ISSN 2093-5048

2022 ANNUAL REPORT

Korea Deposit Insurance Corporation

Korea Deposit Insurance Corporation

2022
ANNUAL REPORT

| CEO Message |

In 2022, with the repercussions of the pandemic still very much present, Korea's financial market displayed much volatility due to the war in Ukraine and the ensuing surge in international raw materials prices caused by supply chain shocks as well as global inflation and the series of policy rate hikes by central banks in major economies aimed at curbing inflation.

In spite of the increasing uncertainty in the financial market caused by such internal and external economic circumstances, the KDIC continued to perform its role of maintaining financial market stability and ensuring financial consumer protection with aplomb.

As a means of proactively preventing the spread of instability in the financial market, the KDIC sought the introduction of the Financial Stabilization Account and assisted the Financial Services Commission in issuing an advance notice of proposed rule-making and soliciting comments from the public. As a result, the draft amendment of the Depositor Protection Act was submitted to the National Assembly at the end of December.

In April, the resolution plans drawn up by the KDIC for the 10 largest financial firms received approval from the Financial Services Commission, building a system to ensure the orderly, prompt resolution of insolvent financial firms in the event of a financial crisis.

Meanwhile, the KDIC sold an additional 4.5 percent stake in Woori Financial Group through block sales to achieve, in effect, the complete privatization of Woori Financial Group. Through the timely sale of Woori shares, the KDIC recovered KRW 100 billion more than the public funds used to bail out Woori Financial Group.

| CEO Message |

In September, by receiving KRW 757.4 billion in government bonds from Suhyup Bank, the KDIC was able to recover the total amount of public funds injected into Suhyup Bank six years earlier than originally planned. Furthermore, by establishing a mid- to long-term sales roadmap for Seoul Guarantee Insurance, the KDIC is continuing its work to recover funds provided during the resolution of insolvent financial institutions.

There were also significant strides made in the protection of financial consumers. The program to support the return of misdirected money transfers, which began service from July 2021, had successfully returned KRW 6 billion to erroneous senders by the end of 2022. Also, starting from 2023, the cap on transfer amounts eligible for the program was increased from KRW 10 million to KRW 50 million.

In line with the increasing demand for ESG management at public-sector institutions, the KDIC developed specific tasks as well as detailed action plans to take the lead in ESG management. Furthermore, an eco-friendly carbon neutral culture was promoted across the whole Corporation and the KDIC also pursued social contribution activities for win-win cooperation and regional development.

The KDIC also sought to transit from resolution after the occurrence of insolvencies toward efforts to ensure proactive insolvency prevention. Through constant interaction with financial markets, the KDIC will continue to intensely reflect on the essential roles that deposit insurance must fulfill and prepare responses with a creative attitude.

This annual report contains the outcomes of the KDIC’s major activities in 2022. I sincerely hope it will provide a better understanding of the KDIC’s work and achievements for the general public. I also look forward to your continued support and encouragement in the future.

Chairman & President **YOO JaeHoon**

유 재 훈

| Table of Contents |

| Table of Contents |

List of Tables

| Table of Contents |

| Table of Contents |

List of Figures

List of Photos

I

Major Initiatives

KOREA
DEPOSIT
INSURANCE
CORPORATION

As an important part of the financial safety net, the KDIC responded actively to changes in the financial environment and policy framework to carry out organizational innovation for financial market stability, expansion of financial consumer protection, and creation of visible results.

It sought the formal introduction of a proactive funding system (Financial Stabilization Account) to strengthen financial market stability. The Financial Stabilization Account is a system to support healthy financial institutions that are experiencing temporary difficulties at a time when a number of financial institutions face a liquidity crunch or recapitalization needs due to rapid changes in financial market conditions or in the regulatory system. The Financial Services Commission (FSC) issued an advance notice of proposed rule-making (for the period of August through October of 2022) to partially amend the Depositor Protection Act (DPA) which included measures to introduce the Financial Stabilization Account for final submission to the National Assembly at the end of December 2022, following a process to collect opinions and comments.

For efficient recovery of public funds provided, 4.51 percent of Woori Financial Group stock was sold through block sales to recover an additional KRW 498.1 billion during 2022 and Suhyup repaid its outstanding amount of public fund support (KRW 757.4 billion) to the KDIC through a one-off repayment in government bonds in September 2022. Furthermore, the KDIC prepared a mid- to long-term sales roadmap for Seoul Guarantee Insurance through a resolution of the Public Fund Management Committee in view of the Redemption Fund's deadline for closure at the end of 2027.

The KDIC analyzes potential risk factors by collecting business information from financial institutions and uses risk monitoring models to assess insolvency risk in individual financial institutions to prevent any failure. From the results of its ongoing risk monitoring and assessments, it performs on-site risk verification by means of joint examinations with the Financial Supervisory Service (FSS) or through independent examinations. In 2022, the KDIC conducted 11 joint examinations with the FSS and one independent examination.

The KDIC is pursuing several improvements to the deposit insurance system to increase its effectiveness and sustainability and thereby broaden the protection of financial consumers. It is in the process of reviewing the protection limit, the level of target fund reserves sufficient to ensure protection of depositors and the appropriate premium rates to achieve that target fund level, considering macroeconomic conditions such as the growth of the national economy's size. The KDIC is also preparing a deposit insurance system improvement plan for the National Assembly with draft legal revisions by August 2023 to continue efforts at revamping its system.

In accordance with the recovery and resolution planning (RRP) scheme for systemically important financial institutions (SIFIs) formally launched in 2021, the KDIC drafted and submitted inaugural resolution plans for 10

SIFIs in April 2022. The resolution plans were given final approval by the FSC on June 22, 2022. The KDIC will continue efforts to formulate high-quality resolution plans each year to counter systemic risks and to enhance financial stability.

Through the stable management of the scheme to support the recovery of misdirected money transfers, which facilitates the swift and effective return of mistakenly transferred funds to the sender, the KDIC supported the return of KRW 6.0 billion to 5,043 mistaken senders. To broaden access to the scheme, the Regulations on Support for the Recovery of Misdirected Money Transfers were revised by a resolution of the Deposit Insurance Committee on December 19, 2022, to raise the cap on the amount of money transfers eligible for the support from "between KRW 50,000 and KRW 10 million" to "between KRW 50,000 and KRW 50 million." This amendment entered into effect on January 1, 2023.

The special moratorium on loan repayment (interest free) to ease the burden on debtors who were repaying their debts in installments and hit hard by COVID-19, was extended by one year and the principal reduction rate was increased up to 90 percent for debtors severely affected by COVID-19. Also, consulting services were provided to small business owners to support their economic revival. In an effort to bridge the gap in the provision of financial information, 1,173 financial literacy education classes were held for a total of 30,393 financially vulnerable people including the elderly and the disabled.

Lastly, the KDIC's ESG initiative began to take a definite shape with the ESG management infrastructure established in the previous year laying the ground for developing detailed tasks for organizational innovation. Sponsorship activities were undertaken to meet the needs of the socially disadvantaged, and the KDIC also contributed to the realization of win-win cooperation and development of the regional community by such actions as signing a new business agreement with the Seoul Facilities Corporation to conduct joint cleanup activities around Cheonggyecheon Stream.

To prepare for the implementation of Act on the Prevention of Conflict of Interest Related to Duties of Public Servants in May 2022, the KDIC adopted the Operational Guidelines for the KDIC Conflict of Interest Prevention System in April 2022. In addition, institutional mechanisms were put in place such as the designation of an officer in charge of preventing conflict of interest and preparation of operational procedures related to reporting violations, etc. The KDIC also established and implemented plans to promote ethical management, anti-corruption and integrity policies, to reflect the public nature of the Corporation.

The KDIC's next generation IT system is being built to raise service quality and user convenience in allowing the public access to information on the deposit insurance system. In 2022, priority tasks for building the next generation IT system including the AI chatbot service for public consultation and the virtual reality (VR) public auction information service were implemented and opened for service in June 2022. The Corporation is also in the process of building IT infrastructure to provide mobile services to the public such as support for the return of misdirected money transfers and application for deposit insurance payouts. The KDIC's next generation IT system is being pursued with the goal of official opening by the end of 2023, following user tests, etc.

Proactive Crisis Management and Advancement of the Deposit Insurance System

In 2022, the KDIC pursued the introduction of a proactive funding system (Financial Stabilization Account) to support healthy financial institutions that are experiencing temporary difficulties in instances where liquidity in many financial institutions is strained by rapid fluctuations in the financial market and financial system or where recapitalization is required, as a way to prevent crisis contagion and to maintain financial system stability. Various systems to provide funding or liquidity were established in major economies including the US, Japan and the EU following the Global Financial Crisis, and the Financial Stabilization Account being pursued by the KDIC is designed as a standing financial market stabilization mechanism funded by the Deposit Insurance Fund which is raised by the industry itself. The KDIC further refined its plan to create the Account through discussions with internal and external stakeholder organizations and policy seminars. A formal process of collecting opinions and comments was conducted after the FSC's advance notice of proposed rule-making (for the period of August 31 through October 11, 2022) for partial revision of the Depositor Protection Act. This was followed by the FSC's government-drafted bill passing the cabinet meeting on December 20, 2022 and the final submission was made to the National Assembly at the end of December.

The recovery and resolution planning (RRP) scheme for systemically important financial institutions (SIFIs*) was formally launched on June 30, 2021. In April 2022, the KDIC drafted and submitted the inaugural 2021 resolution plans for 10 SIFIs. The FSC gave its final approval of these resolution plans on June 22, 2022, following deliberations which confirmed that the plans conformed to relevant laws and international standards. By drafting high-quality resolution plans annually, the KDIC will strive to contribute to financial stability by preparing effectively for any insolvency of SIFIs.

* Systemically important financial institutions are designated by the FSC each year. In July 2022, KB, Nonghyup, Shinhan, Woori and Hana Financial Groups and their subsidiary banks were designated as SIFIs.

To enhance the effectiveness and sustainability of the deposit insurance system, the KDIC is working on new improvements to the deposit insurance system including adjusting the protection limit, target fund size and deposit insurance premium rates. To this end, the KDIC is utilizing a variety of channels and avenues to hear diverse opinions such as commissioning research to an outside research institute to determine the appropriate level of deposit insurance premium rates by performing a comprehensive review of the fund management system including the level of funds that need to be accumulated in consideration of legacy costs of past restructuring efforts as well as the expected impact from protection limit adjustments. Furthermore, a public-private taskforce, comprising experts from the FSC, KDIC, the financial sector and the private sector, was set up to hear wide-ranging opinions and to discuss key tasks for the reform of the deposit insurance system. The KDIC is also preparing a deposit insurance system improvement plan for the National Assembly with draft legal revisions by August 2023 to continue efforts at revamping its system.

Stronger Protection of Financial Consumers

While the recent trend towards internet and mobile banking has brought greater convenience to financial consumers, it has also given rise to a proportionate increase in the number of misdirected money transfers arising from wrong entry of financial company name, account number, etc. As a means of facilitating the swift and effective recovery of losses incurred from such mistaken wire transfers, the KDIC revised the Depositor Protection Act to introduce the scheme to support the return of misdirected money transfers on July 6, 2021.

Following the introduction of the scheme, the KDIC engaged in activities to raise public awareness of the scheme through PR campaigns using press, social media and television advertising as well as briefing sessions for financial institution officers. Also, efforts were made to expand access to the scheme and increase convenience by making improvements including the operation of a chatbot service and extension of system operation hours.

As a result of these efforts, as of the end of December 2022, a total of 16,759 applications (amounting to KRW 23.9 billion) were received, of which 7,629 cases (amounting to KRW 10.2 billion) were selected for recovery support following a screening process. The scheme has successfully supported the return of 5,043 cases (amounting to KRW 6.0 billion) to the senders of incorrect transfers.

Meanwhile, to reflect the increase of non-face-to-face transactions and the proportionate increase in transfer amounts, the KDIC sought to raise the cap on the amount of wire transfers eligible for recovery support.

Accordingly, the Regulations on Support for the Recovery of Misdirected Money Transfers were revised by a resolution of the Deposit Insurance Committee on December 19, 2022, to increase the maximum amount eligible for support from "between KRW 50,000 and KRW 10 million" to "between KRW 50,000 and KRW 50 million." This amendment entered into effect on January 1, 2023.

In the future, the KDIC will continue its efforts to raise scheme awareness by informing the public of the change in the maximum amount eligible for support and making mobile applications available with the development of a new application system. Through such efforts, it intends to sustain scheme improvements for user convenience by addressing deficiencies identified during daily operation.

The KDIC operates the deposit insurance signage display, coverage explanation and confirmation scheme in accordance with the DPA and related regulations to ensure financial consumers are provided accurate information concerning deposit insurance coverage. This scheme requires insured financial institutions to indicate whether or not a financial product is covered under deposit protection and to explain the limit of deposit insurance coverage during the sale process. The deposit insurance details need to be explained to the financial consumer before signing a contract and this notification needs to be confirmed by signature. To check adherence to these requirements, the KDIC conducted inspections through visits to branches of financial institutions as well as using non-face-to-face channels. Also, it became mandatory for financial institutions to display depositor protection notices on the account information screens of their online websites and mobile applications to ensure that financial consumers are provided with accurate information on deposit insurance details while conducting financial transactions online.

Financial literacy education aimed at protecting the financially vulnerable was expanded by increasing non-face-to-face lessons, thereby creating a safer learning environment as COVID-19 entered a transition period for living with corona. This resulted in 1,173 financial literacy education sessions for a total of 30,393 participants, especially the elderly and the disabled, to reduce the obvious gap created in the provision of financial information.

In particular, efforts to create a safe education environment including simplifying quarantine inspection procedures, teaching evaluation by observation, and on-site inspections resulted in 907 in-person education sessions. Additionally, creation of new online contents and delivery of more classes in a non-face-to-face format that fitted participants' needs resulted in 266 education sessions conducted online.

Risk Monitoring of Insured Financial Institutions

The KDIC monitors and forecasts the financial conditions of, and risk factors affecting insured financial institutions in order to minimize any potential loss to the Deposit Insurance Fund (DIF), to protect financial consumers and to maintain financial market stability by preparing a response.

The KDIC analyzes potential risk factors by collecting business information from financial institutions and uses risk monitoring models to assess insolvency risk in individual financial institutions to prevent any failure. Based on the results of its ongoing risk monitoring and assessments, it performs on-site risk verification by means of joint examinations with the FSS or through independent examinations. In 2022, the KDIC conducted 11 joint examinations with the FSS and one independent examination.

