurance system to reflect changes in the financial environment
		Swift and efficient resolutions and deposit insurance payments
		Sharing of deposit insurance system operation experiences and stronger global leadership
	Expanding Protection of Financial Users and Investors	Stable operation and improvement of the misdirected money transfers recovery support scheme
		Investor protection system improvement through communication with the financial market
		Establishment of an infrastructure for investor protection including the creation of a resolution scheme for investment firms
	Enhancing Support for the Financially Vulnerable	Stronger public awareness and financial literacy education efforts for the financially vulnerable
		Debt restructuring and support for the financial rehabilitation of the financially vulnerable
		Informing claimants of any uncollected money in collaboration with other organizations

Strategic Goals	Strategic Tasks	Detailed Action Plans
Strengthening Financial Market Stability	Improving Fund Soundness and Fund Management System	Enhanced consistency of the system for levying deposit insurance premiums
		Rational reorganization of the fund management system
		Stable sourcing and management of the DIF
		Following the repayment schedule for the Redemption Fund through efficient fund management
		Achieving a balance between different objectives in fund management including stability, profitability, liquidity and public interest
	Strengthening Risk Management in Conjunction with Risk-based Premium Assessment	Further development of the risk-based premium system by aligning it more closely with risk monitoring
		Stronger risk monitoring for the collection and analysis of information on insolvency risk and timely responses
		Efficient performance of examinations - joint and independent - through a process of selection and concentration
		Stronger risk analysis to respond to the rise of systemic risks and changes in the financial environment caused by COVID-19
		Capacity building for regulating and examining insolvency risks
	Advancing Systems for Preemptive Response to Financial Crisis	Preparation of resolution plans for SIFIs
		Advanced resolution system for SIFIs
		Capacity building for crisis response and upgrading of the crisis response system
		Refinement of the resolution scheme for each financial sector to enhance financial stability
		Adoption of a system to provide preemptive financial support in case of financial market instability
	Efficient Recovery and Management of Public Funds Injected	Raising the value of stock stakes in financial companies and pursue efficient sales
		Efficient management of bankruptcy estates and recovery of assets
		Efficient investigations against those responsible for a financial institution failure and their properties as well as stronger follow-up management
		Enhanced protection of the rights and interests of insolvency-implicated persons, etc. during investigation
		Swift recovery of special assets located overseas and efficient investigation of properties hidden overseas

Strategic Goals	Strategic Tasks	Detailed Action Plans
Realizing Social Values	Management Innovation such as Strengthening ESG	Establishment of an infrastructure for ESG management
		Pursuit of the Green New Deal to promote environment protection, renewable energy and green finance
		Creation of quality jobs and a good workplace
		Fulfillment of social responsibilities in a way that can be felt by the public
		Flexible organization and budget management in response to the needs of ESG management
		Work innovation through the participation of and communication with the public
	Establishing Public Ethics that Meet the Expectations of the People	Ethical management and human rights protection to be trusted by the public
		Internalization of anti-corruption and integrity culture to the extent that the public can feel it
		Improving the transparency and rationality of the recruitment and personnel management processes
		A healthy organizational culture based on communication and discussion
		Stronger labor-management cooperation for win-win
	Strengthening Safety and Health Management	Building an infrastructure for safe environment management
		Reinforcing the crisis response system for each stage of crisis development
		Establishing a health management system to prevent and respond to the spread of infectious diseases
	Strengthening Digital Capabilities for Public Service	Pursuit of the digital new deal with systematic efforts for IT infrastructure development, etc.
		Public disclosure of data and improving the quality of data and systems
		Building professional capabilities in response to environmental changes such as the rise of digital finance
		Identification of future challenges and strategic responses

2. Dynamic Organizational Culture

Creating an Organizational Culture That Makes Communication and Learning a Daily Routine

The KDIC devised and operated various programs to reduce conflicts among staff members arising from the continuous expansion of the organization and to lay the foundation for a win-win spirit and corporate harmony.

In particular, with the increasing proportion of MZ (a term referring to both millennials and gen Z) generation in the workplace, an "organizational culture diagnosis consulting for generational cohesion" was conducted as a way to improve understanding between generations. Survey participation was encouraged by using a sophisticated survey design and holding events, which prompted 46 percent of the employees to take part in the survey. Also, FG Interviews* were used to supplement and analyze survey results. Through this effort, an opportunity was provided to share and understand the thoughts of each generation and to establish a foundation for organizational culture that can bring harmony among staff members.

* Focus Group Interview: In-depth interviews with 26 representatives from each generation, including department heads, team leaders, and youth platform members

In order to boost horizontal communication and the morale of executives and employees despite the COVID-19 situation, new organizational culture programs, offered mostly online, were implemented to help employees relieve stress and overcome COVID-19 blues. They included one-day classes and one-month classes where teams or other groups could do some activities together to build teamwork and share interests, online gatherings for communication using online platforms like Zoom, online tours with local guides and Working Mom and Dad School to teach people how to balance work and family life. Going forward, the KDIC will make efforts to spread a culture of respect for one another by promoting various communication programs that can narrow the gap between management and staff.

Table II-6 Major KDIC Organizational Culture Programs

Category	Online Tours	Online Gatherings	One-day Classes	One-month Classes
Participants / Duration	Around 35 people /90 mins	Over 5 people /Around 60 mins	Team /Half-day	Over 5 people /One-two months
Program	Using YouTube Live, commentary by a local tour guide	Using Zoom, Zepeto, etc.	Leather craft, pottery, humanities and arts lectures, etc	

Performance Evaluation to Promote a Performance-driven Organizational Culture

To build a performance-driven 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 and to the performance-based portion of the pay plan for employees of grade 3 or higher in 2006 and then to all teams in 2007. It began to apply the BSC to every team and performance-based pay of all employees in 2008.

The KDIC is continuously improving its organization-level performance evaluation system taking due consideration of social demands including government policies and staff member opinions. In 2021, each team was encouraged to incorporate ethical management tasks into their Key Performance Indicators (KPIs) and their daily work by assigning extra points to ethical management, in line with the increase in social demand for improved integrity of public officials. The KDIC also actively responded to the government's policies to support small and medium-sized enterprises and small business owners by adding a new measure for "performance of shared growth tasks" and giving a higher weight to "support for strengthening the competitiveness of small business owners." In addition, staff members' opinions were collected through various channels such as coaching workshops and surveys to support performance improvement. The organizational performance evaluation system was improved by reducing the amount of non-quantitative portion of performance reports to focus more on core tasks.

For effective operation of the performance-based annual pay system, the KDIC adopted an individual performance evaluation system known as Management by Objectives (MBO) in 2010 under an agreement between labor and management. In 2012, the KDIC built an online system for MBO. Since 2011, it has operated the Joint Labor-Management Committee on Improving the Performance Evaluation System to make ongoing improvements to MBO based on an organization-wide collection of opinions.

In 2017, the KDIC formulated many new measures for improvement based on an exchange of opinions and discussion between labor and management. These included the creation of an evaluation scheme for contract workers assigned to publicly-open positions, improvement of performance assessment metrics at the individual team member level, and modification of the scoring matrix for promotion. These efforts significantly enhanced the fairness and acceptability of its evaluation system.

The KDIC introduced and implemented multidimensional assessment in 2018, including bottom-up evaluation and peer reviews to comprehensively evaluate each employee in every respect. A performance evaluation firm was then hired in 2020 to provide consultation regarding multi-source feedback results in order to help analyze evaluation results, identify shortcomings, and establish a direction for capacity building. In 2021, the multidimensional evaluation system was further improved by newly including employees on secondment, on leave, or on training programs into the evaluation pool to remove any blind spots in performance management with the use of an improved evaluation environment (web-based, mobile).

In addition, through efforts such as advance notice of individual performance evaluation procedures, establishment and improvement of the appeal system for each job group, and disclosure of the list of candidates for promotion, the evaluation system is continuously being improved so as to increase the acceptability of the evaluation results by those being evaluated.

Figure II-4 KDIC Performance Management System

KDIC Performance Management System

Organizational Performance Evaluation
(Balanced Socredcared (BSC))

Evaluation of a department's (team's) performance relative to management goals

Outside Evaluation	Score assignment for each department/team based on management evaluation results, etc.	
KPI Evaluation	Quantifiable Factors Evaluation	Evaluation of how the targets have been fulfilled in regard to quantitative indicators
	Non-quantifiable Factors Evaluation	Evaluation of non-quantifiable factors
Evaluation of Common Indicators	Evaluation of all departments that are highly engaged in strategic goal achievement based on common indicators	
Evaluation of Strategy Implementation	Evaluation of the management's ability to achieve strategic tasks	

Individual Performance Evaluation
(Management by Objectives (MBO))

Targets are set for each individual and he/she gets evaluated depending on how well the targets have been met

Performance Evaluation	In reflection of BSC results	
	Evaluation of performance against the individual's key performance index (KPI)	
Competency Evaluation	Common Factors	Creativity, expertise, sense of responsibility, etc.
	Leadership Factors	Communication, decision-making, coaching of subordinates, motivation, etc.
	Job Competency Factors	Work management, analytical thinking, etc.

Innovate Old Business Practices and Lead Proactive Governance

In order to comply with the government's policy to establish a culture of proactive public services and respond to socio-economic changes such as COVID-19, the KDIC selected priority tasks for proactive governance to be carried out in 2021 which include implementing the scheme to support the return of misdirected money transfers, securing IT capabilities to support the digital new deal, and bolstering inclusive finance.

Through these efforts and in recognition of introducing the world's first scheme to support the return of misdirected money transfers in July 2021, the KDIC was honored with the best award given to a public-sector organization (Minister's Award, first position) in the Contest for Best Cases of Overcoming Failure in Korea during the 2021 Fail Expo held by the Ministry of the Interior and Safety. The KDIC also pushed for the deployment of IT for the digital new deal to respond quickly to changing digital environments and provided debt alleviation and other support measures to ease the pressure from high interest rates on the less well-off.

Proactive governance was encouraged by providing incentives by awarding the KDIC Chairman and CEO's commendation to a select group of employees who played a key role in promoting proactive governance as innovation leaders, for example. Also, in September 2021, as part of the effort to instill a culture of proactive governance, the KDIC appointed members of the public with knowledge and interest in its work as members of the fourth Public Participation Group. In 2021, awards* were also given to celebrate exemplary cases of proactive governance at the department level. Furthermore, the KDIC took part in two Innovation Idea Contests (one that was organized by the Korean Intellectual Property Office targeting public-sector organizations and a KDIC-held contest) to encourage proactive governance at the individual level.

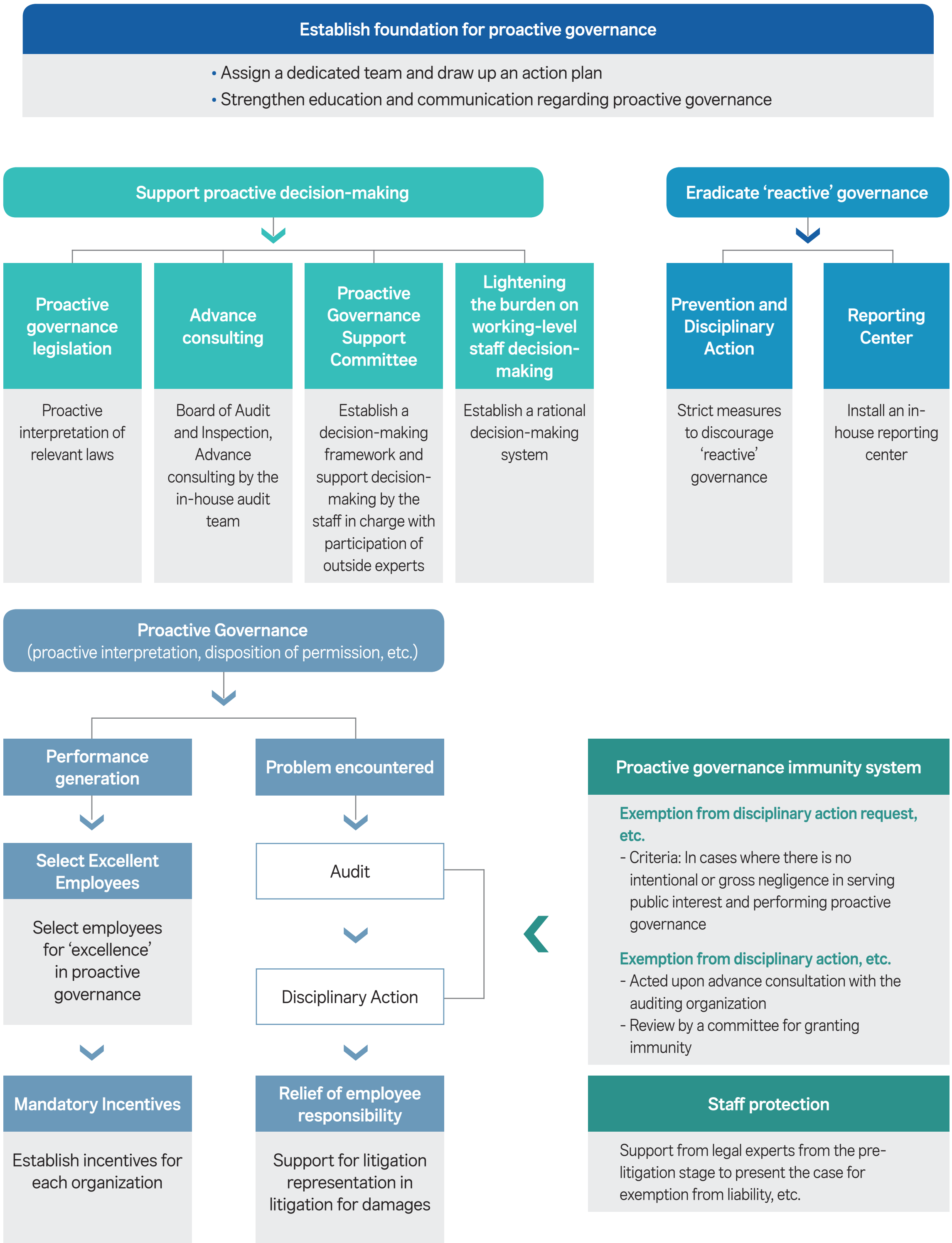
* The 2021 Award for Excellence in Innovation went to the scheme to support the return of misdirected money transfers for being the world's first such scheme to support stronger financial consumer protection.

Meanwhile, protection for staff engaged in proactive governance was further strengthened through the continuous improvement of the liability exemption system and the advance consulting and audit system. First, in relation to the operation of the liability exemption system, regulations were put in place for the operation of the Proactive Governance Immunity Advisory Group and to decide upon the review period for immunity application. Also, immunity was provided not only upon application from the department receiving audit but also on the judgement and authority of the audit team leader.

Various policies were implemented to revitalize the system including the stipulation of grounds for proactive governance immunity and advance consulting for audit readiness in the audit regulations as well as modifying the internal evaluation system to reflect the best practices of proactive governance and the results of advance consulting in department evaluations. Also, an in-house reporting center for 'reactive' governance was installed to facilitate reporting of 'reactive' governance practices, and mock report training sessions, the distribution of newsletters from the Office of the Auditor (entitled Touching News) as well as leaflets explaining the reporting process led to raised awareness among employees.

These efforts resulted in the KDIC receiving the Chairman's Commendation in the pre-consulting category during the 2021 Self-Audit Content Contest held by the Board of Audit and Inspection of Korea as well as winning the grand prize during the 2021 Outstanding Public Institutions and Auditors' Congress, hosted by the Korea Public Organization Auditors' Association (KPOA).

Figure II-5 Flowchart of Proactive Governance System Operation



3. Progress in the Implementation of the Mid- to Long-term Information Technology Plan

To effectively achieve management goals and quickly respond to changes in the business environment, the KDIC is upgrading its IT infrastructure through the Mid- to Long-term Strategy for IT Advancement. 2021 marked the inaugural year of the next generation Information System Master Plan (ISMP*) initiated in 2020, and the following IT tasks were successfully carried out.

* Information System Master Plan: Activities to analyze the current status and requirements of business for information technology, and to establish an implementation strategy and plan which set forth a detailed description of the required functions and technology

First, the groundwork for the development of the next-generation IT system including budget, organization, and a plan of execution was laid. A total budget of KRW 47.92 billion was prepared through deliberation and resolution by the FSC's Management Budget Council, and a task force dedicated to building the next generation system was formed through benchmarking of other public organizations in the financial services sector. To encourage all employees to actively participate in the project to reform the entire business system, a working-level consultative body, comprised mainly of frontline workers, was organized, and briefing sessions were held for workers in different lines of business including risk management, fund/finances management and asset recovery to help them to better understand the project. Also, a draft plan of project execution was developed in constant communication with multiple stakeholders, all in an effort to meet the diverse demands of today's changed business environment.

In view of the project being the first of its kind since the establishment of the KDIC and to minimize the business risks, a preemptive management of business risk factors was conducted by utilizing an external professional business management support organization (PMO*) to secure technical support and system quality. Based on benchmarking of other organizations, market research and technical advice, the KDIC completed vendor selection and got ready to embark on a full-scale IT innovation.

* Project Management Office: Project management organization for ensuring the quality of informatization projects and systematic project management when implementing large-scale IT projects

By implementing the priority tasks (Quick-win) for building the next generation IT system, including I) launching a public consultation chatbot system, ii) providing a VR real estate public sale information service, and iii) opening an integrated communication system, the KDIC plans to achieve early results that can be felt by the public in 2022.

Table II-7 Tasks for the Next Generation IT System Development and Improvement

Category	Task
1 KDIC New Start (Enhance the Company-wide IT System)	Rebuild the integrated support systems (support systems) - Including ERP, e-HR, and internal control
	Rebuild the integrated business systems (legacy systems) - Including the system for fund operation
	Build an integrated access management system
	Build a development/testing infrastructure
	Build a system to link internal systems with external ones
	Build a disposition management system
	Build an advanced IT service management system
	Develop a system for robotic process automation (RPA)
2 Enhance IT Services that meet the public's expectations	Implement a smart customer center system and a call center
	Implement an integrated public service channel - Website, mobile (for filing claims for unpaid insurance payments)
	Implement a public consultation chatbot system
	Implement a VR-based real estate public sale information service
3 Improve the D.N.A ecosystem and the contactless work environment	Rebuild the integrated information analysis system (informational system)
	Build an integrated groupware system - Smart portal, mobile groupware
	Build an advanced integrated communication system
4 Build an IT infrastructure capable of dealing with failures of large financial companies	Build the next generation IT infrastructure
	Build the next generation network system
	Build the next generation information protection system
	Establish an integrated security control center
	Build backup/disaster recovery systems
5 Others	External PMO
	External supervision
	Privacy impact assessment

In order to protect personal information of the public and the KDIC's information assets, the KDIC improved its response systems related to personal information protection and information security and beefed up employee education and training in that regard. These efforts resulted in a more positive image of the Corporation as evidenced by excellent ratings it received in outside evaluations.

Due to concerns over the spread of distributed denial of service (DDoS) attacks on public and financial institutions, a cyber shelter was introduced to establish a rapid response system for large-scale DDoS attacks. Various cyber attack response drills were conducted to prevent intrusions and strengthen cyber attack response capabilities, including the National Intelligence Service's cyber attack response training, joint DDoS attack response training with telecommunication companies, hacking mail response training as well as in-house cyber crisis response training. Also, every effort inlcluding company-wide hands-on information security training was made to raise awareness of information security among employees. Through these efforts, the KDIC has faced 'ZERO' cyber security incident so far and in the Information Security Management Assessment conducted by the National Intelligence Service, the KDIC has maintained the top rank among quasi-governmental institutions for the fourth consecutive year (2018-2021).

In other areas, the aging server access control system was upgraded to the latest version to strengthen technical support and enable quick responses to security vulnerability. Also, the reconstruction of the personal information leak prevention system for improved performance and security made sure that the KDIC would pass the follow-up review of the ISMS-P certification*. By re-examining the personal information protection management system and making improvements and thus gaining external trust, the KDIC received the highest grade for the eighth consecutive year in the 2021 Personal Information Protection Management Level Assessment conducted by the Personal Information Protection Committee.

* Personal Information & Information Security Management System: Certification of information protection and personal information protection management systems

Table II-8 Major Achievements in IT Advancement in 2021

External Evaluations	By Whom	Results
• Public data quality management evaluation	Ministry of the Interior and Safety	• Highest grade for two consecutive years
• E-government performance management evaluation(Information resource management)		• Achieved “Excellent” grade with 97.1 points
• Evaluation of personal information protection levels	Personal Information Protection Commission	• Highest grade for the eighth consecutive year
• Information security management evaluation	National Intelligence Service	• Highest level for the fourth successive year (“TOP5”)

Additionally, when the scheme to support the return of misdirected money transfers was launched in July 2021 with the coming into effect of the amended Depositor Protection Act, the KDIC simultaneously opened the internet service to allow the public to file applications for the return of misdirected money transfers and will soon finalize the follow-up work including compulsory execution. Every effort was made to make the IT system quickly available and friendly to the public. For instance, the work process from receiving an application to making a payment was set in advance to shorten the analysis period and the draft designs for the website and the pilot system were reviewed and tested by the public participation group.

Furthermore, in order to boost work efficiency, robotic process automation technology was applied to automate bulk mailing and verify virtual accounts/firm banking transaction, for instance. This resulted in increased user convenience and less errors and delays. Also, improvement ideas were derived by conducting an impact assessment on personal information to diagnose risk factors in advance to allow for the safe processing of personal information. Moreover, plans are in the pipeline to implement a service to allow applications for reversing a mistaken wire transfer to be made on mobile devices in 2022.

III Advancement of the Deposit Insurance System and International Cooperation

1.

Improvement of the Deposit Insurance System

III

KDIC

Amendment of the Depositor Protection Act

The KDIC adopted the scheme to support the return of misdirected money transfers through the amendment of the Depositor Protection Act (passed by the plenary session of the National Assembly on December 9, 2020) in January 2021. The scheme, which began operations on July 6, 2021, aims to provide speedy recovery of financial losses due to mistaken transfers of money and provide greater convenience for financial consumers in view of increased numbers and amounts of misdirected funds transfers owing to the growing popularity of internet and mobile banking and other forms of non-face-to-face financial transactions since COVID-19. The amendment includes: i) a clear basis for providing support to recoup and return misdirected money transfers; ii) creation and operation of an account to support the return of misdirected money transfers; iii) purchase of related claims (for the return of unfair enrichment) using ex-post settlements; iv) requirements for related organizations and telecommunications operators to provide necessary information to ensure successful scheme operations, etc.

In August 2021, the KDIC revised the addenda (Article 2 of Addenda No. 9134) to the Depositor Protection Act (DPA) to expand the application timeline for current deposit insurance premium rates limit as a means of setting appropriate premium rates given the changing times and to provide stability to the deposit insurance system by ensuring adequate funding for the Special Account for Mutual Savings Bank Restructuring (Special Account). The existing DPA set a limit of 0.5 percent (of insurance deposits) for deposit insurance premiums across all financial sectors and fixed an application deadline of August 31, 2021. This was extended until August 31, 2024 through the revision, which would mean a steady flow of premium income for the Deposit Insurance Fund (DIF) to repay the costs of past resolutions.

In tandem with the introduction of the scheme to support the return of misdirected money transfers, the Enforcement Decree of the DPA was revised to specifically determine the scope of application of the scheme and to stipulate the requirements and methods for cancelling a contract for the purchase of claims for the return of unfair enrichment (arising from the misdirected money transfer). Also, a change was made so that deposit payouts, etc. made in the event of an insurance accident at a KDIC-insured financial company would be calculated in consideration of the average interest rate on one-year time deposits or equivalent financial instruments offered by KDIC-insured financial companies.

2.

Research on Deposit Insurance Systems and Financial Stability

III

KDIC

1. Research on Deposit Insurance Systems and Financial Stability

System Improvement and Current Issues

In addition to conducting research on deposit insurance systems and financial stability, the KDIC monitors major global policy trends and shares its analysis and findings both internally and externally to continuously develop new ideas and implications for system improvement and policy innovation.

The KDIC conducted timely research that contributed to the improvement of the deposit insurance system in line with financial environment changes caused by factors including increased financial market uncertainties since COVID-19, spread of digital finance and ESG management, growth of non-bank financial intermediaries, and the need for stronger financial consumer protection.

In doing research, the KDIC focused intensively on economic and financial issues to cope with the crisis caused by the spread of COVID-19. It discussed the implications of the coronavirus pandemic for policy-making in many studies on: insolvency risks facing banks and other non-insured financial sectors, the criteria for determining a silent bank run that has become more likely because of the rise of digital finance and possible responses, ways to improve the system to measure the KDIC's performance in social responsibility, the effectiveness and model consistency of the risk-based premium system, and a comparison of the role of central banks and deposit insurers in crisis management. Research on ways to improve the deposit insurance system by for example, diversifying the KDIC fund's investment exposure to increase its crisis resilience was also pursued.

Also, as investor protection issues have been raised due to the rapid growth of the virtual asset market, the KDIC continued research on the nature of virtual assets, their intrinsic value and future prospects. It also hosted a seminar with invited speakers to gather opinions on the KDIC's role and the institutional improvements it can make as a financial safety net participant.

The KDIC will continue to strengthen research on deposit insurance systems and financial stability and continue efforts to expand the reach of its research in the future.

Table III-1 Major Research on Deposit Insurance Systems and Financial Stability in 2021

Subject	Research Topics
Research on Improving the Deposit Insurance System	• Analysis of the Effectiveness and Model Consistency of the Risk-based Premium System • Analysis of the Impact of COVID-19 on Savings Banks Using Stress Tests • A Study on Ways to Improve the Measurement of the KDIC's Performance in Social Responsibility: Effect of the Debt Restructuring Program • A Study on Ways to Improve the Measurement of the KDIC's Performance in Social Responsibility: The Risk-based Premium System's Effect on Financial Stability • Analysis of the Impact of Potential Insolvencies on the Soundness of the Banking Sector • A Study on Ways to Diversify the KDIC Fund's Investment Exposure • A Study on the Criteria for Determining a Silent Bank Run and How the KDIC Can Respond • A Comparison of the Role of Central Banks and Deposit Insurers in Crisis Management
Financial Stability Research in Relation to Current Issues	• Current Status and Risk Factors of Alternative Investment Abroad by Non-Banking Financial Institutions • Analysis of Factors Causing an Asset Price Surge Since COVID-19 and Potential Risks • The Need for, and Direction of Developing Systemic Risk Metrics • Analysis of the Impact of Potential Insolvencies on the Soundness of the Banking Sector • A Study on How to Raise the Effectiveness of Loss Compensation for Financial Investors • An assessment of, and Response to the Recent Financial Stability Situation • A Study on the Possibility of Systemic Risk in the Securities Sector and Countermeasures • The Nature of, and Outlook for Virtual Assets • Bitcoin's Intrinsic Value and Market Price • The Impact of Policy Rate Rises on the KDIC-insured Financial Sectors and Further Implications

Publication of the Monthly Global Deposit Insurance Briefing

From March 2021, the KDIC began publishing the monthly Global Deposit Insurance Briefing to meet changes in the financial environment and to provide information on international financial issues, policies and systems for its executives and staff members. One running feature is an article where the KDIC's research fellows present the latest trend in global research on deposit insurance and related topics. By communicating the policy trends among major overseas organizations in a timely manner, it contributed to the development of financial knowledge and informed decision-making.

Meanwhile, the published data was extensively shared with the general public, policymakers, national research institutes, etc. in a continued effort to promote research related to the improvement of the deposit insurance system and to raise public awareness of the KDIC.

Table III-2 Status of Publication: Global Deposit Insurance Briefing in 2021

Edition	Article Topics
March	• COVID-19 Bank Dividend Payout Restrictions: Effects and Trade-offs (BIS) and six other articles
April	• Global Financial Stability Report (IMF) and six other articles
May	• Financial Cycles – Early Warning Indicators of Banking Crises? (IMF) and six other articles
June	• Institutional Arrangements for Bank Resolution (BIS) and six other articles
July	• The Economics of Non-bank Financial Intermediation: Why Do We Need to Fill the Regulation Gap? (Bank of Italy) and six other articles
August	• Taming Wildcat Stablecoins (Gorton and Zhang) and six other articles
September	• How Useful Is Market Information for the Identification of G-SIBs? (ECB) and seven other articles
October	• The Urgent Agenda for Financial Reform (Hutchins Center-Chicago Booth Task Force on Financial Stability Report) and six other articles
November	• Report on Stablecoins (President's Working Group on Financial Markets, FDIC, OCC) and six other articles
December	• Non-bank Financial Institutions and the Functioning of Government Bond Markets (BIS) and four other articles

2. Sharing of Research Results

Hosting of Academic Events and Publication of Journals

In 2021, the KDIC hosted academic events to reflect on social issues and actively shared its research results internally and externally in order to promote understanding of current financial issues.

First, the KDIC shared its research findings with outside experts including those in academia by hosting policy symposiums and research forums, submitting contributions and publishing studies in academic journals and distributing press releases.

The 2021 KDIC Policy Symposium was co-hosted with the Financial Research Center of Korea to set the stage for a discussion on changes in the financial landscape and challenges ahead in building a stronger financial safety net in the post-COVID era with academic scholars and related organizations. In particular, the symposium was held in compliance with the government's social distancing guidelines with minimum number of participants on site and the event was streamed live on the KDIC's YouTube channel, which helped to open the event to a larger and more diverse audience.

Additionally, there were special lectures by outside experts which dealt with topics like the effects of central bank digital currency (CBDC) on the financial environment, protection of investors in financial instruments, and the market prospects of virtual assets. The lectures were held virtually as well and many experts in the financial and legal fields, based in academia and research institutes, participated to share opinions and discuss policy issues.

Photo III-1 Policy Symposium (December 2021)

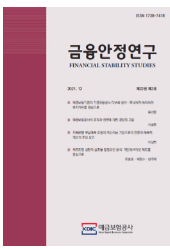
Table III-3 Academic Events Held in 2021 and Presentation Topics

Category	Date	Program Contents
Policy Symposium	Dec. 2021	• Topic: Changes in the Financial Environment and Policy Challenges for Stronger Financial Safety Net • Co-hosted with the Financial Research Center of Korea • Presentation: Session 1 (Major Policy Challenges for Strengthening the Financial Safety Net Amid Changes in the Financial Environment) Session 2 (The Necessity of and Challenges for Evolving the Deposit Insurance System in Response to Financial Environment Changes)
Special Lecture by Outside Experts	Feb. 2021	• The Effects of Central Bank Digital Currency (CBDC) Issuance on Credit Supply and Financial Stability
	May 2021	• The Necessity of and Challenges for Establishing the Financial Consumer Protection Compensation Fund with the Enforcement of the Financial Consumer Protection Act
	Sept. 2021	• The Nature, Regulatory Status and Prospects of Virtual Assets
	Oct. 2021	• Current State and Financial Risk Factors of the Chinese Economy

The KDIC supported professional and creative research on the subject of deposit insurance systems and financial stability and published the results in the Financial Stability Studies (a journal registered with the Korea Research Foundation) and a collection of theses submitted to a KDIC-held contest for research funding.

Additionally, the KDIC also hosted the 2021 Contest for Outstanding Theses from College (Graduate) Students on the topics of deposit insurance systems and financial stability to raise interest of the younger generation in these topics and to identify young talents in the field. As a result, 46 students from 12 universities and one graduate school participated in the contest and several theses demonstrated expert-level analysis with novel ideas. A total of six theses were selected, and the results were compiled and published in the Collection of Outstanding Theses Submitted to the Contest for College (Graduate) Students.

Table III-4 Major Publications in 2021

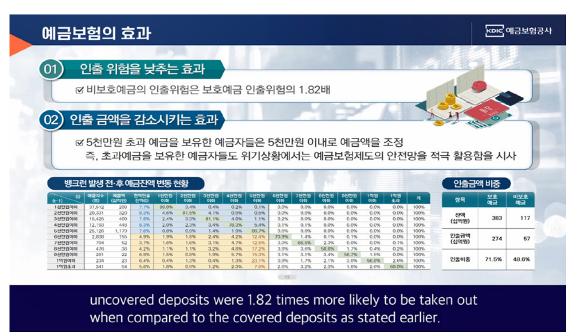
Title	Key Theses Published
Financial Stability Studies (Vol. 22; Issues 1 & 2) 	• The Impact of COVID-19 on Financial System Risk • The Effect of the Spread of COVID-19 Shock on Systemic Risk in the Financial Industry through the Stock Market Network: A Comparison with Economic Shock • The Out-of-Sample Predictability of Asymmetric Dependence of Portfolio Returns - The Multivariate Copula Distribution Function Approach • A Study on How Short- and Long-term Interest Rate Spread Affects Business in the U.S. and Korea • A Dynamic Measure of Intentional Herd Behavior Causing Excess Volatility in U.S. Stock Markets • House Price Predictability and Demographic Structure: Evidence from a Long-horizon International Data • The Effect of the Government's Policy Announcements on the Housing Market • A Study on the Diversification of Fund Management Methods of the Deposit Insurance Fund: Focusing on the Benchmark of Domestic and Overseas Bonds • A Study on the Organization and Authority of the Korea Deposit Insurance Corporation from the Perspective of Public Law Considerations • Major Factors Affecting the Transition of Insolvency Prediction Models to Machine Learning Techniques and Improvement of Its Predictive Powers • A Study on the Determinants of the Effectiveness of Debt Restructuring in Korea: Focusing on the Personal Workout System
Collection of Theses Submitted to a Contest for Research Funding (Vol. 18) 	• A Study on the Diversification of Fund Management Methods of the Deposit Insurance Fund: Focusing on the Benchmark of Domestic and Overseas Bonds • Digital Financial Innovation and Deposit Insurance • Legal Issues around the Issuance of Central Bank Digital Currency (CBDC) and Its Impact on the Deposit Insurance System • A Study on System Improvements for Strengthening the Protection of Financial Consumers Including Investors: Focusing on the System for Ex-post Damage Relief
Collection of Outstanding Theses Submitted to the Contest for College (Graduate) Students 	• (Grand Prize) An Analysis of the Risk of Digital Runs Related to the Introduction and Operation of Central Bank Digital Currency (CBDC) and Possible Responses • (Excellent Award) The Effects and Implications of DSR (debt service ratio) Regulation at the Individual Borrower Level on the Default Risk of Household Debt and Broader Financial Stability • (Excellent Award) After COVID-19: Effects of the Expansion of Retail Investors' Participation in the Stock Market on Financial Stability • (Encouragement Award) An Analysis of Potential Risks in the Age of Low Interest Rates with Resulting Changes in the Household Asset Portfolio • (Encouragement Award) A Study on the Soft-Landing and Maturing of the Scheme to Support the Return of Misdirected Money Transfers Based on Laws and Case Studies • (Encouragement Award) Measures to Detect Operational Risk of Asset Management Companies to Prevent a Crisis in the Private Equity Fund Market

Production of Promotional Videos for Research Achievements

Two promotional videos were posted on the KDIC YouTube channel to promote research results (theses, reports, etc.) to the outside world. The promotional videos emphasized the purpose and characteristics of the theses and included interviews with the authors to improve people's understanding of the theses. Also, English subtitles were added to support their use by overseas researchers.