Concerning major risk factors discovered during such on- and off-site monitoring, the KDIC engages in several types of activities to prevent insolvencies including making formal requests to the financial authority to issue prompt corrective action sanctions and encouraging voluntary improvements by the financial institution itself.

Meanwhile, the KDIC operates a risk-based premium system for greater distinction between financial institutions with different levels of risk and to induce their voluntary pursuit of sound management. Efforts to enhance the system persisted with a review of assessment metrics and further division of assessment grades.

<Table Ⅰ-1> Joint Examinations with FSS and Independent Examinations

	2018	2019	2020	2021	2022
Joint Examinations	8	12	7	12	11
Independent Examinations	3	1	-	1	1

Management of Financial Institutions Which Received Public Fund Support

The KDIC has pursued the recovery of public funds by selling the stock shares it acquired in the process of injecting public funds into insolvent financial institutions (Woori Financial Group, National Federation of Fisheries Cooperatives, Seoul Guarantee Insurance) during the Asian financial crisis.

By successfully completing the sale of Woori Financial Group stock through competitive bidding for desired quantity in 2021, the KDIC reduced its stake in Woori Financial Group to a mere 5.8 percent to achieve, in effect, a complete privatization. In 2022, efforts were made to complete the sale of remaining Wooori Financial Group stock. In February and in May, 4.51 percent of Woori Financial Group stock was sold through block sales to recover an additional KRW 498.1 billion. By identifying appropriate times to sell during the stock market's rise, both block sales were completed above the previous sale price. This resulted in a surplus recovery of KRW 100.9 billion, bringing the total above the KRW 12.7 trillion of public funds originally injected into Woori Financial Group.

In accordance with the Redemption Agreement signed upon the launch of Suhyup Bank (National Federation of Fisheries Cooperatives), the KDIC has been recovering public funds in dividends from Suhyup Bank. However, an agreement was reached for Suhyup to repay its outstanding amount of public fund support (KRW 757.4 billion) to the KDIC with a one-off payment in government bonds in September 2022. This signified the KDIC's recovery of public funds based a more reliable cash flow than the existing recovery method of dividend payments, and the recovery timeline was also moved up by a year from 2028 to 2027. In turn, the National Federation of Fisheries Cooperatives enhanced its management autonomy by the resulting termination of the business normalization MOU with the KDIC and regained its ability to use dividends to focus on its original mandate of supporting fishermen and developing the fisheries industry.

Bearing in mind the short time remaining until the closure of the Deposit Insurance Fund Bond Redemption Fund (at the end of 2027) and since Seoul Guarantee Insurance continued to record sound business performance, the KDIC prepared a mid- to long-term sales roadmap for Seoul Guarantee Insurance through a resolution of the Public Fund Management Committee. Although the lack of policies relating to the opening of the guarantee insurance market had made progress difficult thus far, the creation of a workable sales plan, despite the lack of market opening, signified an opportunity to reiterate the government's clear intention to privatize Seoul Guarantee Insurance to the market.

Sale of Assets Held by Bankruptcy Estates

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 and consults outside experts to formulate appropriate sales strategies in an effort to maximize recoveries for each asset type including PF project sites, equity holdings, artworks and foreign assets. The sale of PF project sites was pursued through analysis of ownership rights and reasons for sales failure as well as through a variety of customized sales methods including M&As. In the case of artworks, attempts at sale were made through domestic and overseas auctions in cooperation with a professional auction house.

Meanwhile, the KDIC has also formed a committee to provide advice 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.

Due to the economic slowdown in the real estate and construction industries and the resulting decline in buying interest during 2022, an insistence on using existing methods of public sales and auctions was dropped to give way to a more diversified approach which included reassessment of security deposits and payment by subrogation, following consultation with stakeholders.

Examples of key asset sales in 2022 include the apartment construction project in Gulhwa-ri, Ulju-gun in Ulsan and the urban development project in Songjeon-ri, Idong-myun in Yongin. In the Ulsan case, the recovery of deposits reached KRW 10.94 billion, up KRW 640 million from the original dividend plan. In the Yongin case, the final recovery reached KRW 53.5 billion, 127% more than the KRW 42.2 billion loan owed to the bankruptcy estate.

The KDIC is maintaining cooperative relations with the Cambodian government, in joint operation with related organizations such as the National Assembly, Korean government and the Prosecution Service, to lessen the hardship of depositors who suffered heavy losses from the savings bank failure through the recovery of creditor claims relating to Camko City, which constitutes the largest single foreign asset under KDIC management.

In spite of the restrictions on joint task force meetings and working group meetings due to the continuing spread of COVID-19, the KDIC requested and obtained data relevant to the real estate holdings of Camko City from the Cambodian government to confirm certain facts about the project's current conditions it was previously unable to identify.

Furthermore, the September 2022 meeting between the KDIC Chairman and the Cambodian Ambassador to Korea reaffirmed the two countries' will for continued cooperation. Such efforts resulted in the two-year extension of the Korea-Cambodia Task Force for Information Sharing on Camko City in November 2022. In December 2022, a meeting between the Secretary General of the Council for the Development of Cambodia (CDC) as the Cambodian task force representative and an executive director of the KDIC was held to discuss future cooperation between the two countries regarding Camko City.

Operation of Bankruptcy Estates

The KDIC performs the role of bankruptcy trustee for a total of 36 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 226.7 billion in 2022.

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 to enhance operational efficiency of bankruptcy estates included measures to maintain an appropriate level of manpower and size commensurate to the trend of a decline in assets under management. As such, the KDIC closed estates with low operational efficiency, merged several small estates into one, and put some trustees in charge of overseeing multiple estates. Other measures included reorganization of work regulations and standards to reflect changes in the work environment and provision of more support for handling lawsuits.

Since estate administration involves many stakeholders and since fair and transparent job performance is required in the asset liquidation process, a great emphasis was placed on strong internal controls, which led to training on the prevention of financial incidents for bankruptcy trustees and their assistants, close examination of bankruptcy estate work and personal information protection measures. Also, preparations were made to prevent gaps in the protection of creditors in bankruptcy by setting up a safety and health response system between the KDIC and bankruptcy estates and by conducting regular on-site inspections of facilities as well as self-inspections and education on safety and health.

The special moratorium on loan repayment (interest free) to ease the burden on debtors who were repaying their debts in installments and hit hard by COVID-19 was extended by one year and the principal reduction rate was increased up to 90 percent for debtors severely affected by COVID-19. Also, the KDIC participated in national efforts to overcome damages from COVID-19 by providing consulting services to small business owners in an effort to help struggling debtors to get back on their feet.

Promotion of Accountability for Insolvency

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 alleged offenders.

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.

By the end of 2022, the KDIC filed damage claims amounting to KRW 1.8118 trillion 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. Also, damage claims for KRW 462.5 billion were filed against 702 persons implicated in the failures of financial institutions that received financial support from the Deposit insurance Fund (DIF).

Management of Deposit Insurance Fund Bond Redemption Fund

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 2022, the KDIC had completed the repayment of the fund's liabilities in accordance with the Public Fund Redemption Plan (KRW 82.4 trillion) in August 2021, and in 2022, remaining assets of KRW 2.4 trillion (KRW 1.15 trillion increase on the previous year) were reverted* to the Public Fund Redemption Fund to contribute to the country's finances.

* 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 2022, the KDIC's recoveries included: KRW 498.1 billion from the sale of its 4.51 percent stake in Woori Financial Group; KRW 636.2 billion through an exchange transaction involving its remaining preferred stock in the National Federation of Fisheries Cooperatives (Suhyup's Credit Business Unit Special Account); and KRW 248.1 billion it collected through efforts to maximize dividends.*

* KRW 33.1 billion from Woori Financial Group Inc. and KRW 215 billion from Seoul Guarantee Insurance

<Table Ⅰ-2> KDIC Stakes in Financial Institutions

(As of Dec. 31, 2022, 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	12,867.2	108.1	1.29%
	Hanwha Life Insurance	3,550.0	2,507.1	240.6	10.00%
	Seoul Guarantee Insurance	10,250.0	4,348.4	3,046.3	93.85%
	Special Account of the Business Unit of the National Federation of Fisheries Cooperatives	1,158.1	400.7	-	-
Total		27,724.4	20,123.4	3,395.0	-

* 1) Based on cash receipts from equity share sales, dividends, redemption of preferred shares, etc. (Not including government bond receipts)
2) For Woori Financial Group and Hanwha Life Insurance, the valuation is based on the closing prices as of December 31, 2022. 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.

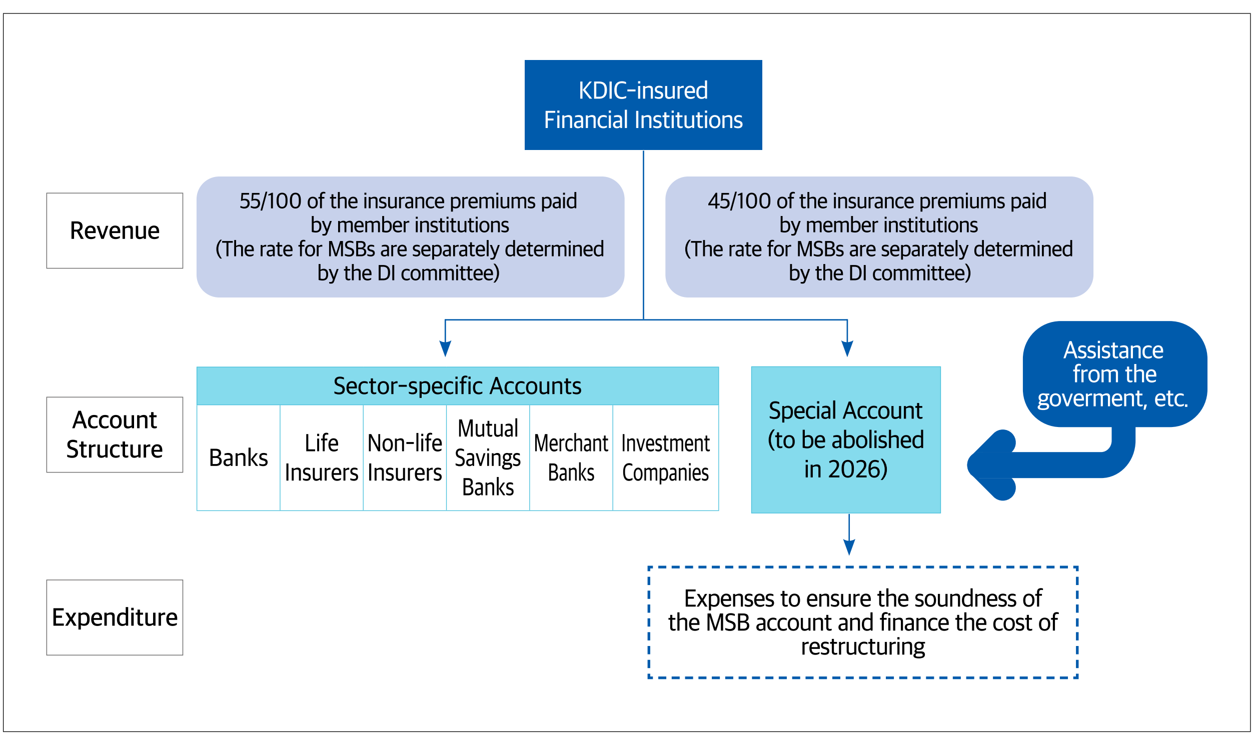
The KDIC recovered another KRW 39.6 billion in interest on loans made to the Korea Resolution and Collection (KR&C) which is a KDIC subsidiary that carries out the acquisition, management and sale of assets and liabilities of failed financial institutions under the DPA.

Management 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 2022, it raised and provided KRW 27.1717 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-1> Deposit Insurance Fund Structure and Flow of Revenue and Expenses



<Table I-3> Funding of and Expenditures from the Special Account

(As of Dec. 31, 2022, 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)	6.5
			Deposit insurance premiums, etc.	18.7
Total		27.2	Total	27.2

The KDIC used several ways to reduce funding costs including: borrowing a total of KRW 250 billion from the Public Capital Management Fund that is interest free and repayable over a long period (10-year grace period followed by repayment over five years) between 2012 and 2014; issuing DIF Special Account Bonds (DIF Special Bonds) to continue repaying loans from insured financial institutions; using short-term bonds; and certifying DIF Special Bonds as a Social Bond (issued on six occasions in total amount of KRW 1.39 trillion).

Meanwhile, the KDIC changed the criteria for cutting or exempting deposit insurance premium payments to enhance the objectivity of the system and to increase the connection between reduction rates and the level of reserves in the respective DIF accounts. Accordingly, deposit insurance premiums for life insurers were reduced by 70 percent, as the reserve ratio for the life insurance sector exceeded the lower limit of the target range by year-end 2021.

Practicing ESG, Safety and Ethical Management

The KDIC established its environment, social and governance (ESG) management infrastructure in 2021 by creating an ESG strategic framework to reflect social, environmental and governance transparency in business management as well as an ESG Committee for decision-making on ESG-related matters.

Building on the previous year's results, the KDIC set up detailed tasks for the transition to ESG management in 2022. As part of the ESG drive, the number of social economy enterprises selected for receiving support for growth was increased and a separate category for support grants was created for green enterprises. Also, a variety of collaborative projects were sought to practice ESG.

The KDIC endeavored to fulfill its social responsibility as a public-sector organization by providing sponsorship to meet the needs of the socially vulnerable, who were experiencing difficulties due to the continuing spread of COVID-19, the rising cost of living, and natural disasters. Other efforts to lead ESG management included contributions to regional development such as eco-friendly social contribution activities.

Supporting regional community development was another important aspect of the KDIC's work. This included: a joint initiative by labor and management to donate* KRW 50 million for the East coast forest fire victims; provision of sponsorship donations and home appliances to welfare centers across the country; and holding farmers' markets to sell goods from rural farms and small business owners.

*The KDIC received the Red Cross Members' Highest Honor in recognition of its social contribution efforts and donations to date.

The KDIC's CEO declared the Safety and Health Management Policy, which would prioritize the lives and safety of KDIC employees and the general public, as the foremost management principle. Also, the KDIC's labor and management jointly adopted the 10 Safety Golden Rules to be adhered to by all KDIC employees and thereby laid the groundwork for a culture of safety and health in the Corporation. For the systematic operation of the health and safety management system, an annual safety and health activities plan was established to improve the overall level of safety and health management throughout the Corporation.

Finally, to prepare for the implementation of the Act on the Prevention of Conflict of Interest Related to Duties of Public Servants in May 2022, the KDIC put in place the Operational Guidelines for the KDIC Conflict of Interest Prevention System in April 2022. The KDIC also established and implemented plans to promote ethical management, anti-corruption and integrity policies.

Sharing the KDIC's Experiences in Deposit Insurance System Operation with the World

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 of its officers to high profile positions at both organizations and the use of initiative. Furthermore, the KDIC Global Training Program enabled the KDIC to offer training to deposit insurers around the world to share its experiences in operating the deposit insurance system, which was also in line with the government's policy to play a more prominent role in the international community.

First, the KDIC was elected to the IADI EXCO at the 2022 IADI Annual General Meeting utilizing a systematic contingency plan and the network of relationships it has built thus far. This election cemented the KDIC's continued presence on the EXCO since the international organization's inception in 2002, which is a status only enjoyed by two other members (FDIC and DICJ), and reflects the high level of recognition for the KDIC within IADI. Also, by participating in the IFIGS Management Committee and the Information Sharing Working Group, the KDIC contributed to strengthening global cooperation among insurance guarantee schemes for broader information sharing, increased awareness and membership growth.

The KDIC Global Training Program was conducted to continue efforts to strengthen cooperation with overseas deposit insurers by sharing Korea's experiences in operating its deposit insurance system. The event was held in an online format using webinars due to concerns over the resurgence of COVID-19, and a variety of online platforms were utilized to engage online participants' interest such as a website where participants could practice calculating deposit insurance claims and a metaverse platform on which the KDIC has built a digital twin of its actual building.

Ⅱ

Organization Operations

KOREA
DEPOSIT
INSURANCE
CORPORATION

1 Organization Setup

1. Deposit Insurance Committee

The Deposit Insurance Committee is the highest decision-making body of the KDIC. It sets basic policy on the operation of the KDIC as well as deliberates on and passes resolutions on matters such as approval of the fund management plan.

The Deposit Insurance Committee has seven members. Ex-officio members include 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 commissioned members are recommended by the Financial Services Commission (including two members recommended by the Minister of the MoEF and the Governor of the BOK, respectively).

In 2022, the Deposit Insurance Committee was held 12 times to deliberate on 20 reports and 28 resolution motions including the 2023 operation plan for the Deposit Insurance Fund Bond Redemption Fund (Redemption Fund) and the 2023 draft KDIC budget. Below are the changes in the composition of the Deposit Insurance Committee during 2022.

○ Chairman: KDIC Chairman & President Mr. KIM, Tae-hyun resigned (Sept. 1, 2022), Appointment of new KDIC Chairman & President Mr. YOO, JaeHoon (Nov. 11, 2022)

○ Ex—Officio Members: Vice Minister, Ministry of Economy and Finance changed from Mr. LEE, Eog-weon to Mr. BANG, Ki-sun (May 9, 2022)
Vice Chairman, Financial Services Commission changed from Mr. DOH, Kyu-sang to Mr. KIM, So-young (May 17, 2022)

○ Commissioned Members: Commissioned member recommended by the Governor of the Bank of Korea changed from Mr. KIM, Sung-min to Mr. HUR, Jaesung (Feb. 12, 2022)

<Table Ⅱ-1> Deposit Insurance Committee Members

(As of Dec. 31, 2022)

Composition		Name
Ex-officio Members	Chairman & President, Korea Deposit Insurance Corporation	YOO, JaeHoon
	Vice Chairman, Financial Services Commission	KIM, So-young
	Vice Minister, Ministry of Economy and Finance	BANG, Ki-sun
	Senior Deputy Governor, Bank of Korea	LEE, Seungheon
Commissioned Members	Designated by the Financial Services Commission	KIM, Sonku
	Recommended by the Minister of Economy and Finance	CHOI, Heenam
	Recommended by the Governor of the Bank of Korea	HUR, Jaesung

<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

Items for Resolution	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 and the Auditor

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 of 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. 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 Board of Directors met 12 times during 2022 to deliberate on six reports and 21 resolution motions including the Mid- to Long-term KDIC Financial Management Plan and the Mid- to Long-term KDIC Management Goals.

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.

<Table Ⅱ-3> Board Members

(As of Dec. 31, 2022)

Title	Name
Chairman and President	YOO, JaeHoon
Executive Vice President	YOON, Chayong
Executive Director	KIM, Sang-Ki
Executive Director	LEE, Mi Young
Executive Director	Vacant
Executive Director	Vacant
Non-executive Director	SUNG, Young Ae
Non-executive Director	KIM, Jin Ill
Non-executive Director	KIM, Young Do
Non-executive Director	KIM, Jung-Beom
Non-executive Director	PARK, No-Wook
Non-executive Director	LEE, Hangyong
Non-executive Director	AHN, JaeBin
Auditor	KIM, Taechul

<Table Ⅱ-4> Changes to the Board of Directors Composition during 2022

Date	Details of Change
Jan. 19, 2022	Appointment of Executive Director LEE, Mi Young
Jan. 27, 2022	Appointment of Executive Vice President YOON, Chayong
Mar. 19, 2022	Retirement of CHO, Yang-Ig
Sept. 1, 2022	Resignation of KIM, Tae-hyun
	Appointment of Non-executive Directors PARK, No-Wook, LEE, Hangyong, AHN, Jaebin
Oct. 5, 2022	Retirement of Executive Director PARK, Sang-jin
Nov. 11, 2022	Appointment of Chairman & President YOO, JaeHoon
Nov. 14, 2022	Retirement of Auditor LEE, Han-gyu, Appointment of Auditor KIM, Taechul

3. Organizational Reshuffle and Current Structure

The KDIC prepared a reorganization plan in response to rising risks of instability caused by increased volatility in financial markets and to strengthen financial consumer protection. The plan centered around integrating crisis prevention and resolution functions to prepare for financial market instability. It also included the streamlining of the disjointed deposit insurance system improvement work to reinforce the financial consumer protection function.

The Department of Resolution and Financial System Improvement was reorganized into the Department of Planning for Financial Stability to consolidate resolution operations which were dispersed across different financial sector teams and to enable rapid and systematic response to pressing issues. In addition, the taskforce to support the enactment of the Financial Stabilization Account was newly established to ensure its smooth legislation in preparation for temporary liquidity crises in financial institutions.

Matters related to the deposit insurance system including the determination of eligibility for deposit insurance cover were brought under the remit of the Office of Financial Consumers Protection to eliminate potential blind spots in financial consumer protection. Accordingly, a comprehensive review of complex financial products and their insurability was undertaken to keep the deposit insurance system abreast with the growth of capital markets, which allowed for stronger financial consumer protection.

Meanwhile, in order to reflect stronger ESG policies and to clarify the responsibilities of each department, the former Department of Social Value Management, the Office of Management Innovation and the Office of Security Administration were renamed as the Department of ESG Management, the Office of Performance Management and the Office of Safety, Security and Health, respectively.

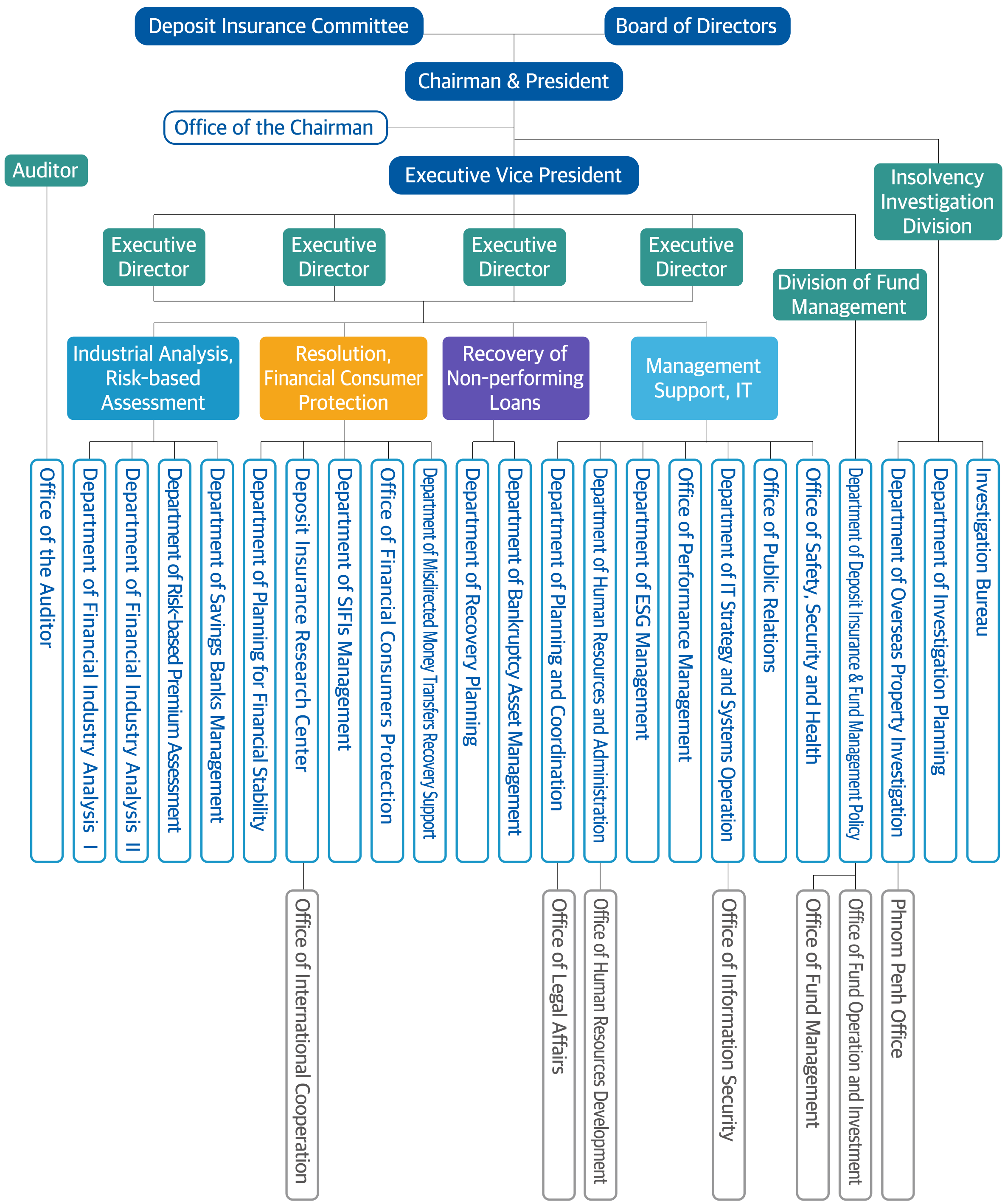
<Table Ⅱ-5> Number of Staff

(As of Dec. 31, 2022, Unit: No. of Persons)

Category	Senior Management	Staff				Total
		Regular	Special[2]	Support Staff[3]	Sub-total	
No. of Persons	12[1]	702	63	56	821	833

* 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

<Figure Ⅱ-1> Organizational Chart



2 Organizational Management

1. Mid- to Long-term Management Plan

In 2022, the economy began to slow down in earnest due to risks of global instability including higher inflation worldwide, interest rate hikes in major countries as well as the emergence of geopolitical risks. There was also increased uncertainty in financial markets arising from the widening of credit risk due to interest rate hikes. Also, the inauguration of the new government brought rapid changes to the policy environment such as strengthened efficiency standards for public institutions. The KDIC actively responded to these changes in the business environment and presented a new direction for the Corporation to executives and employees. The Mid- to Long-term Management Plan was reorganized to create a driving force for stronger financial market stability and expanded financial consumer protection.

The KDIC restructured its strategic framework for the first time in four years since 2018 by reviewing the results of internal and external environmental analysis, interviews with employees across all levels as well as large-scale surveys involving the public, financial companies and experts. The new government's policy stance was reflected in the strategic goals and strategic tasks. To account for growing uncertainty in the financial market, detailed action plans were drawn up to strengthen financial market stability and to broaden financial consumer protection.

Vision

In October 2022, the KDIC set up a new vision of "KDIC, a Financial Safety Net Player Trusted by Financial Consumers and a Cornerstone of Reliability for the Broader Public." This vision was chosen after focus group interviews to derive a candidate group of future images for the KDIC, which was followed by a survey conducted on 1,327 people including the general public, financial company employees and market experts.

<Figure Ⅱ-2> KDIC Strategy Map

Mission	Vision
Depositor Protection and Maintenance of Stability in the Financial System	KDIC, a Financial Safety Net Player Trusted by Financial Consumers and a Cornerstone of Reliability for the Broader Public

Core Values

Reliability	Professionalism	Fairness

Strategic Goals

Stronger Financial Market Stability	Expanding Protection of Financial Consumers	Organizational Innovation for Performance Enhancement

Strategic Tasks

Sustainability of the fund management system and efficiency of fund recovery and management	Paradigm shift from depositor protection to financial consumer protection	Stronger ESG management and management efficiency
Building a proactive crisis response system	Establishing an advanced deposit insurance and resolution system	Strong public service ethics and internal controls
Stronger monitoring of financial risks to prevent insolvencies	Enhancing support for the financially vulnerable	Strengthening digital capabilities to improve public service quality

<Figure Ⅱ-3> New Vision and Its Meaning

Vision	Meaning
KDIC, a Financial Safety Net Player Trusted by Financial Consumers and a Cornerstone of Reliability for the Broader Public	An ambition to reach beyond the traditional role of depositor protection and to establish itself as a financial safety net player that is trusted by financial consumers and gives people peace of mind

This new vision sets out the KDIC's ambition to each beyond the traditional role of depositor protection and to establish itself as a financial safety net player that is capable of proactively managing a crisis. Additionally, it indicates the KDIC's commitment to financial consumer trust through the protection of even more financial products and creation of a safe financial environment for the general public. By setting a new direction for KDIC executives and staff members, the newly established vision seeks to achieve the Corporation's mission of protecting depositors and maintaining the stability of the financial system in a rapidly changing business environment.

Strategic Goals, Strategic Tasks and Detailed Action Plans

To achieve the vision set forth in October 2022 and create sustainable results, the KDIC set "Stronger Financial Market Stability" and "Expanding Protection of Financial Consumers" as strategic goals from a business function perspective and "Organizational Innovation for Performance Enhancement" as a strategic goal from an organizational operation perspective.