* What Drives Depositors to Run: The Role of Deposit Insurance (Oct. 2021)
  A Scheme for Proactive Funding Support to Address Non-bank Financial Intermediation Risks (Dec. 2021)

Figure III-1 Promotional Video of Research Achievements

Promotional Video1(Oct. 2021)	Promotional Video2(Dec. 2021)
	
Author Interview	**English Subtitles**
	

Resulting from these efforts, the readership was expanded from researchers to the broader public, including ordinary people and students. This is significant since it is expected to raise awareness of the research results, especially with continuous uploading of research output to the KDIC's YouTube channel.

In the future, the KDIC plans to select at least one research article and produce a video every quarter to discuss current economic and financial issues, at home and abroad, and to promote the deposit insurance system.

3.

International Exchange and Cooperation

1. Global Leadership in International Organizations Including IADI and IFIGS

Establishing Global Leadership Using Digital Platforms in Response to COVID-19

The International Association of Deposit Insurers (IADI) is an association of deposit insurers from all over the world, consisting of 114 participants including 88 members, nine associates, and 17 partners. As a founding member of the IADI since 2002 and a member of the IADI Executive Council (EXCO), the KDIC has played a leading role in policy and decision making. The year 2021, much like the previous year, posed challenges to international exchange and cooperation using conventional methods due to the travel constraints brought about by COVID-19. The KDIC sought to overcome these challenges by establishing a digital-based international cooperation system to engage in communication with IADI members using online and non-face-to-face platforms such as video conferencing and webinars.

First, during the IADI Annual General Meeting and EXCO Meeting held virtually, the KDIC participated in key decision-making as a member of the EXCO to develop mid- to long-term strategic objectives and to change audit standards for financial statements, among other things. In addition, it gave presentations and took part in discussions of various topics at many conferences and webinars hosted by the IADI. In particular, the KDIC was invited to present the KDIC's experience in developing a contingency plan during the COVID-19 crisis, at the 2021 IADI Asia-Pacific Regional Committee's Technical Assistance Workshop hosted by Taiwan's Central Deposit Insurance Corporation in December. Through such efforts, the KDIC actively shared its experience in operating the deposit insurance system, thereby broadening its international influence.

Photo III-2 2021 IADI Asia-Pacific Regional Committee Technical Assistance Workshop

Furthermore, the KDIC participated in a number of activities of the Research Working Committee to lead research and discussion, taking them as opportunities to identify international trends and to improve its own deposit insurance system. Specifically, the KDIC prepared a policy briefing report concerning the scheme to support the return of misdirected money transfers by participating in the Fintech Technical Committee, thus sharing its experience with the international community in expanding the protection of financial consumers amid rapid changes in the financial environment characterized by the spread of digitalization and financial technology.

The KDIC also took the lead in knowledge-sharing projects by holding a successful multi-lateral technical support event using a webinar format in response to the fast changing international business environment due to COVID-19. In March, it held an international webinar, entitled Effects of Climate Change Risk on Financial Stability. It was attended by around 160 representatives and working level staffs of IADI members to discuss the strategic direction for deposit insurance organizations to move forward in response to climate risks. In June, an international webinar was hosted on fintech. It was attended by 230 participants from 16 member organizations including heads of IADI Asia-Pacific Regional Committee members to engage in an in-depth discussion about the changing role of deposit insurance organizations in line with the development of fintech.

Despite the sharp drop in the frequency of technical support events around the world due to the COVID-19 pandemic, the KDIC shared its experience and know-how for the purpose of developing the global deposit insurance system by making effective use of digital channels in 2021. Of particular note, the webinars hosted by the KDIC were meaningful in that they dealt with the core issues that are propelling changes in the financial environment – namely, climate change and fintech – to look at their impact on deposit insurance organizations and policy responses in a timely manner, and then proposed ways to reflect such changes in deposit insurance systems using actual cases.

Strengthened Role and Leadership within IADI through Election to the IADI Executive Council

The Chairman and President of the KDIC was elected to the IADI EXCO for a three-year term during the IADI Annual General Meeting held in December 2021 over the internet. The EXCO is the highest decision-making body of the IADI, responsible for its overall operations including business strategies and policy directions.

This election to the EXCO signifies that the KDIC has occupied a prestigious position to facilitate the IADI's decision-making for the past 20 years, ever since the launch of the IADI back in 2002. It can also be seen as international recognition for the KDIC's contribution to the development of the IADI through leadership in committee activities. It will hopefully provide opportunities for the KDIC to further strengthen its voice on the international stage as an agenda setter in the arena of deposit insurance and resolution. In the future, the KDIC will continue to participate in the policy-making process of the EXCO and contribute to the advancement of deposit insurance systems and the promotion of international cooperation among deposit insurance organizations.

Stronger Global Leadership within IFIGS by Performing the Roles of IFIGS Chair and Chair of the Information Sharing Working Group

The International Forum of Insurance Guarantee Schemes (IFIGS) is a consultative body to promote international cooperation and information sharing among insurance guarantee schemes from around the world with 29 members, 25 of which are full members and 4 are associate members.

The KDIC has participated in IFIGS as a founding member since its establishment in 2013 and was elected to the Management Committee in 2019 to perform the role of First Vice Chair for one year, followed by being elected as IFIGS Chair during the 7th Annual General Meeting in 2020. Accordingly, the KDIC presided over the 8th Annual General Meeting and virtual meetings of the Management Committee meetings held every quarter to successfully organize and control key IFIGS projects, demonstrating its global leadership as Chair.

First, a Mid- to Long-term Strategy Working Group was set up to promote the launch of IFIGS as a formal international organization from its current status as an international forum in the form of a consultative body. The direction of IFIGS' organizational operation and development was established by conducting a survey of all member organizations. This resulted in reorganizing IFIGS' three strategic objectives, namely activating information sharing, raising awareness and increasing membership, and major projects to execute each of these objectives steered by working groups.

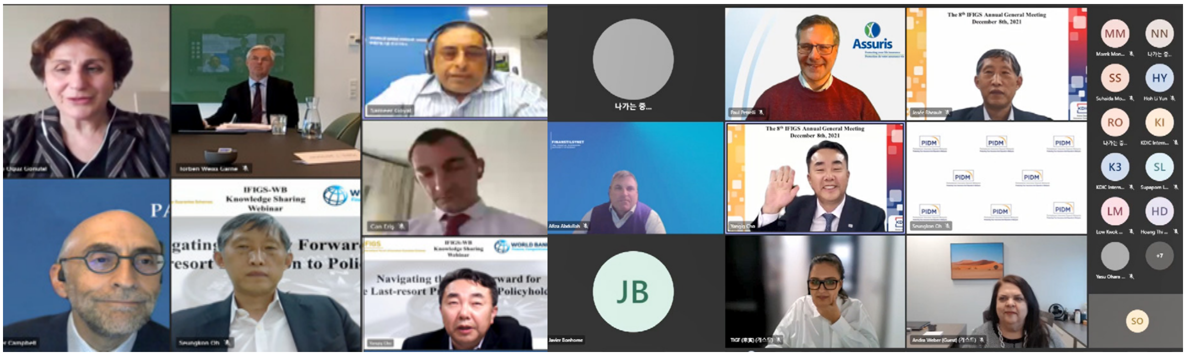
As Chair of the IFIGS Information Sharing Working Group, the KDIC planned and conducted a survey to establish a database by collecting information on the operational status of each member organization. It also sought to promote information exchange and cooperation among member organizations by publishing a quarterly IFIGS Newsletter. The KDIC also led efforts to establish IFIGS Research Subcommittees as a way of promoting research of insurance guarantee schemes. It currently performs data collection and research on the role of insurance guarantee schemes in the resolution of insolvent insurers, which is a subject of interest for member organizations, as well as contingency plan testing and crisis simulation, and building a database of major insurer insolvency cases worldwide.

Next, the KDIC organized a knowledge sharing webinar jointly hosted by IFIGS and the World Bank Group in June 2021, entitled Navigating the Way Forward for the Last-resort Protection to Policyholders, to raise the public profile of IFIGS. This event was attended by 250 participants from 64 organizations in 45 jurisdictions including members of IFIGS, IADI and the World Bank. It was an event which successfully promoted IFIGS to participants and the KDIC stressed the importance of policyholder protection using real-life cases of insolvent insurance company resolutions.

Finally, using its contacts within the IADI, the KDIC was able to expand the membership of IFIGS by attracting new associate members and observers from five countries (Ukraine, Russia, Indonesia, Vietnam and New Zealand) currently in the process of establishing insurance guarantee schemes. It also explored the possibility of new full membership for countries with existing policyholder protection schemes like Japan and Kazakhstan by continuously promoting the works of IFIGS.

By successfully performing its dual roles of IFIGS Chair and Chair of the Information Sharing Working Group during 2021, the KDIC laid the groundwork for the launch of IFIGS as a formal international organization. In 2022, the KDIC will promote the mid- to long-term development of the organization in its role as Second Vice Chair of the Management Committee and continue to participate in IFIGS' decision making processes.

Photo III-3 IFIGS-World Bank Joint Webinar and the 8th IFIGS Annual General Meeting



2. Expansion of Exchanges with Foreign Deposit Insurers

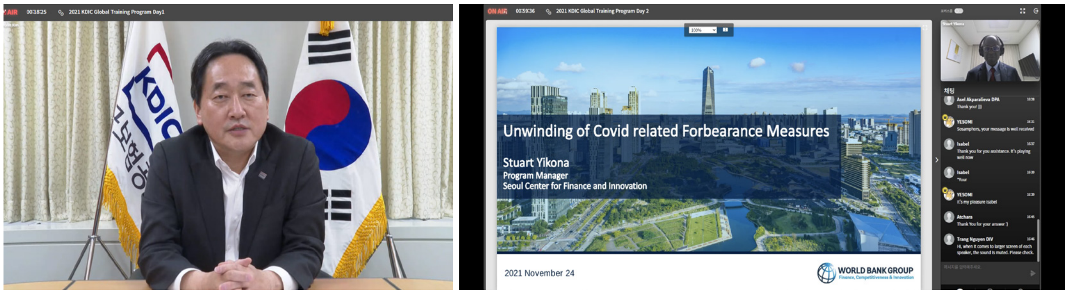
Implementation of the KDIC Global Training Program Using an Online Format

Since 2017, the KDIC has conducted a regular global training program to meet numerous requests from countries around the globe to benchmark Korea's experiences in operating its deposit insurance system.

From 2017 to 2019, the KDIC conducted its global training program for overseas deposit insurance practitioners in which the participants made visits to Korea and took part in group training. Due to the spread of COVID-19 from 2020 to 2021 and the difficulties in international travel, however, the training program was conducted using webinars.

The 7th KDIC Global Training Program was held over a two-day period between November 23-24, 2021. Around 210 fellow deposit insurance officials from 22 jurisdictions across four continents – Asia, Africa, Europe and Oceania – attended the program. In particular, the removal of restrictions on space and number of participants due to the use of an online format contributed to an increase in the number of participants including newly participating deposit insurance agency executives and employees from three countries including the United Kingdom, Australia and Palestine.

Photo III-4 7th KDIC Global Training Program in 2021



The 2021 program was conducted on the theme of risk management and public awareness and consisted of a variety of programs that met the needs of participants including lectures on the KDIC's risk management of financial institutions, risk-based insurance premium system, and public relations activities as well as invitational lectures on the latest global financial issues.

The two-day program was held on domestic webinar and metaverse platforms to promote the Korea's digital technology to the participants around the world including Asia, Africa and Europe. KDIC building and its surrounding area, including the Cheonggyecheon Stream, were replicated on a metaverse platform, offering a virtual space for the trainees to communicate with one another. Moreover, the KDIC captured the interest of the participants by hosting an online event, encouraging the trainees to visit the KDIC building in the metaverse.

The cultural experience activities that were conducted after training hours during previous training visits were replaced by virtual excursion videos, produced and streamed in a vlog* format, to raise the participants' spirits and also to use the opportunity to promote interesting cultural sites in Korea.

* Vlog is a compound word of video and blog, a blog in video to record one's life in a video format instead of text and images

Photo III-5 Selfie Event to Visit the KDIC Building in the Metaverse and Virtual Cultural Experience Videos

Strengthened Pursuit of Overseas Consulting to Share Experiences in Deposit Insurance System Operation

In order to meet the demand from overseas deposit insurers to share Korea's experiences in crisis management and deposit insurance system operation, the KDIC embarked on an effort to share its know-how with the world in 2010. As such, the KDIC has continued to provide various programs including customized training, seminars and consulting for overseas deposit insurers.

In October 2021, virtual training was conducted for the Deposit Insurance of Vietnam (DIV) and the Indonesia Deposit Insurance Corporation (IDIC) at their request. For the executives and staff of the DIV, the KDIC conducted non-face-to-face training on resolution and bankruptcy of insolvent financial companies. This training program was attended by 90 participants including the DIV Chairman of the Board of Directors and consisted of lectures on the resolution of insolvent financial companies, bankruptcy proceedings and operations.

The training program for the IDIC, which was attended by the entire 150-member staff of the IDIC including its Chairman, consisted of lectures on the theme of management and operation of bankruptcy estates of financial institutions from the recovery of assets held by bankruptcy estates to an overview of the Korea Resolution and Collection (KR&C), a KDIC subsidiary tasked with asset management and liquidation. For the effective conduct of the program, guest lecturers were invited from the Mission of the Republic of Korea to ASEAN and the Korea Asset Management Corporation (KAMCO).

Based on the successful completion of these projects in spite of COVID-19, the KDIC plans to further solidify its international status by providing more tailored projects to share its experience with overseas colleagues.

Expansion of Information Sharing and Personnel Exchange through the Signing of MOUs

The KDIC has signed memoranda of understanding (MOUs) with foreign deposit insurers and central banks to promote mutual cooperation including information sharing and personnel exchange.

As of the end of 2021, the KDIC has signed MOUs with a total of 25 agencies from 23 countries. In 2021, it renewed the MOUs with the Deposit Insurance Agency (DIA) of Russia, Deposit Protection Agency of the Kyrgyz Republic (DPAKR), Deposit Guarantee Fund (DGF) of Ukraine and the Palestine Deposit Insurance Corporation (PDIC).

The KDIC will continue to strengthen mutual cooperation for deposit insurance system development with MOU signatory agencies through active information sharing and personnel exchange going forward.

Korea Deposit Insurance Corporation

2021 ANNUAL REPORT

IV Fund Management

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

1. Deposit Insurance Fund Bond Redemption Fund

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 in the wake of 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) as of January 1, 2003. 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 starting from 2003, has been used to fund deposit insurance operations related to the resolution of financial institution failures that occurred in 2003 and afterwards.

1. Stable Financing

Special Contributions

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 revenue in the case of insurance companies) to the KDIC as Special Contributions. Banks must pay Special Contributions within one month following the end of each quarter, and other insured financial institutions also need to pay Special Contributions within three months following the end of each fiscal year. In 2021, the KDIC received KRW 2.1772 trillion in Special Contributions.

Table IV-1 Special Contribution Rates by Financial Sector

Sector	Banks	Investment Companies	Insurance Companies	Merchant Banks	MSBs	Credit Unions
Rates	1/1,000	1/1,000	1/1,000	1/1,000	1/1,000	5/10,000[1]

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

Table IV-2 Special Contributions Received from Each Financial Sector

(Unit: KRW 1 billion)

Year	Banks	Investment Companies	Life Insurance Companies	Non-life Insurance Companies	Merchant Banks	MSBs	Credit Unions[1]	Total
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
2016	1,066.4	24.0	283.5	100.1	0.8	34.8	29.9	1,539.4
2017	1,134.4	27.2	306.8	110.3	1.0	40.3	33.2	1,653.1
2018	1,201.1	30.0	313.3	119.7	1.1	46.9	-	1,712.1
2019	1,256.6	30.7	322.8	128.1	1.2	53.9	-	1,793.3
2020	1,410.0	30.5	338.4	136.1	1.4	58.5	-	1,974.8
2021	1,568.1	53.8	343.6	144.9	1.7	65.1	-	2,177.2
Total	**16,338.9**	**434.0**	**3,948.2**	**1,306.3**	**19.9**	**866.2**	**261.7**	**23,175.3**

* 1) Credit unions made payments between 2006 and 2017.

Contributions from the Public Fund Redemption Fund

In accordance with the Redemption Plan, the KDIC had received a total of KRW 52.3064 trillion in contributions from the Public Fund Redemption Fund during the four-year period from 2003 to 2006 and used the funds to partially repay 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 additional 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 87.1599 trillion of DIF Bonds from 1998 to 2002.

With the establishment of the Redemption Fund in 2003, the outstanding balance of DIF Bonds amounting to KRW 80.9744 trillion 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 all repaid as of the end of 2008 with contributions from the Public Fund Redemption Fund, money raised by issuing DIF Bond Redemption Fund Bonds (Redemption Fund Bonds), Special Contributions from the industry, and other recovered funds in accordance with the Redemption Plan.

Table IV-3 Issuance and Redemption of DIF Bonds Issued on or before Dec. 31, 2002 (Unit: KRW 1 billion)

Year	Amount Issued	Amount Redeemed	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	3,660.0	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**	**-**

* 1) Total amount issued (accumulated) including roll-overs

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. However, the KDIC did not issue any additional Redemption Fund Bonds in 2021, as the principal and interest of bonds maturing that year could be fully repaid with recovered funds, Special Contributions, etc. Meanwhile, the KDIC repaid KRW 1.48 trillion of Redemption Fund Bonds that matured in 2021, thereby paying off the fund's liabilities in accordance with the Redemption Plan. For the first time since the installation of the Redemption Fund, the KDIC was able to revert* remaining assets worth of KRW 1.25 trillion to the Public Fund Redemption Fund.

* Any remaining asset after the full repayment can be partly reverted to the Public Fund Redemption Fund even before the closure of the KDIC Redemption Fund (scheduled for the end of 2027) under the revised Depositor Protection Act of December 2020.

Table IV-4 Issuance and Redemption of Redemption Fund Bonds (Unit: KRW 1 billion)

Year	Amount Issued	Amount Redeemed	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
2016	1,970.0	4,130.0	12,550.0
2017	1,520.0	4,390.0	9,680.0
2018	1,480.0	5,310.0	5,850.0
2019	-	1,970.0	3,880.0
2020	-	2,400.0	1,480.0
2021	-	1,480.0	-
Total	**60,680.5**	**60,680.5**	

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 aforementioned Enforcement Decree. Accordingly, up until 2002, the KDIC had 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 was transferred to the Redemption Fund in 2003 when it was established. On January 1, 2003, the Redemption Plan relieved the KDIC from repaying all its borrowings from the Special Account for Government Investment and Financing. The KDIC has not borrowed any money since 2003 under the Redemption Fund's lines of credit. In 2013, the KDIC made its final repayment of KRW 116.8 billion (USD 100 million) for the principal of loans from the IBRD. As of the end of 2021, the Redemption Fund had no outstanding borrowing.

Table IV-5 Borrowings and Loan Repayments of the Redemption Fund (Unit: KRW 1 billion)

Year	Borrowed Amount				Repaid Amount	Balance
	Members Institutions	Loans[1]	Special Account for Government Investment and Financing	Sub-total		
Amount Received	7,601.1	-	-	7,601.1	-	7,601.1
1998	329.5	241.6	1,058.2	1,629.3	933.7	8,296.7
1999	1,387.0	1,201.6	2,625.4	5,214.0	3,387.0	10,123.7
2000	9,002.8	1.3	3,953.3	12,957.4	980.2	22,100.9
2001	-	0.8	4,967.2	4,968.0	11,019.6	16,049.3
2002	-	-	5,955.3	5,955.3	0.3	22,004.3
2003	-	-	-	-	19,599.3	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**	**-**

* 1) Loans from the IBRD, the ADB, etc.

2. Financial Assistance

Overview

The KDIC provided financial assistance through the Redemption Fund to make deposit payouts as well as equity investment, contributions, loans, etc. to resolve insolvent financial institutions. There were no additional cases of financial assistance through the Redemption Fund during 2021.

The total amount of public funds provided from the Redemption Fund for the restructuring of insured financial institutions and other usage came to KRW 110.8946 trillion as of the end of 2021. This amount includes KRW 30.3124 trillion (27.3%) in payment of insured deposits for depositors of insolvent financial institutions, KRW 50.7937 trillion (45.8%) in equity investment for business normalization, KRW 18.6117 trillion (16.8%) in capital contributions for purchase of assets and assumption of liabilities (P&A)s, and KRW 11.1767 trillion (10.1%) for the purchase of assets, etc.

Table IV-6 Financial Assistance and Deposit Insurance Payments from the Redemption Fund (Accumulated)

(As of Dec. 31, 2021, Unit: KRW 1 billion)

Sector	Equity Investment	Capital Contributions	Asset Purchase[1]	Loans	Deposit Insurance Payments[1]	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
MSBs	0.1	416.1	-	596.9	7,289.2	8,302.3
Credit Unions	-	-	-	-	4,740.2	4,740.2
Total	50,793.7	18,611.7	10,579.9	596.9	30,312.4	110,894.6

* 1) Including financial assistance provided through the resolution financial institution

Assistance for Each Sector of the Financial Industry

(1) Banks

By the end of 2021, the KDIC had provided KRW 44.2292 trillion from the Redemption Fund in the form of equity investment, capital contribution, or asset purchase to restructure 20 banks. In 2021, however, the KDIC did not provide any financial assistance to banks from the Redemption Fund.

(2) Investment Companies

By the end of 2021, the KDIC had provided KRW 12.5264 trillion from the Redemption Fund in the form of equity investment, capital contribution, or asset purchase to restructure seven securities firms. In 2021, the KDIC did not provide any financial assistance to the sector from the Redemption Fund.

(3) Insurance Companies

By the end of 2021, the KDIC had provided KRW 19.3885 trillion from the Redemption Fund in the form of equity investment, capital contribution, or asset purchase to restructure 21 insurance companies. In 2021, the KDIC did not provide any financial assistance to insurance companies from the Redemption Fund.

(4) Merchant Banks

By the end of 2021, the KDIC had provided KRW 21.708 trillion in the form of equity investment, capital contributions, or payouts of deposit insurance claims to restructure 29 merchant banks. In 2021, the KDIC did not provide any financial assistance to merchant banks.

(5) Mutual Savings Banks

By the end of 2021, the KDIC had restructured 92 mutual savings banks by paying off insured deposits or making capital contributions to provide a total of KRW 8.3023 trillion from the Redemption Fund. In 2021, the KDIC did not provide any financial assistance to mutual savings banks.

(6) Credit Unions

By the end of 2021, the KDIC had provided KRW 4.7402 trillion to restructure 348 credit unions. In 2021, the KDIC did not provide any financial assistance to credit unions.

3. 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, regarding capital contributions, the KDIC tries to recover the funds by selling stock shares it received in exchange for the financial assistance. Next, for insolvent financial institutions whose liabilities exceed assets and for which the KDIC made deposit payoffs or capital contributions, the KDIC directly participates in their bankruptcy proceedings as a creditor and receives dividends from the proceeds of asset sales. Lastly, 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 using various methods. The accumulated amount of public funds recovered as of the end of 2021 totaled KRW 61.4388 trillion including KRW 1.2923 trillion recovered in 2021 alone.

Table IV-7 Redemption Fund Recoveries (2021)

(As of Dec. 31, 2021, 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	1,105.1	-	-	-	-	**1,105.1**
Investment Companies	-	-	0.1	-	-	**0.1**
Insurance Companies	101.3	0	-	-	-	**101.3**
Merchant Banks	38.2	-	-	-	7.6	**45.8**
MSBs	-	-	-	-	40.0	**40.0**
Credit Unions	-	-	-	-	-	**-**
Total	**1,244.7**	**0**	**0.1**	**-**	**47.6**	**1,292.3**

* 1) Including recoveries made through the KR&C (including recoveries made prior to 2021)

Table IV-8 Redemption Fund Recoveries (Accumulated)

(As of Dec. 31, 2021, 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	23,075.9	70.2	6,666.7	-	1,847.2	31,660.0
Investment Companies	1,212.1	337.5	1,801.4	-	7.8	3,358.8
Insurance Companies	6,667.3	88.8	245.3	-	431.0	7,432.4
Merchant Banks	312.1	5.9	-	-	9,339.1	9,657.1
MSBs	-	34.3	-	596.9	5,276.0	5,907.2
Credit Unions	-	0.4	-	-	3,422.9	3,423.3
Total	31,267.4	537.1	8,713.4	596.9	20,324.0	61,438.8

* 1) Including recoveries made through the KR&C

Sale of Equity Stakes, etc.

(1) Banks

The KDIC recovered KRW 1.0108 trillion (equivalent to its stake held in the banking account of the DIF) through the sale of its 11.33 percent stake in Woori Financial Group during 2021 and collected KRW 59.3 billion (equivalent to its stake held in the banking account of the DIF) in dividends from Woori Financial Group. After the first recovery of public funds in 2017 totaling KRW 12.7 billion, from Suhyup Bank, another KRW 35.0 billion was recovered in 2021.

(2) Insurance Companies

In 2021, the KDIC collected KRW 2.6 billion and KRW 98.7 billion in dividends, respectively from Hanwha Life Insurance and Seoul Guarantee Insurance.

(3) Merchant Banks

In 2021, the KDIC recovered KRW 36.1 billion (equivalent to its stake held in the merchant bank account of the DIF) through the sale of its 11.3 percent stake in Woori Financial Group and collected KRW 2.1 billion (equivalent to its stake held in the merchant bank account of the DIF) in dividends from Woori Financial Group.

Bankruptcy Dividends

In 2021, the KDIC received KRW 47.6 billion from funds the KR&C recovered from the bankruptcy states of failed merchant banks and savings banks.

Table IV-9 Bankruptcy Dividends Collected by Financial Sector[1] (As of Dec. 31, 2021, Unit: No. of estates, KRW 1 billion)

Sector	No. of Estates[2]	Recovered Amount	
		2021	1999-2021
Banks	5	-	1,847.2
Investment Companies	4	-	7.8
Insurance Companies	10	-	431.0
Merchant Banks	22	7.6	9,339.1
MSBs	75	40.0	5,276.0
Credit Unions	325	-	3,422.9
Total	**441**	**47.6**	**20,324.0**

* 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 from 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.

Recovery of Loans, etc.

During 2021, the KDIC recovered KRW 10 million from the settlement of capital contributions related to the P&A of Hyundai Life Insurance, etc.

2.

Deposit Insurance Fund

1. 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 revenue) as deposit 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 IV-10 Deposit Insurance Premium Rates by Financial Sector

Category	Banks	Investment Companies	Insurance Companies	Merchant Banks	MSBs
DI Premium Rates	8/10,000	15/10,000[1)]	15/10,000	15/10,000	40/10,000[2)]

* 1) The premium rate assessed on customer deposits at securities finance companies deposited by investment brokers or dealers was cut by 30% starting in 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 IV-11 Deposit Insurance Premium Revenue By Financial Sector by Year

(As of the end of December 2021, Unit: KRW 1 billion)

Year	Banks	Investment Companies	Life Insurance Companies	Non-life Insurance Companies	Merchant Banks	MSBs	Special Account[2]	Total[4]
2003[1]	477.5	31.2	258.0	53.5	7.3	66.8	-	**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	**1,354.7**
2016[5]	467.5	-	185.7	80.6	0.7	29.6	682.3	**1,446.3**
2017[5]	500.5	-	234.9	88.3	0.9	28.6	824.2	**1,677.4**
2018[5]	525.0	-	246.6	97.3	0.9	13.9	910.2	**1,794.0**
2019[5]	534.2	3.9	242.6	101.8	1.0	24.8	936.0	**1,844.3**
2020[5]	594.2	0	210.9	1,030	1.1	21.6	1,025.9	**1,956.7**
2021[5]	664.1	16.5	91.4	109.3	1.4	25.3	1,126.7	**2,034.7**
Total	**1,372.5**	**423.3**	**6,101.0**	**2,081.3**	**40.7**	**3,100.6**	**8,256.4**	**25,319.4**

* 1) Insurance premiums received up to 2002 were transferred to the 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 of the DIF, which was transferred to the Korean Federation of Community Credit Cooperatives on January 1, 2010, was not included.

5) With the 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); in 2015 (exemption for financial investment companies, and 17% reduction for non-life insurance companies); in 2016 (exemption for financial investment companies, and 5% reduction for life insurance companies); in 2017 (exemption for financial investment companies, and 5% reduction for life insurance companies); in 2018 (80% reduction for financial investment companies, and 6% reduction for life insurance companies); in 2019 (exemption for financial investment companies, and 16% reduction for life insurance companies); in 2020 (49% reduction for financial investment companies, and 64% reduction for life insurance companies); and in 2021 (70% reduction for life insurance companies).

Deposit insurance premiums collected up to 2002 were transferred to the Redemption Fund under the Redemption Plan while deposit insurance premiums collected since 2003 have been placed in the current 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 yearly insurance premiums paid by KDIC-insured financial institutions (The percentage of premiums to be diverted to the Special Account for mutual savings banks is separately determined by the Deposit Insurance Committee.), issuance of DIF Special Account Bonds, external borrowings, recovered funds, etc.

The total amount of premiums received from insured financial institutions including those that went to the Special Account in 2021 remained at KRW 2.0347 trillion.

Contributions from Insured Financial Institutions

Before June 2016, under Article 24 of the Depositor Protection Act and Article 14 of its Enforcement Decree, a financial institution which newly obtained authorization for business or incorporation, was required to contribute a specific percentage of its paid-in capital or equity capital to the KDIC within one month of starting business in order to receive deposit insurance coverage.

With the amendment of the Enforcement Decree of the Depositor Protection Act in June 2016, however, a newly insured financial institution now contributes to the KDIC a certain percentage of its minimum regulatory capital or minimum shareholders' equity necessary for authorization and permission. If minimum shareholders' equity is larger than paid-in capital, it should pay a specific percentage of its paid-in capital to the KDIC.

With the creation of the Redemption Fund, contributions received up to 2002 were transferred to the Redemption Fund according to the Redemption Plan, whereas contributions received since 2003 have been incorporated into the DIF.

Table IV-12 Contributions from KDIC-insured Financial Institutions (Unit: KRW 1 bilion)

Year	Banks	Investment Companies	Life Insurance Companies	Non-life Insurance Companies	Merchant Banks	MSBs	Special Account	Total[2]
2003[1]	0.03	-	0.65	0.20	-	-	-	**0.88**
2004	0.34	0.20	0.60	0.20	-	-	-	**1.34**
2005	0.22	0.20	-	-	-	1.25	-	**1.67**
2006	0.38	0.80	-	0.20	-	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	-	-	-	-	1.20	-	**1.23**
2012	0.58	0.13	5.00	0.80	-	2.40	-	**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	-	-	-	-	-	-	-	**-**
2016	0.88	0.53	-	0.60	-	-	-	**2.01**
2017	2.03	0.06	-	0.03	-	-	-	**2.12**
2018	-	0.29	0.30	-	-	-	-	**0.59**
2019	-	-	-	-	-	-	-	**-**
2020	-	△0.3	-	0.2	-	-	-	**△0.1**
2021	0.3	0.2	-	-	-	-	-	**0.5**
Total	**5.82**	**20.25**	**8.19**	**2.91**	**0.02**	**21.56**	**-**	**58.78**

* 1) Contributions received up to 2002 were transferred to the Redemption Fund due to the revision of a relevant law.
2) The credit union account of the DIF, which was transferred to the National Credit Union Federation of Korea on January 1, 2010, was not included.

Issuance and Redemption of DIF Bonds

Pursuant to Articles 24-4 and 26-2 of the Depositor Protection Act, the KDIC, for the first time, issued non-government-guaranteed DIF Bonds to finance the Special Account based on its own credit standing in December 2011. From 2011 to 2013, it issued Special Account Bonds to finance the restructuring of insolvent mutual savings banks. Since 2014, it has issued bonds for the purpose of redeeming (or rolling over) the maturing Special Account Bonds. It is consistently reducing the amount of outstanding bonds by repaying them with funds recovered and insurance premiums received. In 2021, it redeemed KRW 2.47 trillion of Special Account Bonds while rolling over KRW 1.15 trillion. As of the end of 2021, the outstanding balance of Special Account Bonds amounted to KRW 7.54 trillion.

Meanwhile, as a way to realize social values and to ensure stable funding by increasing investor interest, the KDIC obtained external certification of Special Account Bonds as "Social Bonds." Since March 2020, the KDIC has issued KRW 2.78 trillion of Social Bonds.

Table IV-13 Issuance and Redemption of Bonds for the Funding of the DIF Special Account (Unit: KRW 1 billion)

Year	Amount Issued	Amount Redeemed	Balance
2011	1,200.0	-	1,200.0
2012	20,040.0	-	21,240.0
2013	2,090.0	-	23,330.0
2014	-	1,200.0	22,130.0
2015	5,640.0	9,880.0	17,890.0
2016	2,630.0	4,220.0	16,300.0
2017	3,730.0	7,290.0	12,740.0
2018	1,450.0	2,650.0	11,540.0
2019	1,140.0	2,630.0	10,050.0
2020	2,230.0	3,420.0	8,860.0
2021	1,150.0	2,470.0	7,540.0
Total	**41,300.0**	**33,760.0**	**7,540.0**

In addition, pursuant to Article 26-2 of the Depositor Protection Act and Article 30 of the Act on Issuance and Distribution of Short-Term Electronic Bonds, the KDIC issued short-term electronic bonds for the first time in July 2017 with a view to diversifying the means of securing funding and reducing the costs of borrowing. They are utilized as a vehicle to supplement borrowing from insured financial institutions, in the event of a temporary mismatch between cash receipts and disbursements. In 2021, the KDIC issued short-term bonds totaling KRW 3.283 trillion and redeemed KRW 3.28 trillion by the end of the year.

Table IV-14 Issuance and Redemption of Short-term Electronic Bonds (Unit: KRW 1 billion)

Year	Amount Issued	Amount Redeemed	Balance
2017	750.0	750.0	-
2018	1,480.0	1,480.0	-
2019	3,340.0	3,340.0	-
2020	3,730.0	3,730.0	-
2021	3,283.0	3,280.0	3.0
Total	**12,583.0**	**12,580.0**	**3.0**

Borrowings

According to Article 26 of the Depositor Protection Act and Article 15 of its Enforcement Decree, the KDIC 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 aforementioned Enforcement Decree. Prior to the Special Account's creation, the KDIC borrowed from member institutions 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.