Also, a total of nine strategic tasks were formulated while keeping some of the existing key messages such as establishing a proactive crisis response system and securing the sustainability of the fund management system. Strategic tasks on ensuring management efficiency and stronger internal controls were added to reflect and align with the new administration's policy tasks.

Finally, the KDIC developed 37 detailed action plans linked to each strategic task to devise a five-year roadmap. These included action plans on: increasing consistency in deposit insurance premium assessment; introducing the Financial Stabilization Account to prevent financial institution insolvencies; refining the resolution scheme to accommodate the different needs of each financial sector; and improving investor protection, etc.

<Table Ⅱ-6> Strategic Goals, Strategic Tasks and Detailed Action Plans

Strategic Goals	Strategic Tasks	Detailed Action Plans
Stronger Financial Market Stability	Sustainability of the fund management system and efficiency of fund recovery and management	Improving consistency in deposit insurance premium assessment and ensuring stable funding for, and management of the Deposit Insurance Fund (DIF)
		Implementation of the Redemption Plan through efficient management of the Redemption Fund
		Balance between stability, profitability, liquidity and public interest in fund management
		Efficiency in bankruptcy estate management and fund recovery
		Efficient investigations, asset search and follow-up management to hold people responsible for a failure to account
	Building a proactive crisis response system	Enhancing financial stability and drafting resolution plans for SIFIs to minimize potential losses to the DIF
		Advancing the resolution scheme for SIFIs
		Strengthening crisis management capabilities and upgrading the crisis response system
		Refining the resolution scheme to accommodate the different needs of each financial sector
		Introduction of the Financial Stabilization Account to prevent financial institution insolvencies
	Stronger monitoring of financial risks to prevent insolvencies	Advancing the risk-based premium system by aligning it with ongoing risk monitoring activities
		Stronger risk monitoring to collect and analyze insolvency risk data and to prepare timely responses
		Efficient conduct of independent and joint examinations through effective target selection and focus
		Strengthening industry analysis and risk analysis in response to changes in financial market conditions
Expanding Protection of Financial Consumers	Paradigm shift from depositor protection to financial consumer protection	Stronger enforcement of the requirements for deposit insurance information display to prevent damages to depositors and protect their rights and interests
		Stable operation and improvement of the scheme to support the return of misdirected money transfers
		Investor protection system improvement taking into account changes in the financial environment

Strategic Goals	Strategic Tasks	Detailed Action Plans
Expanding Protection of Financial Consumers	Establishing an advanced deposit insurance and resolution system	Rational changes to the deposit insurance system to reflect changes in the financial environment
		Swift and efficient resolution and deposit insurance payments
		Sharing of deposit insurance system operation experiences and stronger global leadership
	Enhancing support for the financially vulnerable	Public awareness activities and financial literacy education tailored to the financially vulnerable
		Debt restructuring and support for the financial rehabilitation of the financially vulnerable
		Informing claimants of any uncollected funds in collaboration with other organizations
Organizational Innovation for Performance Enhancement	Stronger ESG management and management efficiency	Establishing an infrastructure for ESG management and stronger ESG management
		Enhancing organizational/operational efficiency and managerial innovation
		Creating high quality jobs and a good workplace
		A managerial focus on public health and safety (new)
		Reinforcing crisis responses in each stage of crisis development
	Strong public service ethics and internal controls	Ethical management, protection of human rights and internalization of a culture of anti-corruption and integrity
		A stronger internal control system
		Improving the transparency and reasonableness of the recruitment and personnel management processes
		Strengthening labor-management cooperation for win-win results
		Healthy organizational culture based on communication and discussion
	Strengthening digital capabilities to improve public service quality	Advancing IT systems to raise the quality and reliability of public service
		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. Organizational Culture

Laying the Foundation for a Culture of Win-win and Harmony

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 2022, an anonymous survey of all employees and a competition for ideas to improve organizational culture were conducted to show appreciation for diversity within the organization and to spread a culture of sound communication. These activities were used to find around 20 new tasks to improve organizational culture including throwing out unnecessary tasks. The tasks were actively implemented through consultation between the departments in charge. As such, the KDIC is continuing to develop its organizational culture taking into account the needs of its staff members by listening to opinions within the Corporation from across various positions, work areas and age groups.

Also, various face-to-face programs were run following the relaxation of quarantine measures. These organizational culture programs, described below, were carried out to enhance mutual understanding between positions, work areas and age groups. As a result, operational efficiency was enhanced through the strengthened horizontal communication within the Corporation and the boosted morale of executives and employees.

① One-Team: to enhance teamwork through collaborative activities and to share interests

② Work Mentoring: to promote work and non-work related communication and exchange between junior and senior employees

③ Online Trips: to travel online with a local tour guide using online platforms'

④ KDIC for Kids: to provide experiential events in the spirit of work-life balance

Going forward, the KDIC will make efforts to spread a culture of respect for one another by promoting a variety of communication programs that can narrow the gap between management and staff.

<Table Ⅱ-7> Major KDIC Organizational Culture Programs

Category	One-Team	Work Mentoring	Online Trips	KDIC for Kids
Participants / Duration	Team / Half-day	Around 30 people / three months	Around 35 people / 90 mins	Around 60 children / Full-day
Program	Leather craft, pottery, humanities and arts lectures, etc.	Training on different areas of work at KDIC, team building activities, etc.	Tour guide commentary live streamed via YouTube Live	Metaverse field trip, financial education for children, etc.

Operation of a Well-designed Performance Management System

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 the 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 2022, the KDIC actively responded to the government's policies to establish strict public service ethics by improving indicators for stronger institutional capacity for anti-corruption, integrity and ethical management. To enhance the acceptability of performance evaluation by KDIC employees, a rational adjustment of evaluation metrics was made taking into consideration internal survey results and opinions of outside experts. Meanwhile, efforts were made to raise employees' understanding of the performance evaluation system by producing and distributing organizational performance management manuals.

For effective operation of the performance-based annual pay system, the KDIC also 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.

The KDIC introduced multidimensional performance appraisal in 2018, including bottom-up evaluation and peer reviews to comprehensively evaluate each employee in every respect. In 2022, some evaluation metrics were changed for improvement and evaluation reliability was raised by increasing the evaluation frequency from once to twice per year.

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	Scores assignment for each department/team based on management evaluation results, ect.	
KPI Evaluation	Quantifiable Factors Evaluation	Evaluation of the targets have been fulfilled in regard to quantitiative indicators
	Non-quantifiable Factors Evaluation	Evaluation of non-quantifiable Factors
Evaluation of Common indicators	Evaluation of all departments thst are high engaged in strategic goal achievement based on common indicators	
Evaluation of Strategy Implementation	Evaluation of the management's ability to achieve strategic tasks	

Individnal Performance Evaluation (Management by Objectives (MBO))

Targets are for each individnal 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 Business Practices and Proactive Governance

In 2022, the KDIC formulated an organization-wide management innovation plan to support the government's pursuit of innovation in public institutions and to continuously improve work processes. As part of that plan, several tasks designed to promote a culture of proactive governance were undertaken. These included, i) improvement of deposit insurance signage display in response to changes in the financial environment, ii) introduction of the Financial Stabilization Account to prevent financial institution failures, and iii) active notification of uncollected dividends.

Through these efforts, it became mandatory for financial institutions to display depositor protection notices on the account information screens of their online websites and mobile applications; the draft amendment of the Depositor Protection Act (DPA) to introduce the Financial Stabilization Account was submitted to the National Assembly; and depositors with uncollected dividends were provided with mobile notifications. Also, efforts are being sustained through activities such as the opening of Yesom-24, an AI based counseling chatbot to strengthen public service, and the reduction of overdue interest for the elderly and small debtors with long-term overdue debts.

Moreover, proactive governance was encouraged by providing incentives like the KDIC Chairman and CEO's commendation award to a select group of employees who played a key role in promoting the Corporation's work on innovation and proactive governance as innovation leaders. In 2022, an award* was given to the team that presented an exemplary case of proactive governance, thereby encouraging proactive governance at the individual and team level.

* The 2022 Award for Excellence in Innovation was given for the introduction of the Financial Stabilization Account to prevent financial institution insolvencies.

Also, an Innovation Idea Contest was held to encourage the discovery of work improvement ideas in the process of performing daily tasks, and for which appropriate awards were also handed out.

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 member of the fifth Public Participation Group.

Meanwhile, protection for staff engaged in proactive governance was further strengthened through the continuous improvement of indemnification rules and the advance consulting and audit system. The basis for "on-site" indemnification from liability was provided by emulating a similar program run by the Board of Audit and Inspection of Korea. This program is aimed at creating a healthy working atmosphere by allowing early release from liability for staff on the ground in cases deemed as examples of proactive governance. Before, decisions on allowing indemnification were made after the completion of the actual audit. However, this change now allows KDIC staffers to ask for indemnification on-site during an audit and be granted indemnification after a less time-consuming review.

Internal KDIC Auditor commendations were awarded for exemplary cases of proactive governance and advance consulting for audit readiness. A number of best practices in proactive governance were identified even during actual audits, such as the special audit on the prevention of negligent management and implementation of government management guidelines, to encourage the practice of proactive governance by KDIC departments.

Efforts were made to encourage proactive governance by asking the staff to file mock reports on reactive governance practices through the in-house reporting center using a metaverse platform. Also, the Office of the Auditor published newsletters (entitled Touching News) covering cases where legal protection from liability was provided, both inside and outside the KDIC.

3. Information Technology

The KDIC is pursuing the development of its next generation IT system by the end of 2023, to efficiently perform management strategies by establishing a business system that aligns with digital transformation trends and to provide high-tech services to the general public. In 2022, the current IT system was examined to identify areas for improvement to commence full-scale system development. Thus, efforts were made to provide advanced public services appropriate for the digital age.

First, Corporation-wide interest in the development of the next generation IT system was sparked and a briefing session on promotion strategy was held, using a metaverse platform to prevent the spread of COVID-19, as a reminder of the importance of working-level employees' participation.

Through regular and special meetings with the working-level consultative group composed of system-related personnel in each department, the current business system was analyzed to develop an understanding of current work processes and rules and to gather requirements from users for designing the next generation IT system. Based on the results of this analysis and design, system development formally began in October 2022. It is being pursued with the goal of having an official launch by the end of 2023, following user tests, etc.

Priority tasks for building the next generation IT system including the AI chatbot service for public consultation and the virtual reality (VR) public auction information service were implemented and opened for service in June 2022.

The AI chatbot service for public consultation utilized business information of the KDIC (divided into six areas including deposit insurance payment and support for the return of misdirected money transfers) to provide 24-hour, one-stop service and for the downloading of civil petition forms. This service, which began in June 2022, was used* by 10,663 users for 28,516 inquiries as of the end of December 2022. The KDIC is currently working to improve the level of chatbot conversation to enhance user satisfaction through the collection of learning materials and data cleansing.

* Number of inquries by delivery channel: From the total of 28,516 inquiries, 16,367 used the KDIC website, 546 were for consolidated application for uncollected payments and 11,603 inquiries concerned support for the return of misdirected money transfers.

The VR public auction information service was opened on the KDIC's public auction information site to provide vivid information for investors without time or space constraints by producing VR recordings of auction items such as project finance (PF) project sites. For nine public auction items including PF project sites, VR recordings were produced in two formats (panorama VR, 360 degree images) bearing in mind each item's distinct characteristics. This resulted in the sale of three of the nine real estate properties during 2022. The KDIC will continue to monitor the status of this service, in an effort to complete the sale of public auction items.

<Table Ⅱ-8> **Project to Establish the Next Generation IT System**

<table>
<tr><th colspan="2">AI Chatbot</th><th colspan="2">VR Public Auction Information</th></tr>
<tr><td colspan="2">• 24-hour consultation service on the deposit insurance system, support for the return of misdirected money transfers, etc.</td><td colspan="2">• VR recordings of properties up for public auction</td></tr>
<tr><td>
</td><td>
</td><td></td><td></td></tr>
</table>

<Table Ⅱ-9> Major Achievements in IT Advancement in 2022

External Evaluations	By Whom	Results
• Public data quality management evaluation	Ministry of the Interior and Safety	• Highest grade (excellent) for three consecutive years
• Evaluation of Data-based Administration		• Achieved highest grade (excellent)
• E-government performance management evaluation (Information resource management)		• Achieved "Excellent" grade with 100 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 fifth successive year (excellent)

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 cyber attack response training for executives and employees. These efforts resulted in a more positive image of the Corporation as evidenced by excellent ratings it received in outside evaluations.

Various cyber attack response drills were conducted to prevent intrusion and strengthen cyber attack response capabilities, including the National Intelligence Service's cyber attack response training, joint distributed denial of service (DDoS) attack response training with telecommunications companies, hacking mail response training as well as in-house cyber crisis response training. Also, every effort, including company-wide information security training, was made to raise awareness of information security among employees. Through these efforts, the KDIC has faced 'ZERO' cyber security incidents so far and in the Information Security Management Assessment conducted by the National Intelligence Service, the KDIC maintained the top rank among quasi-governmental institutions for the fifth consecutive year (2018-2022).

In other areas, the aging information security system (SSL VPN and Web Application Firewall) was replaced with the latest equipment to strengthen technical support and enable quick responses to security vulnerability. In designing a system in connection with the next generation IT system, privacy safety and reliability was enhanced by applying privacy protection functions to all areas of the system from the design stage. Also, measures to prevent personal information leakage, such as establishing a security system for managing hardcopies, were strengthened to increase external credibility. As a result of these efforts, the KDIC was able to maintain its ISMS-P certification* for the fourth consecutive year (after being the first public institution to acquire this certification) following a renewal review.

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

Furthermore, the KDIC is seeking to establish a foothold to boost exports of digital government solutions by pursuing overseas consulting projects in countries, for instance, considering the adoption of an advanced deposit payout system.

Several consulting projects have already been conducted with foreign deposit insurers including the Deposit Insurance Corporation of Mongolia (2016), Laos Deposit Protection Office (2017), Kazakhstan Deposit insurance Fund (2018), Indonesian Deposit Insurance Corporation (2019) and the Albanian deposit Insurance Agency (2020). In 2022, the consulting project to establish a deposit insurance payment system for the Deposit Protection Agency of the Kyrgyz Republic was successfully completed through collaboration with a private IT consulting company.

As a result of these continued overseas consulting efforts, the KDIC received the Minister of the Interior and Safety Commendation (for distinguished service in expanding Korea's digital government services into overseas markets) in November 2022, in recognition of its contribution to the development of related work and creation of results.