Table IV-15 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	Sub-Total		
MSBs	2007	231.4	-	-	231.4	-	231.4
	2008	-	-	-	-	231.4	-
	Sub-total	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
	2016	2,298.8	-	-	2,298.8	2,298.8	250.0
	2017	4,270.7	-	-	4,270.7	3,990.7	530.0
	2018	1,637.6	-	-	1,637.6	1,917.6	250.0
	2019	1,187.7	-	-	1,187.7	1,187.7	250.0
	2020	1,274.4	-	-	1,274.4	1,274.4	250.0
	2021	989.8	-	-	989.8	975.2	264.6
	Sub-total	45,038.5	-	-	45,288.5	45,023.9	264.6
Total		**45,269.9**	**-**	**250.0**	**45,519.9**	**45,255.3**	**264.6**

* 1) The credit union account of the DIF, which was transferred to the National Credit Union Federation of Korea 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 with recoveries made from the collection of bankruptcy dividends, etc. 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 well.

As for the Special Account set up in 2011 for the mass resolution of insolvent mutual savings banks, a total of KRW 45.0385 trillion had been borrowed from insured financial institutions including banks by the end of 2021. To increase funding for the Special Account, the KDIC applied for government loans from the Public Capital Management Fund at no interest (with a 10-year grace period and installment payments over a five-year period) starting in 2012. In total, the KDIC borrowed KRW 250 billion from the government.

By the end of 2021, KRW 45.0239 trillion had been repaid, out of KRW 45.2885 trillion in borrowings of the Special Account, through the recovery of injected funds and issuance of DIF Bonds, etc. As of the end of 2021, the outstanding balance of borrowings amounted to KRW 264.6 billion.

2. Timely Provision of Financial Assistance

Overview

Since 2003, the KDIC has provided financial assistance from the DIF for the purposes of deposit payoffs in the event of an insolvency and to provide financial assistance in the form of equity investment, capital contribution and loans to facilitate the resolution of insolvent financial institutions.

Until 2010, a total of KRW 4.5275 trillion had been provided, from the DIF's mutual savings bank account, to 16 insolvent mutual savings banks, including Gimcheon Mutual Savings Bank. From 2011, a total of KRW 27.1717 trillion has been provided to 31 insolvent mutual savings banks from the DIF's Special Account.

In 2013, KRW 22.6 billion was provided to one non-life insurance company from the non-life insurance account.

Table IV-16 Financial Assistance and Deposit Insurance Payments from the DIF(Accumulated)

(As of Dec. 31, 2021, Unit: KRW 1 billion)

Account Name	Equity Investment	Capital Contributions	Deposit Insurance Payments	Loans	Advance Dividend Payments	Total[1)]
Banks	-	-	-	-	-	-
Investment Companies	-	-	-	-	-	-
Insurance Companies	-	22.6	-	-	-	22.6
Merchant Banks	-	-	-	-	-	-
MSBs	121.1	2,454.2	1,441.2	489.1	21.9	4,527.5
Special Account	365.5	22,987.3	3,627.8	113.6	77.5	27,171.7
Total	**486.6**	**25,464.2**	**5,069.0**	**602.7**	**99.4**	**31,721.9**

* 1) The credit union account of the DIF, which was transferred to the National Credit Union Federation of Korea on January 1, 2010, was not included.

Assistance for Each Financial Sector

(1) Banks

In 2021, the KDIC did not provide any funds to banks in the form of deposit insurance payments, equity investment, capital contribution, or loans from the DIF.

(2) Investment Companies

In 2020, the KDIC did not provide any funds to investment companies in the form of deposit insurance payments, equity investment, capital contribution, or loans from the DIF.

(3) Insurance Companies

In 2021, the KDIC did not provide any funds to insurance companies in the form of deposit insurance payments, equity investment, capital contribution, or loans from the DIF.

(4) Mutual Savings Banks (Special Account)

For the 31 mutual savings banks suspended from operations in 2011 or afterwards, the KDIC made deposit payoffs from funds in the Special Account. The assistance mainly took the form of capital contributions to make up net asset shortages to facilitate P&As. Troubled assets were transferred to the KR&C as part of P&A transactions and the KR&C purchased the assets with loans from the KDIC.

In 2021, the KDIC did not provide any funds to mutual savings banks in the form of deposit insurance payments, equity investment, capital contribution, or loans from the DIF. The table below provides a summary of the financial assistance and deposit insurance payments made in relation to insolvent mutual savings banks since 2011 by year of business suspension.

Table IV-17 Financial Assistance and Deposit Insurance Payments from the Special Account

(As of Dec. 31, 2021, Unit: KRW 1 billion)

Savings Bank Name	Year of Business Suspension	Payment of Insurance (Interim Payment Included)	Capital Contributions, Loans, etc.	Total
16 failed MSBs Including Samhwa	2011	3,279.6	12,703.4	**15,983.0**
8 failed MSBs Including Solomon	2012	345.3	8,670.6	**9,015.9**
5 failed MSBs Including Seoul	2013	2.9	1,818.5	**1,821.4**
Haesol	2014	-	299.4	**299.4**
Golden Bridge	2015	-	52.0	**52.0**
Total		**3,627.8**	**23,543.9**	**27,171.7**

3. Maximization of Fund Recovery

Overview

The DIF, like the Redemption Fund, can utilize a range of recovery methods including sale of equity stakes in insured financial institutions, collection of bankruptcy dividends through participation in bankruptcy proceedings, and recovery of loans made to insured financial institutions.

The KDIC recovered KRW 15.3099 trillion between 2003 and end of 2021, with KRW 2.5 billion in the non-life insurance companies account, KRW 1.4 billion in the mutual savings bank account, and KRW 337.4 billion in the Special Account recovered in 2021 alone.

Table IV-18 DIF Recoveries (2021 and Accumulated)

(As of Dec. 31, 2021, Unit: KRW 1 billion)

Category		Equity Investment	Capital Contributions	Money Paid in Deposit Insurance Payments	Loans [1]	Money Paid in Advance Dividends	Total [2]
2021	Non-life Insurance Companies	-	2.5	-	-	-	**2.5**
	MSBs	-	1.0	-	0.4	-	**1.4**
	Special Account	-	291.0	46.3	0.2	-	**337.4**
	Total	-	294.4	46.3	0.6	-	**341.3**
2003 to end-2021 Accumulated		594.8	11,601.6	2,401.1	613.0	99.4	**15,309.9**

* 1) Recovery of loan principal and interest through the KR&C
2) The credit union account in the DIF, which was transferred to the National Credit Union Federation of Korea on January 1, 2010, was not included

Collection of Bankruptcy Dividends and Recovery of Loans

In 2021, the KDIC collected KRW 340.7 billion in bankruptcy dividends through the sale of remaining assets owned by bankruptcy estates of insolvent mutual savings banks, etc., that had received financial assistance from the DIF. From 2003 to 2021, a cumulative total of KRW 14.1021 trillion was recovered.

From 2003 to end-2021, 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 613.0 billion was recovered.

Table IV-19 Collection of Bankruptcy Dividends and Loans

(As of Dec. 31, 2021, Unit: KRW 1 billion)

Financial Sector	Collection of Dividends from Estates		Collection of Loans	
	2021	2003-end-2021 Accumulated	2021	2003-end-2021 Accumulated
Non-life Insurance Companies	2.5	14.7	-	-
MSBs (Including the Special Account)	338.2	14,087.5	0.6	613.0
Total	**340.7**	**14,102.1**	**0.6**	**613.0**

Enhanced Financial Soundness of the DIF

After the new 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. Then, the KDIC commissioned research to outside research organizations and held a deposit insurance policy symposium to gather opinions from various fields. In October 2007, a private-public joint taskforce team was formed to identify possible 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 reserve targets for the merchant bank account that covers only a small number of member 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 premiums by its resolution if fund reserves reach the targeted amount.

Revision of the Depositor Protection Act in March 2011 led to the establishment of the Special Account for Mutual Savings Bank Restructuring as the seventh 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 member institutions and recovered funds, and is used to fund the resolution of mutual savings banks that became insolvent in 2011 or afterwards.

After 2012, the KDIC published a white paper every year 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 from the previous year as well as its management plan for the current year to the corresponding standing committee in the National Assembly to ensure transparency. On three occasions in July 2012, November 2013, and October 2014, the KDIC received a combined total of KRW 250 billion in zero-interest loans from the government (Public Capital Management Fund) to expand financing for, and diversify the funding sources of, the Special Account. Such endeavor helped make DIF management more healthy.

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 standing. However, growing demand for bond issuance resulted in an increase in commissions paid to use third-party information systems. In August 2012, the KDIC implemented its own electronic bidding system for bond issuance, thereby reducing the costs of funding and allowing more stable access to financing.

In 2021, in order to enhance the objectivity of its premium discount decisions and to improve the connection between the discount rate and the level of fund reserves, the KDIC modified its criteria for granting deposit insurance premium discounts through a resolution of the Deposit Insurance Committee. The adoption of clear criteria is expected to not only improve the reliability of the KDIC's work, but also contribute to increased predictability of premium rate decisions, which helped to boost the fund's stability.

Meanwhile, the increased global instability in financial markets and the real economy continued to pose challenges to fund management this year as well as last year. Amid the prolonged pandemic situation with emergence of COVID-19 variants, global supply chain disruptions, combined with surging commodity prices, led to strong inflationary pressures. With inflationary signs, central banks began to tighten liquidity and the U.S. Federal Reserve announced the tapering of asset purchases in November 2021. The Bank of Korea also raised its key interest rate twice in August and November.

In a proactive response to liquidity tapering by the central bank and growing volatility in financial markets, the KDIC sought flexible asset allocation and active bond duration management based on analysis of financial market trends and market interest rate forecasts. It incorporated U.S. treasury bonds into the asset portfolio of the DIF to strengthen crisis response in a rapidly changing financial market environment and modified its internal regulations to allow the entrusting of their management to a specialized asset manager.

Korea Deposit Insurance Corporation

2021 ANNUAL REPORT

V Risk Management

1.

Risk Management to Prevent Financial Institution Failures

1. Enhancement of Risk Monitoring

Reinforcement of the Basis for Risk Monitoring

The KDIC monitors and forecasts the financial conditions of, and factors of volatility affecting insured financial institutions using risk monitoring models that detect and assess insolvency risk of financial institutions which may incur losses to the Deposit Insurance Fund (DIF). Each institution is graded in accordance with the risk rating criteria, which vary for different types of financial institutions, to raise the efficiency of risk management activities.

In addition, the KDIC signed a memorandum of understanding (MOU) on information sharing with related organizations including the Financial Supervisory Service (FSS) and the Bank of Korea (BOK). The financial data accessed through the MOU is used to analyze risk factors, and with the cooperation of those organizations, the timeliness and accuracy of the information are being improved continuously by broadening and modifying the scope of information sharing.

Meanwhile, the KDIC is operating a digital risk monitoring system with automated risk analysis functions. Established in 2018, it is named the Integrated Risk Information Platform. The KDIC is improving the efficiency of risk analysis by making frequent improvements to this platform and conducting periodic user training.

Improvement of Risk Monitoring Processes and Capacity

The KDIC is making a dedicated effort to improve its risk monitoring work processes. In 2021, an organizational restructuring was executed to create greater alignment between risk monitoring and risk assessment, and detailed operation plans were prepared through the revision of related internal regulations and a review and reorganization of the work system. Specifically, it was explicitly stipulated in internal regulations pertaining to the principles of risk monitoring work that risk monitoring should be aligned with risk assessment. A solid ground for reflecting risk assessment results into determining the level of ongoing risk monitoring and for adjusting monitoring activities when necessary was prepared. These changes contributed to improving the synergy between, and efficiency of risk assessment and risk monitoring work, which are essential tasks of the KDIC.

Meanwhile, efforts were made to refine the risk monitoring model for financial holding companies to assess and evaluate the risk factors affecting financial groups as well as individual financial institutions. Improvement of the existing risk monitoring model for financial holding companies was completed in the first half of 2021, using the service of an external specialist company, and a system to review the model which is linked with the existing KDIC risk management system was built. The system opened in September 2021 after a period of pilot operation.

The KDIC is also continuing various efforts to strengthen its risk monitoring capability including internal capacity building programs. These internal training programs include training on how to use the Risk Profiling System (RPS) which performs identification of outliers and financial data analysis. In addition, the KDIC continues to host symposiums with experts invited from all financial sectors to enable more in-depth analysis of risk factors based on an improved understanding of financial markets and different financial sectors.

Finally, the KDIC is receiving third-party evaluation of its risk monitoring activities for an objective assessment of its performance and to improve existing capacity to deal with financial environment changes. Independent experts with vast experience and knowledge in the field were invited to perform an assessment of the KDIC's risk management capacity to prevent insurance events. Going forward, the KDIC will continuously improve its risk monitoring processes and capacity by incorporating the findings of the independent assessments provided by academic professors, researchers and market experts into everyday operations.

2. More Active, Ongoing Risk Monitoring

The KDIC strengthened ongoing risk monitoring which includes risks facing individual insured financial institutions stemming from changes in the business environment such as fluctuations in their asset soundness. The KDIC held regular seminars where the key risk factors in each financial sector were discussed in order to facilitate the sharing of analysis techniques and risk information across the organization.

In 2021, the volatility of domestic and foreign financial markets increased due to the resurgence of COVID-19 and interest rate hikes, raising the need for proactive risk monitoring of insured financial companies. In response, the KDIC conducted comprehensive and systematic monitoring of not only the stock, foreign exchange and bond markets, but also international financial markets and the background to central bank decisions to raise key interest rates with: the Daily Financial Market Trends to strengthen preemptive risk monitoring; the Weekly Short-term Financial Market Trends to continuously check for any crunch in short-term funding markets; and the Financial Market Information to make timely reports of rapidly changing market conditions.

As for the insurance sector, the KDIC tried to understand the impact that the introduction of new accounting standards (IFRS 17, K-ICS) and the changes it will bring to the valuation of insurance liabilities and the recognition of insurance income will have on the deposit insurance system and identified the needs for system improvement to cope with it. Also, efforts were made to strengthen the Corporation's ongoing risk monitoring capacity with the holding of regular forums, for instance. In addition, for insurance companies subject to heightened monitoring, focused review reports were developed to examine the risk factors at those companies and interviews with their management and staff were used to conduct on-site verification of such risk factors.

In the case of the savings banking sector, the KDIC worked to prevent insolvencies by conducting close monitoring of selected savings banks with weakening financial metrics and performing joint examinations with supervisory authorities as well as management interviews. In particular, it analyzed the current status of personal credit loans and risks posed by debtors with multiple loans in a joint study with the Korea Credit Information Service.

To better prepare for possible failures of internet-only banks, which have now been in operation for five years, the KDIC analyzed potential risk factors in the sector. It conducted interviews with their staff members during on-site visits to gain a better understanding of their crisis management strategies and to share the KDIC's perspective regarding risk. Through these efforts, it provided support for their risk management and development of innovative management strategies.

The KDIC analyzed changes in the financial industry's competitive landscape and sources of systemic instability in order to identify potential risk factors resulting from the spread of digital transformation in finance, such as the entry of big tech firms into the financial industry. In addition, in order to effectively respond to the trend of new digital businesses such as open banking and My Data, a meeting with invited experts was held to strengthen communication with the market.

3. Strengthening On-site Risk Verification through Independent and Joint Examinations

On-Site Risk Verification

From the results of its ongoing risk monitoring and assessments, the KDIC selects target financial institutions for independent and joint examinations. To scrutinize possible failures and loss triggers to the DIF, it performs on-site risk verification by means of joint examinations with the FSS under Article 21(3) of the Depositor Protection Act (DPA), independent examinations under Article 21(2) of the said Act, and interviews with the management teams of insured financial institutions.

In 2021, examinations were conducted in a flexible manner given the quarantine and remote screening guidelines prepared to minimize the gap in on-site examinations that could occur due to the pandemic. As a result, the KDIC performed 12 joint examinations with the FSS to prevent insurance events and to take appropriate measures to contain the spread of financial distress.

In particular, under the MOU on joint examinations of financial institutions, the KDIC performed joint examinations of savings banks subject to periodic examination, such as large savings banks with assets of over KRW 2 trillion, and those at risk of insolvency that could possibly cause losses to the DIF.

Independent and Joint Examinations to Prevent Losses to the DIF

The focus of the KDIC's independent and joint examinations was on risk factors that could lead to losses to the DIF, rather than on compliance issues. The KDIC explored possible corrective actions and institutional improvements with a focus on risk reduction of insured financial institutions. These efforts to differentiate its examination from that of the supervisory authority helped to cement the KDIC's role in monitoring financial institution risks.

As for the banking sector, joint examinations were targeted at banks that could experience deterioration of asset soundness and ability to absorb losses due to the possibility of loans to small and medium-sized enterprises and small business owners affected by COVID-19 turning bad. In addition to policies related to financial support for COVID-19, the KDIC required that each bank would publicly disclose deficiencies in their management of corporate and household loans and internal controls as issues for shareholders' attention. Evaluation of insolvency risk was conducted by studying the rate of transition into delinquency of corporate and household loans and estimating expected changes in the BIS capital ratios when support measures for COVID-19 response are brought to an end.

In the investment sector, liquidity risk-oriented monitoring and on-site examinations were conducted in view of securities firms' business characteristics that rely heavily on short-term funding. A joint examination of major securities firms that experienced a liquidity crisis during the ELS (equity-linked securities) margin call crisis in March 2020 identified problems such as errors in calculating liquidity ratios. The KDIC used the findings to encourage system improvements to strengthen internal controls related to the verification and reporting procedures of liquidity risks.

In the insurance sector, during joint examinations, the KDIC stated its views that the companies would do well to improve their internal regulations so that signs of investment losses like deterioration of cash flow can be reflected into the investment's real value given the trend of increasing exposure of insurance companies to alternative asset classes. The KDIC also conducted its first independent examination of an insurance company and the resulting preparatory resolution work such as estimating funding needs and conducting the least-cost test helped the KDIC to lay the groundwork for insurance company resolution in the future. The risk of DIF loss was minimized by requesting the financial authorities to take appropriate regulatory action.

In the case of the savings banking sector, joint examinations were conducted on savings banks which rapidly expanded personal credit loans through financial platform-linked lending and were therefore deemed likely to experience deterioration in financial soundness. The joint examinations checked their asset soundness and handling of at-risk borrowers like those with multiple debts, and appropriate corrective measures were taken to induce risk reduction. Furthermore, the KDIC's plan for improving business management at savings banks by reducing credit risk associated with privately issued bonds that are exposed to long-term credit risk and strengthening the screening role of risk management units was relayed to the FSS and savings banks, contributing to the proactive risk management of high-risk loans in savings banks.

In other areas, for insured financial institutions that were deemed at high risk of causing losses to the DIF according to the results of risk analysis and on-site examinations, the KDIC took timely measures to prevent the spread of risk by, for example, dispatching administrators jointly with the FSS who would monitor their adherence to MOUs on business normalization.

4. Market-friendly Risk Monitoring

Expanded Exchanges with Market Experts

The KDIC is utilizing its network to review major risk factors in financial markets and individual financial sectors together with market experts and to enhance analysis quality in consideration of expert opinions. The KDIC has continued efforts to reflect the opinions of market experts in its work by inviting the research and coordination directors at major policy research institutes for a discussion to review risk issues as well as hosting seminars to establish risk management strategies.

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

The main focus of the Financial Risk Review is on changes in the financial market environment and current issues as well as their implications. It is distributed to major government agencies, relevant organizations, college libraries and the like. In 2021, the Financial Risk Review featured contributions of experts in various fields on current topics such as changes resulting from the digital transformation of the financial services environment, the impact of COVID-19 and household debt problems to solidify its position as a specialized financial risk journal.

Table V-1 Major Contents of the Financial Risk Review in 2021

Issue	Main Contents
Spring	• Digital Transformation of Finance • The Effects and Implications of Sustainable Finance on the Financial Industry • A Study on the Issuance of Central Bank Digital Currency (CBDC)
Summer	• Structural Problems of Household Debt • An Analysis of the Policy Response of the U.S. Government and the Fed to COVID-19 and Its Impact • A Study of Risk Factors for Personal Credit Loans Extended by Savings Banks and Their Implications in the Second Half of the Year
Autumn	• COVID-19 and Stress Tests • The Effects and Policy Implications of the Widening Climate-related Risks on the Financial Industry • Risk Factor Analysis by Examining the Status of Personal Credit Loans in Savings Banks and the Vulnerability of Borrowers with Multiple Debts
Winter	• <Special Edition> 2022 Outlook and Risk Issues for Each Financial Sector • Fintech, Big Tech and the Financial Industry: Prospects and Challenges

Strengthened Exchanges with Insured Financial Institutions

The KDIC makes specific recommendations to each insured financial institution determined to be at risk after an independent examination or a joint examination with the FSS, taking into account the characteristics of the insured institution. The goal is to encourage the institution to reduce risk voluntarily and manage their operations in a prudent manner.

In the meantime, the KDIC hosted the 9th workshop for senior managers of mutual savings banks in December 2021. The participants included bank executives and managers, policymakers and outside experts, and the workshop was conducted in a non-face-to-face format to prevent the spread of COVID-19, featuring presentations and panel discussions to support the stable growth of mutual savings banks with the sharing of risk management strategies designed to deal with the changes in the financial environment brought about by COVID-19.

2.

Successful Operation of the Risk-based Premium System

1. Significance and Overview of the Risk-based Premium System

The risk-based (or differential) premium system applies different premium rates to different financial institutions in consideration of their managerial and financial conditions in order to reduce moral hazard and induce sound management. As a result of the KDIC's effort to introduce the system, Article 30(1) of the DPA was amended in February 2009. Since 2014, risk assessments have been conducted for all insured financial companies after gathering comments from the industry and outside experts and developing the assessment model.

There are three methods by which the KDIC determines premium rates: (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 premiums to be paid, and the feasibility of assessment. The model for risk rating comprises: financial evaluation (90 points); and non-financial evaluation (10 points). Financial evaluation consists of capital adequacy, asset soundness, profitability, liquidity and complementary (financial) indicators. Non-financial evaluation consists of risk management, internal controls, any insolvency prevention measures imposed on the company by the authorities and complementary (non-financial) indicators.

Table V-2 Types of Risk-based Premium 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	Evaluated by model with a perfect score of 100 and divided into five grades (A+, A, B, C+, C)	Apply rate by grade according to evaluation results
Assessment Based on a Specifically Assigned Rate	Insured financial institutions with small deposit insurance premiums (less than KRW 10 million)	No risk assessment needed	Rates predetermined in relevant regulations
Non-grade Assessment	Failed financial institutions, companies under prompt corrective action restrictions, etc.		Rates predetermined in relevant regulations which are higher to compensate for risk (+10%)

In addition, the KDIC has set a risk-based premium rate schedule with gradually increasing differences in premium rates between grades, bearing in mind the need to improve the acceptability of the system to insured financial institutions, secure the stability of insurance premium income and review the appropriateness of the assessment model.

Table V-3 **Applicable Rates by Grade**(Compared with Standard Premium Rates* for Each Financial Sector)

Grade	2014-2015	2016	2017-2018	2019-2020	2021
Grade 1	-5%	-5%	-5%	-7%	-10%
Grade 2	0%	0%	0%	0%	0%
Grad 3	+1%	+2.5%	+5%	+7%	+10%

Grade	’22~
Grade A+	-10%
Grade A	-7%
Grade B	0%
Grade C+	+7%
Grade C	+10%

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

V KDIC

2. Risk-based Assessment of Insured Financial Institutions to Induce Sound Management

The KDIC conducted risk assessments of 286 insured financial institutions during the 2021 business year. In consideration of COVID-19, a video giving an overview the KDIC's deposit insurance assessments was produced and distributed to all insured financial institutions through KDIC-Connect, which is an interactive non-face-to-face online channel. By expanding the Risk-Based Premium System (RBPS), the KDIC was able to increase user convenience and communication with the industry. Moreover, in addition to a comprehensive report of the results of risk assessments so that insured financial companies can voluntarily make efforts for sound management, the KDIC also offered a simulation tool designed to help them to better predict and improve risk assessment results at any time.

In view of the increasing need for fair and accurate risk assessments due to the widening difference (7% → 10%) in premium rates between grades, the KDIC developed a big data-enabled technique to verify the results, corrected 48 errors and collected additional deposit insurance premiums as a result.

The KDIC selected 10 insured financial institutions which showed big improvements in risk assessment results and quality of risk management and gave them awards. By giving public recognition to good performers, the KDIC continued to send out alert signals for future risk factors and induced preemptive response for sound business management.

As a result of these efforts, the KDIC recorded the highest-ever score in the survey on overall awareness of the risk-based premium system, conducted every year to understand how well the system has taken root and how effective it has been. Survey respondents also said that their managers showed greater interest and showed stronger determination to achieve higher grades, which demonstrates that insured financial institutions indeed became more aware of the risk-based premium system and worked harder to reduce risk.

3. Continued Improvement and Development of the Risk-based Premium System

Since the implementation of the risk-based premium system in 2014, the KDIC has seen some issues such as the clustering of companies into a certain grade in some financial sectors as well as changes in financial supervisory rating indicators due to the introduction of the Basel III standards which needed to be incorporated in the risk assessment model. As such, it made several improvements to the assessment model in 2016.

In 2020, the KDIC explored ways to further refine the system so that the risk-based premium system would identify actual risks of individual financial companies in response to changes in the financial market and regulatory environments and serve as an incentive for voluntary efforts for sound business management.

To this end, the KDIC prepared an improvement plan after discussions of a public-private joint task force comprising financial authorities, private-sector experts and financial industry representatives. This improvement plan included details including further segmentation of risk grades (from three to five grades), replacement of some indicators and adjustment of points assigned.

Accordingly, the regulations related to the risk-based premium system and their subordinate regulations were revised in 2021, scheduled to take effect starting with 2022 assessments.

3.

Management of Financial Institutions into Which Public Funds Were Injected

1. MOU Conclusion and Examination of MOU Implementation

Since 1999, the KDIC has entered into MOUs on business normalization with 14 public fund recipients in order to increase their corporate value and recover public funds injected into them as early as possible, and imposed quarterly targets - financial and non-financial - with continuous monitoring of their progress on those targets. Beginning in April 2002, 12 MOUs signed with financial institutions were terminated when these institutions were sold to, or merged with other healthy financial institutions. On December 1, 2016, the KDIC entered into a new MOU with the newly founded Suhyup Bank, which was spun off from the credit business unit of the National Federation of Fisheries Cooperatives, as a result of business restructuring. As of the end of 2021, the only two MOUs still in place were the ones with Suhyup Bank and Seoul Guarantee Insurance.

Table V-4 Conclusion of, Addition to, and Revision of the MOUs on Business Normalization (As of Dec. 31, 2021)

Financial Institution	MOU Conclusion (Renewal)	Business Performance Targets in the MOU		MOU Termination
		Addition	Revision	
Suhyup Bank (former credit business unit of the National Federation of Fisheries Cooperatives)	2001. 4. 25 (2016.12. 1[1])	2005. 3. 23 2007. 3. 28 2009. 3. 30 2011. 3. 30 2012. 3. 29 2013. 4. 24 2014. 3. 25 2015. 3. 25 2016. 3. 25 2017. 3. 22 2018. 3. 28 2019. 4. 24 2020. 3. 25 2021. 6. 9	2003. 2. 12 2003. 7. 9 2005. 12. 21 2007. 12. 26 2010. 3. 23	-
Seoul Guarantee Insurance Corporation	2000. 4. 12[2] (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 2016. 3. 25 2017. 3. 22 2018. 3. 28 2019. 4. 24 2020. 3. 25 2021. 4. 21	2002. 7. 10 2006. 6. 21 2007. 12. 26	-
Woori Bank (former Hanvit Bank)	1999. 1. 22[3] (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 2016. 3. 25	2004. 9. 22 2007. 12. 26 2010. 3. 23	2016. 12. 16[3] (Sold to a consortium of investors who collectively hold a controlling interest)
Jeju Bank	2000. 12. 30	-	-	2002. 4. 29 (Sold to Shinhan Financial Group)
Seoul Bank	2000. 12. 30	-	2001. 6. 29	2002. 12. 1 (Sold to Hana Bank)
Chohung Bank	1999. 11. 12[2] (2002. 1. 3[1])	-	-	2003. 8. 19 (Sold to Shinhan Financial Group)
Daetoo Investment & Securities	2000. 9. 25[2] (2002. 2. 20)	-	-	2005. 5. 31 (Sold to Hana Bank)

<table>
<tr><th rowspan="2">Financial Institution</th><th rowspan="2">MOU Conclusion (Renewal)</th><th colspan="2">Business Performance Targets in the MOU</th><th rowspan="2">MOU Termination</th></tr>
<tr><th>Addition</th><th>Revision</th></tr>
<tr><td>Korea Investment & Securities</td><td>2000. 9. 25[2)]
(2002. 2. 20)</td><td>-</td><td>-</td><td>2005. 3. 31
(Sold to former Dongwon Financial Group)</td></tr>
<tr><td>Korea Life Insurance</td><td>2000. 4. 12[2)]
(2001. 9. 5)</td><td>-</td><td>-</td><td>2002. 12. 12
(Sold to Hanwha Consortium)</td></tr>
<tr><td>Woori Credit Card
(former Peace Bank)</td><td>2000. 6. 7[2)]
(2000. 12. 30)</td><td>-</td><td>2002. 3. 25</td><td>2004. 3. 31
(Merged with Woori Bank)</td></tr>
<tr><td>Woori Merchant Bank</td><td>2000. 12. 9</td><td>-</td><td>2001. 6. 29</td><td>2003. 8. 1
(Merged with Woori Bank)</td></tr>
<tr><td>Woori Financial Group</td><td>2001. 7. 2</td><td>-</td><td rowspan="3">2004. 9. 22
2007. 12. 26
2010. 3. 23</td><td>2014. 11. 3
(Merged with Woori Bank)</td></tr>
<tr><td>Kwangju Bank</td><td>2000. 12. 30</td><td>-</td><td>2014. 10. 10
(Sold to JB Financial Group Co.)</td></tr>
<tr><td>Kyongnam Bank</td><td>2000. 12. 30</td><td>-</td><td>2014. 10. 10
(Sold to BS Financial Group Inc.)</td></tr>
</table>

* 1) On December 1, 2016, the MOU was newly concluded with Suhyup Bank, which was spun off from the credit business unit of the National Federation of Fisheries Cooperatives as a result of business restructuring.
2) A tripartite MOU was signed between the financial institution concerned, the KDIC and the Financial Supervisory Commission (the predecessor to the Financial Services Commission).
3) The MOU between the KDIC and Woori Bank was terminated by a resolution of the Public Fund Oversight Committee under Article 9(2) of the MOU Management Rules on August 22, 2016 when sale of the bank to a group of shareholders who formed a consortium was clinched.

In the case of Suhyup Bank, the KDIC changed its previous method of target setting which relied on past five years' results to a "benchmark" method based on the previous year's average performance of rival, regional banks, to raise the bank's competitiveness and to adequately reflect changes in its business environment including its separation from the National Federation of Fisheries Cooperatives (NFFC) due to the separation of the NFFC's banking and commercial arms.

After a review of performance under the MOUs during the period from the fourth quarter of 2020 to the third quarter of 2021, the KDIC found that Suhyup Bank had not attained targets regarding total return on assets for 2020 (on an annualized basis). In response, the KDIC issued a "caution" to Suhyup, a demand for institutional improvement as well as a disciplinary action (equivalent to caution) against the executives of Suhyup Bank. Suhyup Bank duly reached their MOU targets by the third quarter of 2021. Meanwhile, a review of performance under the MOU during the period from the fourth quarter of 2020 to the third quarter of 2021, the KDIC found that Seoul Guarantee Insurance attained all their targets.

The KDIC will continue to closely monitor the progress in MOU implementation and explore new ways to raise the corporate value of public fund-assisted companies if needed.

2. Improvement in MOU Management Efficiency

In examining performance of the MOUs, the KDIC also looked at major risk factors facing each financial institution, in addition to goal attainment under the MOUs. When it notified its findings, the KDIC included cited issues affecting the concerned institution that required immediate attention in the examination report. When necessary, it required them to formulate and submit plans regarding how they would deal with the issues. In this way, the KDIC contributed to raising the corporate value of MOU signatories and addressed the limitations of MOU management which tends to be reactive, rather than proactive.

VI Stronger Financial Consumer Protection

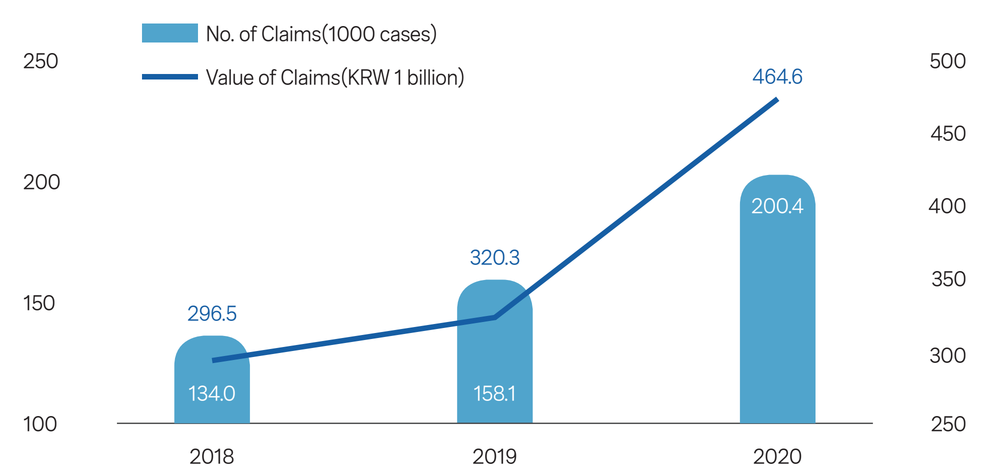
1. Successful Operation of the Scheme to Support the Return of Misdirected Money Transfers
2. Efforts to Enhance Financial Consumer Protection
3. Protection of Financial Consumers of Insolvent Financial Institutions

1. Successful Operation of the Scheme to Support the Return of Misdirected Money Transfers

1. The Necessity of the Scheme

An increase in the number of contactless financial transactions due to the growth of internet and mobile banking as well as the impact of COVID-19 has brought greater convenience to consumers of financial services but at the same time it has also given rise to a large increase in the number of misdirected money transfers.

Figure VI-1 Number and Value of Misdirected Money Transfers by Year



Prior to the introduction of the scheme to help people get their money back after a wrong bank transfer, if the recipient of a misdirected money transfer does not return the money because he/she cannot be reached or refuses to return the misdirected funds, the only remedy would be to take legal action and file for a lawsuit. However, the time and cost burden* of taking such action made many people give up seeking a return of misdirected money. Therefore, there was a real need to solve this problem, in view of the increasing damage to financial consumers.

* Estimated cost of over KRW 600,000 (USD 460) and litigation period of over 6 months for a case of misdirected money transfer of KRW 1 million (USD 765)

2. Introduction of the Scheme to Support the Return of Misdirected Money Transfers

In order to protect financial consumers who incurred losses due to the non-return of misdirected money transfers, the KDIC initiated and pursued a new scheme to support the refund of mistakenly transferred funds beginning in December 2018, with the aim of recovering misdirected money transfers not returned due to refusal of the recipient, etc., in a swift and low-cost manner through such actions as giving guidance for voluntary return.

The bill to amend the Depositor Protection Act (DPA) to enact this scheme was proposed to the 20th National Assembly in December 2018. While some issues including the burden on the government and financial institutions to make monetary contributions necessary to operate the scheme and the need to secure funding to make advance payments to the senders of misdirected payments before actually recouping the money were being raised and discussed, the term of the 20th National Assembly came to an end before a consensus was reached and the bill was automatically discarded as a matter of course.

Accordingly, the KDIC undertook a full review of the scheme, including the issues raised previously, to legislate this scheme in the 21st National Assembly. A revised scheme with improvement measures to increase acceptability was prepared following discussions with the government, including removal of the provision for contributions from the government and financial institutions and changing the advance payment method to a post-payment method. Efforts to persuade the National Assembly and the financial sector were continued, bearing in mind the conflicting interests regarding the need for, and understanding of the scheme.

In addition, efforts were made to incorporate new ideas in the design of the scheme through such means as information sharing with relevant organizations like the Financial Supervisory Service (FSS) and the

Korea Financial Telecommunications and Clearings Institute (KFTC) and opinion gathering through the public participation group. The KDIC was also able to build public consensus through public relations (PR) activities on the need for the scheme.

As a result, amendments to the DPA to introduce the scheme to support the return of misdirected money transfers passed the plenary session of the National Assembly on December 9, 2020. In this way, the KDIC was able to enact legislation within two years of initiating discussions through concerted efforts to improve the scheme, persuade the National Assembly, and build public consensus.

3. Efforts for the Successful Operation of the Scheme

Since there was only seven months to the launch of the scheme on July 6, 2021, following the passing of the amendment to the DPA, the KDIC exerted its best efforts to implement the system without a hitch. First, to set details delegated by the DPA, such as the scope of the companies subject to the scheme and the criteria for cancelling claims purchase contracts, etc., the Enforcement Decree of the DPA was amended by a resolution of the Cabinet meeting on June 8, 2021. Also, to prepare a plan of scheme operation by specifying which claims can be purchased, purchase amount, purchase procedures and other details, the Regulations and Enforcement Rules on Support for the Return of Misdirected Money Transfers were established through a resolution of the Deposit Insurance Committee (Regulations on June 9, Enforcement Rules on June 26, 2021).

On April 29, 2021, a memorandum of understanding (MOU) was signed with Korea Post to outsource mailing of notices by connecting the e-Green Postal System with the KDIC's IT system. On June 21, 2021, the KDIC engaged in consultation with the Ministry of the Interior and Safety to secure the recipient's address using the joint administrative information network system. It also sought to ensure the smooth functioning of the scheme by establishing a cooperative network with related agencies including financial companies and telecommunications service providers.

Furthermore, a new information system to support the return of misdirected money transfers was developed to improve the efficiency of the filing and processing of applications. On July 5, 2021, the Misdirected Money Transfers Consultation Office was opened on the first floor of the KDIC building to enhance user convenience.

Meanwhile, booklets and videos were produced to raise public awareness of the scheme and circulated via

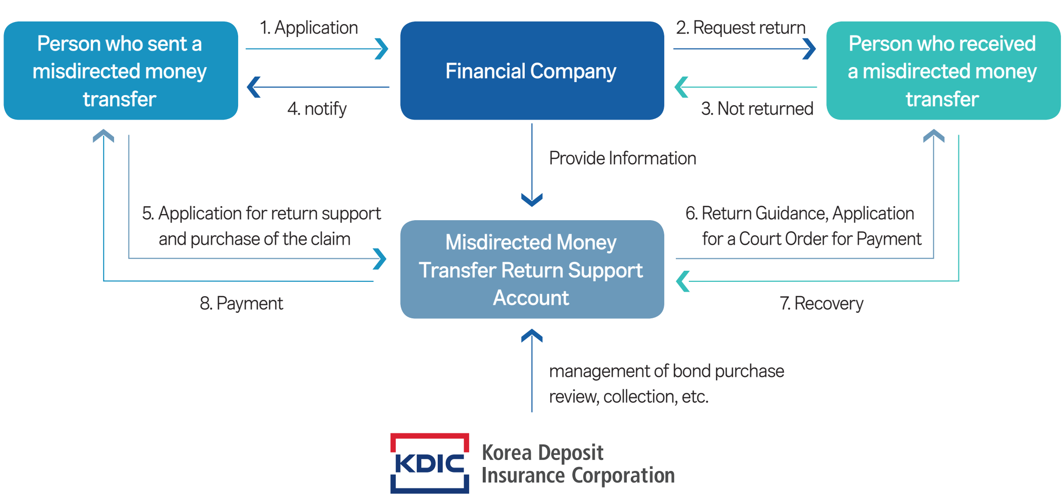
TV and newspapers advertisements as well as social media. The KDIC also carried out active PR activities such as making information leaflets available at major branches of financial institutions.

Photo VI-1 New Information System for the Return of Misdirected Money Transfers and the Opening of Misdirected Money Transfers Consultation Office

IT System for the Return of Misdirected Money Transfers	Misdirected Money Transfers Consultation Office
	

These efforts all contributed to the successful launch of the scheme to support the return of misdirected money transfers on July 6, 2021.

Figure VI-2 Overview of the Scheme to Support and Return of Misdirected Money Transfers



However, when cases suspected of being victims of fraud like voice phishing were filed, the KDIC had to inform the applicants that their cases were a matter for the police and thus not eligible for KDIC support. In such cases, the KDIC gave them advice about how they should respond and seek help. In addition to these efforts to relieve the damage suffered by fraud victims, the KDIC continued working to raise the effectiveness of the scheme.

4. The Scheme's Performance and Outcomes

From the launch of the scheme to the end of 2021, a total of 5,281 applications (amounting to KRW 7.7 billion) were received, of which 1,299 cases (amounting to KRW 1.6 billion) have led to successful refunds. The scheme is being run stably and the average payback rate in successful refunds has reached 96 percent.

The scheme has also reduced the time until recovery by over four and a half months and reduced average recovery cost by around KRW 550,000 (calculation based on a claim worth KRW 1 million), contributing to stronger financial consumer protection because using the KDIC scheme provides a faster and more convenient avenue to recovery than relying on legal remedies.

Table VI-1 Changes to the Handling of Misdirected Money Transfers before and after the Introduction of the New Scheme

Category	Before Introduction	After Introduction
Return Method	Legal action by the sender	File an application to the KDIC
Recovery Duration	Over six months	41 days on average
Recovery Cost (for a claim worth KRW 1 million)	KRW 600,000 in legal costs	Around KRW 40,000 when using the KDIC scheme

The Corporation will continue to develop the scheme so that applications can be submitted on mobile devices as well as via the internet and in person. Also, efforts will continue to be made to provide greater user convenience and improve the effectiveness of the scheme by addressing any areas of improvement identified during the scheme's operation.

2.

Efforts to Enhance Financial Consumer Protection

1. Examination of Private Equity Funds and Follow-up Support

Support to Financial Authorities' Examination of Private Equity Funds, etc.

On the back of favorable government policies aimed at reviving the private equity fund (PEF) market, including the relaxation of regulation of PEFs in 2015, the size of the PEF market has grown dramatically. However, the issue of investor protection emerged as mis-selling, liquidity management failures and illegal/wrongful acts in fund management occurred from 2019. Since frequent incidents of consumer damages could undermine investors' trust in financial markets and evolve into systemic risks, the financial authorities decided to undertake a comprehensive assessment of targeted areas where financial consumer damage was most severe including the PEF market and formed an examination team dedicated to PEFs in July 2020 within the FSS and requested manpower support from the KDIC. The KDIC accepted the request out of a sense of duty to fulfill its social responsibility by quickly stabilizing the markets and protecting financial consumers and seconded a total of six staff members with relevant expertise including persons with experience in investigation and examination and certified public accountants. It plans to provide manpower support until the end of the team's operation in 2023 for timely detection of insolvent risks at PEFs and effective containment of risk transmission.

Performing Administration and Liquidation of PEF Firms

The suspension of redemptions in private equity funds that occurred in 2019 were followed by other PEF firms becoming insolvent the next year. The financial authorities took action to protect investors such as taking insolvent PEF firms under administration to prevent further damage to investors and drumming out those in deep trouble from the market. In this process, the KDIC was put in charge of the follow-up work related to the two PEF firms which became insolvent in 2020. It used its extensive experience in the resolution of insolvent financial institutions including the administration of troubled financial institutions as well as asset recovery and liquidation during bankruptcy to perform its work (administration of one PEF, liquidation of one PEF) in an orderly manner to minimize financial consumer damage.

To the PEF firm that was placed into administration (Optimus Asset Management) by the FSC in June 2020, the KDIC seconded a staff member to work as an administrator to manage the company's own assets and take measures to provide relief to fund investors who suffered losses. Further investigations during the period of administration revealed additional wrongdoing by the executives and employees of the PEF that contributed to the fund's failure, leading to claims for damages being filed against those executives and employees based on criminal judgments. The administrator also worked hard to secure financial resources for investor compensation by reducing expenses through actions such as office relocation. At the end of November 2021, the FSC withdrew the license and registration of Optimus Asset Management citing illegal activities including deceptive trading practices. The KDIC was appointed as liquidator and again seconded staff members with liquidation-related experiences. They are now winding up the firm through liquidation procedures by listing up the firm's properties and assets and announcing the commencement of filing a proof of clam for creditors, etc.

As for the PEF firm (Lime Asset Management) for which liquidation procedures began in December 2020, the KDIC seconded a member of its staff as liquidator to oversee dissolution of the company and liquidation of remaining assets. During this process the liquidator sought to secure financial resources for compensation of financial consumers through the filing of claims for damages against the executive officers who caused the firm's failure. Preparations for bankruptcy filing were also made for the transition to bankruptcy owing to debts in excess of assets.

To facilitate the smooth progress of administration and liquidation work at these two PEF firms, the KDIC arranged regular video conferences between the Financial Consumer Protection Support Task Force and the PEF firms and actively dealt with issues such as filing claims for damages. Also, the work manual for liquidation and administration of PEF firms was revised in order to enable timely response to any future PEF firm insolvencies, and the manual was instrumental in training the relevant staff. The KDIC will prepare itself for its role in ensuring financial stability by sharing its experience in the administration and liquidation of PEF firms across the entire organization.

Table VI-2 Status of Liquidation Work on Private Equity Firms

Company Name	Measures Ordered	Date of Order
Optimus Asset Management	License and registration revoked	November 24, 2021
Lime Asset Management	Registration revoked	December 2, 2020

2. Improvements to the Deposit Insurance Signage Display, Coverage Explanation and Confirmation Scheme

Inspection of Compliance with Requirements for Deposit Insurance Signage Display, Coverage Explanation and Confirmation

Pursuant to the DPA, all insured financial institutions must comply with the KDIC's requirements for signage display, coverage explanation and confirmation of customer understanding for prevention of mis-selling and other purposes. The KDIC conducts regular inspections to ensure their compliance using a variety of means, including visits to insured financial institution branches for on-site examinations and monitoring of their internet websites as well as mobile applications.

Deposit insurance signage display:
The eligibility of, and limits on depositor protection must be indicated in passbooks, product descriptions and promotional materials of financial products, and each branch of financial institutions must keep guide materials on the deposit insurance system (posters, leaflets, stickers and tabletop displays) and a register of covered financial products available on-site at all times.

Deposit insurance coverage explanation:
Because signage display requirements failed to make some financially underserved groups fully understand the deposit insurance system, investors in bonds and commercial papers suffered huge losses during the mutual savings bank crisis in 2011 and the collapse of Tongyang Securities in 2013. To prevent a recurrence, insured financial institutions are now required to explain verbally or in writing to customers whether or not and for how much a product is covered by deposit insurance every time when selling the product.

Confirmation of customer understanding:
Financial institutions are required to receive a confirmation by signature from customers that they have understood whether or not and for how much a certain financial product is covered by deposit insurance when closing a contract for financial transaction.

First, the KDIC conducted on-site inspections of insured financial institution branches to check compliance with the scheme for KDIC signage display, deposit insurance coverage explanation and confirmation. In order to reduce the burden on financial companies and to raise efficiency, on-site inspections were conducted for 777 branches out of 12,300 branches across six financial sectors based on inspection records over the previous three years. These inspections had the effect of raising awareness of the scheme at insured financial institutions and strengthened financial consumer protection through education and guidance.

In addition, in view of the increasing trend towards non-face-to-face financial transactions, the KDIC conducted online inspections regarding internet websites and mobile applications operated by insured financial institutions.

Improvement of the Deposit Insurance Signage Display, Coverage Explanation and Confirmation Scheme in Consideration of Changes in the Financial Environment

In consideration of changes in the financial environment, especially an increase in financial consumer damages cased by mis-selling and errors in internet or mobile banking, the KDIC gathered opinions from various financial sectors to develop measures to improve the scheme for KDIC signage display, coverage explanation and confirmation. These measures were implemented by revising the regulations on the deposit insurance signage display, coverage explanation and confirmation scheme in September 2021.

First, to strengthen the guidance about the deposit insurance system on online channels such as financial company websites and mobile applications, from March 2022, it became mandatory to display depositor protection notices on the account information screen when a customer conducts an online transaction. Also, to make it easier to see the availability of coverage and the investment risk involved in uninsured financial instruments, the KDIC developed another logo for uninsured financial products in addition to the existing logo for insured financial products.

Furthermore, with financial transactions using IT devices on the rise, financial companies are now allowed to make available a register of insured financial products and information materials (e.g. posters, leaflets) on electronic devices like tablet PCs instead of keeping physical copies. These improvements to the deposit insurance signage display, coverage explanation and confirmation scheme is expected to lead to stronger protection of financial consumers by allowing easier recognition of the deposit insurance system, even in a non-face-to-face financial environment.

3. Raising Awareness of the Deposit Insurance System Using Online and Contactless Channels

In 2021, the KDIC engaged in promotional initiatives with a focus on online and non-face-to-face channels of delivery due to the COVID-19 situation. Various promotional channels including video contents, online platforms and TV programs were used to enhance promotional effect.

First, video contents for educating the public about recovery of misdirected transfers, financial instruments and the deposit insurance system were created to make the KDIC's YouTube channel more relevant and useful. In a bid to make the video contents more appealing to the public, new formats such as drama and dialogue, expert interviews and the metaverse were attempted as well. Besides the contents for the KDIC itself, the KDIC produced promotional videos for social enterprises using its human and physical resources to help them gain a better foothold to sustain a profitable business.

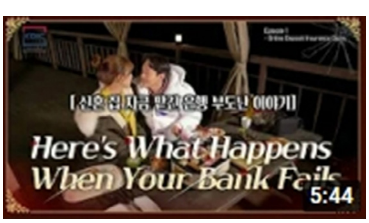
Figure VI-3 Strengthening Public Relations Using Various Channels

TV Commercial on the Scheme to Support the Return of Misdirected Money Transfers

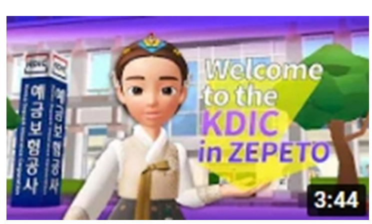
Financial Investment Product Guidance

Guidance on the Deposit Insurance System

Web Drama



Metaverse Promotion Center



Social Enterprises

Second, the KDIC created PR contents for online platforms like Naver and KakaoTalk as well as social media channels such as Facebook and Instagram. To publicize the scheme to support the return of misdirected money transfers, the KDIC ran ads on Naver, which is the leading search platform in Korea, to inform people in their 20s to 50s who are most likely to make misdirected money transfers. Also, news about major issues at the KDIC was sent out using KakaoTalk, which is the messenger app used by the majority of the public. Also, to increase the public's interest in its social media channels, the KDIC expanded events held on social media platforms* like quizzes about the KDIC and the deposit insurance system on Facebook and Instagram and gave out prizes.

* From twice in 2020 to nine times in 2021

Figure VI-4 Promotional Activities Using Online Platforms

Naver Advertisement	KakaoTalk Advertisement
	

Finally, PR campaigns targeted at the elderly were also carried out to improve the accessibility and promotional effect of KDIC-related contents. A segment on the scheme to support the return of misdirected money transfers was broadcast on "KBS Live Information Service," a daily terrestrial TV show with high viewer ratings among older adults, in November 2021. In addition, information leaflets and posters about the deposit insurance system and promotional items like face masks and shopping baskets were distributed in 189 welfare centers for the elderly nationwide, excluding urban areas.

3.

Protection of Financial Consumers of Insolvent Financial Institutions

1. Efforts for the Payment of Uncollected Claims to Depositors

Payment of Deposit Insurance Claims, Bankruptcy Dividends, Advance Dividends, and the Difference Between Actual and Advance Dividend Payments

When an insured financial institution goes bankrupt, according to applicable laws including the DPA, the KDIC pays deposit insurance claims for deposits worth KRW 50 million or less as well as bankruptcy dividends to the creditors, including depositors of over KRW 50 million, in proportion to their claims.

To minimize the damage experienced by deposit holders unable to access funds during the prolonged bankruptcy proceedings, the KDIC is operating an Advance Dividend Payment System which makes partial advance payments of bankruptcy dividends. The KDIC purchases unprotected claims from depositors, makes an estimate of the expected dividends from the bankruptcy estate's assets, and makes payments to depositors on a pro-rata basis based on the estimated recovery amount.

If, after the final sale of assets, the amount of bankruptcy dividends payable exceeds the amount paid in advance, the KDIC distributes the excess to the creditors including depositors with uninsured funds.

Operating Services for the Payment of Uncollected Claims

Although the KDIC has actively paid deposit insurance claims, bankruptcy dividends, advance dividends, and the difference between actual and advance dividend payments, uncollected claims still exist. This is due to the fact that a large chunk of the claimants belong to the financially underserved population, including the elderly. In many cases, these claimants are not even aware that they have unclaimed funds, even though a long time has passed since their bank failed. Under these circumstances, the KDIC sought to take a step to better serve the public and minimize losses arising from such gap in information by pursuing services for the payment of uncollected claims.

(1) Establishment of an Integrated Management System

The KDIC rolled out an information system enabling depositors to apply for the payment of uncollected claims through its website. For greater depositor convenience, it built a consolidated application system, allowing depositors to search and claim any uncollected amounts for deposit insurance, bankruptcy dividends, and the difference between actual and advance dividend payments.

Additionally, the expanded network of payment agents and branches now means that all unclaimed funds can be collected at over 1,130 payment agent bank branches (Nonghyup Bank, Kookmin Bank and Industrial Bank of Korea branches), irrespective of what type of financial institution the failed one was.

(2) Reinforcement of Coordinated Services with Related Agencies

The KDIC exerted efforts to coordinate services with the government and related organizations. The "financial transaction inquiry service for heirs" provided by the KDIC, in cooperation with the FSS, expanded the scope of information on dormant claims accessible by heirs of deceased claimants, from deposit insurance claims to the difference between actual and advance payments of bankruptcy dividends. It also facilitated easier access for depositors by allowing the search for dormant accounts and uncollected claims through the Korea Federation of Banks' integrated search system for dormant accounts. It went one step further by making the dormant account information available on Government 24, an integrated web portal for administrative services, allowing depositors of failed financial institutions to claim any uncollected amounts. These measures are providing added convenience to depositors of failed financial institutions to find and claim uncollected amounts.

(3) Stronger Publicity through Improved Guidance

Furthermore, the KDIC engaged in a range of activities to inform depositors in a way that suits each individual's specific needs including: sending individual notices to eligible claimants in cooperation with the Ministry of the Interior and Safety; publishing newspaper ads during periods when most dividends are paid out; distributing leaflets to payment agent banks; PR on social media; mailing notices to heirs of deceased claimants and corporate claimants; and individually contacting large claimants. In 2021, the newly introduced Mobile Information Service was also used to strengthen public awareness and publicity through collaboration with telecommunications carriers to check depositors' latest mobile phone numbers and notify them directly of their bankruptcy dividends.

(4) Increased Convenience through Improved Payment Procedures

The payment procedure of uncollected claims was also improved to enhance user convenience. In order to remedy the inconvenience of customers residing overseas, the requirement for notarization by embassies abroad was eased to allow for replacement with Apostille.*

* Specialized certificate issued, as attachment to original document issued in the residing country by a notary public, to be accepted in Korea.

These strenuous efforts proved effective in many ways, especially in regards to increased user convenience, with improved public accessibility and growing awareness of the deposit insurance system and uncollected claims. The balance of uncollected claims fell to KRW 4.94 billion by the end of 2021, which represented a KRW 7.86 billion reduction on the KRW 12.8 billion recorded at the end of 2016 when the integrated management of uncollected funds began.

Figure VI-5 Newspaper Advertisements and Social Media Promotion

2. Reducing Borrowers' Hardship during Administration

With frequent restructurings of failed savings banks becoming a regular feature in the second half of 2012, the KDIC found it feasible to resolve a bank without interrupting the provision of financial services. This in turn allowed the shortening of the administration period, which greatly reduced the hardship of depositors.

Previously, for depositors with KRW 50 million or less in deposits, deposit withdrawals were restricted for the first three months after the failing bank was suspended from operation, which meant that they had to manage the funds in the form of provisional payments from the KDIC or loans secured on those deposits. The new resolution method made it possible to resolve a failed savings bank without limiting depositors' access to insured funds. Also, for depositors with over KRW 50 million in deposits, the payment of deposit insurance and advance dividends has been brought forward by about five months, thereby allowing them to manage their funds more efficiently.

The shortening of the administration period has not only benefited depositors, but also brought savings for the KDIC in human resources and labor costs that would have otherwise gone into the bank administration procedure.

VII Resolution of Insolvent Financial Institutions and Management of Bankruptcy Estates

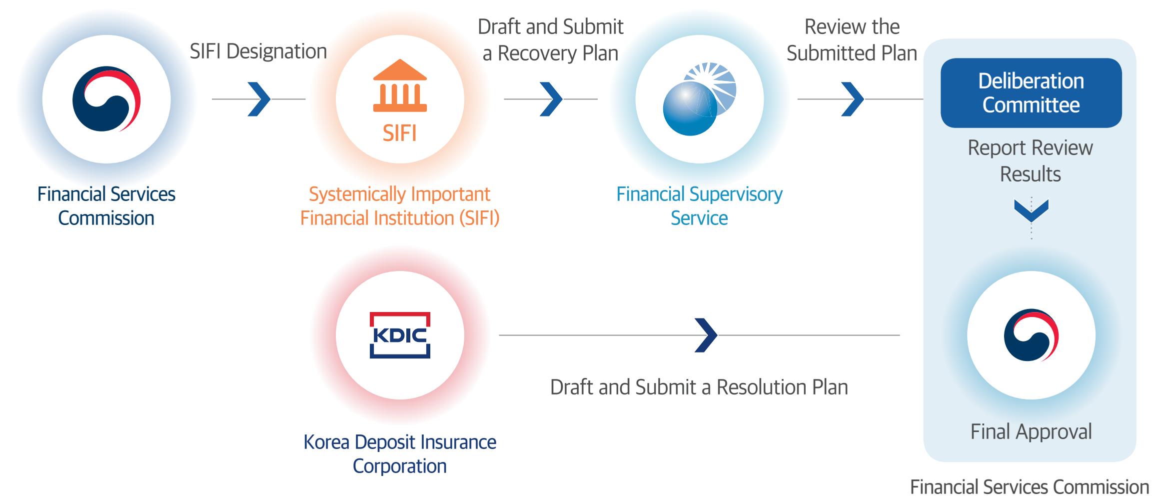
1.

Resolution of Insolvent Financial Institutions

1. Laying the Foundation for the Implementation of the Recovery and Resolution Planning (RRP) Scheme

The recovery and resolution planning (RRP) scheme for systemically important financial institutions (SIFIs) was formally launched on June 30, 2021 in accordance with the amendment of the Act on the Structural Improvement of the Financial Industry on Dec. 2, 2020. This scheme aims to make preparations for crises in SIFIs and put in place effective resolution strategies to contain the deepening of financial sector turmoil. SIFIs are required to draw up recovery plans that include business normalization measures in case their business faces financial distress. The Financial Supervisory Service (FSS) evaluates the adequacy of these plans and submits them to the Financial Services Commission (FSC). Meanwhile, the KDIC is required to develop and submit resolution plans to the FSC that lay out how SIFIs would be resolved without financial market panic and at the least cost should recovery plans fail.

Figure VII-1 Overview of the RRP Scheme



Resolution plans are important in that they contribute to financial stability by establishing, during normal times, a proactive response system to prepare for crisis situations. For the successful launch of the resolution planning scheme, the KDIC revised laws and regulations, and adjusted organizational structure and manpower. To improve the effectiveness of resolution plans, the KDIC commissioned research to outside organizations and examined best practices in foreign countries and resolution cases from its past.

The KDIC supported the revision of the Enforcement Decree of the Act on the Structural Improvement of the Financial Industry (June 29, 2021) to provide for, among other things, detailed criteria for SIFI selection, and the composition and operation of the Deliberation Committee by participating in the joint taskforce on revision of subordinate regulations of the Act on the Structural Improvement of the Financial Industry along with related organizations, and established its own by-laws and detailed regulations for the development of resolution plans. These by-laws and detailed regulations were used to set up a system to allow validation of resolution plans by external experts like members of an advisory committee and research follows before submitting them to the FSC.

Moreover, a new department dedicated to preparing resolution plans was established within the KDIC as the Department of SIFIs Management. Also, through outsourced research services, the KDIC conducted a review of the contents of the resolution plan and prepared a set of data templates to be filled out by SIFIs.

The KDIC also took part in international consultative bodies like the ones* under the Financial Stability Board (FSB) to keep abreast with current discussions and trends regarding resolution schemes and to obtain know-how on creating resolution plans. Overseas cases concerning RRP have been collected and are being studied as reference for the drafting of resolution plans.

* The FSB's Cross-Border Crisis Management Group, bank-specific Crisis Management Groups of Standard Chartered and HSBC, etc.

In addition, further sophistication of resolution plans is being sought by analyzing the resolution experiences and know-how acquired by the KDIC during the Asian Financial Crisis and the savings bank crisis to develop resolution strategies and to identify obstacles to resolution in advance.

The KDIC will strive to ensure the successful operation of the RRP scheme to minimize systemic risks and to enhance financial stability. It will also continue to seek all available avenues to further advance the resolution system.

2. Improvements for Prompt Payment of Deposit Insurance Claims

The Depositor Protection Act does not specifically stipulate an obligation for insured financial institutions to maintain and manage depositor information necessary for the calculation of deposit insurance claims. As a result, in the case of insured financial companies with a large number of depositors and accounts, such as banks, the KDIC was limited in its ability to quickly process deposit insurance claims in the event of an insurance event.

Thus, using an analysis of foreign practices, including recommendations from the International Association of Deposit Insurers (IADI), the KDIC pursued the introduction of the depositor information maintenance scheme, and has worked with banks from 2017 to establish the necessary IT systems. As a result, it has introduced the scheme to 18 domestic banks including two internet-only banks, one merchant bank and five domestic branches of foreign banks.

In addition, to broaden the scope of the scheme from banks to investment companies, business agreements were signed with related organizations in the investment sector which sought to strengthen cooperation on IT system development for depositor information standardization and swift payment of deposit insurance.

In 2020, in order to proactively prepare for insurance events in the savings banking sector, an inspection was conducted to enhance the consistency of depositor information and data across all 79 savings banks in operation.

In 2021, a focused inspection of deposit information and data was conducted for the five savings banks which showed relatively weak performance in the previous year's general inspection. As such, preparations were made for them to be ready for quick and accurate payment of insurance claims in case of emergency situations.

Table VII-1 Recommendations from International Organizations for Prompt Payment of Deposit Insurance Claims

Category	Excerpts from IADI Core Principle 15
Deposit Payout Period	• The deposit insurer is able to reimburse most insured depositors within seven working days.
Timely Access to Depositor Information	• Access to depositors' records at all times, which includes the authority to require banks to maintain depositor information in a format prescribed by the deposit insurer in order to expedite insured depositor reimbursement • IT systems capable of processing such depositor information

3. Resolution of Insolvent Financial Institutions

After the large-scale restructuring of insolvent savings banks in 2011, ongoing restructuring of insolvent financial companies was carried out from 2013 to 2015. In particular, the KDIC introduced a new resolution tool, "purchase of assets and assumption of liabilities (P&A) with a third party during normal operations," in the latter half of 2013 and applied this method to resolve Smile, Haesol and Golden Bridge Savings Banks. This provided an opportunity to reduce both depositor hardship and the burden of managing and marketing on bridge banks, thereby accelerating the completion of troubled bank restructuring.

Since then until 2021, there was no new insolvency of a savings bank. However, the KDIC prepared a Resolution Plan for the Systematic Resolution of Insolvent Savings Banks to enable swift and efficient resolution in case of insolvencies. Especially, in 2021, this plan was fortified with the addition of a manual for establishing a bridge bank and transferring contracts, as well as a manual for liquidation and bankruptcy.

In 2021, to improve the management of past restructuring data and increase their usage in the KDIC's work, all data the KDIC had acquired in relation to savings bank restructuring since 2003 was categorized for each savings bank and converted into time series data along the resolution process to build a database. In order to pass on past experience in resolutions and to effectively prepare for future insolvencies, a collection of restructuring cases was also published which dealt with the causes of the savings bank crisis, and the responses made by the KDIC and policy/supervisory authorities, case studies of four major savings bank failures, etc.

4. Crisis Response Training on a Corporate Level

The KDIC refined its plan to cope with financial crises and conducted training to ensure the smooth resolution of insolvent financial companies, even under the prolonged COVID-19 situation which made in-person contact almost impossible. The know-how of the KDIC in working in contactless mode was reflected into the financial crisis response plan, and arrangements were made so that work manuals can be accessed online anywhere anytime. Training was conducted to ensure the organizational capability to handle the crisis management process from initial response such as responding to depositor complaints to resolving a large-scale SIFI failure in case a number of firms fail at the same time across different financial sectors. In particular, training aimed at building the staff's capability to conduct resolutions without needing person-to-person interaction was carried out using a new virtual website constructed to train the staff on dealing with complaints from depositors in contactless and online environments.

Figure VII-2 Comprehensive Resolution Training in 2021 (Untact)

1. Emergency organization operation training	2. Insurance claims calculation and customer response training	3. Emergency training for retired personnel
Table-top exercise for operating the emergency organization set out in the financial crisis response plan	Online simulation training with a mission to solve initial management challenges	Prepare for the need to bring back retired personnel due to large scale resolutions
❶ Enure crisis preparedness ❷ Decide how to resolve failures and raise funding	❶ Deposit insurance payment calculation ❷ Simulate responding to queries and complaints related to deposit insurance payments	❶ Check emergency contact information ❷ Education to maintain their competency such as dealing with depositor complaints, etc.

2.

Sale of Remaining Stake in Woori Financial Group

The KDIC is extending all efforts to achieve a complete privatization of Woori Financial Group in line with the Plan for the Sale of Remaining Stake in Woori Financial Group Inc. ("the Sales Roadmap") announced on June 25, 2019 by the Korean government.

In 2020, the stock price fall and unfavorable market conditions due to COVID-19 prevented any momentum in selling the remaining stake in Woori. In April 2021, however, progress was made in line with the Sales Roadmap with the block sale of a 2 percent stake in Woori Financial Group, to recover KRW 149.3 billion. This demonstrated the KDIC's will to keep to the Sales Roadmap and the share sale, which was completed at a lower-than-usual discount rate, served as a catalyst for the success of subsequent bidding in the second half of the year.

In the second half of 2021, the KDIC successfully sold 9.33 percent of Woori Financial Group stock through competitive bidding for desired quantity, which can attract more long-term investors compared to a block sale and causes little risk of stock price collapse even after the sale of a large stake. The stake was sold at a price level far above that which would enable the recouping of all injected public funds, and KRW 897.7 billion was recovered thanks to the large interest created by an optimal sale plan which included the right to recommend an outside director for those who bought more than 4 percent of shares and lowering the minimum bidding volume to enable small equity investments. As a result, the cumulative recovery rate of public funds reached 96.6%.

The successful block sale and sale by competitive bidding reduced the KDIC's stake in Woori Financial Group to 5.8 percent and resulted in the loss of its position as the largest shareholder, signalling the de-facto privatization of Woori Financial Group.

In 2022, the KDIC plans to complete the sale of the remaining stake according to the Sales Roadmap, taking into due consideration future market conditions and the goal of maximizing the recovery of public funds.

Major Contents of the Plan for the Sale of Remaining Stake in Woori Financial Group Inc, Announced on June 25, 2019

Proposed the roadmap for the sale of the KDIC's remaining stake (17.25%)

1. Sale of the KDIC's remaining stake would begin in 2020 to be completed by 2022.
2. The sale will take place between 2020 and 2022, in two to three rounds (with the sale of maximum 10% at a time).
3. Initial sales will involve competitive bidding by larger-scale investors in which bidders specify the number of shares they wish to acquire. Any remaining amount that fails to attract successful bids will be sold through block sales.

3.

Management of Key Assets of Insolvent Financial Institutions

1. Status of Key Assets

Overview

Since 2011, a number of mutual savings banks (MSBs), including Busan Savings Bank, and affiliated financial companies, experienced business deterioration leading to insolvencies caused by the continued downturn in the real estate market, moral hazard, etc. When these insolvent MSBs had their business suspended by the financial authorities, the non-performing loans of those banks came under the direct management of the KDIC. As of the end of 2021, the KDIC was managing a total of KRW 228.0 billion of such assets.

A large proportion of the assets held by savings banks involved illegal transactions. For example, even though a financial institution cannot engage directly in construction business, a special purpose company (SPC) was set up by a close associate of an MSB to circumvent the law, then a loan was provided to the SPC which conducted a large construction project. There are now numerous legal disputes among the parties involved regarding assets of similar nature, which can range from artworks to luxury foreign vehicles. As such, these assets needed to be managed professionally according to their characteristics, so as to maintain their value.