4. External Reputation Management

Managerial Performance

In March 2022, the KDIC submitted its managerial performance report for 2021 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 2022, 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 examines and evaluates the KDIC's fund management performance. This 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 2021 and submitted it to the Fund Management Evaluation Committee in February 2022. The Committee made the evaluation results avaㄴilable in June 2022 after conducting due diligence and other processes.

According to the results, the KDIC's management of the DIF Bond Redemption Fund was rated as Good.

Integrity Evaluation

The KDIC undergoes the General Integrity Evaluation of Public-sector Organizations 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 2022 Integrity Measurement Assessment based on a survey of each organization's employees and outside stakeholders, the KDIC was rated grade 3 with respect to its external integrity. This reflected the many efforts the KDIC undertook including efforts to address weaknesses in terms of corruption monitoring (Integrity Call Center). In the 2022 Integrity Effort Assessment, which evaluates the Corporation's efforts to establish an anti-corruption promotion system, its operational performance and its effectiveness in policy implementation, the KDIC received grade 3.

Thus, the KDIC achieved grade 3 in the General Integrity Evaluation, which is derived from adding up the Integrity Measurement Assessment and Integrity Effort Assessment results and making deductions for any reported cases of corruption. In the future, the KDIC will review measures to improve areas of weakness to establish the 2023 KDIC Anti-Corruption Initiative and continue efforts to bring substantial improvement to its level of integrity.

Self-Audit and Internal Control

In accordance with Article 36 of the Act on the Management of Public Institutions, the KDIC is required to be evaluated annually on the Auditor's performance of his/her duties. This report of the Auditor's performance was submitted to the Ministry of Economy and Finance in March 2022 for evaluation from the pertinent evaluation group. The results of the 2021 evaluation of the Auditor's performance, announced in June 2022, rated the KDIC as B (Good).

Also, the Board of Audit and Inspection of Korea examines self-audits to see whether the in-house audit teams function properly under Article 39 of the Act on Public Sector Audits. The KDIC submitted its record of self-audit activities in January 2022 and received due diligence from an evaluation group including staff from other organizations doing self-audits. The 2022 evaluation results on self-audit activities (based on 2021 records) rated the KDIC with a grade of C.

3 ESG Management

1 . Overview

Based on the ESG strategic framework established in the second half of 2021, detailed tasks for ESG management were set in 2022 that formed the basis for a plan to promote ESG practices.

To make available information on its efforts in realizing sustainable management and ESG managemen to internal and external stakeholders, the KDIC has been publishing reports on sustainable management from 2018. In 2022, it publicly released the 2021 ESG Management Report which reflected international guidelines and standards. This report received the Platinum Award in the Sustainable Management category of the Vision

Awards hosted by the League of American Communications Professionals LLC (LACP) for the third consecutive year, which signified international recognition that the KDIC's sustainability and ESG management capabilities comply with global standards.

The ESG Newsletter was produced and distributed to build Corporation-wide consensus on the need for ESG management and to make known the KDIC's efforts in ESG management. The publication cycle of this newsletter was shortened from once every two months to once a month, to allow transmission of timely news on ESG management.

<Figure Ⅱ-5> ESG Strategic Framework (Established in 2021)

Vision	A Sustainable Future Created by Depositor Protection Service		
Strategic Goal	< E > Creating an "Eco-friendly Ecosystem" That Is Good for the People	< S > Fulfillment of "Social Responsibility" That Provides Warmth to the People	< G > Establishment of a "Transparent Governance" Structure Trusted by the People
Mid- to Long-term Objective	Lead Public-sector Organizations to a Carbon Neutral Future by 2050	Keep "the Temperature of Sharing" at 36.5 Degrees Celsius 365 Days a Year	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
	Establish a Green 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	

<Table Ⅱ-10> Details of Collaborative Projects for Social Economy Enterprises in 2022

Social Economy Enterprise (Business Area)	Collaboration Details
GY INC. (Manufacture and sale of eco-friendly bags)	• Upcycle of second-hand jeans donated by KDIC executives and staff to produce eco-bags → Donated to the socially vulnerable through regional welfare centers
Kogongjang (Repair of used toys and manufacture and sale of upcycle products)	• Upcycle production of eco-friendly teaching materials using second-hand toys donated by KDIC executives and staff → Donated to regional child welfare centers
Anarchia (Manufacture and sale of eco-friendly safety shoes)	• Purchased eco-friendly safety shoes to provided them to the employees of a subsidiary for facilities management
Public Designism (Manufacture and sale of eco-friendly everyday items)	• Purchased eco-friendly everyday items to provide them to immigrants in vulnerable living conditions (special contributors from Afghanistan)
Happy Aging INC. (Manufacture and sale of medical products to prevent patients' falls)	• Purchased medical products to prevent patients' falls and donated them to the elderly in need
Sangsaeng Agricultural Corp. (Manufacture and sale of organic rice drinks and salt)	• Invited to the farmers' market hosted by the KDIC → Marketing support by providing a sales booth, etc.
Jeongin Welfare Society for the Disabled (Operation of facilities to support the independence of persons with disabilities, etc.)	• Supported the production of promotional videos for the project
Goraesil (Cultural contents development in Okcheon area, etc.)	• Supported the production of promotional videos for the project
Tripti (Manufacture and sale of fair trade coffee products)	• Published an article in the KDIC's in-house magazine "KDIC Plaza"

In 2022, the KDIC continued its support for social economy enterprises which began in 2020. Through an examination of applications by the external members of the ESG Committee, 30 social economy enterprises were selected to receive a grant of KRW 3 million each. This meant an expansion of support to a greater number of applicants (from 25 in 2021), including those selected from the regular public competition as well as those specialized in the environmental field based on recommendations made by the Social Enterprise Promotion Agency and other relevant organizations. Collaborative projects with a total of nine companies were implemented to support the sustainable growth of social economy enterprises including eight selected this year and one selected in 2021.

2. Environment

Beginning in April 2022, the Campaign to Practice KDIC-style Carbon Neutrality in Daily Life was launched to spread a culture of carbon neutrality across the Corporation. As part of the campaign, an eco-mileage system was adopted to encourage the practice of carbon reduction activities in everyday life by providing a specific amount of mileage and incentives for each case of practice such as opting for an electronic receipt instead of a paper one and using multiple-use containers. As a result of these efforts, the executives and staff of the KDIC engaged in a total of 8,119 cases of carbon emission reduction activities in 2022. By registering as a participant in the K-RE100 administered by the Korea Energy Agency in December 2022, the KDIC has set the stage to accelerate the pursuit of carbon neutrality and ESG management activities.

Also, 850 tree seedlings were donated to the non-profit corporation Noeul Park Citizens' Group in December 2022. Other greening and beautification activities included flower planting* and regular walking trail cleanups along Cheonggyecheon Stream with the Seoul Facilities Corporation.

* Participants: KDIC, Korea Inclusive Finance Agency, Daesang Corporation and Korea Seven Co., Ltd. in June, KDIC and Korea Inclusive Finance Agency in October, 2022

By participating in the campaign to stop the use of disposable cups in cafes promoted by the Seoul Metropolitan Government (Zero Waste Campaign), the cafe located in the lobby of the KDIC building was transformed into a zero (waste) cafe where only multiple-use cups are provided.

<Photo II-1> Going Carbon Neutral and Contributing to Regional Development

Tree Planting Activities

Cleanup Activities around Cheonggyecheon Stream

Flower Planting Event

The KDIC participated in projects to manufacture eco-friendly products with specialized environmental enterprises and donated items to several socially vulnerable groups and welfare centers. This laid the groundwork to practice eco-friendly and green management as well as supporting the growth of partnering enterprises.

After an internal campaign to drive donation of used items, the KDIC delivered the donated goods to GY INC and Kogongjang to facilitate the upcycle production of eco-bags and eco-friendly teaching materials (toys for self-assembly). The finished products were then donated to socially challenged people through welfare centers and child welfare facilities in Jung-gu, Seoul, to provide support in the everyday lives and education of children.

In addition, collaboration was sought with Public Designism, which is a social enterprise producing upcycle items for everyday life. By purchasing the eco-friendly daily-life kit (pouch, soap, toothbrush, toothpaste, etc.) produced by the enterprise, the KDIC was able to donate such kits to foreign immigrants experiencing difficulties in settling to life in Korea. From the social enterprise Anarchia, the KDIC purchased eco-friendly safety shoes produced using waste leather which it provided to employees of Yeoul FMC, the KDIC's subsidiary in charge of facilities management.

3. Social

Equal Opportunities in the Recruitment Process

Based on a simulation analysis of hiring over the next five years, the KDIC developed a detailed annual hiring plan. This systematic management allowed the expansion of recruitment (from 21 to 30) in the second half of the year for the recruitment of 36 new employees in 2022, of which 9 were regional talents hired through the granting of preferential additional points for regional talents.

To increase job opportunities for disabled persons, the KDIC recruited seven staffers during 2022 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. Also, the KDIC hired two soon-to-be graduates of specialized vocational high schools as regular workers. Efforts were continued to find new work areas where the careers of people who are often overlooked in the job market, such as retirees, could be utilized and as a result, seven examiners were hired on fixed-term contracts for the first time in six years.

The KDIC increased the recruitment of experiential interns (from 74 to 81) to help young job seekers strengthen their ability to find a job. It also provided opportunities to improve vocational competencies for 11 interns on two occasions by participating in the work experience program of the National Employment Support System for the first time.

The KDIC pursued the creation of private-sector jobs in cooperation with outside service providers. It supported the reemployment of 226 administrative assistants who used to work at one of the 36 bankruptcy estates managed by the Corporation and had lost their jobs when the estate closed at the end of bankruptcy proceedings. Reemployment support services such as customized programs tailored to beneficiary needs were provided to offer practical help.

By broadening the number of credit information companies (from three to six) selected for consignment of loan management and collection on June 29, 2022, the KDIC's subsidiary KR&C contributed to the creation of 116 private-sector jobs at those credit information companies.

Co-prosperity, Cooperation and Regional Development

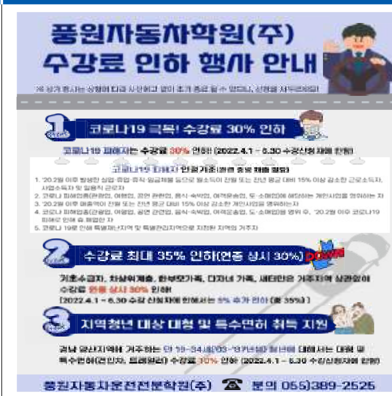
The KDIC has managed and disposed of real estate properties held as collateral for PF lending by the 30 mutual savings banks that became insolvent and subsequently bankrupt from 2011 through 2015. Most of the PF real estate in good locations with relatively clean legal rights have already been sold and rather than leaving the unsold PF building spaces empty, the KDIC pursued their public utilization, by making them available to young entrepreneurs, local residents, the socially disadvantaged, etc.

In 2022, to support young entrepreneurs experiencing difficulty in paying rent due to COVID-19, the KDIC continued its collaboration with the Chungcheongbuk-do Academy for Young Entrepreneurs to rent stores in a 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 Enterprises in cooperation between the KDIC and the Namyangju City government. Also, benefits such as discounts on tuition fees were provided for COVID-19 victims and local residents at Poongwon Driving License Academy (a PF real estate site) located in Gyeongsangnam-do.

In an effort to support school children studying in trying circumstances, the KDIC selected 20 high school students as recipients of the KDIC scholarship* (KRW 1 million each). It also sought to fulfill its social responsibility as a public-sector organization by taking part in social contribution activities including an encouragement donation to soldiers in the armed forces and sponsorship of winter supplies for persons of national merit. In March, the KDIC received the Red Cross Members' Highest Honor in recognition of its social contribution efforts and donations to date including the labor-management joint donation of KRW 50 million for the East coast forest fire victims.

* The KDIC scholarship has provided scholarships totaling KRW 277.4 million to 290 students on 18 occasions since 2005.

<Photo Ⅱ-2> Using PF Project Sites for the Public Good

Young Entrepreneur (ARCANE37)	Rich Plus Shopping Mall in Namyangju City	Poongwon Driving License Academy
		

<Photo Ⅱ-3> Sponsoring the Socially Vulnerable and Revitalizing the Local Economy

Red Cross Members' Highest Honor	Hosting of farmers' market	Donation of gift baskets of agricultural products
		
Sponsorship donation	Donation of household electronic appliances	Donation of goods bought on mileage
		

<Table Ⅱ-11> Social Contribution Activities in 2021

(As of the end of 2022)

Category	Program Name	Activities	Duration
Neighbors	Support for the underprivileged	Sponsorship of welfare centers for the socially vulnerable in need (e.g. children, senior citizens, the disabled)	Year-round
	KDIC scholarship	Granting of scholarships to high school students from low income households	September 2022
	Free meals	Volunteer activities to provide free meals to the socially vulnerable such as the underprivileged	Q4 2022
Local Communities	Support for military officers and persons of national merit	Encouragement donation to soldiers in the armed forces and sponsorship of winter supplies for persons of national merit	December 2022
	Support for forest fire victims	Donation to overcome a national disaster	March 2022
Rural Areas	Haengbok Yegam farmers' market	Farmers' markets to promote and sell goods from rural farms and social enterprises	September 2022
Environment	Sponsorship of eco-friendly agricultural products	Purchase of eco-friendly agricultural goods to donate them to welfare centers for the socially vulnerable	December 2022
	Tree Planting	Purchase of tree seedlings and participation in tree planting activities	November 2022
	Environmental cleanup of local community	Planting of flowers and cleanup activities along the Cheonggyecheon Stream walking trails	Year-round

* Utilization of external funds

In line with the KDIC's designation 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 for 2022. This plan sought to encourage voluntary participation of KDIC employees in spreading a culture of shared growth, and rewards were given to teams and employees with outstanding performance to generate results. The KDIC also actively participated in the "system to certify ESG practice in farming and fishing areas," introduced by the Korea Foundation for Cooperation between Large and Small and Mid-sized Businesses in Rural Affairs. In recognition of its efforts to practice environmental and social responsibility through win-win cooperation with farming and fishing villages and its ESG management, the KDIC received a formal certification plaque from said foundation.