In order to maintain the value of these assets and to maximize recovery, the KDIC established the Department of Special Asset Management and Recovery in 2011. This department's role is now being performed by two departments (Department of Recovery Planning and Department of Overseas Property Investigation), and one office (Phnom Penh Office in Cambodia). In particular, the newly established (in

January 2019) Department of Overseas Property Investigation leads efforts to enhance the efficiency of overseas property identification and recovery. It is pursing multi-faceted recovery plans using arbitration and negotiation techniques in consideration of local business characteristics as well as intergovernmental diplomatic consultations.

Table VII-2 **Status of Key Assets Held by Bankruptcy Estates of Failed MSBs by Type**

(As of Dec. 31, 2021, Unit: No., KRW 1 billion)

Type	Number of Assets to Be Managed at the Time of Bankruptcy	Loan Balance	Effective Collateral Value of Unsold Assets
PF Real Estate	758	7,852.1	179.5
Ships	16	207.0	-
Equity Holdings	23	293.0	-
Foreign Assets	37	334.5	48.4
Others Including Artworks	5	3.3	0.1
Total	**839**	**8,689.9**	**228.0**

Management of Key Assets

From the time that a savings bank's business is suspended, the department in charge of managing assets tries to develop an accurate understanding of its asset portfolio by examining the loan handling process, analyzing related ownership rights and inspecting project sites pertinent to the assets. At the same time, it takes care to manage the assets in an efficient manner by identifying the factors that could reduce asset values, and draw up plans to mitigate them.

The KDIC places a high priority on recovering assets whose values may drop drastically due to imminent expiration of authorizations, permits and licenses. It also consults outside experts to formulate appropriate sales strategies in an effort to maximize recoveries for each asset type.

Figure VII-3 Management of Assets by Type

Major Assets	Assets purchased with PF loans (apartments, resorts, golf clubs), ships, artworks, luxury foreign cars				
Asset Type	General PF Loans	Golf Clubs	Ships	Artworks	Foreign Cars
How They Are Managed	Focused/ consolidated	Focused/ consolidated	Focused/ consolidated	Focused/ consolidated	Focused/ consolidated

2. Pursuing Maximum Recovery of Assets

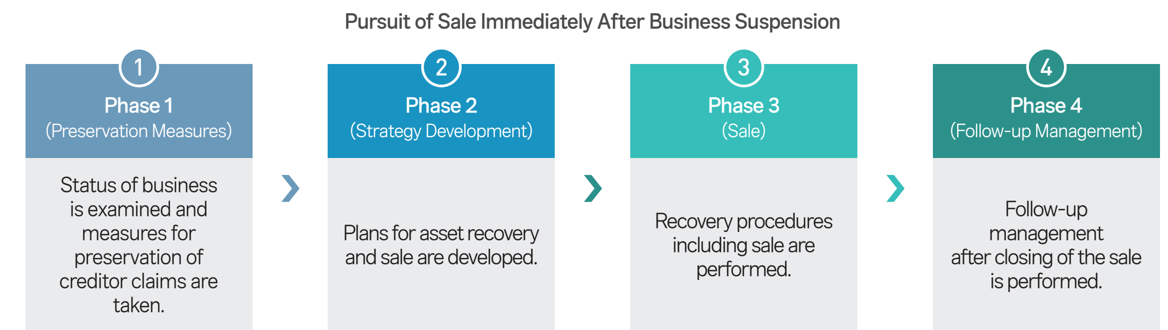
Recovery Management System

From the time a savings bank's operation is suspended until the sale of assets is completed, the KDIC manages the assets held by the bank in a systematic manner by engaging the cooperation of outside experts.

(1) Four-phase Recovery Process

In the event of a financial institution's suspension from operations, the KDIC takes measures to preserve creditor claims including the provisional seizure of assets identified through an on-site inspection. Then, it devises recovery strategies, including sales plans suitable for each asset type, based on the advice of outside experts. The sales procedure is then conducted through public announcement and bidding. Finally, follow-up management including the collection of payment for assets sold is carried out to complete the four-phase recovery process.

Figure VII-4 Four Phases of the Asset Recovery Process



Following the inspection results, assets are grouped together according to their characteristics and dedicated managers are assigned to each asset to maintain work focus and consistency, resulting in more efficient recoveries.

(2) Asset Recovery Advisory Committee

The Asset Recovery Advisory Committee, comprising outside experts from the academia, legal and accounting professions, was set up by the KDIC to enhance expertise and transparency in the sale of assets. This committee serves as an advisory body, receiving reports and deliberating on important issues related to the sale of assets. Meanwhile, in 2020, related regulations were revised to enhance expertise of the committee and real estate experts were newly appointed in addition to the existing experts from the academia, accounting and legal professions.

(3) Promotion of Asset Sales through Asset Sale Briefing Sessions, Promotional Videos and Information Booklets

Since 2014, the KDIC has hosted 13 asset sale briefing sessions to offer information on sellable assets to potential investors. These briefing sessions are used to provide potential investors with customized information through one-on-one consultations, information booklets, and analysis of related rights as well as lectures by independent experts.

Photo VII-1 Promotional Measures for the Sale of Assets

Asset Sale Briefing Sessions	One-on-one Consultations	Promotional Videos	Investment Notes
			

As the use of existing methods of marketing, such as holding asset sale briefing sessions, became difficult due to COVID-19 in 2021, new marketing methods using non-person-to-person, contactless technologies were adopted to provide uninterrupted public services and to pursue the digital innovation.

First, promotional videos for each project-financed (PF) development site were produced using new technologies such as drones to enhance the convenience of prospective buyers who required site visits and to deliver vivid information like aerial views. These videos were actively promoted using digital channels including YouTube and the KDIC website and resulted in the successful sale of two (an apartment development project site in Boryeong, Chungnam Province and a training center facility in Chuncheon) out of six project sites for which videos were produced, during 2021. In addition, investment notes containing detailed information on transportation conditions and location for each PF development site, and purchase conditions were produced separately and posted on the KDIC Public Auction Information website in PDF and printed booklet formats. A “contactless service to your doorstep” was also launched to provide information for institutional and individual investors by email and mail.

(4) Cooperation with Other Agencies

The KDIC is pursuing maximum recovery of key assets by forming a system of cooperation with outside agencies. For certain assets held overseas, the limitations of the KDIC’s ability to pursue asset recovery alone demanded cooperation with not only domestic authorities like the National Assembly and the government, but also with the government of the country in which the asset was located. In 2021, the KDIC’s efforts to cooperate with domestic government departments and agencies and to build cooperative relations with the Cambodian government centered on reviving the Camko City* development project, which constitutes the largest single foreign asset under its management.

* A new town project in Cambodia into which the now-defunct Busan Savings Bank made heavy investments

The standout achievement of these efforts was the successful formation and operation of the Camko City Project task force (joint task force) between the Korean and Cambodian governments. In November 2019, the KDIC arranged a visit by a Korean government delegation to Cambodia, which opened the door to government-level cooperation for resolving the Camko City Project. The KDIC made efforts to make formal the arrangements for cross-border cooperation through an nation-wide response and the joint task force to materialize the cooperation was officially launched in December 2020. Thus, an official channel for intergovernmental consultation was created to hold regular discussions and share information on issues that would allow for a swift revival of the development project and provide relief to the depositors who suffered heavy losses from the failure of the savings bank.

In order to keep building on the momentum, the KDIC accelerated efforts to organize task force meetings and discuss pending issues. Immediately following the launch of the joint task force between Korea and Cambodia, the KDIC was quick to coordinate with relevant ministries and agencies in Korea on the number of participants, the method of the meeting, and the timing of the meeting to make sure that the Cambodian government's interest in the Camko City Project was maintained and that timely information could be made available. After a formal proposal for a joint task force meeting was sent by the Korean side, the Cambodian government duly replied, setting up the first Korea-Cambodia joint task force meeting in January 2021, using a video conference format. At this meeting, officials from both countries discussed the direction of the joint task force's operations and the need for information sharing. Later in June of 2021, a working-level meeting was held which reaffirmed the Cambodian government's willingness to provide the information requested by Korea and saw an in-depth discussion of detailed issues.

It is hoped that through the operation of this joint task force, reliable information sharing at the government-level will be possible in the future, and that the two countries will enjoy a win-win partnership by reviving the mutually beneficial development project. In the past, the KDIC experienced difficulties in securing accurate information to come to grips with the Camko City Project's status due to the refusal of the local developer to provide such information. However, it plans to accelerate efforts in acquiring necessary data by taking advantage of the joint task force in the future.

The KDIC also made significant strides in domestic and international litigation concerning Camko City to secure legal enforcement power for the recovery of its claims. After a final win from the Cambodian Supreme Court in a case regarding the share ownership in the local developer, which was the most critical issue to revive Camko City's Project, the KDIC took the initiative and pursued a follow-up lawsuit to recover funds through the preservation of the business site and restoration of management control of the local developer. In particular, after winning the first instance trial in October 2020 of a provisional seizure suit filed in Cambodia to preserve the business site, the KDIC also won an appellate court case in July 2021 and a favorable final judgement in January 2022. The KDIC is also doing its utmost to restore management rights through legal action including filing for the revocation of a provisional disposition prohibiting the exercise of voting rights, etc.

The Corporation actively responded to related domestic lawsuits through cooperation with the bankruptcy estate of the domestic developer, Land Mark Worldwide (LMW). The KDIC worked hard to seek a final victory in the Supreme Court by assisting in the preparation of court documents for a lawsuit filed by LMW's bankruptcy estate against investors in LMW who are affiliated with the debtor to recover payments made to those investors to make them whole on their investments*.

* The debtor distributed the money invested in, and the proceeds from LMW's (Cam) Sihanoukville real estate investment business to individual investors only giving them unfair advantage while LMW itself had more debts than assets. Accordingly, LMW's bankruptcy estate brought a lawsuit to negate the repayment of investment principal.

The KDIC will support the effective operation of the joint task force between Korea and Cambodia while doing everything it can to successfully conclude the remaining litigation for the securing of management rights of the project. In so doing, the Corporation plans to fulfill its social responsibility of resuming the Camko City development project and lessening the hardship experienced by the depositors who suffered heavy losses from the savings bank failure so that both Korea and Cambodia can achieve a win-win conclusion.

Recovery Process

First, the appropriate price of an asset is assessed based on the characteristics of the asset and the market value of the collateral. This is then used to draw up a recovery plan suitable for the asset, followed by the selection of a sales advisor and open bidding.

To ensure the fair and professional sale of assets, accounting firms can be hired to conduct feasibility studies or law firms can be retained to analyze any legal issues associated with the assets and provide legal advice. The findings are then used to formulate optimal recovery plans to sell the assets in consideration of their characteristics.

Figure VII-5 Types of Key Assets and Sale Procedure

Types of Assets	PF Loans	Overseas Assets	Ships	Other Assets (Artwork, Audio, etc.)
Sales Procedure	Appointment of a Sales Advisor, etc. ›	Due Diligence ›	Market Creation ›	Sale
	• Accounting firms, law firms, etc.	• Identification of related rights • Value appraisal, etc.	• Hosting of asset sale briefing sessions • Preparation of sales guides • List-up of potential investors	• Public announcement of sale • Follow-up management

In the case of certain PF real estate development sites, the KDIC conducts a feasibility study to evaluate the project's going-concern value and liquidation value. If the going-concern value is deemed higher, the project rights are sold, while for cases where liquidation value is higher, a direct sale of the real estate backing the loan as collateral is pursued using public and court auctions.

Meanwhile, for PF development sites remaining unsold for extended periods of time due to complex rights issues or ongoing legal proceedings, the KDIC analyzes obstacles to sales with legal experts to devise sales plans that contain suggestions to resolve the legal issues.

Previously, bankruptcy estates pursued sales individually through public auctions. However, a Grand Fair approach to pursue collective auctioning of assets was introduced in 2017. Regular discussions are held with trust companies and bankruptcy estates each year to select sellable PF project sites and then full-page newspaper ads are published to promote the public sale. At the same time, the KDIC continues its effort to attract potential investors prior to the public announcement by hosting sales briefing sessions and generating press publicity.

Due to the difficulties associated with using existing asset sales methods involving in-person contact as a result of COVID-19, the KDIC actively utilized a non-face-to-face and contactless method throughout the whole process from notice of tender to decision on a successful bidder via the Korea Asset Management Corporation's OnBid electronic bidding system in 2021. This contributed to increasing convenience for buyers while also fundamentally eliminating the risk of COVID-19 infections occurring at bidding sites.

Meanwhile, for special assets like artworks and audio systems, exhibitions are held prior to domestic and overseas auctions to create interest and demand.

Figure VII-6 Types of Outside Experts Retained by the KDIC for Asset Sales

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

Recovery Performance

The KDIC's active recovery efforts based on the above asset recovery management system has resulted in the recovery of KRW 5.5786 trillion during the period of 2011 to the end of 2021.

In particular, in 2021, the KDIC successfully sold a number of golf course and apartment complex sites, including Maron New Day golf course and an apartment building project in Yongin, by employing a strategy of "selection and concentration," taking into account market conditions such as an increase in domestic golf course demand due to COVID-19 and the high market interest in apartment complex sites.

The 18-hole Maron New Day golf course with a size of 300,000 pyeong (around 100 hectares) had various challenges in sale including liabilities for membership deposits and difficulty in transferring the existing golf course license. As such, the public auction of this site failed on four occasions since 2017. Thus, the sale was restructured so that the buyer would confirm and resolve debt obligations through a merger and acquisition (M&A) under a rehabilitation procedure and normalize golf course operation by opening it to the public. The KDIC also expanded marketing efforts and offered more information to interested buyers.

As a result, the sale was completed at KRW 50.2 billion, which was 2.5 times the last lowest bid received in March 2021, and the recovered funds will be used in the future to provide reimbursements to the creditors (former depositors) of the failed Kyonggi, Korea, Jinheung and Youngnam Savings Banks. When the project gets back on track, it is expected to create new jobs in construction and golf club management and create demand for local tourism by attracting increased golf course patrons to the Cheonan area, adding vitality to the local economy.

Photo VII-2 Major Assets Sold in 2021

Maron New Day Golf Course site

Yongin Apartment Complex Site

Cheongju Apartment Complex Site

In the future, the KDIC plans to promptly revive PF sites that have been left unattended for long periods of time using various sales and recovery efforts to actively respond to changing market conditions including post-COVID trends. With the recovered funds, it plans to relieve the damage suffered by depositors of failed savings banks and secure the soundness of the Deposit Insurance Fund. In addition, the KDIC plans to support small business owners and start-ups suffering from COVID-19 by opening up the PF sites to public use to create social values, and do its best to support the creation of private-sector jobs and revitalize local economies.

Table VII-3 Recoveries by Type of Key Assets of Bankruptcy Estates (As of Dec. 31, 2021, Unit: KRW 1 billion)

Type	Recovery Performance										
	Before 2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
PF Real Estate	173.7	352.9	952.2	1,051.6	482.9	540.8	386.3	444.7	131.1	226.7	**4,742.9**
Ships	22.3	66.1	87.0	120.0	15.2	-	-	-	-	-	**310.6**
Stock	83.8	64.1	21.4	18.3	0.1	1.0	1.6	1.6	-	-	**191.9**
Foreign Assets	73.4	15.8	35.7	8.8	7.2	57.6	34.5	0.2	-	1.0	**234.2**
Others Including Artworks	5.3	4.9	8.6	16.1	11.6	12.1	10.4	25.3	2.2	2.5	**99**
Total	**358.5**	**503.8**	**1,104.9**	**1,214.8**	**517**	**611.5**	**432.8**	**471.8**	**133.3**	**230.2**	**5,578.6**

4.

Management of Bankruptcy Estates

1. Management Status of Bankruptcy Estates

Efficient Management of Bankruptcy Estates

The Depositor Protection Act, for the purpose of efficient recovery of public funds, provides that if an insured financial institution which the KDIC reimbursed depositors for or provided financial assistance to is dissolved or becomes bankrupt, the KDIC or its employee shall be appointed as liquidator or bankruptcy trustee notwithstanding applicable laws.

As of the end of 2021, the KDIC was appointed as bankruptcy trustee for 34* bankruptcy estates of insured financial institutions nationwide and dispatched 28 employees as its representatives. In close cooperation with the court, it pursued efficient and swift implementation of bankruptcy procedures to maximize the recovery of injected funds.

* For two bankruptcy estates (Wise Asset Management and HanMag Securities) to which the KDIC did not provide financial support, the KDIC was appointed as bankruptcy trustee on the recommendation of the FSC in accordance with Article 15 of the Act on the Structural Improvement of the Financial Industry.

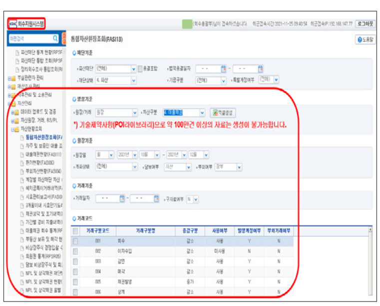
The KDIC is performing efficient management of bankruptcy estates by operating a regional supervisor system which groups bankruptcy estates scattered all over the country into six regional bases to create an organic network between the KDIC, regional supervisor and bankruptcy trustees. In 2021, efforts were made to reduce personnel and operating costs by relocating and integrating 10 bankruptcy estates in consideration of asset size and closing plans.

In addition, strict internal control is being conducted by adjusting regulations and standards in line with policy and environment changes so that decisions can be made quickly and responsibly, with examinations of business activities and cross-checks between bankruptcy estates in the same regional base. With the continuation of the pandemic in 2021, business activity examinations were carried out using the KDIC's own Recovery Support Information System in a contactless, online manner and the cross-checking between bankruptcy estates was temporarily changed to a self-checking method to prevent the outbreak of COVID-19 in bankruptcy estates.

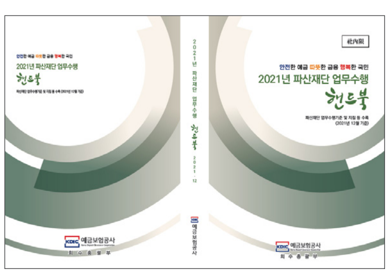
Efforts were made to prevent and control any accidents at bankruptcy estates in a situation which made in-person interactions nearly impossible by publishing the 2021 Handbook for Bankruptcy Estate Business Performance which reflected key examination findings and relevant standards and guidelines that were revised, as a way to provide feedback on business performance.

Figure VII-7 Examination and Feedback on Business Performance of Bankruptcy Estates

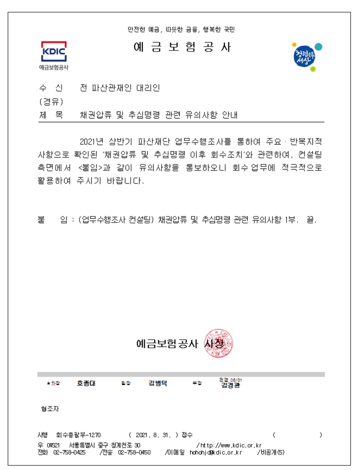
Recovery Support Information System



2021 Handbook for Bankruptcy Estate Business Performance



Examination Guide and (Consulting) Data



안전한 예금, 따뜻한 금융, 행복한 국민

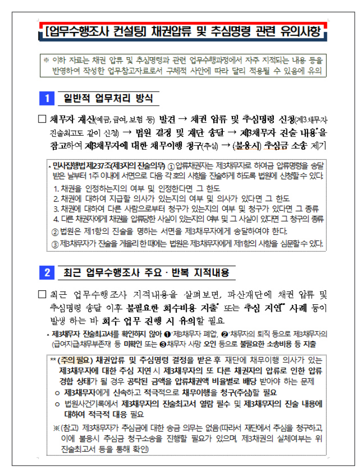
예 금 보 험 공 사

수 신 전 파산관재인 대리인
(경유)
제 목 채권압류 및 추심명령 관련 유의사항 안내

2021년 상반기 파산재단 업무수행조사를 통하여 주요 · 반복지적 사항으로 확인된 '채권압류 및 추심명령 이후 회수조치'와 관련하여, 컨설팅 측면에서 <붙임>과 같이 유의사항을 통보하오니 회수업무에 적극적으로 활용하여 주시기 바랍니다.

붙 임 : (업무수행조사 컨설팅) 채권압류 및 추심명령 관련 유의사항 1부. 끝.

예금보험공사 사장



[업무수행조사 컨설팅] 채권압류 및 추심명령 관련 유의사항

※ 이하 자료는 채권 압류 및 추심명령과 관련 업무수행과정에서 자주 지적되는 내용 등을 반영하여 작성한 업무참고자료로서 구체적 사안에 따라 달리 적용될 수 있음에 유의

1 일반적 업무처리 방식

□ 채무자 재산(예금, 급여, 보험 등) 발견 → 채권 압류 및 추심명령 신청(제3채무자 진술최고도 같이 신청) → 법원 결정 및 제단 송달 → 제3채무자 진술 내용*을 참고하여 제3채무자에 대한 채무이행 청구(추심) → (불응시) 추심금 소송 제기

* 민사집행법 제237조(제3자의 진술의무) ① 압류채권자는 제3채무자로 하여금 압류명령을 송달받은 날부터 1주 이내에 서면으로 다음 각 호의 사항을 진술하게 하도록 법원에 신청할 수 있다.
1. 채권을 인정하는지의 여부 및 인정한다면 그 한도
2. 채권에 대하여 지급할 의사가 있는지의 여부 및 의사가 있다면 그 한도
3. 채권에 대하여 다른 사람으로부터 청구가 있는지의 여부 및 청구가 있다면 그 종류
4. 다른 채권자에게 채권을 압류당한 사실이 있는지의 여부 및 그 사실이 있다면 그 청구의 종류
② 법원은 제1항의 진술을 명하는 서면을 제3채무자에게 송달하여야 한다.
③ 제3채무자가 진술을 게을리 한 때에는 법원은 제3채무자에게 제1항의 사항을 심문할 수 있다.

2 최근 업무수행조사 주요 · 반복 지적내용

□ 최근 업무수행조사 지적내용을 살펴보면, 파산재단에 채권 압류 및 추심명령 송달 이후 불필요한 회수비용 지출* 또는 추심 지연** 사례 등이 발생 하는 바 회수 업무 진행 시 유의할 필요

* 제3채무자 진술최고서를 확인하지 않아 ❶제3채무자 폐업, ❷채무자의 퇴직 등으로 제3채무자의 (급여지급)채무부존재 등 미확인 또는 ❸채무자 사망 오인 등으로 불필요한 소송비용 등 지출

** (주의 필요) 채권압류 및 추심명령 결정을 받은 후 재단에 채무이행 의사가 있는 제3채무자에 대한 추심 지연 시 제3채무자의 또 다른 채권자의 압류로 인한 압류 경합 상태가 될 경우 공탁된 금액을 압류채권액 비율별로 배당 받아야 하는 문제
o 제3채무자에게 신속하고 적극적으로 채무이행을 청구(추심)할 필요
o 법원사건기록에서 제3채무자의 진술최고서 열람 필수 및 제3채무자의 진술 내용에 대하여 적극적 대응 필요
※(참고) 제3채무자가 추심금에 대한 송금 의무는 없음(따라서 재단에서 추심을 청구하고, 이에 불응시 추심금 청구소송을 진행할 필요가 있으며, 제3채권의 실체여부는 위 진술최고서 등을 통해 확인)

The Bankruptcy Trustee and Staff Workshops held twice a year presented a chance to deliver the KDIC's guidelines for the operation of bankruptcy estates and precautions related to business handling as well as to support the sharing of experience and know-how in recovery among bankruptcy estates.

In view of the many stakeholders involved in the work of bankruptcy estates which require fair and transparent job performance in the process of asset liquidation, an institutional mechanism was established to prevent the risk of financial accidents, such as the use of inside information and award of contracts for personal gains, by creating and enforcing a code of conduct for the employees of bankruptcy estates to raise their awareness of anti-corruption and ethical management. Also, a set of guidelines on contracting for property management services was established to instill a sense of public service and professional responsibility in bankruptcy estate staff members and to ensure transparency in contract management processes.

In other areas, special bonuses were offered as incentives to bankruptcy estate staffers who achieved considerable progress in the liquidation of assets, to boost their morale and to offset the increasing difficulty of making recoveries with the passing of time. Also, recovery performance of each bankruptcy estate was reflected in their performance evaluation, thereby providing stronger incentives for making recoveries. Improvements were made to emergency response capabilities by conducting training for the bankruptcy estates to proactively respond to safety and health risks and continuous safety and health education was provided to employees of the bankruptcy estates to build a work culture centered on safety.

Improvements to the Debt Restructuring System and Debt Relief

Beginning in 2001, the KDIC has operated a debt restructuring system which reduces or condones the debts of delinquent borrowers owed to failed financial institutions (and now their bankruptcy estates) in consideration of their financial condition and repayment ability.

In 2021, the KDIC extended a special moratorium on loan repayment to ease the burden on debtors who were repaying their debts in installments and the deadline for temporary extra loan reduction for debtors hit hard by COVID-19 each by one year in view of the prolonged COVID-19 situation. It also broadened the eligibility for additional loan reduction so that more of the people adversely affected by COVID-19 could bounce back from economic hardship. Also, efforts were made to ease the debt burden on socially vulnerable debtors by, for instance, developing a plan to raise the rate of agreement to debt restructuring plans proposed by the Credit Counseling and Recovery Service on behalf of struggling borrowers and allowing the application of the loan reduction rate to provisional payments.

Through these efforts, the system successfully restructured the debt burden of 15,115 debtors in 2021 to give them a chance at financial independence, and in turn, the KDIC was able to complete the early recovery of long-term delinquent loans totaling KRW 71.5 billion.

Meanwhile, the KDIC forgave debts lacking legal claims due to the completion of extinctive prescription, etc. amounting to KRW 300 billion for 12,000 cases (cumulative total of KRW 2.5 trillion, 135,000 cases) to help the debtors avoid falling into the debt trap again. The details of this debt relief were made available for search and view on the KDIC and the Korea Credit Information Services websites.

Table VII-4 Details of Improvements to the Debt Restructuring Program

Category	Key Point	Description
Debt Restructuring	Expansion of the loan reduction period and eligibility as COVID-19 victims	• Extension of the period for providing additional loan reduction to COVID-19 victims by 12 months until Dec. 31, 2022 • Expansion of eligibility to be recognized as COVID-19 victims to include self-employed people who worked in COVID-19 affected industries and had to close their business temporarily or permanently as a result
	Extension of special repayment moratorium in relation to COVID-19	• A maximum of one-year extension of loan deferment to ease the repayment burden on debtors on an installment repayment plan
	Plan to improve the rate of agreement to the Credit Counseling and Recovery Service's proposal of debt restructuring	• In principle, for the socially vulnerable including those living on Basic Livelihood Security Program benefits and low-income small debtors to have their debts restructured, the KDIC first review the proposal offered by the Credit Counseling and Recovery Service and agree to it.
	Application of the debt reduction rate to provisional payments	• The debt reduction rate is now applied to provisional payments as well as the loan principal of the principal debtor and the guarantor.

2. Maximization of Asset Marketability and Dividend Collection

The KDIC pursues prompt and efficient sale of assets owned by bankruptcy estates using a wide range of methods. It seeks to identify new investors and maximize recovery efficiency by applying such sales methods as listing assets on the Korea Asset Management Corporation's OnBid electronic bidding system and selling them via public auction through trust companies or court auction, based on the characteristics of each asset.

In 2021, online and non-face-to-face methods of marketing were heavily used to revitalize sales amid the COVID-19 situation. Drones were used to deliver vivid information like aerial views of PF development sites in promotional videos posted on YouTube and investment notes containing information on main investment appeals of unsold assets were published. Meanwhile, website banners promoting asset sales on the OnBid electronic bidding system were displayed on specialized real estate websites such as Budongsan 114.

The KDIC also uses its own website named the KDIC Public Auction Information System to provide prospective investors with easier access to information on joint public sales of assets held by bankruptcy estates. Particular care was taken to make the system user-friendly and thereby allow even those with no previous knowledge or experience of auctions or public sales to use the system with ease. The system provides various details of assets on sale and is easy to search and navigate. The KDIC even produced webtoons and posted them on the Public Auction Information System website and the YouTube channel to further promote understanding of the joint public sale scheme and participation in bidding.

Figure VII-8 KDIC Public Auction Information System

Meanwhile, drawing upon its accumulated experience, the KDIC has operated the Recovery Support System for efficient management of assets owned by bankruptcy estates. The system greatly improved asset management of bankruptcy estates by facilitating systematic and ongoing identification of asset status by type and assets targeted for sale and by generating useful statistical data.

Additionally, the KDIC developed the Credit and Dividend Information System (CDIS) in 2008 to improve bankruptcy estates' efficiency in recovering claims and distributing the proceeds to creditors by computerizing these procedures.

Through such efforts for increased efficiency in bankruptcy estate management, the KDIC is working tirelessly to maximize the collection of dividends and accelerate the recovery of public funds, etc.

Table VII-5 Sale of Assets Owned by Bankruptcy Estates (As of Dec. 31, 2021, Unit: No. of sales, KRW 1 billion)

Category	2019		2020		2021	
	No.	Amount	No.	Amount	No.	Amount
Real Estate	19	28.6	16	35.4	8	24.4
Golf and Condominium Membership	7	0.4	4	0.1	5	0.1
Non-listed Stocks	2	1.6	-	-	7	0.1

* Number and value of sales by means of public sale of assets, OnBid sale and negotiated contracts

3. Timely Closure of Bankruptcy Estates

Regarding the bankruptcy estates whose bankruptcy proceedings have been so drawn out that they cannot be managed efficiently anymore, the KDIC pursues their legal closure by making a final distribution of dividends through the evaluation and sale of remaining assets. Such early termination of inefficient bankruptcy estates maximizes dividend payments to creditors.

As of the end of December 2021, 456 out of a total of 490 bankruptcy estates were declared closed by the court and the KDIC plans to pursue legal closure for the remaining 34 estates.

Even after the legal closure of a bankruptcy estate, the KDIC charges the pertinent regional supervisor with the responsibility to carry out follow-up management including the notification to creditors of major events and resolution of legal issues.

Table VII-6 Bankruptcy Estates That Are Either Closed or Still Open (As of Dec. 31, 2021, Unit: No. of estates, %)

Category		Banks	Insurance Companies	Investment Companies	Merchant Banks	MSBs	Credit Unions	Total
Total No. of Estates (A)		5	11	6	22	121	325	**490**
Closed	No. of Closed Estates (B)	5	10	5	22	89	325	**456**
	Closure Rate (B/A×100)	100	91	83	100	74	100	**93**
Remaining Estates (A-B)		0	1	1	0	32	0	**34**

5.

Management of Assets Acquired from Insolvent Financial Institutions

1. Assets Acquired from Insolvent Financial Institutions

By year-end 2021, the KDIC had acquired a total of KRW 49.0649 trillion in assets (based on acquisition costs) through a resolution financial institution called the Korea Resolution & Collection (KR&C).

The KR&C's forerunner, the Resolution & Finance Corporation (RFC), was established in December 1999 to acquire: assets of Korea First Bank (KFB) which the acquirer (New Bridge Capital) of KFB refused to take over, KFB's put-back options, and the assets that had not been assumed by any acquirer in the restructuring of other failed financial institutions. By the end of 2021, with borrowings from the Deposit Insurance Fund Bond Redemption Fund of the KDIC, the RFC had acquired assets worth KRW 49.0649 trillion (based on acquisition costs). This included KRW 7.8386 trillion from KFB, KRW 158.8 billion from five acquiring banks (Kookmin, H&CB, Shinhan, Hana, and Hanmi), KRW 356.9 billion from five life insurance companies (Kookmin, Dong-A, Taepyongyang, Handuk, and Korea), KRW 1.3072 trillion from the sale of three financial investment companies (Korea, Daehan, and Hyundai), KRW 377.7 billion from 470 bankruptcy estates, KRW 514.8 billion from 37 mutual savings banks*, and KRW 38.5109 trillion from the absorption of Hanareum Merchant Bank and Hanareum Mutual Savings Bank.

* Hanmaum, Hanjung, Arim, Good Friend, Daewoon, 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

Table VII-7 Assets Acquired by the KR&C (Accumulated)

(As of Dec. 31, 2021, Unit: KRW 1 billion)

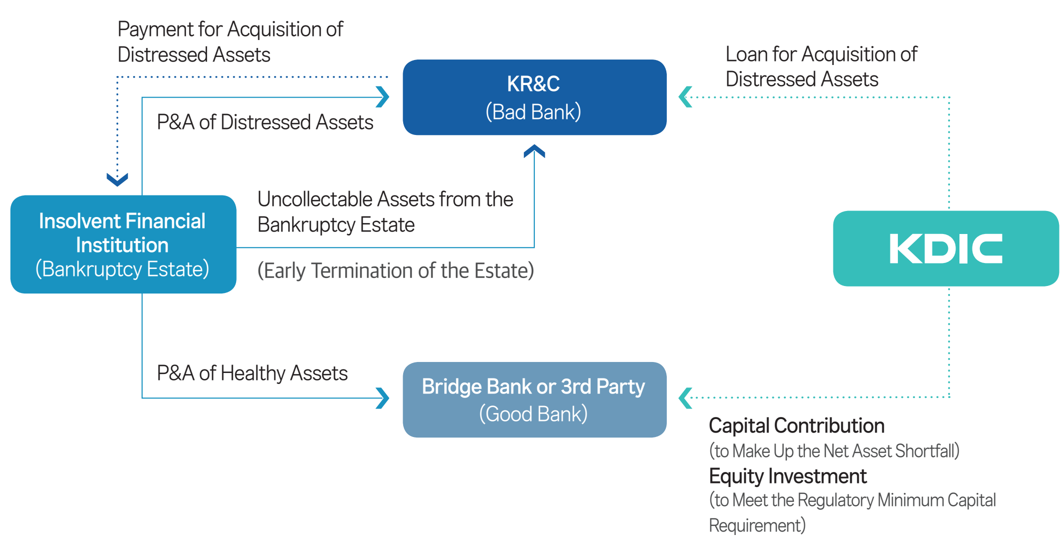
Category		Amount of Claims	Purchasing Price	Note
KR&C	Banks	9,869.5	7,997.4	6 banks (including Korea First Bank)
	Insurance Companies	405.1	356.9	5 life insurance companies
	Investment Companies	2,532.4	1,307.2	3 investment companies
	Bankruptcy Estates	10,562.2	377.7	470 bankruptcy estates (5 banks, 11 insurers, 4 investment firms, 22 merchant banks, 89 saving banks, 339 credit unions[1])
	Mutual Savings Banks	2,642.9	514.8	37 mutual savings banks
	Sub-total	26,012.1	10,554	-
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		**67,055.7**	**49,064.9**	-

* 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 payoff (based on the classification criteria for public fund assistance)
3) Including claims acquired in return for deposit payoffs

2. Efficient Management of Assets Acquired from Insolvent Financial Institutions

The KR&C not only quickly acquires troubled assets of insolvent financial institutions to expedite the P&A process for insolvent financial institutions, but also purchases remaining assets from bankruptcy estates to speed up their closure.

Figure VII-9 Duties of the KR&C



As of the end of 2021, the balance of assets held by the KR&C stood at KRW 7.3794 trillion, of which KRW 146.4 billion was directly managed by the KR&C while the remaining KRW 7.2330 trillion was entrusted to outside agencies for efficient management.

Loans are typically recovered through debt collection, restructuring or sales arranged by professional service providers, while recovery of securities and real estate is pursued by periodic joint public sales.

Table VII-8 **Assets Owned by the KR&C** (Balance)

(As of the end of Dec. 2021, Unit: KRW 1 billion)

Asset Type*	Directly Managed	Delegated to Outside Agencies for Management	Total
Loans	42.5	7,233.0	**7,275.5**
Securities	41.5	-	**41.5**
Real Estate, etc.	62.4	-	**62.4**
Total	**146.4**	**7,233.0**	**7,379.4**

* Excluding claims for damage, etc.

VII

KDIC

VIII Promotion of Accountability for Insolvency

1. Investigations against Insolvent Financial Institutions
2. Investigations against Default Debtor Corporations
3. Investigations into Properties Owned by Insolvency-implicated Persons

1.
Investigations against Insolvent Financial Institutions

1. Improvement of Efficiency in Investigations into Illegal and Wrongful Acts at Insolvent Financial Institutions

According to Article 21-2 of the Depositor Protection Act (DPA), the KDIC conducts investigations against insolvent financial institutions for any illegal or wrongful acts that might have caused their failure. The KDIC then asks the financial institutions to claim damages against the parties* who caused losses to the financial institutions by illegal or wrongful acts and hold them liable.

* Current or former executives and employees of insolvent financial institutions, persons who can give business instructions to others as prescribed in the Commerce Act, debtors who have not performed their obligations to insolvent financial institutions, and other third parties.

The KDIC found it imperative to systematically investigate unlawful activities perpetrated in collusion between the insolvent financial institutions and default debtor companies. Due to this reason, the KDIC organized the Insolvency Investigation Division by merging the Investigation Department in charge of investigations against insolvent financial institutions and the Special Investigation Mission for Default Debtor Corporations responsible for investigations against default debtor companies in March 2008. Structured as one bureau, two departments, and one office, the Insolvency Investigation Division had 79 members at the end of 2021 including seconded officers from related organizations such as the Prosecution Service. The Division not only utilizes the expertise and know-how of the seconded officers to increase the efficiency of investigation but actively seeks and utilizes data from relevant organizations.

The KDIC refers illegal activities revealed by these investigations to the Accountability Review Committee for Insolvent Financial Institutions for a fair and objective review before determining accountability. The Committee is made up of outside experts from the legal services industry, academia, financial industry, etc.

Legal and financial experts were appointed as members of the Committee to strengthen professionalism and to respond to the increasing diversity and complexity of issues involved as a result of mass failures in the savings banking sector in 2011 and insurance company failures.

Table VIII-1 Investigations into Illegal and Wrongful Activities Regarding Insolvent Financial Institutions (Accumulated)

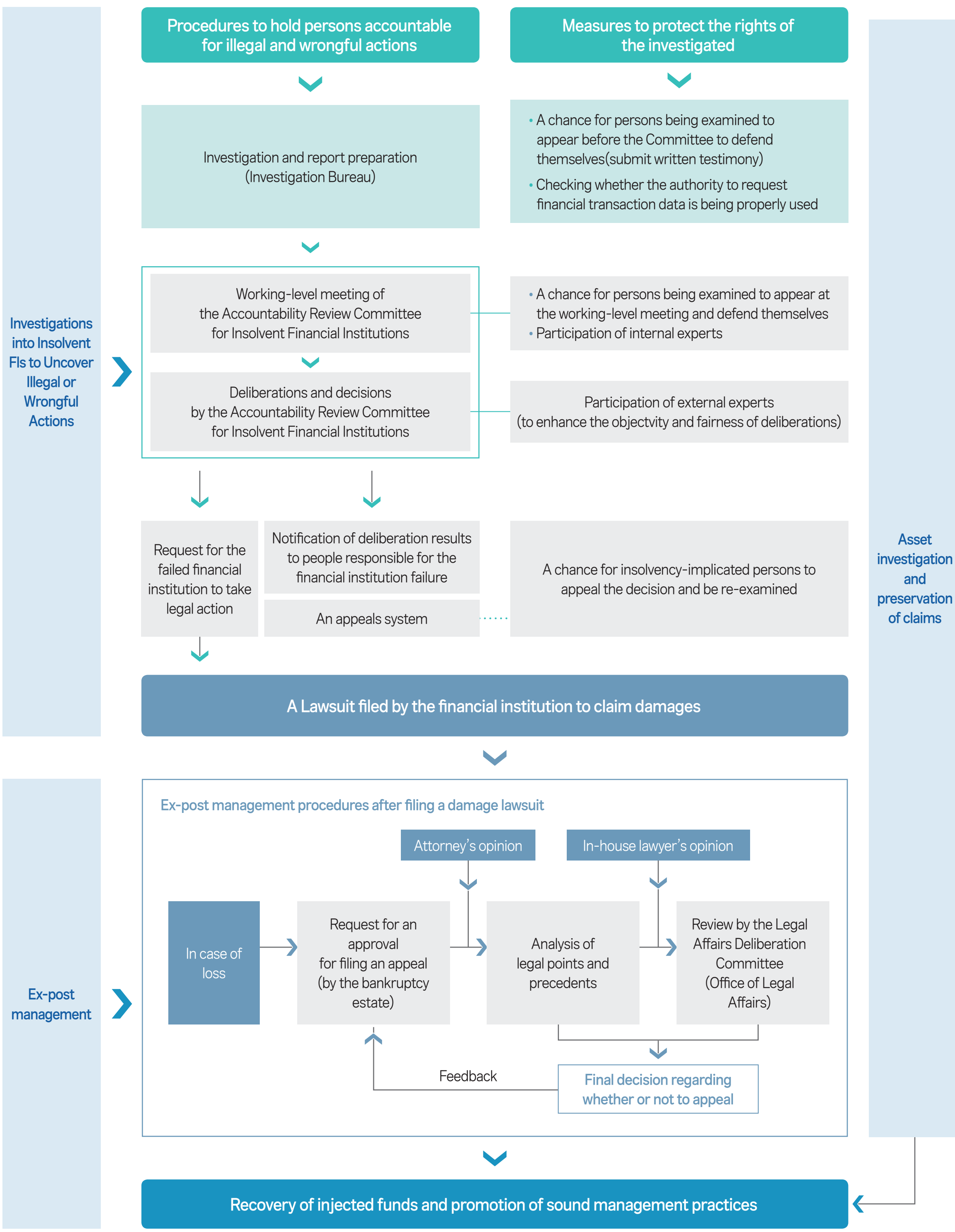
(As of Dec. 31, 2021, Unit: No. of cases, No. of persons)

Category	Redemption Fund		DI Fund		Total	
	No. of Institutions (A)	No. of Employees Responsible for the Failures (B)	No. of Institutions (C)	No. of Employees Responsible for the Failures (D)	No. of Institutions (A+C)	No. of Employees Responsible for the Failures (B+D)
Banks	15	191	-	-	15	191
Investment Companies	6	65	-	-	6	65
Insurance Companies	18	244	1	6	19	250
Merchant Banks	22	160	-	-	22	160
MSBs	86	789	46	521	132	1,310
Credit Unions[1)]	325	4,146	-	-	325	4,146
Total	**472**	**5,595**	**47**	**527**	**519**	**6,122**

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

By the end of 2021, deliberations on accountability for financial institution failures resulted in a confirmation of accountability for 6,122 persons in 519 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



2. Damage Claim Proceedings against Insolvency-Implicated Persons

Following the KDIC's request for seeking damages, insolvent financial institutions and their bankruptcy estates filed damage claims against persons involved in insolvencies. By the end of 2021, damage claims for KRW 1.8118 trillion were instituted against 9,013 persons implicated in insolvencies of financial institutions into which funds of the Deposit Insurance Fund Bond Redemption Fund (Redemption Fund) had been injected. These lawsuits have all come to a close. The KDIC is now striving to collect monetary sanctions from insolvency-implicated persons through court-ordered foreclosure on their assets and other means.

Table VIII-2 Lawsuits Filed in Relation to Insolvent Financial Institutions that Received Financial Assistance from the Redemption Fund

(As of Dec. 31, 2021, 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	47.6	21.8	134.6	54.8	405.6	320.8	**985.2**
Amount Collected[2]	10.2	5.4	21.8	66.0	92.3	76.9	**272.6**

* 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 take legal action after investigation completion for such reasons as voluntary payment of damages and exemption from liability

The KDIC also requests insolvent financial institutions and their bankruptcy estates to file lawsuits claiming damages against persons responsible for insolvencies of financial institutions that received financial support from the Deposit Insurance Fund (DIF). By the end of 2021, damage claims for KRW 461.7 billion were filed against 702 persons implicated in the failures of 47 financial institutions.

Table VIII-3 Lawsuits Filed in Relation to Insolvent Financial Institutions that Received Financial Assistance from the Deposit Insurance Fund

(As of Dec. 31, 2021, Unit: No. of cases, No, of persons, KRW 1 billion)

No. of Failed Financial Institutions	No. of Defendants	Amount Claimed	Amount Finalized[1]	Amount Awarded	Amount Collected[2]
47	702	461.7	458.8	269.1	126.4

* 1) Pending litigation: KRW 2.9 billion
2) The amount of damages actually collected through the court's enforcement procedures, etc.

The KDIC provides continuous support and conducts follow-up 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. It also has a support system in place to enable a clear and orderly presentation of defense and submission of extensive evidence in legal proceedings. The KDIC continues to manage remaining claims for damages to allow additional lawsuits to be filed immediately if more assets of persons implicated in insolvencies are found.

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

The KDIC seeks to protect the rights of persons subject to accountability investigations and to prevent any undue damage to them. The KDIC strives to ensure safeguarding of their rights throughout the investigation process from commencement of investigation to the final determination of accountability.

Upon commencement of an investigation, the KDIC informs the investigated parties of how the investigation will proceed and how they can give an explanation of their situation and raise objections. The KDIC allows them to attend deliberations in person to defend themselves and grants them the right to request new deliberations during the investigation.

In 2019, a plan to establish a system to protect the rights of persons subject to investigations was drawn up to minimize the violation of basic rights, under the Constitution, in the investigation process, including permission for socially vulnerable persons to attend investigations with a trusted party, operation of the Rights Protection Committee to deliberate on key issues in protection of rights and interests requiring review and resolution, and improvement of the way in which information on the system to protect the rights of persons subject to investigations is disclosed on the KDIC website as well as the creation of a new information tab on the website.

In 2020, an improvement plan on the system to protect the rights and interests of persons under investigation was prepared, including the requirement in principle for all related matters to be processed through deliberation and resolution by the Rights Protection Committee. This was to ensure that the system to protect the rights and interests of persons under investigation could be operated based on the independent, professional judgment of the Rights Protection Committee.

The KDIC remains committed to making institutional improvements so that it can fully protect the rights of the investigated to prevent any infringement on their rights and any undue damage while strictly holding them to account for the insolvencies.

4. Efforts to Strengthen Investigation Capabilities to Cope with Internal and External Environmental Changes

The KDIC devises and operates programs to strengthen its investigation capabilities to adapt to changes in the internal and external environment which include stronger financial consumer protection, emergence of virtual assets, and digitalization of finance.

In 2021, to review Supreme Court precedents regarding legal actions surrounding bitcoin taken by the Prosecution and the National Tax Service and lawsuits for damages against default debtor corporations, the KDIC invited prosecution investigators and lawyers to conduct professional education on the topics of the concept and analysis of blockchain and virtual assets, and liability for damages of audit committee members of insolvent financial institutions.

Meanwhile, a collection of civil and criminal cases on accountability for insolvency during the past 20 years was published and distributed to related organizations like the Prosecution and the Financial Services Commission for reference during the performance of insolvency accountability investigations and related tasks. This in turn contributed to strengthening the KDIC's external network and creating a healthy climate for financial company management.

The KDIC co-hosted a policy symposium with the Korea Financial Law Association to explore the future development of accountability investigations. This raised several suggestions including the participation of the KDIC in, and expansion of targets of investigations into financial insolvencies involving crypto assets, new prepaid electronic payment means and private equity funds. To prepare efficiently for insolvencies in the financial services sector, consultations are underway with the National Assembly and the Financial Services Commission to revise the DPA in a way that would give the KDIC the authority to request financial transaction information from more organizations and broaden the range of potential subjects of insolvency accountability investigations.

2.

Investigations against Default Debtor Corporations

1. 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 against insolvent debtor corporations that defaulted on their loans to public fund-injected insolvent financial institutions. In 2007, KDIC began to investigate illegal and wrongful acts of default debtor corporations in relation to mutual savings bank failures which were resolved with financial assistance from the Deposit Insurance Fund.

In 2008, the Special Investigation Mission for Default Debtor Corporations was reorganized into the Insolvency Investigation Division following integration with the Investigations Department in charge of investigations against insolvent financial institutions. In 2013, Corporate Investigation Bureau (the current Investigation Bureau) was set up to lead investigations against default debtor companies. This reinforced investigations of unlawful or wrongful acts committed by default debtor companies and increased the effectiveness of making recoveries from the assets of insolvency-implicated persons.

After reviewing the Insolvency Investigation Division's investigation results regarding illegal and wrongful acts of default debtor corporations, the Accountability Review Committee confirmed as of the end of 2021 that 890 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.

Table VIII-4 **Investigations against Default Debtor Corporations** (Accumulated)

(As of Dec. 31, 2021, Unit: No. of cases, No. of persons)

No. of Default Debtor Companies	No. of Insolvency-Implicated Persons
384	890

2. Support for Damage Claim Proceedings against Insolvency-Implicated Persons of Default Debtor Corporations

As it assists insolvent financial institutions and their bankruptcy estates in collecting damages, the KDIC seeks to ensure that the same legal measures that are applicable to persons responsible for their failures are also applied to default debtor companies' personnel who are at fault. In compliance with the KDIC's request, insolvent financial institutions and their bankruptcy estates filed suits claiming KRW 982.0 billion of damages in total against 1,191 persons implicated in insolvencies as of the end of 2021.

Table VIII-5 **Lawsuits Filed in Relation to Default Debtor Corporations** (Accumulated)

(As of Dec. 31, 2021, Unit: No. of cases, No. of persons, KRW 1 billion)

No. of Companies	No. of Defendants	Amount Claimed	Amount Awarded	Amount Collected[1)]
155	1,191	982.0	449.5	118.8

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

3.

Investigations into Properties Owned by Insolvency-Implicated Persons

1. Stricter Investigations into Assets Located in Korea

The KDIC endeavors to maximize fund recovery and create a climate of sound management at insured financial institutions. Towards that end, it holds parties at fault in a financial institution failure to account by systematically tracking down and recovering their assets or those concealed by them with the help of a third party. For this, the KDIC utilizes its power, conferred by the DPA, to request information on properties owned by insolvency-implicated persons from the National Court Administration, central government, local governments, public organizations and financial institutions. In particular, the DPA revision of 2019 removed the sunset clause on the right to request financial transaction information of insolvency-implicated persons and made the right permanent, laying the basis to perform investigations of insolvency-implicated persons and to recover funds in a stable manner.

In 2021, the KDIC focused its capabilities on areas with a high probability of identifying new assets to recover KRW 42.8 billion. As of the end of December 2021, the KDIC had recovered a total of KRW 1.4245 trillion from persons involved in financial institution insolvencies.

Meanwhile, the KDIC established the Information Protection Review Committee at the end of 2019 comprising private-sector members with extensive knowledge and experience in finance, accounting, law and personal information management to deliberate on matters including the right, appropriateness and appeals surrounding the request for data such as financial transaction information. In 2021, the Committee deliberated on matters like the asset investigation plan and its results on a regular basis to enhance the protection of the rights and interests of persons under investigation and the transparency of asset investigation activities.

Figure VIII-2 Flow Chart of Domestic Asset Investigations

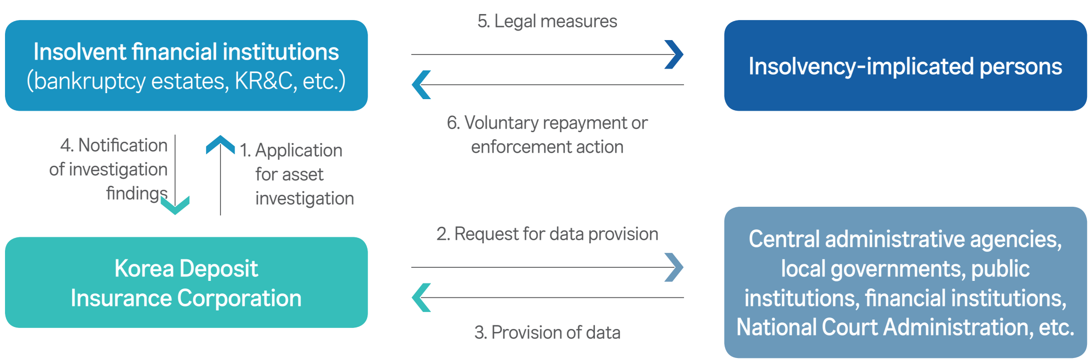


Table VIII-6 Recovery Status of Domestic Assets

(As of Dec. 31, 2021, Unit: No. of sales, KRW 1 billion)

Year	2003-2014	2015	2016	2017	2018	2019	2020	2021	Total
Amount	1,049.6	85.1	125.7	29.0	29.1	30.2	33.0	42.8	**1,424.5**

2. Expanded Investigations into Assets Located Overseas

The KDIC embarked on investigations of overseas assets owned by insolvency-implicated persons in 2002. Efforts at systematic and efficient uncovering of overseas assets stashed away by insolvency-implicated persons are ongoing with the setting up of a system to investigate offshore assets in September 2006 and the continual increase in the number of countries in which investigations are conducted.

The KDIC broadened the scope of its investigation to identify hidden assets in a total of 56 countries up to 2021. Thorough tracking of assets hidden overseas is being conducted to hold insolvency-implicated persons to more stringent account with improved effectiveness through diversification of asset investigation methods to match debtor profile and expansion of investigation items.

Thanks to these efforts, in 2021, the KDIC uncovered USD 3.140 million (equivalent to KRW 3.7 billion) of assets hidden by insolvency-implicated persons in five foreign countries including the U.S. through its own investigation of offshore properties, despite increasingly sophisticated concealment methods.

An optimized recovery strategy for each debtor was sought by reviewing the appropriateness of recovery strategies debtor-by-debtor to improve the efficiency of the collection of overseas hidden property. The KDIC is continuing its effort to improve the recovery rate by significantly expanding* the list of potential legal representatives based on recommendations from the Korea Trade-Investment Promotion Agency (KOTRA), commercial banks and the US Federal Deposit Insurance Corporation.

* 2020: 39 lawyers in 16 countries → 2021: 67 lawyers in 22 countries

The KDIC succeeded in recovering USD 0.527 million (equivalent to KRW 590 million) from assets concealed abroad by insolvency-implicated persons in 2021. In addition, Overseas Property Recovery Masterbook (CPR) was produced and published in an e-book format by compiling related issues, overseas legislation, work process know-how, cases, etc., in each stage of recovery based on the KDIC's recent recovery experiences.

Table VIII-7 Recovery of Assets Hidden Overseas (As of Dec. 31, 2021, Unit: USD 1,000)

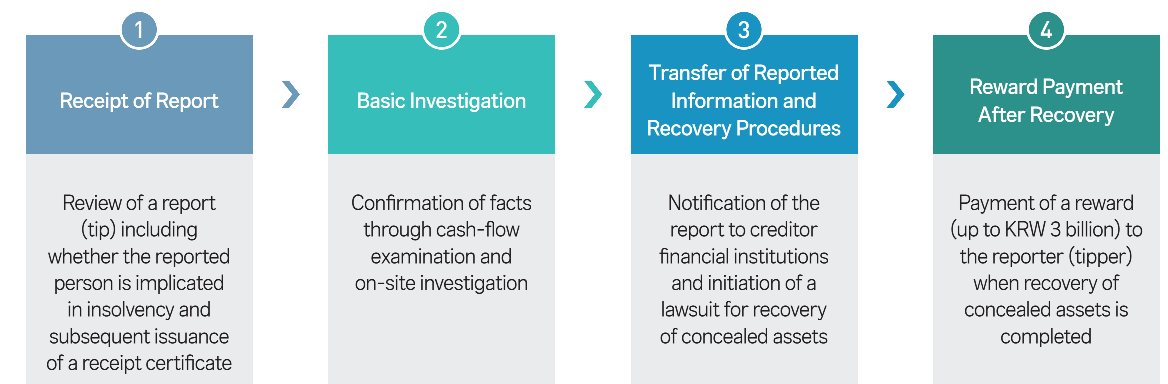
Year	2003 ~2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
Amount	3,046	349	1,400	415	11,653	2,252	5,027	6,250	1,496	1,596	1,990	1,570	527	37,571

3. 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, to maximize recovery of those concealed assets.

Upon receipt of a report on concealed assets, a preliminary investigation including a cash-flow investigation is carried out. Then, any report that can potentially lead to meaningful recoveries is delivered to the concerned creditor financial institution, which in turn takes measures for claims preservation such as filing for provisional seizure, and recovers its claims by means of a lawsuit for rectification of a fraudulent conveyance and the like.

Figure VIII-3 Work Flow at the Concealed Property Report Center



The reward for reporting concealed property is paid to the reporter upon the completion of the recovery procedure, following a review of the contribution of the whistleblower. In accordance with related laws, the competent court in which the bankruptcy estate (creditor financial institution) is located decides on the reward amount and provides permission for payment.

To further encourage reporting, print ads in major daily newspapers and online banners were used, and social media channels were used to provide a wide range of online users with detailed information on the scheme and reporting methods. Also, active PR activities were carried out through the media in the countries where many Koreans reside and engage in economic activities such as the U.S., Vietnam, China and Australia.

Also, the criteria for recovering concealed properties of persons involved in insolvency and rewarding whistleblowers were partly revised to meet demands for the improvement of some parts of the Concealed Property Report Center's work such as determining one's contribution to recovery. Through a full inspection of non-terminated cases among those received by the Concealed Property Report Center, support was provided to bankruptcy estates to expedite recovery by analyzing the factors that blocked recovery attempts, for example.

As a result of these efforts, the KDIC had received a total of 428 reports, recovering KRW 79.9 billion from 100 cases, and paid out KRW 5.1 billion in rewards as of the end of 2021. The Corporation will continue its role to facilitate more reporting going forward and to ensure that such reports can lead to successful recoveries.

Table VIII-8 Current Operational Status of the Concealed Property Report Center

(As of Dec. 31, 2021, Unit: No. of cases, KRW 1 million)

Category	2002~2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
No. of Cases Reported	166	23	53	33	36	37	25	22	16	10	7	**428**
No. of Recoveries	27	5	9	8	7	9	11	9	7	4	4	**100**
Recovered Amount	28,866	825	2,553	732	3,230	6,745	7,779	10,191	10,509	1,522	6,919	**79,871**

VIII

KDIC

IX Efforts to Promote Social Values and Improve Outcomes

1.
Stronger Foundation to Pursue Social Values

1. Enhancing the Capacity to Promote Social Values

In addition to faithfully carrying out its core duties of protecting depositors and maintaining financial stability, the KDIC is continuously striving to create social values to promote public interest and community development. The corporate strategic goals and tasks for realizing social values were continued in 2021 to engage social values in support of government policies such as overcoming the COVID-19 pandemic and pursuing the Korean New Deal.

Specifically, in 2021, the foundation for environment, social and governance (ESG) management was built by efforts to provide the necessary infrastructure such as defining a strategic framework and reorganizing the dedicated team unit. Also, the promotion of shared growth and win-win cooperation was strengthened by creating a new platform for shared growth and detailed plans to deliver on the key performance indicators.

Figure IX-1 Strategic Objectives and Strategic Tasks for Stronger Social Values

Strategic Goals		
Protection of Financial Consumers	Financial Market Stability	Realization of Social Values
Strategic Tasks		
Stronger Depositor Protection Service	Improved Soundness of the Deposit Insurance Fund and Refinement of the Fund Management System	Managerial Innovation Including Stronger ESG
Broader Protection of Financial Consumers and Investors	Stronger Risk Management Linked with Risk-based Premium Assessment	Public Service Ethics That Meet the Public's Expectations
Stronger Support for the Financially Vulnerable	System Advancement for Proactive Crisis Response	Stronger Safety and Health Management
	Efficient Recovery and Management of Public Funds Provided in Financial Support	Greater Digital Capabilities for Public Service

2. Systematic Pursuit and Internalization of Social Values

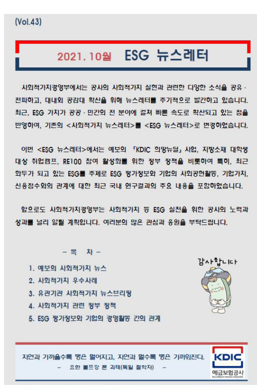
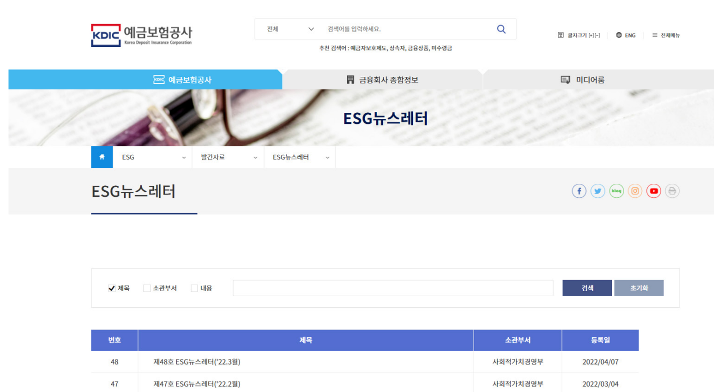
In 2021, the KDIC identified and implemented a total of 89 social value promotion tasks, including 21 new tasks like ensuring the soft landing of the scheme to support the return of misdirected money transfers. In order to efficiently utilize limited resources and capabilities, tasks were combined and managed, creating synergy effects across a variety of social value projects.

Virtual meetings of the Innovation Promotion Committee for the Creation of Social Values and the Social Value Creation Promotion Group were held regularly to check the progress of each task and thereby create momentum for task completion. The Social Values Check-list, introduced in 2019, continued to be used in 2021 and regularly monitored. This had the effect of raising awareness of social values for staff and management when carrying out major tasks to align them with social values. An interesting project newly identified in the process of monitoring the check-list was lowering the cap on interest rates paid by struggling borrowers on loans held by bankruptcy estates.

To build a corporation-wide consensus, a Social Values Newsletter was produced and distributed regularly to share and propagate social value activities conducted. These newsletters contained news about the KDIC's social value activities, internal and external best practices, social value trends among other organizations, etc. They were shared with the KDIC staff and the public participation group through the internal bulletin board and the KDIC's social media outlets to promote its activities and to find new ideas. In line with the rise of ESG management during 2021, the newsletter was renamed as the ESG Newsletter in a bid to let the KDIC's efforts to practice ESG management, case examples, internal and external ESG trends, etc. be known more broadly.

The "Creation of Social Values" menu on the KDIC website continued to provide information on the strategic framework for social value creation, teams in charge of implementation, and various social value activities and news. Access to information via the Social Values Creation Report and ESG Newsletter, which are regularly published by the Corporation, was made available for viewing on the website as well as on mobile devices.

Figure IX-2 ESG Newsletter and Website

ESG Newsletter	Website (Social Value Promotion Center)
	

Furthermore, the Social Value Creation Report, reflecting international guidelines and standards, was published in March 2021 to inform the public of the KDIC's efforts in promoting social values. This report helped the KDIC gain international recognition for its effort to embed social values in all its activities, by winning the Platinum Award in the Sustainable Management category of the Vision Awards hosted by the League of American Communications Professionals LLC (LACP).

3. Laying the Foundation for ESG Management

In order to pursue ESG management that realizes social values and reflects the need for environmental stewardship and transparent governance as calls for social responsibility of public-sector organizations grow, the KDIC has laid the foundation for elevating ESG-related work that used to be conducted on a department-by-department basis to a more enterprise-wide level.

For a more systematic approach to ESG management, a customized ESG strategy framework was established that suits the KDIC's characteristics. To develop the framework, an internal group of ESG experts was formed, ideas and input were sought from executives and staff and consulations with outside experts were held to verify the validity and specificity of the framework.

Figure IX-3 ESG Strategic Framework

Vision	A Sustainable Future Created by Depositor Protection Service		
Strategic Goal	E Creating an "Eco-friendly Ecosystem" That Is Good for Peoples' Lives	S Fulfillment of "Social Responsibility" That Provides Warmth for the People	G Establishment of a "Transparent Governance" Structure Trusted by the People
Mid- to Long-term Objective	Lead Public-sector Organizations to a 2050 Carbon Neutral Goal	Keep "the Temperature of Sharing" at 36.5 Degrees Celsius on All 365 Days	Achieve Level 1 in Overall Integrity
Strategic Tasks (8)	Participate in Carbon Emissions Reduction and Increase the Use of New and Renewable Energy	Revitalize Win-Win Cooperation and Shared Growth	Create an Organizational Culture Centered on Integrity, Ethics and Human Rights
	Establishment of a Pro-environmental Management System	Expand Protection of the Financially Vulnerable	Transparent Information Disclosure and Stronger Public Communication
	Strengthen Efforts to Create Eco-friendly Financial Markets	Minimize Safety Blind Spots in Everyday life	

In order to promote ESG-related work at the corporate level, an ESG Promotion Committee comprising 14 members was formed. For the smooth operation of the Committee, three working groups were created for each area of ESG and a separate unit dedicated to ESG has been established to carry out ESG-related strategic tasks.

In addition, considering the KDIC's mandate and the unique characteristics of its work, 44 detailed tasks were selected and implemented, including support for the enhancement of ESG investment using the Deposit Insurance Fund, reduction of the maximum interest rate on loans held by bankruptcy estates, and support for social economy enterprises.

2.

Achievements in the Pursuit of Social Values

1. Job Creation

Expansion of New Recruitment and Job-Sharing

The KDIC developed a detailed annual hiring plan to make more systematic hiring decisions and enhance the predictability of human resources management. By performing a simulation analysis of hiring over the next five years, the KDIC tried to reduce the gap between current staffing and the level mandated by the government, thereby hiring 36 new recruits by expanding recruitment in the second half of the year (from 15 to 21).

Employment opportunities for the graduates (two) from specialized vocational high schools were increased by conducting open recruitment and identifying job opportunities suitable for that group of candidates, for the first time in three years. Document screening was abolished and all applicants who qualified were given the opportunity to take the written test in order to prevent unnecessary inflation of qualifications, such as too many professional licenses not required for the job.

Also, two administrative assistants were hired to fill the spots temporarily left vacant by employees on parental leave and the KDIC employed 74 on experiential internship programs to help young job seekers strengthen their ability to find a job. Their monthly salary was set at KRW 2 million, which is higher than the minimum wage (approximately KRW 1.83 million) set for 2021, to provide support in their job search activities.

Maximize Achievements in Private-sector Job Creation

(1) Increase Job Creation in Relation to Core Business Functions

In performing its core business functions including risk management, fund management, resolution and recovery, the KDIC aims to create more jobs in the private sector. It is working hard to maximize job creation in the private sector by improving existing work methods and processes.

First, in risk management, the KDIC is contributing to enhancing job security for the staff and management of financial institutions. By closely monitoring high-risk financial institutions (one mutual savings banks and one non-life insurance company under prompt corrective action restrictions) through such means as dispatching administrators and performing on-site examinations, the KDIC helped to turn the companies around and thus secured the jobs of their workers.

Secondly, as part of its social responsibility, the KDIC's Deposit Insurance Fund (DIF) actively supported the government in creating job opportunities in the face of the COVID-19 pandemic and delivering results for the Korean New Deal by operating its bank deposits in a way that serves the public interest. In order to provide financial support to small- and medium-sized enterprises (SMEs) affected by COVID-19 and projects related to the Korean New Deal, agreements were signed with three banks, resulting in the creation of a KRW 600 billion credit facility to provide low interest loans to SMEs with bank deposits made by the DIF. Furthermore, the DIF also contributed to maintaining jobs in key industries and small- and medium-sized venture businesses by purchasing public interest bonds aimed at supporting SMEs such as Small and Medium Venture Promotion Bonds and Industrial Bank of Korea Bonds and Key Industry Stabilization Fund Bonds (KRW 900 billion in 2020 to KRW 1.26 trillion in 2021).

Thirdly, in managing financial institutions under MOU agreements such as Suhyup Bank and Seoul Guarantee Insurance, the KDIC encouraged them to increase provision of guarantees, financial support and employment-related products aimed at startups and companies emerging from bankruptcy as well as SMEs, by setting targets geared towards enabling job creation in the private sector under the non-financial section of the MOUs.

Lastly, in asset recovery, the KDIC pushed for a speedy resumption of stalled project financing (PF) projects by developing customized sales plans and aggressively marketing them to investors through collaboration with experts in the field. These efforts resulted in the creation of 203 jobs in construction and newly-opened retail stores.

(2) Job Creation through Stronger Cooperation with Private-sector Service Providers

The KDIC pursued the creation of private-sector jobs in stronger cooperation with outside service providers.

First, the KDIC supported the re-employment of 226 administrative assistants who used to work at one of the 34 bankruptcy estates managed by the Corporation and had lost their jobs when the estate closed at the end of bankruptcy proceedings. The Restart Program is being operated based on the business agreement signed with the Korea Labor Foundation. In 2021, reemployment support services such as customized programs tailored to beneficiary needs were provided to provide practical help.

The KDIC also provides support for the rehabilitation of struggling debtors, by working with the Korea Inclusive Finance Agency to provide job placement and help them access government-offered low interest loans (Microcredit, Sunshine Loans). It also produced and promoted card news on a collection of inspiring stories of those that succeeded in escaping chronic debt, to increase publicity and inspire other delinquent debtors to find the will to pick themselves up by the bootstraps.

Furthermore, the KDIC took the lead in supporting youth employment - a goal at the top of the government's agenda - by utilizing its Global Training Center to hold a job camp for university students in the Chungbuk region in collaboration with public entities in the vicinity. This year's program had new features added in consideration of the participants' needs and the challenges to holding face-to-face meetings, such as mock interviews with AI, group mentoring and longer sessions. Thus, amidst the restrictions caused by COVID-19, this event served to provide an opportunity for university students in the region to augment their ability to find a job.