The KDIC also established a plan to introduce a “win-win“ payment system to support the stability of small and medium-sized enterprises in recovering payment and reducing financial costs. Accordingly, a payment and settlement system was established by signing an agreement with Nonghyup Bank. Since its introduction in July 2021, two cases were recorded for a total of KRW 34 million. In 2022, a list of potential contracts that could use the system was drawn up considering contract size, transaction sustainability and possible ripple effects. Additionally, in order to encourage more use of the system, KDIC staffers visited the managers responsible for operating the system at vendors and contractors to brief them on how the system works. In the end, a total of KRW 1.7 billion in 20 cases was processed through the system in 2022.

Expanded Provision of Financial Education and Public Disclosure of Data

Prompted by the global financial crisis in 2008 and the rising need for financial literacy education, the KDIC has conducted annual financial literacy education for financially vulnerable people from 2010 with the aim of protecting financial consumers and supporting their sound financial lives.

In 2022, as COVID-19 entered a transition period for living with corona, financial education programs were expanded (a total of 1,173 face-to-face and non-face-to-face training sessions for a year-over-year increase of 39 percent) with a focus on custom-made education services for the financially vulnerable. Especially, efforts to create a safe education environment included diversified non-face-to-face training sessions as well as preventing the re-emergence of COVID-19 by the use of smaller face-to-face classes held over shorter multiple sessions. As such, increases recorded for face-to-face education sessions amounted to 907 (YoY increase of 42 percent), while the additional 266 YouTube and interactive online education sessions represented a YoY increase of 27 percent.

The KDIC led the joint education planning and operation program offered by a group of related organizations after being designated as the institution in charge of financial education for the elderly by the Financial Education Council of the Financial Services Commission in June 2022. The KDIC also participated energetically in the Korea Council for Economic Education workshop hosted by the Ministry of Economy and Finance in December 2022 to be awarded the Grand Prize for Economic Education.

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.

A company-wide search for data to be disclosed publicly was conducted to identify 33 new cases for disclosure and 15 cases of publicly disclosed data that need improving (total of 48 cases). Of the 33 new cases for disclosure, a total of 18 were selected for priority public disclosure by the end of 2022, including the video guide explaining the requirements for deposit insurance signage display, coverage explanation and confirmation of understanding to support the financially and digitally vulnerable, and the deposit insurance information notice (translated into Vietnamese, Chinese, Thai and Cambodian) for foreign immigrants living in Korea. As of the end of 2022, the KDIC's disclosure of public data has reached an accumulated total of 66 items.

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 third consecutive year in the evaluation of public data provision conducted by the Ministry of the Interior and Safety.

<Table Ⅱ-12> 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) Understanding of digital finance, etc. - (The disabled) Money management planning, etc. - (Local children) Pocket money management, sensible spending, etc.	- Conducting real-time and interactive financial education using Zoom
Results	205 times	61 times
Photos		

<Table Ⅱ-13> Status of Public Data Openness by Year

Category	2017	2018	2019	2020	2021	2022
• No. of Publicly Disclosed Data (New)	3	4	9	6	5	18
• No. of Publicly Disclosed Data (Accumulated)	24	28	37	43	48	66

Safety and Disaster Management

On December 9, 2022, KDIC CEO declared the Safety and Health Management Policy which would prioritize the lives and safety of KDIC employees and the general public as the foremost management principle. For the systematic operation of the health and safety management system, the annual safety and health activities plan was established, the ISO 45001 international certification was maintained and various manuals, procedures and instructions were supplemented such as the safety management guidelines for contract projects. In addition, efforts were made to improve the overall level of safety and health management through the promotion of various safety accident prevention activities.

First, the KDIC's labor and management jointly adopted (on December 7, 2022) the 10 Safety Golden Rules to be adhered to by all KDIC employees and thereby laid the groundwork for a culture of safety and health in the Corporation. 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 work sites of the facilities management subsidiary.

The KDIC continues to conduct a wide range of safety and health-related education for all KDIC executives and staff to strengthen their management capabilities in disaster situations. In 2022, special lectures by outside experts were held on two occasions for all KDIC senior executives including the CEO and department heads, to change perceptions on safety and health.

<Photo Ⅱ-4 > Participation in Safety Activities by Senior Management

<table>
<tr><th>Declaration of Safety and Health Management Policy</th><th>On-site inspection by the CEO</th><th>Safety and Health Management Policy</th><th>Safety Golden Rules</th></tr>
<tr><td></td><td></td><td>
</td><td>
</td></tr>
</table>

Also, a mock evacuation drill was conducted for all KDIC employees to prepare for emergency situations. Under an annual safety and health education plan, regular training was conducted including offering health tips on designated monthly safety inspection days. With related education video contents posted on Pago TV (a menu on the KDIC portal), KDIC employees were able to access safety-related resources at any time of their choosing.

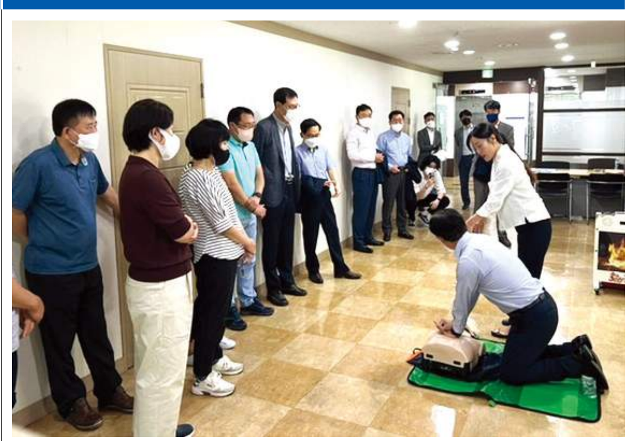
<Photo Ⅱ-5 > Special Lectures on Safety and Health for Senior Management

Special Lectures on Safety and Health

<Photo Ⅱ-6> Safety Education Activities

Disaster Response Training

CPR Training at a Bankruptcy Estate Office



4. Governance

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 2022, the KDIC underwent the follow-up procedure for the Anti-bribery Management Systems (ISO 37001) certification it had acquired two years previously. By successfully certifying for the standard without non-conformity, 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.

Also, the KDIC reorganized its system by adopting related bylaws to adapt to the implementation of the Act on the Prevention of Conflict of Interest Related to Duties of Public Servants in May 2022. In April 2022, the Operational Guidelines for the KDIC Conflict of Interest Prevention System was published; an officer in charge of preventing conflict of interest was designated; and implementation procedures and formatting was specified to ensure conformity to laws and guidelines.

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, which supported the prevention of corruption.

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 talk concert with the CEO for honest communication regarding integrity and to signal senior management's will to ensure anti-corruption and integrity, coupled with customized education targeting different groups, such as high-ranking officers, the entire staff, persons in positions susceptible 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, including 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 violations was improved by simplifying the interface of the system for reporting human rights abuses.

Based on the KDIC Model for Exemplary Transactions, introduced to create a fair trade culture with its partners, the KDIC implements and periodically checks compliance by use of a self checking system. Efforts to create an in-house culture for fair trade are being continued through cross-checks between the contract signed with the subcontractor and the check list for the prevention of power abuse. With the implementation of the Act on the Prevention of Conflict of Interest Related to Duties of Public Servants in May 2022, all departments were told to collect a signed confirmation from a vendor that they are not in breach of any restriction on entering into a non-competitive contract with the KDIC when signing a non-competitive contract, to strengthen fairness and transparency related to such contracts.

<Table Ⅱ-14> Strategic Map for Ethical Management

Mission	Protect Depositors and Maintain Stability of the Financial System		
Vision	KDIC, a Financial Safety Net Player Trusted by Financial Consumers and a Cornerstone of Reliability for the Broader Public		
Vision for Ethical Management	KDIC Trusted by the Public (Slogan: Forecast for KDIC Integrity - Clear Today, Tomorrow and Always)		
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 KDIC code of ethics in keeping with changes in the environment	Three tasks including enhancing integrity through organizational diagnosis	Three tasks including efforts to prevent human rights violations

<Ethical Management Framework>

Compliance and Ethical Management Implementation System

- Integrity and Ethics Management Committee[1]
- Integrity and Ethics Management Working Group[2]
- Office of Innovation Management (Ethical Management Team)
- Integrity and Ethics Leader (each department)

- Citizen Watchdog on Integrity
- Integrity Ombudsman
- Office of the Auditor

Code of Ethics (Ethics Code, Employee Code of Conduct, Contract Regulations to Ensure Integrity at Work, etc.)

※ Composition and Functions
1) Composed of the KDIC Chairman & CEO, Executive Vice President, Executive Directors (4), External Experts (3) for the deliberation and resolution on major matters
2) Composed of the Directors of six related departments including the Office of Innovation Management and Office of the Auditor

4 Communication

1. Raising Public Awareness of the Deposit Insurance System

In 2022, the KDIC sought to promote the deposit insurance system and the Corporation's major activities to serve the public by producing a wide range of effective public relations (PR) content including advertisements, YouTube videos and social media events. It also reinforced its PR operations focusing on non-face-to-face and online channels such as the KDIC website and social media channels as well as TV programs, online platforms like YouTube, Naver, and Kakao, and Korea Train Express (KTX) advertisements.

First, a TV commercial was produced to effectively communicate the role and image of the KDIC. This commercial was used to send a public message that the Corporation wants to become a part of the happy daily lives of financial consumers. The breadth of the PR campaign was widened by sending the commercial out through various channels including terrestrial TV stations, general programming channels and cable TV as well as YouTube.

Meanwhile, to commemorate the first anniversary of the launching of the scheme to support the return of misdirected money transfers, a Korean alphabet initial quiz event was held using the KDIC's various social media channels such as Facebook and Instagram. Also, videos, card news and company magazine articles in news article format were produced to effectively promote the work of the KDIC's different departments. These efforts all contributed to raising financial consumers' interest in the Corporation's diverse range of customer service.

<Table Ⅱ-15> Production of Diverse and Effective Promotional Contents

TV Commercial	Recruitment Notice for New Employees	Event to Commemorate the 1st Anniversary of the Scheme to Support the Return of Misdirected Money Transfers
		

Advertisements through platforms used by people of all age groups ranging from the youth to people in their 40s and 50s were expanded. Advertisements on the scheme to support the return of misdirected money transfers and the deposit protection limit were run on existing avenues like YouTube and Naver as well as on the Kakao platform. In particular, a banner advertisement on the scheme to support the return of misdirected money transfers was run on the mobile application of one of the major internet-only banks, Kakao Bank. As such, PR through the internet and mobile media was intensified.

Another tool used for PR activities was the KDIC's in-house magazine, KDIC Plaza. In the spring/summer edition (Issue No. 50) of the KDIC Plaza, the KDIC chatbot service (Yesom-24) launched in June 2022 was introduced. In addition, it provided a guide to eligibility for and actual application method concerning the scheme to support the return of misdirected money transfers as well as a guide on how to confirm whether or not a financial product is under deposit insurance protection using the website or mobile application of a financial institution.

Finally, customized PR was conducted in consideration of the characteristics of financially vulnerable people. The leaflets on the deposit insurance system and the scheme to support the return of misdirected money transfers were produced in seven different languages and distributed to multicultural centers across the country while simultaneously collecting on-site feedback. Also, for the elderly, promotional goods useful for daily life were distributed to senior citizens' welfare centers across the country excluding urban areas. In addition, support for the growth of social economy enterprises was provided through the production of promotional videos, the inclusion of PR articles in the KDIC newsletter or the drafting of articles in the in-house magazine.

<Table Ⅱ-16> Production of Promotional Contents for Social Economy Enterprises

Happy Fence	Goraesil	Tripti
		

2. Cooperation with Foreign Deposit Insurers

Stronger Presence in the International Community

(1) Enhanced Global Recognition

The International Association of Deposit Insurers (IADI) is an association of deposit insurers from all over the world, consisting of 119 participants including 92 members, 10 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. In 2022, the KDIC strengthened its influence within the international organization by participating in various IADI meetings and events to actively express its views and opinions.

Also, as a member of the Steering Committee to revise the Core Principles for Effective Deposit Insurance Systems, the KDIC attended all three meetings to voice its opinions and stance, thereby enhancing its position in the development and revision of international standards related to the deposit insurance system. In November 2022, the KDIC drafted the IADI Fintech Brief on Misdirected Money Transfers as a member of the Financial Technology Technical Committee (Fintech TC), which was distributed to all IADI members. This paper served as an example of the KDIC's status as a leading deposit insurer and shared its experiences in operating this groundbreaking scheme.

<Table Ⅱ-17> Key Activities in IADI during 2022

Time	Location	Name of Event	Activities
Mar.	Video Conference	72nd IADI Executive Council Meeting	• Setting the direction for revising IADI Core Principles and approval of new members
Jun.	Basel, Switzerland	73rd IADI Executive Council Meetings	• Discussed ways to improve IADI financial soundness and future operational plans
Sept.	Basel, Switzerland	IADI 20th Anniversary International Conference	• Participated in the conference, held meetings and discussions with key member organizations and promoted the KDIC Global Training Program, etc.
Oct.	Buenos Aires, Argentina	21st IADI Annual General Meeting and International Conference	• Election to the IADI Executive Council and approval of the annual report, financial statements and audit report
Nov.	Bali, Indonesia	2nd IADI APRC Study Visit and IDIC International Seminar	• Attended the seminar and discussed MOU renewals

(2) Broader Global Leadership

The KDIC was elected to the IADI EXCO in a vote of 92 members at the 21st IADI Annual General Meeting held in October 2022 in Buenos Aires, Argentina. 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 signified the KDIC's continued presence in the IADI EXCO for the 20 years of IADI's operation since its inception in 2002, which is a status only enjoyed by two other members (FDIC and DICJ), and reflects its high level of recognition within the international association. 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.

The International Forum of Insurance Guarantee Schemes (IFIGS) is an international consultative body to promote international cooperation and information sharing among insurance guarantee schemes from around the world with 30 members, 26 of which are full members and four 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 late 2019. Then, the KDIC was voted to the role of First Vice Chair in 2020, followed by being elected as IFIGS Chair, which was then followed by the role of Immediate Past Chair (Second Vice Chair) for a one-year term each. Accordingly, the KDIC presided over the 9th Annual General Meeting and the Management Committee meetings held every quarter to successfully organize and control key IFIGS projects, demonstrating its global leadership as the Second Vice Chair.

In particular, the KDIC worked to set up the Mid- to Long-term Strategy Working Group in 2021 which resulted in reorganizing IFIGS' three strategic objectives, namely activating information sharing, raising awareness and increasing membership. In 2022, working groups to achieve each objective were established to pursue major projects.

Firstly, the KDIC planned and conducted a survey to build 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. Also, two Town Hall Sessions were held for all IFIGS members and bilateral meetings were conducted to share key operation status of IFIGS with member organizations and gather feedback. These active communication activities were used to define the direction for future development of IFIGS.

Secondly, to strengthen IFIGS' role and profile and to spread the importance of insurance guarantee schemes, the KDIC presented opinions from the perspective of insurance guarantee schemes as input for research papers published by the Financial Stability Board (FSB), International Association of Insurance Supervisors (IAIS) and the World Bank (WB). The KDIC also took the initiative in external activities like giving presentations on the importance of insurance policyholder protection at events hosted by such reputable international organizations.

The KDIC also strived to attract new members to IFIGS through PR activities and in 2022, Kazakhstan joined as a full member. As such, the KDIC plans to enhance global leadership and promote the mid- to long-term development of IFIGS. This will support efforts to launch IFIGS as a formal international organization by strengthening its internal capabilities and raising its international profile.

<Photo Ⅱ-7> IFIGS 9th Annual General Meeting and International Conference

Expansion of Exchanges with Foreign Deposit Insurers

(1) Operation of the KDIC Global Training Program

Since 2017, the KDIC has conducted a regular global training program to meet numerous requests from countries around the globe that want to benchmark its experience.

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 and the subsequent difficulties in international travel, however, the training program has been conducted using webinars.

The 8th KDIC Global Training Program was held over a two-day period between November 16-17, 2022. Around 280 fellow deposit insurance officials from 19 jurisdictions across three continents - Asia, Africa and Europe - 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 Bulgaria.

<Photo Ⅱ-8> 8th KDIC Global Training Program in 2022

The 2022 program was conducted on the theme of Resolution and Fund Management and consisted of lectures on the KDIC's resolution methods, deposit insurance payment and risk-based premium systems. Also, the event premiered the launch of Korea's recovery and resolution planning (RRP) scheme and a case study of how the KDIC's resolution plans were drawn up. To enhance the event's ambience and to make up for possible weaknesses of the non-face-to-face format, various online platforms were used including the website where participants could practice calculating deposit insurance claims and a visit to the KDIC's metaverse platform

(2) Sharing the KDIC's Experiences in Deposit Insurance System Operation with the World

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 July 2022, at the request of foreign deposit insurers, the KDIC conducted training for the Albanian Deposit Insurance Agency (ADIA), Individuals Deposits Insurance Fund (IDIF) of Tajikistan and the Asian Development Bank (ADB), respectively, on the theme of Korea's deposit insurance system and its experiences in overcoming financial crises. In September 2022, a lecture on the KDIC's risk management system and risk-based premium system was provided for 60 executives and staff of the Deposit Insurance of Vietnam (DIV).

The KDIC plans to further solidify its international status by providing more tailored projects to share its experience with overseas colleagues.

(3) 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 2022, the KDIC signed MOUs with a total of 25 agencies from 23 countries. In 2022, it renewed the MOUs with the Jordan Deposit Insurance Corporation (JODIC) of Jordan, Savings Deposit Insurance Fund (SDIF) of Turkey, Perbadanan Insurans Deposit Malaysia (PIDM) of Malaysia, Deposit Insurance of Vietnam (DIV) of Vietnam and the Indonesia Deposit Insurance Corporation (IDIC) of Indonesia.

3. Research on the Deposit Insurance System

Conducting research

The year 2022 witnessed global monetary tightening caused by the Russia-Ukraine war and high inflation as well as rapid financial environment changes such as risks in new fields like non-bank financial intermediaries and virtual asset markets. Thus, the KDIC conducted timely research that could contribute to proactive response of the deposit insurance system.

In particular, as uncertainty increased, research was focused on expanding crisis response capabilities by, for instance, clarifying the role of the deposit insurer in times of crisis, systemic risk measurement and possible system improvements for financial consumer protection.

As the rise of digital finance including virtual assets, Big Tech and fintech highlighted the importance of investor protection, research was continued on the nature, intrinsic value of and future prospects for digital technology. Also, outside experts were invited to hold seminars on the role of the KDIC as a financial safety net organization and future institutional improvements.

<Table Ⅱ-18> Key Research Activities in 2022

Subject	Major Research Topics
Improving the Deposit Insurance System and Protection of Financial Consumers	• A Comparison of the Role of Central Banks and Deposit Insurance Organizations in Response to Crisis • Development and Utilization of the KDIC’s Own Composite Indicator of Systemic Stress (CISS) • Supply Shortage: Why Supply Chain Issues Are Unresolved • Development of the KDIC's Model to Measure Systemic Risks in Financial Markets • Review of System Improvements to Protect Virtual Asset Investors • Comparison of the Systems for Financial Consumer Protection, Investor Protection, and Employee Sanctions in Korea and the United States • Current Status of Institutionalization Related to Virtual Assets in Japan and the United States
Digital Finance and Virtual Assets	• Consumer Protection Issues Related to Fractional Investment • Risk Factors in the Financial Industry Arising from the Uptake of Digital Finance • The Concept of Virtual Assets and Characteristics of Blockchain Technology

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 global 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.

<Table Ⅱ-19> KDIC Global Deposit Insurance Briefing Topics in 2022

Edition	Article Topics
Jan.	• DeFi Risks and the Decentralisation Illusion (BIS) and six other articles
Feb.	• Launch of the First US Bitcoin ETF: Mechanics, Impact, and Risks (BIS) and five other articles
Mar.	• Big Tech in Financial Services: Regulatory Approaches and Architecture (IMF) and five other articles
Apr.	• Housing Market Risks in the Wake of the Pandemic (BIS) and four other articles
May	• Cryptocurrencies and Decentralized Finance (DeFi) (NBER) and four other articles
Jun.	• Retail CBDC and U.S. Monetary Policy Implementation: A Stylized Balance Sheet Analysis (FRB) and four other articles
Jul.	• COVID-19 and the Volatility Interlinkage between Bitcoin and Financial Assets and four other articles
Aug.	• High Inflation Erodes Trust in the ECB (CEPR) and three other articles
Sept.	• The Financial Stability Implications of Digital Assets (FRB) and three other articles
Oct.	• New Zealand: Crown Retail Deposit Guarantee Scheme and three other articles
Nov.	• Protecting Depositors and Savings Money (ECB) and three other articles
Dec.	• Stablecoins and Their Risks to Financial Stability (Bank of Canada) and four other articles

Sharing of Research Results

The KDIC hosted academic events to reflect on the changes in the financial environment and actively shared its research results internally and externally in order to promote understanding of current financial issues.

The 2022 KDIC Policy Symposium was co-hosted with the Korea Money and Finance Association. In addition to on-site participants and attendees, the event was streamed live on the KDIC's YouTube channel, which helped to open the event to a larger and more diverse audience.

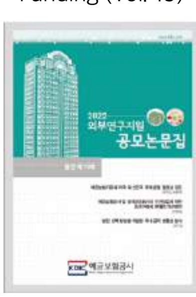
<Table Ⅱ-20> Contents of Major Presentations at the 2022 Policy Symposium

Date	Format	Program Contents
Dec. 2022	Co-hosted with the Korea Money and Finance Association	• Theme - Challenges from the Digitization of Finance and Directions for Response • Presentations - (Session 1) Measures to Enhance Financial Stability and Consumer Protection in the Era of Big Tech and Fintech - (Session 2) International Trends in Regulating Digital Asset Markets and Stablecoins

<Photo Ⅱ-9> Policy Symposium in 2022

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 in the collection of theses submitted to a KDIC-held contest for research funding. In November 2022, the Financial Stability Studies successfully passed the re-certification evaluation for registration as academic journal by the Korea Research Foundation to maintain its due recognition and authority as an established academic journal.

<Table Ⅱ-21> Key Theses Published in 2022

Title	Key Theses Published
Financial Stability Studies (Vol. 23; Issues 1 & 2) 	• Legal Review on Issuance of Central Bank Digital Currency and Its Impact on the Deposit Insurance System in Korea • Digital Financial Innovation and Deposit Insurance in Korea • Effects of Fintech Expansion on Financial Stability • Assessing the Won/Dollar Exchange Rate Forecasting Power of Large Macroeconomic and Financial Data Sets • An Empirical Analysis of the Impact of the US Monetary Tightening on Financial and Asset Markets in the Republic of Korea • Analysis of Signs of Insolvency at Korean Households Using Big Data Analysis Techniques • A Study on Potential System Improvements to Enhance Financial Consumer Protection with a Focus on the Post-Damage Relief System • The Effects of Interest Rate and Asset Price Changes on Household Debt Sustainability
Collection of Theses Submitted to a Contest for Research Funding (Vol. 19) 	• Review of the Need for the Deposit Insurance Fund to Invest in Bonds Issued by Developed Country Governments Other Than the U.S. • Improvement of Securities Transaction Tax Exemption for the Transfer of Stock Certificates by the Korea Deposit Insurance Corporation and Resolution Financial Institutions • Analysis of Domestic Interest Rate Volatility Using Variable Selection Method

Three promotional videos were posted on the KDIC YouTube channel to share research results (theses, reports, etc.) with the general public. The promotional videos emphasized the purpose and characteristics of the theses and included interviews with the authors to improve people's understanding. Also, English subtitles were added to support their use by overseas subscribers and users.

<Figure Ⅱ-6> Promotional Videos of Research Achievements

<table>
<tr><th>Promotional Video 1
(May 2022)</th><th>Promotional Video 2
(Sept. 2022)</th><th>Promotional Video 3
(Nov. 2022)</th></tr>
<tr>
<td>
</td>
<td>
</td>
<td>
</td>
</tr>
</table>

III

Protection of Financial Consumers and Advancement of the Deposit Insurance System

KOREA DEPOSIT INSURANCE CORPORATION

1 Introduction of the Financial Stabilization Account

1. Background

In spite of extensive regulation and supervision by the authorities, financial crises have occurred repeatedly due to liquidity crunches and market instability caused by unforeseen events like the Asian Financial Crisis in 1997, Global Financial Crisis in 2007-09 and the COVID-19 pandemic in 2020. Such instances of financial market chaos and economic downturn have demonstrated the huge social costs that will be incurred when financial institutions fail, including loss of deposits and damage to the Deposit Insurance Fund (DIF). Accordingly, there have been calls for a permanent system to facilitate provision of proactive and preventive funding to troubled financial institutions.

Many major countries, including the US, Japan and those in the EU, adopted such systems for proactive financial assistance following the Global Financial Crisis and in Korea, there were similar arrangements made in the past like the Financial Stability Fund and the Bank Recapitalization Fund. However, these arrangements were tem porary and had operational restraints as they sapped the state treasury. On the other hand, the Financial Stabilization Account being pursued by the KDIC is designed as a permanent program for financial market stabilization using the resources of the DIF which is funded by the industry itself.

Due to the increased connectivity in the financial industry, a crisis in one sector is likely to spread throughout the financial market. Therefore, the need for a permanent crisis response system has risen, especially given the heightened uncertainty in financial markets due to the sharp interest rate hikes and tight credit conditions in the real estate project financing market. The Financial Stabilization Account would enable timely provision of financial support to ailing financial institutions without costing taxpayers' money while avoiding unnecessary failures and depositor losses, thereby minimizing potential losses to the DIF.

2. Overview

The Financial Stabilization Account is a system to support healthy financial institutions that are experiencing temporary difficulties at a time when a number of financial institutions face a liquidity crunch or recapitalization needs due to rapid changes in financial market conditions or in the regulatory system. Prior to the introduction of this system, the KDIC will invite comments from related organizations such as the Ministry of Economy and Finance, Bank of Korea and the Financial Supervisory Service (FSS) concerning the need for such support. The system will be used as a complementary tool to other financial stability measures in place.

The gist of the system is for the KDIC to provide liquidity or recapitalization support to financial institutions and recover these funds within a certain scheduled time frame, depending on the nature of the crisis they are experiencing. Liquidity support will be deployed to help financial institutions facing difficulties in refinancing maturing bonds because of a sudden change in market conditions. In such a case, the KDIC will guarantee the repayment of their bonds to facilitate smooth refinancing. Meanwhile, support for recapitalization will be used in cases where a financial institution sees a temporary decline in capital adequacy due to fast changes in the regulatory system and so forth. In such situations, the KDIC will purchase subordinated bonds or preferred stock of the financial institution to help it achieve an adequate level of capital.

The KDIC plans to set up a separate account within the DIF to operate the Financial Stabilization Account. Following the principle of the "beneficiary pays" and aiming for full recovery of funds, the KDIC is planning to rule out such fundraising options as receiving government contributions and issuing bonds backed by government guarantees, and operate the system in a way that will not place any additional burden on government finances. Also, to improve the system's effectiveness, the requirements and procedures to qualify for financial assistance from the system will be designed to be reasonable, yet with institutional safeguards to prevent moral hazards of assisted financial institutions.

3. Outlook

In 2022, the KDIC pressed hard for the introduction of the Financial Stabilization Account, aimed at proactively responding to potential financial institution failures by providing liquidity and recapitalization support to financial institutions that are going through temporary trouble due to rapid changes in the financial markets and systems, thus preventing the spread of the crisis and maintaining financial stability.

After establishing the basic direction for introducing the Financial Stabilization Account through a study commissioned to the Financial Research Center of Korea in August 2021, the KDIC collected comments from inside and outside the KDIC on occasions such as the Deposit Insurance Committee and public-private taskforce meetings in the first half of 2022 as well as the National Assembly Policy Seminar held in the latter half of the year. This was followed by an official review process which began when the Financial Services Commission (FSC) issued an advance notice of proposed rule-making (for the period of August 31 - October 11, 2022) regarding partial revision of the Depositor Protection Act.

On November 18, 2022, Lawmaker Kim Heegon (of the People Power Party) proposed the bill to amend the Depositor Protection Act as the sponsor of the bill. Separately, the FSC proposed a government-drafted bill at the same time. The FSC's government bill passed the cabinet meeting on December 20, 2022 and later was submitted to the National Assembly at the end of December.

When this system is introduced after a resolution at the plenary session of the National Assembly, it will hopefully establish an effective mechanism for crisis management that complements existing market stabilization measures. Indeed, the introduction of the system itself is expected to have a stabilizing effect on the financial market. Also, by preventing financial institution failures through timely support, it will not only minimize losses to the DIF, but also contribute to strengthening depositor protection.