The KDIC Exchange Program with Finance Academy (KEPA)* was conducted through special lectures at universities in regional areas. This had the effect of increasing the financial literacy and job search capability of students in regional universities. The KDIC plans to continue this program to enable a better understanding of the deposit insurance system by university students and to strengthen communication.

* Conducted from 2011, the program involves visits by KDIC risk management staff to universities, where they give lectures on the deposit insurance system, KDIC's recruitment process, current issues in the financial industry, etc. (These lectures were usually given by KDIC staff members in person. However, from 2020, in view of social distancing requirements due to COVID-19, the lectures began to be delivered online via platforms like YouTube and Zoom.

2. Equal Opportunities and Social Integration

Increased Fairness and Transparency in the Recruitment Process

Beginning in the second half of 2017, the KDIC adopted a blind recruitment system to provide equal opportunities and a fair process for hiring. The system removes biases by being blind to age, gender and region of origin to solely consider the applicant's competence and suitability for the job in hiring decisions.

A bidding process for recruitment service providers was conducted to select one specialist firm to administer all the KDIC's recruitment for 2021, ensuring recruitment service quality levels were maintained at a high level.

In order to reduce the asymmetry of recruitment information for job seekers, a video of the KDIC's business activities and recruitment procedures (explained by the KDIC Chairman & CEO) was produced and posted on online platforms like YouTube and examples of written and interview questions were made publicly available.

Expansion of Employment for Social Equity

(1) Youth Job Creation by Reducing the Gap between Designated and Current Staff Numbers

The 2021 recruitment plan was drawn up to ensure systematic recruitment with a simulation analysis for the following five years in consideration of internal and external environmental factors, new staffing demands by departments, difference between designated and current staff numbers, mandatory employment rates, etc. In 2021, a total of 36 new recruits were hired (more than the original plan of 30 new recruits) by carefully managing staff capacity and current number of staff.

Internship opportunities were provided to 74 job seekers, similar to the previous year's 75, to support youth job creation efforts.

(2) Social Equity Employment Including the Recruitment of Regional Talent

The KDIC has continued to offer employment opportunities to students in regions with relatively limited recruitment information by holding job fairs. However, due to the spread of COVID-19, these were held using an online platform. The KDIC introduced its recruitment system by participating in the Online Recruitment Fair hosted by the Financial Services Commission and an online job camp to hold a recruitment briefing session for around 120 students from five universities in the Chungju area, located in the vicinity of the KDIC's Global Training Center. It also broadened opportunities for regional talent by awarding extra points to candidates from regional areas in document screening and as a result, hired a total of 13 staffers with regional backgrounds. These efforts resulted in the number of regional talents recruited remaining at a similar level (12 in 2020) to the previous year.

To increase job opportunities for disabled persons, the KDIC recruited six staffers during 2021 by assigning the highest level of extra points (15%) among all public-sector organizations in the financial sector to applicants with disabilities and creating a separate hiring category for the disabled (experiential internship programs). Also, in a bid to increase employment opportunities for those without a college diploma, the KDIC hired two soon-to-be graduates of specialized vocational high schools as regular workers.

Finally, the KDIC sought to increase social equity in the recruitment process by giving preferential treatment to candidates from North Korean defector and muliticultural families in the recruiting of administrative support staff and interns.

3. Safety and the Environment

Operation of the Safety and Public Health Management System

(1) Stronger Management of Corporation-wide Safety and Health

The KDIC's top management declared the Safety and Health Management Policy which would prioritize the life, safety and health of workers and the general public in project and facility management. Safety and health management was carried out throughout the KDIC by maintaining the ISO 45001 international certification for the systematic operation of the health and safety management system and the promotion of other accident prevention activities.

First, senior executives of the KDIC declared that safety and health would take top priority in the management of the Corporation at a ceremony announcing the Safety and Health Management Policy.

Care was also taken to prevent negligent accidents in the KDIC building, especially with top management making on-site inspections of the KDIC building and workplaces of the facility management subsidiary.

In addition, all KDIC staff participated in a risk assessment to eliminate harmful or hazardous factors or minimize their impact. Inspection and operation of the safety and health management system, such as internal examinations conducted by the Corporation itself, provided the basis for the KDIC to maintain the ISO 45001 certification after a follow-up examination by an accredited authority.

Meanwhile, a health care office was installed within the Office of Security Administration to set up a system to prevent diseases that can afflict office workers and perform such work as follow-up management of medical examinations, provision of sanitary products, health counseling, etc.

Health protection measures against heat waves and measures to prevent heat-related diseases were implemented, including the provision of saline glucose and ionic beverages to on-site workers engaged in security and cleaning work.

Operating the safety work permit system and the work suspension system for safety management of contractors enabled effective control of dangerous work, helping to keep the KDIC premises free of accidents during 2021.

Photo IX-1 Safety Activities Participation by Senior Management

Declaration of Safety and Health Management Policy	On site Inspections at the KDIC Bldg.
	

(2) Conducting Safety and Health Education to Cultivate a Safety Culture

The KDIC conducted a wide range of safety and health-related education for all KDIC executives and staff to improve its response in disaster situations in line with the government's policy to strengthen safety management in public organizations and to foster a culture of safety.

First, a non-face-to-face disaster safety training booth was set up in the KDIC building so that staff members could drop by anytime to learn and practice how to do cardio-pulmonary resuscitation (CPR) and how to use a fire extinguisher in case of an emergency such as cardiac arrest or fire.

Also, an annual health and safety education plan was established by analyzing diseases and safety accidents that may occur to office workers and regular training was conducted including health care education on monthly safety inspection days. Various safety and health training videos were posted on the KDIC internal portal so that all employees could access safety knowledge at any time, including Office Safety Guidelines and Prevention of Musculoskeletal Disorders.

In order to ensure safety management at bankruptcy estates, public health specialists from the Corporation visited every bankruptcy estate office to conduct a fire prevention inspection of their facilities and to provide first-aid training such as CPR and instructions on using the automated external defibrillator (AED) to employees.

In the future, the KDIC plans to develop and implement customized safety and health education for office workers to raise employees' safety awareness with training on how to use CPR and AED, seasonal health management, and reduction of job stress.

Photo Ⅸ-2 Safety Education Activities

Safety Training	First Aid Training at a Bankruptcy Estate
	

Implementation of Eco-friendly Activities through the Introduction of an ESG Mileage System

In 2021, the KDIC introduced an ESG mileage system to create a culture conducive to ESG management throughout the Corporation and conducted eco-friendly activities like waste plastic upcycling and GoGo Challenge. Upcycling is an activity that creates new products by recycling discarded items, and by collecting waste PET bottles after meetings and then sending them to social enterprises for upcycling, the KDIC turned the disposable plastic water bottles into 88 eco-bags. GoGo Challenge encourages individuals to post a photo as proof of purchase or use of a personal cup instead of a disposable cup to earn mileage and was actively joined by many executives and employees of the KDIC.

Photo IX-3 **Upcycling Activities** (Waste plastic → Eco-bags)

4. Co-prosperity, Cooperation and Regional Development

Support for the Revitalization of Local Economies and Social Economy

(1) Realization of Social Values through the Utilization of Unsold Properties Associated with PF Loans

The KDIC has managed and disposed of real estate properties held as collateral for PF lending by the 30 mutual savings banks that became insolvent and subsequently bankrupt from 2011 through 2015. Most of the PF real estate in good locations with relatively clean legal rights have already been sold and the remaining ones are either located in unpopular areas or entangled in an ownership dispute.

Rather than leaving these unsold PF building spaces empty, the KDIC pursued their public utilization, in consideration of the social values that could be created by making them available to young entrepreneurs, local residents, the socially disadvantaged, etc., and the resulting increase in pedestrian flow and property value led to the sale of those properties.

The KDIC surveyed and analyzed the locations and claims categories of all 236 unsold PF real estate sites to select 16 that could be turned into spaces for public utilization and began discussions with relevant stakeholders. Since the KDIC, as the collateral holder and not the owner, could not decide on their public use independently, it pursued this project by explaining and persuading stakeholders* of the project's usefulness in raising sale prices of those properties.

* (Creditor) Difficulty in selling due to eviction issues, (Original Owner) No revenue generated, (Trust Company) Difficulty in management

As a result, the KDIC was successful in acquiring use of some real estate. It then proceeded to work with local authorities and social entities to utilize the sites as startup incubators, retail spaces for selling local specialty products, consulting spaces for social enterprises as well as learning centers for local residents.

To support young entrepreneurs experiencing difficulty in paying rent due to COVID-19, the KDIC collaborated with the Chungcheongbuk-do Academy of Young Entrepreneurship to rent two stores in the Olive Shopping Mall in Cheongju City as start-up spaces, free of charge. Another shopping mall store in Namyangju was offered to promote products intended for sale by the Korea Federation of Micro Enterprise in cooperation between the KDIC and the Namyangju City government.

Table IX-1 Use of PF Project Sites for the Public Good

Year	PF Buildings Used	Utilization (Beneficiaries)
2018	One shopping mall store in Yongin Jukjeon	Experience of traditional pottery making, and production and sale of potteries (Children from social welfare centers, etc.)
	Two shopping mall stores in Sangam-dong and Hwanghak-dong, Seoul	Promotion and sale of local specialty products (Farmhouses located in Jeongseon County, Gangwon Province)
	An old historical house (Cultural Asset of Asan, South Chungcheong Province)	Free opening of a cultural asset for viewing (General public including visitors)
2019	Four shopping mall stores in Hwanghak-dong, Seoul	Young artist startup offices <Two stores> (Young artists) Shared office for a coop <One store> (Those wishing to start a social enterprise) Learning center for local residents <One store> (Local residents)
	One store in an underground shopping mall in Nonhyun-dong, Seoul	K-POP dance learning experience (Children from multicultural families)
	Artworks held as collateral	Art exhibition to cultivate cultural sensitivity (Children in after-school care programs)
2020	Trees on the site near the golf course in Cheonan	Art exhibition to cultivate cultural sensitivity (Children in after-school care programs)
2021	Two shopping mall stores in Olive Shopping Mall, in Cheongju City	Free start-up space (two young entrepreneurs)
	One shopping mall store in Rich Plus Shopping Mall, in Namyangju City	Promotion of Products Intended for Sale (Korea Federation of Micro Enterprise)

Photo IX-4 Public Utilization of Shopping Mall Units in Cheongju and Namyangju

Young Entrepreneur (POPCOZ)	Young Entrepreneur (ARCANE37)	Rich Plus Shopping Mall in Namyangju City
		

The KDIC plans to continue efforts to contribute to realizing social values and regional development by securing additional vacant shopping malls and finding ways to put them to productive use through cooperation with local governments and social organizations.

(2) Co-prosperity and Regional Development through Social Contribution Activities

In 2021, in response to the national disaster situation brought about by the coronavirus pandemic, the KDIC engaged in various social contribution activities to protect at-risk social groups and to support small business owners (SBOs), farmers, etc.

In response to the prolonged situation of COVID-19, the KDIC sponsored 211 social welfare facilities that take care of the elderly living alone, the disabled, and local children. Essential household appliances like refrigerators and washing machines were given to small facilities in relatively poor neighborhoods. For persons with disabilities and local children who found it hard to access cultural experiences due to social distancing, support was provided in the form of helping them to attend performances in a safe manner in collaboration with the National Jeongdong Theater. These and other efforts represented the KDIC's aspiration to develop customized sponsorship projects that meet the circumstances and needs of the recipients.

In doing social contribution activities, the KDIC sought to find ways to help multiple groups at the same time - not just the direct targets of sponsorship, but also other groups suffering from COVID-19. For example, support for welfare facilities delivered by way of Onnuri Gift Certificates was expanded as an indirect way to help small retail businesses and traditional market merchants as Onnuri Gift Certificates could only be used at their stores. Also, the Haengbok Yegam farmers' market was held to support farmers and social enterprises having difficulties maintaining their markets due to COVID-19. The KDIC bought fresh produce from farmers using several channels, one of which was the collaboration with Woori Financial Group under which grocery packages were produced to be given to families in need during the national holiday period. Furthermore, by purchasing goods to be donated to resource-deprived welfare facilities like refrigerators from small businesses through Dongban Mall, an online shopping mall run by the Small & Medium Business Distribution Center, the KDIC could help both small businesses and welfare facilities at the same time.

Meanwhile, environmental protection activities in the local community were bolstered despite the restrictions on collective volunteer activities due to social distancing, including the environmental cleanup activities in and around the Cheonggyecheon Stream under a business agreement on social contribution (called Beautiful Belt around Cheonggyecheon) signed with the Seoul Facilities Corporation. The KDIC continued its policy of matching each department with a welfare facility of their choice to provide sponsorship and volunteer work. It also identified various other at-risk groups and helped them. For instance, the KDIC provided cold-weather supplies to the families of people of national merit and scholarship to children from low-income families.

Photo IX-5 Co-prosperity, Cooperation and Regional Development through Social Contribution Activities

Sponsorship for the Socially Vulnerable to Overcome COVID-19	Opening of a Farmers' Market to Expand the Market for Rural Areas
	

In particular, the KDIC held a farmers' market in front of its corporate headquarters and donated agricultural products purchased through the National Association of Eco-friendly Agricultural Producers to welfare facilities. In recognition of its efforts to develop and grow farmers, the KDIC was selected as an Organization Recognized for Social Contribution in Rural Communities by the Ministry of Agriculture, Food and Rural Affairs in December 2021. The KDIC will continue its efforts to conduct social contribution activities to provide practical support to underserved neighbors in our community while also engaging in various activities to solve social problems that demand attention, such as environmental issues, in order to carry out its social responsibility as a public-sector organization.

Table IX-2 Social Contribution Activities in 2021

(As of the end of 2021, Unit: No. of times, No. of persons)

Category	Program Name	Activities	Note	2021 Achievements	
				No. of Times	No. of Participants (Recipients)
Neighbors	Support for the underprivileged such as neighbors in need	Sponsorship and volunteering to serve meals for neighbors and welfare facilities needing help	Every year since May 2008	212	-
	KDIC scholarship	Granting of scholarships to high school students from low income households	Every year since 2005	1	(20)
Local Communities	Revitalizing traditional markets	Designation of the day for KDIC members to visit a traditional market, purchase of foodstuff from traditional markets before national holidays and sponsorship of welfare facilities	Every year since Aug. 2011	591	1,245
	Support for persons of national merit and military officers	Support activities for persons of national merit and military officers such as delivery of heating briquettes and encouragement gifts	Every year since 2014	2	-
	Matching one facility with one department	Sponsorship and volunteer work by each department at the social welfare facility of their choice	Every year since Sept. 2006	59	-
Rural Villages	Revitalizing rural economies	Rural community support through helping out at farms and taking part in farming experience events	Every year since Nov. 2005	-	-
	Haengbok Yegam farmers' market	Held farmers' markets to promote and sell goods from farmers and social enterprises	Every year since Jul. 2015	1	-
Environment	Environmental protection	Clean up and beautification of the Cheonggyecheon Stream	Every year since Apr. 2014	2	20
Total				**2,886**	**1,265**

(3) Efforts for Co-Prosperity through Participation in Local Communities

To prevent safety accidents that can happen due to cold winter conditions like gas leaks and increased indoor activities from the spread of COVID-19, the KDIC provided 250 gas circuit breakers produced by social enterprises to the elderly and other socially vulnerable groups in Jung-gu, Seoul. In 2019, the KDIC offered fire safety equipment as well as financial literacy education and fire safety training to traditional market merchants in collaboration with Jungbu Fire Station under the shared value of ensuring safety in the local community. This was continued in 2020 with the provision of fire alarms and fire extinguishers for vulnerable people in the neighborhood, setting an exemplary model of cooperation in the local community. The two organizations plan to faithfully carry out their roles as guardians of local residents' safety and property in the future.

Photo IX-6 Provision of Automatic Gas Circuit Breakers for Those Vulnerable to Fires

(4) Expanded Provision of Financial Information to the Socially Marginalized and Public Disclosure of Data

1) Promotion of Safe Education Environment and Non-face-to-face Education in Response to the Prolonged Pandemic

Prompted by the global financial crisis in 2008 and the rising need for financial literacy education, the KDIC began providing financial literacy education for financially underserved people starting with the elderly in 2010 branching out each year to multicultural families, the disabled, families of North Korean defectors and local children with the aim of protecting financial consumers and supporting their sound financial lives.

During 2021, in response to the COVID-19 situation, efforts to secure a safe education environment were continued to conduct a total of 845 financial literacy education sessions for 14,874 people including the elderly and the disabled.

Safe education environment was created by applying stricter social distancing rules than government guidelines, dividing instructor offices and lounge areas into smaller partitions for distancing, and improving rules of conduct. A total of 637 face-to-face instructor training sessions were held with a greater focus on on-site inspection of teaching practices such as the introduction of online observation evaluation. These activities contributed to the elimination of blind spots in financial literacy, especially among the elderly and those living in underprivileged areas who are at higher risk of falling victim to financial frauds and scams.

The KDIC also made more use of remote teaching and learning by improving its online education contents to meet rising demand for non-face-to-face education in view of COVID-19.

IX

KDIC

Financial education on YouTube channels which are more accessible by vulnerable groups has been greatly expanded (from 74 sessions to 114 sessions) by creating additional online contents designed for the elderly, the disabled and local children. Other non-face-to-face education tools including interactive video streams in which instructors and students can talk in real time were newly adopted.

Table IX-3 Non-face-to-face Financial Literacy Education Programs

Category	YouTube Education	Real Time Interactive Education
Targets	The financially vulnerable	The financially vulnerable, future financial consumers, etc.
Content	- (The elderly) Scheme to support the return of misdirected money transfers, etc. - (The disabled) Planned money management, etc. - (Local children) Digital finance, etc.	- Conducting real-time and interactive financial education using Zoom
Results	114 times	94 times
Photos		

2) Greater Opening of Data to the Public

The KDIC has opened a wide array of data that may be of interest and use to the public through its website and the government's open data portal. The data items disclosed include financial products covered by deposit insurance, a list of insured financial institutions, and scheduled auctions of properties held by bankruptcy estates.

As of the end of 2021, a total of 48 data items were opened to the public, including five additional public data, such as the information on the KDIC's social contribution activities and research and analysis published by major overseas financial organizations during 2021. Based on an analysis of the public's usage of the data and a poll of public opinions, the KDIC increased public disclosure of data that showed the financial conditions of KDIC-insured financial companies and improved user convenience.

In order to continuously open data to the public, a survey of all new data items was conducted which identified two new data items for public disclosure and two additional improvements to be made. The results of this survey were reflected in the KDIC's 2022 public data implementation plan.

As a result of these efforts to expand and improve access to data for the public, the KDIC was awarded the highest grade (Excellent) for the second consecutive year in the evaluation of public data provision and operation conducted by the Ministry of Public Administration and Security.

3) Provision of Free Legal Counseling for the Financially Vulnerable

The KDIC provides free legal counseling to prevent financial losses of the socially underprivileged and to protect their rights and interests, in cooperation with social welfare organizations. This service began in 2008 to take advantage of the KDIC's in-house expertise in finance and law as part of its social contribution activities. During COVID-19, remote counseling through e-mail was introduced to expand the service nationwide. In 2021, counseling was conducted using video conferencing and the scope of beneficiaries was expanded from senior welfare centers to include more people in cooperation with welfare centers for the disabled.

Promotion of Win-Win Cooperation with SMEs and SBOs

(1) Supporting the Growth of Social Enterprises to Overcome the Fallout from COVID-19 and to Promote the Korean New Deal

The KDIC launched the KDIC-Hope New Deal project to support small- and medium-sized social enterprises suffering from COVID-19 and to promote co-prosperity. In collaboration with the Center for Social Value Enhancement Studies (CSES), the KDIC assessed each candidate based on the degree of damage inflicted by COVID-19 and the relevance of their business to the Korean New Deal in areas like digital, green, safety nets, regional balance and the possibility of continued collaboration. Following a video interviewing process, 26 social economy enterprises were selected to receive growth support grants.

Collaboration projects with a total of seven companies were implemented to support the sustainable growth of social economy enterprises including five selected this year in addition to the two selected in 2020.

The KDIC's sponsorship and collaboration projects with 26 social enterprises contributed to the employment retention and job security of around 300 staffers working in those enterprises. In the future, the KDIC plans to identify and promote sustainable cooperative projects with selected social economy enterprises, while expanding these efforts by finding more social economy enterprises working in areas of interest to the Korean New Deal.

Table IX-4 Details of Collaborative Projects for Social Economy Enterprises in 2021

Social Economy Enterprise (Business Area)	Collaboration Details
Remann (Re-manufacturing and recycling IT equipment)	• Repair of expired PCs (200 units) ▸ Donated to those socially vulnerable people to information (the disabled, etc.)
Human & Tech (Manufacturing of gas circuit breakers)	• Purchase of gas circuit breakers ▸ Donated to groups vulnerable to fires in the local community
ONASIA (Interpretation and translation education and self-reliance support for multicultural women)	• Supported the production of promotional videos for the project
Kyonam Dongsan (Producing eco-friendly agricultural products and supporting the self-reliance of the vulnerable)	• Supported the production of promotional videos for the project ▸ Support for investment in production facilities using investment resources for shared growth
The Big Issue Korea (Support for self-reliance of hose vulnerable to residential issues)	• Deposit insurance system, scheme to support the return of misdirected money transfers ▸ Public service advertising
Nanum Food (Manufacture and sale of red ginseng-related products such as red ginseng extract)	• Invited to the farmers' market hosted by the KDIC ▸ Support for sales booth provision, etc.
Soopstory (Recycling and sales of goods)	• A campaign to share used goods by KDIC employees ▸ Donated 460 Quality Items

(2) Stronger Win-win Cooperation with SMEs and SBOs by Improving Payment Settlement Methods

The KDIC developed measures to explore a payment settlement method that would benefit both the KDIC and the merchant and ensure that SMEs can securely collect payment and reduce costs and established the Win-Win Payment System through the signing of an agreement with NH Nonghyup Bank and joining its payment platform. The Win-Win Payment System is an electronic payment system in which the merchant is guaranteed cash payment on the settlement date, while prior to the settlement date, it is also possible to cash out payments early at a low fee, similar to that charged to public-sector organizations. To encourage the system's use throughout the Corporation, the KDIC held presentations to explain it to the departments and included an item on the checklist for screening bids for contract awards to ask whether the bidder can use the system. After being introduced in July 2021, it was used twice recording payments worth KRW 34 million.

To help SBOs improve business management amid the difficulties of the coronavirus pandemic, the KDIC actively promoted the use of Zero Pay, a QR-based mobile payment service introduced by the government to lower credit card processing fees for small merchants and businesses. Efforts to increase the use of Zero Pay included: the expansion of budget expenditures that allow the execution of expenses to restaurants, which make up a majority of members in the Zero Pay network; user training such as providing information on stores where Zero Pay is accepted; and reflecting Zero Pay use in performance evaluation of departments. As a result, win-win cooperation was realized by easing the burden of payment fees for SBOs, and the total number of Zero Pay transactions amounted to 2,118 with KRW 161 million in value in 2021 (up from 1,541 and KRW 63 million from a year ago, respectively).

(3) KDIC Best Practice Model for Contracting to Build a Fair Economic Order

Based on the KDIC Best Practice Model for Contracting introduced to create a fair dealing culture with its business partners, the KDIC identified ares of improvement in each of the four categories of the model - the public, suppliers, private-sector companies and voluntary compliance with fair transaction practices - and made improvements to solidify the basis to establish a fairer economic order. The KDIC plans to set a good example by continuously identifying and improving unfair trade practices that may infringe on the rights and interests of its business partners.

Table IX-5 Improvement Requirements and System Improvement Performance for Each of the Four Types of Best Transaction Models

Category	Areas of Improvement	System Improvement Performance
The Public (Revenue Contacts)	• To participate in overcoming the economic crisis caused by COVID-19 and sharing of losses	• 50% reduction in rent for tenants in the KDIC building • Compensation for losses suffered by the contractor running the company cafeteria → Rise in the unit price of dinners
Suppliers (Expenditure Contracts)	• Need for an institutional mechanism to protect SMEs' technologies • Regulations needed to prevent preferential treatment, such as awarding of contracts to particular companies or persons • Need to get rid of clauses that would allow the termination of agreements due to vague and broad reasons	• Non Disclosure Agreements made mandatory with changes in internal regulations on contracting • Restrictions on the disclosure of specifications prior to bidding and on entering non-competitive contracts with retirees • A consent form template specifying clear conditions for contract termination was developed and distributed
Private-sector Companies	• Need to expand protection of subcontractors to prevent delays in payments and wages for subcontractor workers	• 100% utilization of the government's payment system for public-sector organizations to pay subcontractors for two consecutive years, doubling in numbers (3 cases in 2020 → 6 cases in 2021)
Internal Rules for Compliance with Fair Transaction Practices	• Need for clear standards for imposing sanctions when unfair acts such as bribery are detected	• Clarification of the grounds for disciplinary action against abuse of office or power by revising internal regulations related to personnel affairs

(4) Support for Regional Development through the Implementation of the Neighborhood Bookstore Support Program

The KDIC promoted the Neighborhood Bookstore Support Program to contribute to co-prosperity and cooperation with small business owners and revitalization of the local economy. Previously, the Information and Data Support Office, which manages the in-house library, used to purchase books from a single point of purchase (Kyobo Bookstore) for efficiency and cost saving but now employees can buy the books directly from local independent bookstores*. Employees submit the books purchased and receipts to the library staffer for reimbursement and the books become instantly available for check out once registered in the library system.

* Neighborhood bookstores that are on bookshopmap.com, or those verified by the library staffer

During 2021, a total of 125 books were bought under the program and the KDIC produced card news introducing major neighborhood bookstores located in Seoul on two occasions that was posted on the KDIC portal as a way of promoting the program as well as neighborhood bookstores. In the future, the Corporation plans to expand the program to contribute to the creation of social values in service of the public interest.

Figure IX-4 Card News on Support System for Neighborhood Bookstores

(5) Organizational Foundation and New Programs for Shared Growth with SMEs and SBOs

In line with the KDIC's designation and announcement as an organization subject to the Evaluation of Performance on Promoting Shared Growth in 2020, the KDIC drafted a plan to pursue shared growth goals in 2021, and achieved substantive results by preparing measures for each detailed indicator. New programs aimed at profit sharing in a spirit of cooperation, Win-Win Payment, etc. were implemented. Company-wide participation was encouraged and performance was driven by education, training and integration of shared growth goals into performance evaluation. These measures had the effect of establishing an organizational foundation to create shared growth with SMEs and SBOs, contributing to the creation and widespread adoption of a culture of win-win cooperation.

5. Ethical Management

The KDIC is working hard to realize social values by elevating its business ethics to match the public's "eye level," a strategic task in line with the rising expectations for ethical management.

In June 2021, the KDIC underwent the follow-up procedure for the Anti-bribery Management Systems (ISO 37001) certification it had acquired during the previous year. By successfully certifying for the standard without nonconformity, despite an even more rigorous assessment of corruption risks than before and thorough document and face-to-face examinations, the KDIC was able to confirm that its anti-corruption system was well established and functioning smoothly.

In addition, the KDIC carried out refinement of its internal system in preparation for the upcoming implementation of Act on the Prevention of Conflict of Interest in May 2022 to prevent the pursuit of private interests using inside information. For instance, restrictions on stock investment by employees who are engaged in relevant work with authority over certain IT systems were put in place. In April 2021, a strong set of regulations were developed to limit employee participation in sales of assets by the KDIC including those of bankruptcy estates.

The KDIC continued to implement strict policies that aim to remove at source potential risks of corruption that can occur at work through its Integrity Monitoring System and Measures to Strengthen Management of Job-related Contact with Outside Parties. This was rewarded with the maintenance of a high grade (Grade 2) in an external integrity assessment. To disseminate the culture of integrity to the public, the KDIC organized a stage performance of a play themed around integrity and invited members of the general public to watch it together with KDIC executives and employees. The KDIC also strengthened its public relations efforts to raise public awareness by using the Corporation's social media channels to conduct public integrity quiz events, etc.

Additionally, the KDIC offered incentives which got an instant reaction from employees through an ideas contest for anti-corruption and integrity policies and worked hard to internalize a culture of integrity by constantly reminding the staff of related policies and any new programs using Integrity Day and Integrity Talks. Other efforts are underway to establish a culture of integrity and ethical management, including an “integrity relay race” among senior management and customized education targeting different groups such as high-ranking officers, the entire staff, persons in positions vulnerable to corruption, newly promoted employees and new recruits to raise their awareness about power abuse, employee code of conduct and conflicts of interest.

The KDIC is also responding to the government’s emphasis on human rights and the National Human Rights Commission’s recommendation to implement the human rights management manual. The Human Rights Management Committee, which is composed of various stakeholders such as external experts on human rights and members of the labor union, was held to discuss and confirm the direction and plan for the promotion of human rights management. By conducting a human rights impact assessment for major business functions, the KDIC tried to identify, in advance, actual and potential human rights risks that may arise in the course of business. Also, the accessibility and convenience of reporting cases was improved by simplifying the interface of the system for reporting human rights violations.

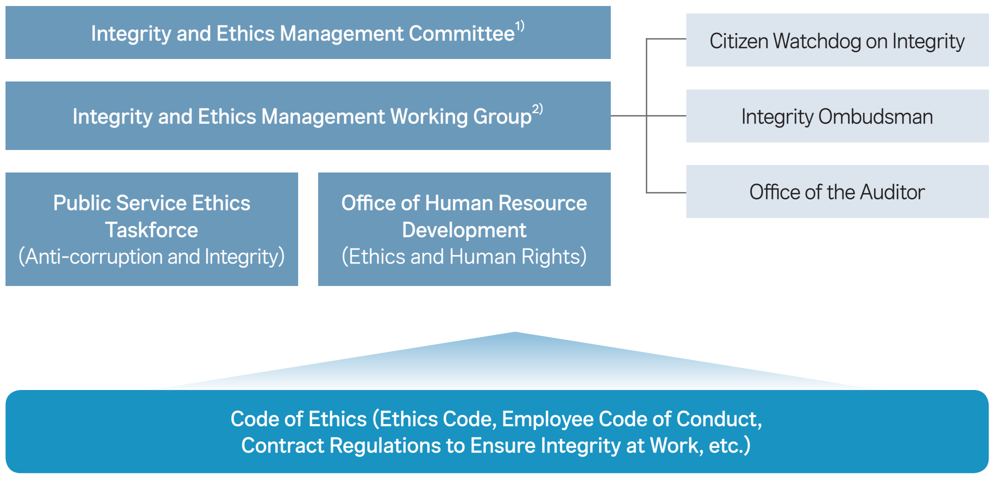
The KDIC will continue to perform its social responsibilities including respect for human rights as a public-sector organization.

Table IX-6 Strategic Map for Ethical Management

Mission	Depositor Protection and Maintenance of Financial Stability		
Vision	Safe Deposits, Compassionate Finance and Happy People		
Vision for Ethical Management	KDIC Trusted by the Public (Slogan: Integrity, knowing and preserving KDIC staff!)		
Strategic Goals	Re-establishment of the Ethical Management System	A leap towards anti-corruption and integrity	Embedding a culture of respect for human rights
Annual Tasks (9)	Three tasks including refining the code of ethics in accordance with changes in the ethical environment	Three tasks including laying the groundwork for enhancing integrity through an organizational diagnosis	Three tasks including efforts to prevent human rights violations

System to Pursue Ethical Management

Compliance and Ethical Management Implementation System



※ Composition and Functions

1) Composed of the KDIC Chairman & CEO, Executive Vice President, Executive Directors (4) for the deliberation and resolution on major matters

2) Composed of the Directors of six related departments including the Public Service Ethics Taskforce and the Office of Human Resource Development

X Account Settlement for Fiscal Year 2021

1.
Overview of Account Settlement

The KDIC has classified its funds into four accounting units: the Deposit Insurance Fund (DIF), the Account for Supporting the Return of Misdirected Money Transfers (Support Account), 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, the Support Account and the KDIC Internal Account issue consolidated financial statements with the exception of internal transactions between separate accounting entities 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 account settlement of 2021, the audit was conducted by Yeil LLC, and the auditor's opinion was "qualified".

2.

Criteria for Account Settlement

The financial statements of the DIF, the Support Account 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.

I. Deposit Insurance Fund, Support Account and KDIC Internal Account

1. Accounting for Assets and Liabilities

Classification and Valuation of Securities

(1) 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 financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets carried at amortized cost, and investments in associates, according to their nature and ownership purpose.

(2) Valuation of Securities

The value of financial assets at fair value through profit or loss is estimated by the fair value method. Gains/losses on remeasurement to fair value or on the sale of assets are recorded as net income/losses.

The value of financial assets at fair value through other comprehensive income is estimated by the fair value method. Unrealized gains/losses on those 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 assets are sold or impairment losses are recognized. If it is impossible to reliably measure the fair value of non-marketable equity securities among financial assets at fair value through other comprehensive income, they are evaluated at their acquisition cost.

As for financial assets carried at amortized cost, the difference between their acquisition cost and maturity face value is depreciated, with application of the effective interest rate method, over the life of the assets. Such depreciated amount is added to, or deducted from the 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's 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 financial assets at fair value through profit or loss or through other comprehensive income, 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.

The bad debt allowance is set by estimating expected losses from loans or 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

The KDIC is accumulating provisions by estimating expected losses from pending litigation, etc.

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 booked 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.

2. 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 and interest income arising from deposits, etc. is recognized as time passes, but interest income from uncollectable loans is recognized on a cash basis as the income is unlikely to be realized.

Cut-off for Recognition of Revenues and Expenses

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

(i) 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.

(ii) 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.

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

II. DIF Bond Redemption Fund

1. 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.

2. Accounting for Assets and Liabilities

Classification and Valuation of Securities

(1) 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 investment 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.

(2) 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 initial book value, the amount of the 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 Redemption Fund 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 (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.

3. 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 future 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

1. Integration of the Deposit Insurance Fund, Support Account and KDIC Internal Account

Financial Status

Assets totaled KRW 16.4576 trillion as of the end of 2021, up 5.9% (KRW 911.7 billion) from the previous year. This increase is mainly attributable to KRW 920.2 billion and KRW 165.3 billion increases in operating assets and accrued insurance premiums, respectively and a KRW 162.2 billion reduction in long-term indemnity receivables.

As of the end of 2021, total liabilities stood at KRW 7.8876 trillion, down 14.3% (KRW 1.3152 trillion) year-on-year. This is mainly ascribed to a KRW 1.3202 trillion repayment of Deposit Insurance Fund Bonds and borrowings, issued to fund the Special Account, with deposit insurance premiums and bankruptcy dividends.

Total equity increased by KRW 2.2269 trillion or 35.1% to KRW 8.5700 trillion as of end-2021 from a year ago, largely due to positive net income of KRW 2.2853 trillion.

Profits and Losses

In 2021, net income stood at KRW 2.2853 trillion, up KRW 373.8 billion or 19.6% from 2020.

The operating profits, calculated by deducting operating costs from operating revenues, amounted to KRW 2.1023 trillion. The operating revenues (KRW 2.3827 trillion) are mainly comprised of insurance premium revenues (KRW 2.2001 trillion) and interest income earned from asset management (KRW 169.4 billion). The operating costs (KRW 280.4 billion) include interest expenses (KRW 156.8 billion) for bonds issued to fund the Special Account and other borrowings, and KDIC operating expenses (KRW 112.8 billion).

Meanwhile, the amount of other income was KRW 182.9 billion, mainly attributable to the net reversal of allowances for bad loans (KRW 181.4 billion) due to an increase in expected recovery of indemnity receivables.

2. Redemption Fund

Financial Status

As of the end of 2021, the total assets of the Redemption Fund stood at KRW 3.1499 trillion, up KRW 18.2 billion or 0.6% from the end of the previous year. This was mostly due to an increase in assets under management (KRW 716.3 billion), despite a reduction in the value of long-term securities (KRW 668.2 billion).

Total liabilities, as of the end of 2021, decreased by KRW 1.4913 trillion or 99.8% year-on-year to KRW 2.5 billion. This is primarily attributable to a net redemption (KRW 1.48 trillion) of Redemption Fund Bonds by use of special contributions, proceeds from the sale of shares and stock dividends.

As of the end of 2021, total net equity stood at KRW 3.1474 trillion, up KRW 1.5095 trillion from the end of 2020. This is primarily due to the achievement of KRW 2.6662 trillion in net income despite the transferring of KRW 1.25 trillion in contributions to the Public Fund Repayment Fund.

Profits and Losses

In 2021, the Redemption Fund's financial operation* generated a negative balance of KRW 2.6662 trillion, recording a year-on-year increase of KRW 489.6 billion or 22.5%.

* 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 (-)484.2 billion. This figure was arrived at by deducting program income of KRW 832.7 billion from the total program costs of KRW 348.5 billion. Total program costs consist of losses on disposal of contributed assets (KRW 300.1 billion), interest expenses on Redemption Fund Bonds (KRW 11.7 billion) and others. Program income is comprised of gains on disposal of contributed assets (KRW 620.5 billion), dividend income (KRW 162.7 billion), interest income on loans to the KR&C (KRW 47.6 billion) and the like.

The net cost for financial management came to KRW (-)489.0 billion, which was calculated by adding KRW 3.2 billion in administrative and general expenses and deducting KRW 8.0 billion in non-allocated revenues from the net program costs of KRW (-)484.2 billion. The administrative and general expenses above refer to management expenses including labor costs and general expenses that are not allocated to program costs. Non-allocated revenues are those that are not related to program operation.

The financial operation result of KRW (-)2.6662 trillion was calculated by deducting non-exchange revenues of KRW 2.1772 trillion from the net cost for financial management of KRW (-)489.0 billion. Non-exchange revenues above are special contributions received that arise without any direct consideration in return.

Table X-1 Condensed Statement of Financial Position

Current Period: As of Dec. 31, 2021
Previous Period: As of Dec. 31, 2020

(DIF, Support Account 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	**11,019.2**	**11,407.5**	**Current Liabilities**	**2,777.9**	**2,533.3**
1. Cash and Cash Equivalents	23.6	11.4	1. Accounts and Other Payables	54.9	59.9
2. Current Financial Assets	9,652.1	10,192.5	Short-term Accrued Expenses	47.3	54.3
			Captial lease liabilities, etc.	7.6	5.6
Financial Assets Carried at Fair Value through Profit or Loss (MMF)	62.1	39.8			
			2. Current Financial Liabilities	2,718.7	2,469.9
			Short-term borrowings	18.6	-
Financial Assets carried at Fair Value through Other Comprehensive Income (Bonds)	1,882.2	2,334.0			
			Bonds	2,700.0	2,470.0
Short-term Loans	62.8	62.8	Discounts on Bonds Payable	0.1	(-)0.1
(Allowance for Doubtful Accounts)	-	(-)3.8	3. Current Non-financial Liabilities	1.8	1.2
Short-term Financial Instruments	7,645.0	7,759.7	Short-term Deposits	1.8	1.2
3. Trade and Other Receivables	1,343.4	1,203.5	4. Current Provisions	2.5	2.3
Misdirected Money Transfer bond	0.9	-	Current Provisions for Employee Benefits	2.5	2.3
Short-term Accrued Income	1,342.3	1,203.4			
Others	0.2	0.1			
4. Current Non-financial Assets	0.1	0.1			
Short-term Prepaid Expenses	0.1	0.1			
Non-current Assets	**5,438.4**	**4,138.4**	**Non-current Liabilities**	**5,109.7**	**6,669.5**
1. Non-current Financial Assets	4,566.2	3,114.0	1. Long-term Trade Payables and Other Liabilities	16.7	19.4
			Capital lease liabilities	16.7	19.4
Financial Assets Carried at Fair Value through Other Comprehensive Income (Bonds)	4,307.2	3,099.4			
			2. Non-current Financial Liabilities	5,085.6	6,635.6
Long-term Loans	0.6	0.6	Long-term Borrowings	250.0	250.0
Long-term Financial Instruments	258.4	14.0	(Present Value Discount)	(-)33.6	(-)40.8
2. Long-term Trade and Other Receivables	10.2	9.1	Deferred Income from Government Grants	29.0	35.9
Long-term Deposits Provided	11.1	10.1	Bonds	4,840.0	6,390.0
(Present Value Discount)	(-)0.9	(-)1.0	Discounts (Premiums) on Bonds Payable	0.2	0.5
3. Tangible Assets	41.4	41.3	3. Non-current Non-financial Liabilities	7.4	7.4
Lands	5.2	5.2	Other Non-current Non-financial Liabilities	7.4	7.4
Buildings	10.2	10.2	4. Employee Benefit Liabilities	-	7.1
Structures	1.8	1.8	Net Defined Benefit Liabilities etc.	-	7.1
Assets under construction	1.4	0.1			
License assets	31.3	35.5			
Other Tangible Assets	27.7	27.6	**Total Liabilities**	**7,887.6**	**9,202.8**
(Accumulated Depreciation)	(-)36.2	(-)39.1			
4. Intangible Assets Other than Goodwill	0.6	0.6	**Retained Earnings**	**8,621.9**	**6,327.7**
Other Intangible Assets	0.6	0.6	Net income: (+) 2,285.3		
5. Net Defined Benefit Assets	9.0	-			
6. Non-current Non-financial Assets	811.0	973.4	Changes in Other Retained Earnings: (+) 8.9		
Long-term Advanced Payment	0.7	0.9	**Elements of Other Equity**	**(-)51.9**	**15.4**
Long-term Indemnity Receivables	14,499.9	14,839.6	Accumulated Other Comprehensive Income (Loss)	(-)519	15.4
(Allowance for Doubtful Accounts)	(-)13,689.6	(-)13,867.1	**Total Equity**	**8,570.0**	**6,343.1**
Total Assets	**16,457.6**	**15,545.9**	**Total Liabilities and Equity**	**16,457.6**	**15,545.9**

Table X-2 Condensed Income Statement

Current period: For the year ended December 31, 2021
Previous period: For the year ended December 31, 2020

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

Categories	Current Period	Previous Period
Income from Operations (A=B–C)	**2,102.3**	**1,808.8**
Operating Revenues (B)	**2,382.7**	**2,124.3**
Premium Revenues	2,200.1	1,906.9
Interest Revenues	169.4	204.4
Transfer Income	7.3	7.1
Misdirected Money Transfers Income	0.1	-
Other Income	5.8	5.9
Operating Expenses (C)	**280.4**	**315.5**
Interest Expenses	156.8	193.7
Personnel Expenses	81.4	79.3
General Expenses	42.18	42.5
Misdirected Money Transfers Expenses	0.02	-
Other Gains and Losses (D)	**182.9**	**102.5**
Net reversal (transfer to) allowance for bad loans	181.4	(-)47.9
Others	1.5	150.4
Financial Gains and Losses (E)	**0.1**	**0.2**
Gains on Disposal of Financial Assets etc.	0.1	0.2
Net Profit of Loss for Current Period (F=A+D+E)	2,285.3	1,911.5
Other Comprehensive Income (G)	(-)58.4	(-)1.1
Total Comprehensive Income (H=F+G)	2,226.9	1,910.4

Table X-3 Condensed Statement of Financial Position

Current period: As of December 31, 2021
Previous period: As of December 31, 2020

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

ASSETS	Amount		LIABILITIES and EQUITY	Amount	
	Current period	Previous period		Current period	Previous period
Current Assets	1,114.4	397.9	Current Liabilities	0.1	1,493.8
1. Cash and Cash Equivalents	1,113.1	86.8	1. Current Portion of Long-term Liabilities	-	1,480.0
2. Short-term Financial Instruments	-	310.0	2. Other Current Liabilities	0.1	13.8
3. Outstanding Bonds	1,104.1	1,103.9	Long-term Borrowing Liabilities	2.4	-
(Allowance for Doubtful Accounts)	(-)1,102.8	(-)1,102.8	1. Provision for Litigation	2.4	-
Investment Assets	2,028.1	2,726.4	Total Liabilities	2.5	1,493.8
1. Long-term Loans	14,281.5	14,281.5			
(Allowance for Doubtful Accounts)	(-)13,998.9	(-)13,968.8	Net Asset		
2. Long-term Investment Securities	1,745.5	2,413.7	1. Net Asset	52,306.4	52,306.4
Other Non-current Assets	7.4	7.4	2. Reserves and Surplus	(-)49,143.4	(-)50,559.6
1. Long-term Indemnity Receivables, etc.	7.4	8.5	3. Net Asset Adjustment	(-)15.6	(-)108.9
(Allowance for Doubtful Accounts)	-	(-)1.1	Total Net Asset	3,147.4	1,637.9
Total Assets	3,149.9	3,131.7	Total Liabilities and Net Asset	3,149.9	3,131.7

Table X-4 Condensed Financial Operating Statement

Current period: As of December 31, 2021
Previous period: As of December 31, 2020

(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	348.5	(-)832.7	(-)484.2	100.4	(-)281.7	(-)181.3
1. Financial Policy Support	348.5	(-)832.7	(-)484.2	100.4	(-)281.7	(-)181.3
Interest Expense	11.9			81.7		
Allowance for Doubtful Accounts	32.1			18.6		
Losses on Disposal of Contributed Assets	300.1			-		
Payment Fees etc.	4.4			0.1		
Dividend Income		162.7			240.2	
Interest Income from Loans to Non-Government Organizations		47.6			41.4	
Gains on Disposal of Contributed Assets		620.5			-	
Reversal of Allowances for Doubtful Accounts		1.9			-	
Miscellaneous Revenue etc.		-			0.1	
Ⅱ. Management and Administrative Expenses			3.2			3.3
1. Commissions Paid			3.2			3.3
Ⅲ. Non-Allocated Costs			-			-
1. Valuation Losses			-			-
Ⅳ. Non-Allocated Revenues			8.0			24.6
1. Interest Income			8.0			24.6
Ⅴ. Net Cost for Financial Operation (Ⅰ+Ⅱ+Ⅲ−Ⅳ)			(-)489.0			(-)202.6
Ⅵ. Non-Exchange Revenues			2,177.2			1,974.0
1. Revenues from Contributions			2,177.2			1,974.0
Ⅶ. Financial Operation Result (Ⅴ−Ⅵ)			(-)2,666.2			(-)2,176.6

Korea Deposit Insurance Corporation

2021 ANNUAL REPORT

Appendix

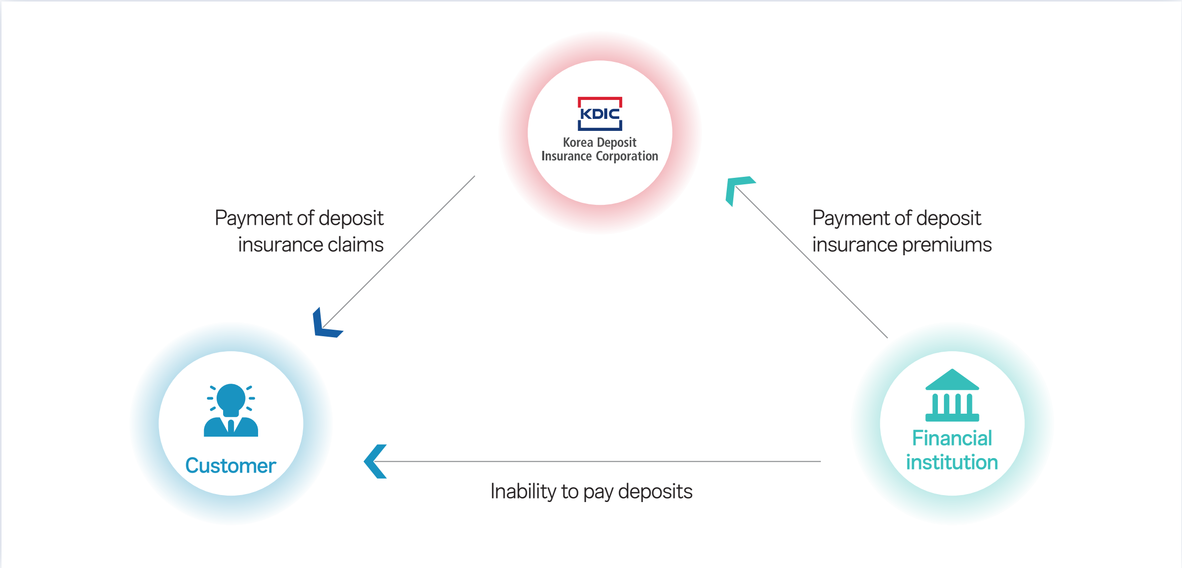
1. Overview of the Deposit Insurance System
2. Independent Evaluation
3. Summary of Major Events in 2021
4. Statistics

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 an ex-ante Deposit Insurance Fund (DIF) raised with deposit insurance premiums paid by insured financial institutions during normal times.

Structure of Deposit Insurance



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 foreign 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 foreign investment firms authorized to engage in the securities investment trading and brokerage business under domestic law. While member cooperatives of the national federations of agricultural and fisheries cooperatives, credit unions and community credit cooperatives (called Saemaeul Geumgo) are not insured by the KDIC, for those licensed for investment trading and brokerage services, the KDIC protects the deposits at those institutions made for the purpose of using such services. All “insurance companies,” except reinsurance firms, are included in the scope of insured financial institutions.

Insured Financial Products

Insured financial products are cash deposits protected under Article 2 of the Depositor Protection Act other than deposits of the government, local authorities, and insured financial institutions as defined in Article 3 of the Enforcement Decree of the same Act.

Insured and Uninsured Financial Products

(As of Dec. 31, 2021)

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 • Financial products subject to deposit protection which are incorporated into individual savings accounts (ISAs) • 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)) • Bank-issued bonds • Some types of housing subscription deposits[1)] • Deposits in defined benefit retirement pension accounts • Real fiduciary accounts (e.g. money market trust) • Development trust

Financial Sector	Insured Financial Products	Uninsured Financial Products
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 • Deposits in defined contribution retirement pension accounts or individual retirement accounts that are invested in KDIC-insured products • Financial products subject to deposit protection which are incorporated into individual savings accounts (ISAs) • Money trusts with principal guarantees • 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 stock margin loans (KSFC) • Repurchase agreements (RP) • Deposits for gold transactions in kind, etc. • Deposits in defined benefit retirement pension accounts • Wrap accounts, equity-linked securities (ELS), equity-linked warrants (ELW), etc. • Cash management accounts (CMA) • Bonds issued by securities companies • Cash deposits in securities finance companies made under Article 117-8 of the Financial Investment Services and Capital Markets Act • Cash deposits in securities finance companies made under Article 137 (1) 3-2 of the Enforcement Decree of the Financial Investment Services and Capital Markets Act
Insurance Companies	• Individual policies • Retirement insurance • Special policy conditions for variable insurance contracts • Guaranteed minimums for variable insurance contracts such as guaranteed minimum death benefits, guaranteed minimum accumulation benefits, guaranteed minimum withdrawal benefits, and guaranteed lifetime withdrawal benefits • Deposits in defined contribution retirement pension accounts or individual retirement accounts that are invested in KDIC-insured products • Financial products subject to deposit protection which are incorporated into individual savings accounts (ISAs) • 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 (excluding guaranteed minimums such as guaranteed minimum death benefits, guaranteed minimum accumulation benefits, guaranteed minimum withdrawal benefits, and guaranteed lifetime withdrawal benefits), etc. • Deposits in defined benefit retirement pension accounts
Merchant Banks	• Notes issued, Cash Management Account (CMA) etc.	• 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. • Reserves in DC pension and IRP accounts in- vested in financial products covered by deposit insurance[2)] • Financial products subject to deposit protection which are incorporated into individual savings accounts (ISAs)[2)] • Cashier's checks issued by the Korea Federation of Savings Banks, etc.	• Bonds issued by savings banks (subordinated bonds), etc. • Deposits in defined benefit retirement pension accounts

* 1) Managed separately by the government through the Housing and Urban Fund (pursuant to Article 14(2) of the Housing and Urban Fund Act)
2) In cases where MSBs have raised the funds from insured financial institutions to invest them in KDIC-covered financial products
※ 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, deposit insurance 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 temporarily 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 interest rates applicable to one-year term deposits or equivalent financial instruments offered by KDIC-insured financial institutions) and the contractual interest rate

The Enforcement Decree of the Depositor Protection Act was revised again in October 2000 to raise the coverage limit to KRW 50 million in an effort to ensure sustainable stability in the financial market.

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

If a depositor had other insured deposits at 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 a way that better safeguards the rights of subscribers to retirement pension plans. The Enforcement Decree of the Depositor Protection Act revised in February 2015 now applies a separate protection limit of KRW 50 million to each depositor's protected pension reserves, apart from the 50-million-won limit to KDIC insurance on insured deposits.

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

2. Independent Evaluation

Management Evaluation of Public-sector Organizations

In March 2021, the KDIC submitted its managerial performance report for 2020 to the Minister of Economy and Finance under Article 47 of the Act on the Management of Public Institutions. Based on the report, a team organized at the behest of the Minister of Economy and Finance evaluated the performance of the KDIC.

In its announcement in June 2021, the evaluation team gave the KDIC a composite grade of B.

Fund Management Evaluation

Under the National Finance Act, the Ministry of Economy and Finance is authorized to examine and evaluate the performance of funds governed by the said Act and determine whether to maintain the funds every three years. The fund management evaluation consists 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 2020 and submitted it to the Fund Management Evaluation Committee in February 2021. The Committee made available the evaluation results in June 2021 after conducting due diligence and other processes.

According to the results, the Redemption Fund was rated Superior for the tenth consecutive year, in recognition of the KDIC's highest level of fund management capability among funds of its kind.

Anti-Corruption Policy Evaluation and Integrity Assessment for Public-sector Organizations

The KDIC undergoes integrity assessments targeting public-sector organizations and anti-corruption policy evaluations 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 are intended to measure the integrity of public organizations and encourage them to address all known risks of corruption.

In the 2021 integrity assessment based on a survey of each organization's employees and outside stakeholders, the KDIC was rated grade 2 with respect to its external integrity, maintaining the previous year's level. This reflected the many efforts the KDIC undertook including efforts to address weaknesses in terms of corruption monitoring (Integrity Call Center), for example. In the overall integrity assessment, the Corporation received grade 3, which also represented the same grade as the previous year.

In the 2021 anti-corruption policy evaluation, which assessed anti-corruption measures and improvement actions taken by public-sector organizations, the KDIC was rated grade 2, which represented a grade higher than the year prior. Improvements were made compared with the previous year in the areas of developing an anti-corruption action plan, establishing an anti-corruption system and removing the risk of corruption. The Corporation established the KDIC Anti-Corruption Action Plan for 2022 to continue to implement anti-corruption and integrity efforts by reviewing measures to improve susceptible areas.

Evaluation of Performance of the Auditor, and Review of Self-Audit by the Board of Audit and Inspection

In accordance with Article 36 of the Act on the Management of Public Institutions, the KDIC is evaluated on the auditor's performance of his/her duties annually. The results of the 2020 evaluation of the auditor's performance, announced in June 2021, rated the KDIC as B (Good) which places it in the top tier among public-sector organizations.

In addition, the KDIC is examined on its self-audits to see whether the in-house audit team functions properly under Article 39 of the Act on Public Sector Audits. The 2020 evaluation results on self-audit activities, announced in June 2021, rated the KDIC with a grade of B.

3. Summary of Major Events in 2021

Date	Major Events
Jan. 19	First video conference meeting of the Korea-Cambodia task force for information sharing on Camko City
Jan. 28	The KDIC honored with the Presidential Commendation for its contribution to promoting national policies for regional development
Jan. 28	The KDIC received the 2020 Best Organization Award at the Public Institutions and Auditors' Congress, hosted by the Korea Public Organization Auditors' Association
Feb. 10	Notice of proposed rulemaking on amendments to the Enforcement Decree of the Depositor Protection Act in connection with the scheme to support the return of misdirected money transfers
Mar. 23	The KDIC worked to extend the grace period for vulnerable borrowers who were allowed a moratorium on debt repayments
Mar. 28	2021 contest for outstanding theses from college (graduate) students
Mar. 30	The KDIC hosted a joint international webinar titled Effects of Climate Change Risk on Financial Stability with the Perbadanan Insurans Deposit Malaysia (PIDM)
Mar. 31	Publication of the White Paper on the Management of the Special Account for Mutual Savings Bank Restructuring
Apr. 1	Signing of a business agreement for shared growth to promote the K-New Deal with the Industrial Bank of Korea
Apr. 9	The KDIC offloaded a 2% stake in Woori, through a block sale, to recoup KRW 149.3 billion of public funds
Apr. 12	Implementation of the Mobile Information Service for bankruptcy dividends from the assets of failed financial companies
Apr. 23	The KDIC provided specialized training with the Prosecution Service for capacity building in asset investigation
Apr. 29	Signing of a business agreement with the Korea Post to utilize e-Green Postal Service in relation to supporting the return of misdirected money transfers
May 3	Signing of a business agreement for data exchange and joint research with the Korea Credit Information Service and the Korea Federation of Savings Banks
Jun. 1	The KDIC obtained the highest grade for the tenth consecutive year in the evaluation of fund management performance among financing-related funds
Jun. 2	The KDIC hosted an international webinar on fintech, together with the PIDM
Jun. 16	The KDIC organized a knowledge sharing webinar between the IFIGS and the World Bank Group in June 2021 entitled Navigating the Way Forward for the Last-resort Protection to Policyholders
Jun. 22	Passing of the draft amendment to the Enforcement Decree of the Act on the Structural Improvement of the Financial Industry relating to the recovery and resolution planning (RRP) scheme at a Cabinet meeting
Jun. 25	First working-level meeting of the Korea-Cambodia working group for information sharing on Camko City in a video conference format
Jun. 29	The KDIC signed a business agreement for the promotion of ESG in financial services with Hana Bank
Jun. 30	Volume 22 Issue 1 of the Financial Stability Studies was published

Date	Major Events
Jul. 5	Opening of the Misdirected Money Transfers Consultation Office
Jul. 6	Launch of the scheme to support the return of misdirected money transfers
Jul. 14	The KDIC signed a business agreement for the promotion of ESG in financial services with NH Bank
Aug. 17	Amendment of the Depositor Protection Act (Addenda No. 9134 (2))
Aug. 18	The KDIC supported social economy enterprises with its KDIC-Hope New Deal Project
Oct. 1	Tae-hyun Kim took office as the 11th Chairman and President of the KDIC
Oct. 5	The KDIC received the Minister's Award at the Contest for Best Cases of Overcoming Failure hosted by the Ministry of the Interior and Safety
Oct. 22	The KDIC provided a non-face-to-face training program for the executives and employees of the Deposit Insurance of Vietnam (DIV)
Oct. 27	The KDIC provided a non-face-to-face training program for all staff members of the Indonesian Deposit Insurance Corporation (IDIC)
Nov. 19	The KDIC held the Haengbok Yegam Farmers' Market together with the labor union to support recovery from COVID-19
Nov. 23-24	The KDIC hosted the 7th KDIC Global Training Program
Nov. 29	The KDIC signed an agreement with the Korea Inclusive Finance Agency (KINFA) for auditing to support ESG management
Dec. 2	The KDIC Chairman & CEO was elected to the Executive Council of the International Association of Deposit Insurers (IADI)
Dec. 8	8th Annual General Meeting of the International Forum of Insurance Guarantee Schemes (IFIGS)
Dec. 9	The KDIC offloaded a 9.33% stake in Woori Financial Group, through competitive bidding for desired quantity, to recoup KRW 897.7 billion
Dec. 9	2021 KDIC scholarships - granting of scholarships to high school students from low income households
Dec. 10	The KDIC and the Financial Research Center of Korea held a joint policy symposium under the theme of Changes in the Financial Landscape and Challenges Ahead in Building Stronger Financial Safety Net
Dec. 15	The KDIC and the Korea Financial Law Association (KFLA) held a joint policy symposium titled 20 Years of Accomplishments in Insolvency Investigation and the Direction Forward
Dec. 16	The KDIC won the Grand Prize at the 2021 Public Institutions and Auditors' Congress
Dec. 29	The KDIC gave awards to financial companies for their contribution to the advancement of the risk-based premium system in 2021
Dec. 31	Volume 22 Issue 2 of the Financial Stability Studies was published

4. Statistics

Insured Financial Institutions[1)]

(As of Dec.31, 2021, Unit: No. of financial institutions)

Financial Sector	2017	2018	2019	2020	2021
Banks	56	56	54	54	54
Domestic	18	18	18	18	19
Foreign	38	38	36	36	35
Investment Companies[2)]	110	124	141	105	106
Insurance Companies	47	44	45	45	43
Life	25	24	24	24	23
Non-life	22	20	21	21	20
Merchant Banks	1	1	1	1	1
MSBs[3)]	80	80	80	80	80
Total	**294**	**305**	**321**	**285**	**284**

* 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) Investment traders/brokers authorized to engage in financial investment trading/brokerage regarding securities according to Article 12 of the Financial Investment Services and Capital Markets Act
3) Including the Korea Federation of Savings Banks

Insurable Deposits by Financial Sector[1)]

(As of Sep. 30, 2021, Unit: KRW 1 billion)

Financial Sector	Dec. 31, 2020 (A)	Sep. 30, 2021 (B)	Change(B-A)
Banks	1,551,925.0	1,649,329.8	97,404.8
Investment Companies	74,465.0	81,019.3	6,554.3
Insurance Companies	834,660.8	858,562.6	23,901.8
Life	622,912.5	638,294.0	15,381.5
Non-life	211,748.3	220,268.6	8,520.3
Merchant Banks	1,899.2	2,343.2	444.0
MSBs	71,348.0	83,190.3	11,842.3
Total	**2,534,298.0**	**2,674,445.3**	**140,147.3**

* 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, 2021, Unit: KRW 1 billion)

Financial Sector		Insurance Premium Revenue Prior to Creation of DIF Bond Redemption Fund[2]			Special Assessments Paid by Insured FIs to the DIF Bond Redemption Fund								
		Before 1998[1]	1999 -2002	Total	2003 -2014	2015	2016	2017	2018	2019	2020	2021	Total
Banks		161.3	1,310.5	**1,471.8**	7,723.9	978.6	1,066.4	1,134.4	1,201.1	1,256.6	1,410.0	1,568.1	**16,338.9**
Investment Companies		-	68.7	**68.7**	220.0	17.9	24.0	27.2	30.0	30.7	30.5	53.8	**434.0**
Insurance Companies		232.2	823.7	**1,055.9**	2,255.7	351.3	383.6	417.1	433.0	450.9	474.5	488.5	**5,254.5**
	Life	180.0	664.6	**844.6**	1,778.1	261.7	283.5	306.7	313.3	322.8	338.4	343.6	**3,948.2**
	Non-life	52.2	159.1	**211.3**	477.6	89.6	100.1	110.3	119.7	128.1	136.1	144.9	**1,306.3**
Merchant Banks		98.0	83.8	**181.8**	12.0	0.7	0.8	1.0	1.1	1.2	1.4	1.7	**19.9**
MSBs		240.7	183.3	**424.0**	536.0	30.8	34.8	40.3	46.9	53.9	58.5	65.1	**866.2**
Credit Unions		40.2	149.1	**189.3**	171.2	27.5	29.9	33.2	-	-	-	-	**261.7**
Total		**772.4**	**2,619.1**	**3,391.5**	**10,918.7**	**1,406.8**	**1,539.4**	**1,653.1**	**1,712.1**	**1,793.3**	**1,974.8**	**2,177.2**	**23,175.3**

* 1) The insurance premium revenue for 1998 is inclusive of the applicable funds transferred from the Insurance Supervisory Board, Credit Management Fund, and the 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 closed 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, 2021, Unit: KRW 1 billion)

Financial Sector	2003 ~ 2011[1]	2012[5]	2013[5]	2014[5]	2015[5]	2016[5]	2017[5]	2018[5]	2019[5]	2020[5]	2021[5]	Total
Banks	4,496.3	374.8	394.8	419.7	436.9	467.5	500.5	525.0	534.2	594.2	664.1	**9,407.9**
Investment Companies	265.5	0.2	0.0	0.0	0.0	0.0	0.0	0.0	3.9	0.0	16.5	**286.2**
Insurance Companies	3,510.3	8.6	70.9	125.6	199.0	266.2	323.3	343.9	344.4	313.9	200.8	**5,706.7**
Life	2,853.9	-1.4[3]	22.1	81.1	128.0	185.7	234.9	246.6	242.6	210.9	91.4	**4,295.7**
Non-life	656.4	10.0	48.8	44.5	71.0	80.6	88.3	97.3	101.8	103.0	109.3	**1,411.0**
Merchant Banks	25.1	0.8	0.8	0.6	0.4	0.7	0.9	0.9	1.0	1.1	1.4	**33.7**
MSBs	1,293.1	134.5	25.3	25.6	6.4	29.6	28.6	13.9	24.8	21.6	25.3	**1,628.7**
Special Account[2]	174.2	581.6	667.2	615.8	712.0	682.3	824.2	910.2	936.0	1,025.9	1,126.7	**8,256.4**
Total[4]	**9,764.5**	**1,100.4**	**1,159.0**	**1,187.2**	**1,354.7**	**1,446.3**	**1,677.4**	**1,794.0**	**1,844.3**	**1,956.7**	**2,034.7**	**25,319.4**

* 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; exemption for financial investment companies and 5% reduction for life insurance companies in 2016; exemption for financial investment companies and 5% reduction for life insurance companies in 2017; 80% reduction for financial investment companies and 6% reduction for life insurance companies in 2018; exemption for financial investment companies and 16% reduction for life insurance companies in 2019; 49% reduction for financial investment companies and 64% reduction for life insurance companies in 2020; 70% reduction for life insurance companies in 2021

DIF Bonds Issued (Old DIF Bonds Issued in 2002)

(As of Dec. 31, 2021, 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]**

* 1) Cumulative issue amount that includes roll-overs

Financial Assistance from the DIF Bond Redemption Fund

(As of Dec. 31, 2021, Unit: KRW 1 billion)

Financial Sector	Equity Investment	Contributions	Deposit Payoffs[1]	Asset Purchases[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	-	**8,771.1**
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**	**110,894.6**

* 1) Including financial assistance provided through resolution financial institutions

Details of Financial Assistance from the DIF Bond Redemption Fund

(As of Dec. 31, 2021, 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

Injection Type & Recipient Institutions			Amount Provided
Contributions		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	26.6
		Korea Investment Trust Management & Securities	78.4
		Daehan Investment Trust Securities	63.0
		Hyundai Investment & Securities	273.0
		Sub-total	18,611.7
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

Injection Type & Recipient Institutions			Amount Provided
Asset Purchase	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			**110,894.6**

Financial Assistance from the DIF

(As of Dec. 31, 2021, 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	1,441.2	489.1	21.9	4,527.5
Special Account	365.5	22,987.3	3,627.8	113.6	77.5	27,171.7
Total	**486.6**	**25,464.2**	**5,069.0**	**602.7**	**99.4**	**31,721.9**

* 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, 2021, 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
2016	2,648.3
2017	1,169.2
2018	504.0
2019	465.2
2020	331.8
2021	1,292.3
Total[1)]	**61,438.8**

* 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, 2021, 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		23,075.9	70.2	1,847.2	6,666.7	-	**31,660.0**
Investment Companies		1,212.1	337.5	7.8	1,801.4	-	**3,358.8**
Insurance Companies		6,567.3	88.8	431.0	245.3	-	**7,432.4**
	Life	2,533.8	84.8	366.2	245.3	-	**3,230.2**
	Non-life	4,133.4	4.0	64.8	-	-	**4,202.2**
Merchant Banks		312.1	5.9	9,339.1	-	-	**9,657.1**
MSBs		-	34.3	5,276.0	-	596.9	**5,907.2**
Credit Unions		-	0.4	3,422.9	-	-	**3,423.3**
Total		**31,267.4**	**537.1**	**20,324.0**	**8,713.4**	**596.9**	**61,438.8**

* 1) Including financial assistance provided through resolution financial institutions

Progress in Financial Restructuring

(As of Dec. 31, 2021, 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	12	-	17	51.5	4	20
Non-Banks	2,062	205	292	631	1,121	54.7	507	1,441
• Merchant Banks	30	22	8	-	30	100.0	1	1
• Investment Companies	36	6	14	6	26	72.2	48	58
• Insurance Companies	50	11	9	12	32	64.0	36	54
• Asset Mgmt Companies	24	9	12	3	24	100.0	350	350
• MSBs	231	144	38	1	183	79.2	31	79
• Credit Unions	1,666	3	196	609	808	48.5	15	873
• Lease Companies	25	10	15	-	25	100.0	26	26
Total	**2,095**	**210**	**304**	**631**	**1,145**	**54.7**	**511**	**1,461**

* Source: Financial Services Commission

Amount of Financial Assistance Provided from Public Funds by Type

(from Nov. 1997 to Dec. 31, 2021, Unit: KRW 1 trillion)

Financial Sector		Equity Investment	Contributions	Deposit Payoffs	Asset Purchase, etc.	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, etc.		-	-	-	-	2.4	**2.4**
Total		**63.5**	**18.6**	**30.3**	**17.8**	**38.5**	**168.7**

* Source: Financial Services Commission

Korea Deposit Insurance Corporation

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