<Photo Ⅲ-1> **Policy Symposium for the Plan to Introduce the Financial Stabilization Account**

2 Improvement of the Deposit Insurance System

1. Overview

To enhance the effectiveness and sustainability of the deposit insurance system in keeping with economic growth, the KDIC is working on new improvements to the deposit insurance system including adjusting the protection limit, target fund size and deposit insurance premium rates. To this end, the KDIC is utilizing a variety of channels and venues to hear diverse opinions such as meetings with private-sector experts from across academia, research institutes, consumer groups and the industry. Also, a study was commissioned to an outside research institute in March 2022, to determine the appropriate level of deposit insurance premium rates by performing a comprehensive review of the fund management system including the level of funds that need to be accumulated in consideration of the legacy costs of past restructuring efforts as well as the expected impact from protection limit adjustments. Furthermore, a public-private taskforce, comprising experts from the FSC, KDIC, the financial sector and the private sector, was set up to hear wide-ranging opinions and to discuss key tasks for the reform of the deposit insurance system.

The KDIC regularly reports the progress in system improvement to the National Assembly and consults with the FSC. It is also preparing a plan for improving the deposit insurance system for presentation to the National Assembly with draft legal revisions by August 2023. Also, as part of the effort to improve the current system, the KDIC is working on a plan to strengthen depositor protection by applying a separate deposit protection limit for pension savings in view of their retirement and social security characteristics.

2. Modification of Detailed Matters

In line with the forthcoming changes from the entry into force of the International Financial Reporting Standards (IFRS) 17 for insurance contracts from 2023, the method for valuing insurance contracts liabilities has been changed from the old cost method to fair vaule method. However, despite the new accounting standards, the base on which deposit insurance premiums are assessed, namely policy reserves corresponding to the cash surrender value of cancelled policies calculated using the cost method, will remain the same. So new language was inserted into the Enforcement Decree of the Depositor Protection Act to keep the basis as is, despite the revision of the Enforcement Decree of the Insurance Business Act, in an effort to ensure a stable and consistant flow of funding for the DIF. Also, the KDIC tried to close some loopholes or grey areas in the Enforcement Decree of the Depositor Protection Act. For instance, when a securities firm or an investment trust firm fails, confusion can arise when depositors make overlapping claims to the KDIC and to the securities or investment trust firm for their cash deposits at the firm, So it had to be clearly stated in the Enforcement Decree that in cases where the firm is to reimburse their customers directly for their cash deposits, the corresponding amount will be deducted from the deposit insurance payment each customer can receive from the KDIC. Through such efforts, the government was able to: maintain the current standard for assessing deposit insurance premiums on insurance companies (policy reserves corresponding to the cash surrender value of cancelled policies based on the cost method); clarify that any investor deposits to be repaid by the deposit-taking institution will be excluded when calculating deposit insurance payments; specify details of guidance and supervision to be provided to resolution financial institutions; and revise the Enforcement Decree of the Depositor Protection Act to specify the criteria for imposing aggravated penalties. As a result, a partial amendment to the Enforcement Decree of the Depositor Protection Act was promulgated on December 27, 2022 and took effect on January 1, 2023.

3 Supporting the Recovery of Misdirected Money Transfers

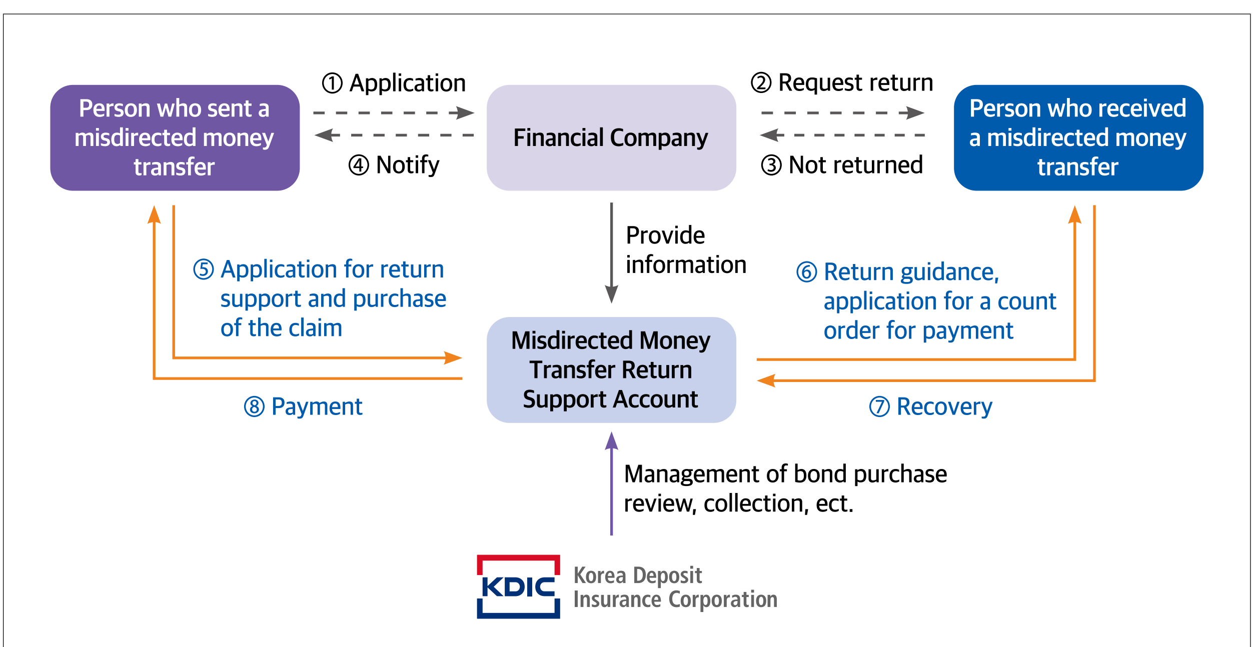
1. Overview

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 financial service consumers, but at the same time, it has also given rise to a proportionate increase in the number of misdirected money transfers. Prior to the introduction of the scheme, however, if the recipient of a misdirected money transfer did not return the money because he/she could not be reached or refused to return the misdirected funds, the only remedy available was to take legal action and file for a lawsuit. The time and cost burden of taking such action made many people give up seeking a recovery of misdirected money. Therefore, there was a real need to solve this problem, in view of the increasing damage to financial consumers.

Accordingly, the KDIC pursued the introduction of the Scheme to Support the Recovery of Misdirected Money Transfers to facilitate the swift and effective recovery of mistakenly transferred funds arising from wrong entry of the receiving bank name, account number, etc.

The KDIC endeavored to incorporate new ideas in the design of the scheme by seeking out opinions through public participation groups and was able to build public consensus by engaging in public relations activities to raise awareness of the need for the scheme. As a result, amendments to the Depositor Protection Act to introduce the scheme passed the plenary session of the National Assembly in December 2020. Following the amendment of the Enforcement Decree of the Depositor Protection Act and the establishment of the Regulations and Enforcement Rules on Support for the Recovery of Misdirected Money Transfers to provide a detailed operational plan for the scheme, the scheme was officially launched on July 6, 2021.

<Figure Ⅲ-1> Overview of the Scheme to Support the Recovery of Misdirected Money Transfers



Under this scheme, recovery support is provided in cases where the recipient of a mistaken transfer does not refund the amount resisting a request from the sender through the sending financial institution. After receiving an application for support, the KDIC obtains information on the recipient from sources such as the relevant financial institutions, Ministry of Public Administration and Security, telecommunications companies and the police and reviews the eligibility of the application. Upon confirmation of eligibility for support, the KDIC proceeds with the recovery support process in which it acquires the sender's claim to demand the restitution of unjust enrichment. The recovery process begins with the KDIC advising the recipient to voluntarily return the money in a letter or a phone call to inform the recipient of the misdirected transfer and the bank account where the money should be sent back. If this step of encouraging the voluntary return of mistaken deposits is not successful, the KDIC initiates legal procedures like filing an application for a payment order with the court as a preliminary step to litigation.

When the money is recovered, the KDIC does an ex-post settlement of recovered funds and the fees and costs (e.g. mailing costs, filing fees for a payment order) incurred in the process and pays the finally arrived amount to the sender.

2. Performance and Outcomes

From the launch of the scheme to the end of 2022, out of the 16,759 applications (amounting to KRW 23.9 billion) screened, a total of 7,629 cases (amounting to KRW 10.2 billion) were selected for recovery support. After taking over claims to demand the restitution of unjust enrichment from the senders of those misdirected money transfers, the KDIC conducted recovery procedures from advising the voluntary return of funds to applying for a court order for payment, which resulted in the recovery of KRW 6.0 billion for 5,043 mistaken senders.

Out of the 5,043 cases where the KDIC succeeded in recovering funds, 4,792 cases returned the money after being advised to do so; 251 cases required legal action such as payment orders and enforcement procedures. The recovered funds were returned to the senders after deducting related costs and fees. The average payment rate was 95.9 percent of the mistakenly sent amount and the average number of days it took from filing of an application for support to final payment was 46.0 days.

<Table Ⅲ-1> Status of Applications to the Scheme to Support the Recovery of Misdirected Money Transfers

(From July 6, 2021 - December 31, 2022, Unit: No. of cases, KRW 1 million)

Category		Cases	Amount
Application for Recovery Support	**Total Applications**	**16,759**	**23,947**
	① Eligible for Support*	7,629	10,154
	② Under Review	785	1,031
	③ Not Eligible for Support	8,345	12,762

* Signing of a contract for the transfer of claims to demand the restitution of unjust enrichment following the receipt and review of information on the recipient from the receiving institution, the Ministry of Public Administration and Security, and telecommunications companies

Compared with a scenario where a mistaken sender tries to recover the transfer personally through litigation, using the scheme provides a much faster and convenient way. Also, the financial cost to the sender is reduced by over KRW 0.69 million and the time for recovery is shortened by over 93 days. Therefore, the scheme contributed to stronger protection of financial consumers by facilitating a quicker and more convenient way to recover misdirected money transfers.

To enhance the speed and convenience of the scheme’s operation, the KDIC made improvements to the system by simplifying application forms and linking the site to external sites like those of the Supreme Court, National Police Agency and The Cheat (Korea's first non-profit online site for sharing information on known scammers). It also launched a chatbot service for round-the-clock consultation and improved the system to enable application filing even on weekends. Additionally, public relation activities were conducted to raise awareness of the system with campaigns targeted to specific population groups.

<Table Ⅲ-2> Status of Misdirected Money Transfers Returned

(From July 6, 2021 - December 31, 2022, Unit: No. of cases, KRW 1 million)

Category		Cases	Amount
Status of Money Returned	**Total Amount Returned**	**5,043**	**6,044**
	Voluntary Return	4,792	5,576
	Payment Order	251	468

<Table Ⅲ-3> Comparison of Changes Before and After the Introduction of the Scheme to Support the Recovery of Misdirected Money Transfers

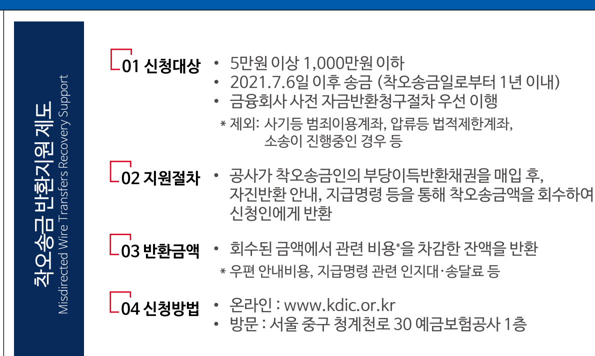
Category	Civil Lawsuit (A)	KDIC Scheme (B)	Savings (A-B)
Recovery Cost	About KRW 1.1 million	About KRW 0.41 million	About KRW 0.69 million
Recovery Period	About 139 days	About 46 days	About 93 days

* Based on a misdirected money transfer worth KRW 10 million
** Recovery cost in a civil lawsuit means the cost of retaining a legal representative and the recovery period is the time it takes from filing a lawsuit to obtaining a judgment.

<Table Ⅲ-4> Promotional Material for the Scheme to Support the Recovery of Misdirected Money Transfers

Information Material in Foreign Languages		
English	Chinese	Vietnamese

Business-card Type Information Material



4 Protection of Financial Consumers

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

From March 2022, it became mandatory for financial institutions to display depositor protection notices on the account info screens of their websites and mobile applications to ensure that financial consumers are provided with accurate information on deposit insurance details while conducting financial transactions online.

As a result of minimizing confusion in the early stages of scheme introduction by preparing guidelines and providing answers to frequently asked questions to ensure the scheme's successful implementation, a total of 179 insured financial institutions operating internet and mobile services could comply with the requirements without much trouble. Also, media relations activities including social media promotion were carried out with newly designed information materials (leaflets) so that financial consumers could get a better feel for the changes.

In addition, as money deposited in securities companies for fractional investment transactions, where real assets (e.g. real estate, music copyrights) are divided into small units to allow investors purchase assets with any amount of money, came under the insurance coverage of the deposit insurance system, the KDIC ensured that investors opening a deposit account at a securities firm would be informed of the availability of deposit insurance cover for their cash deposits for fractional investment.

These efforts at system improvement in response to changes in the financial environment, such as the regular use of non-face-to-face financial transactions and the increasing popularity of fractional investment, are expected to contribute to better protection of the rights and interests of financial consumers.

2. Supporting the Protection of Financial Consumers of Private Equity Funds

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 and seconded a total of six staff members with relevant expertise including persons with experience in investigation and examination and those with relevant professional certifications including certified public accountant (CPA). It plans to provide manpower support until the end of the team's operation in 2023 for timely detection of insolvency risks at PEFs and effective containment of risk transmission.

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 gained from the resolution of insolvent financial institutions including the administration of troubled financial institutions as well as asset recovery and liquidation in bankruptcy to perform its work (two cases of liquidation and bankruptcy) in an orderly manner to minimize financial consumer damage.

In the case of Optimus Asset Management which was placed under administration 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 wrongdoings 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 proceeded with liquidation procedures by listing up the firm's properties and assets and announced the commencement of filing proof of claim for creditors, etc. After confirming debts in excess of assets in the liquidation process, an application for bankruptcy was filed at the competent court in accordance with relevant laws and regulations. Currently, the bankruptcy process is in progress following the court's declaration of bankruptcy in August 2022.

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. The liquidator filed for bankruptcy with the Seoul Rehabilitation Court in January 2022 on the grounds of debts in excess of assets and bankruptcy was declared in February 2022. The court recognized the KDIC's expertise as a trustee in bankruptcy and used its authority to appoint the KDIC as bankruptcy trustee.

The KDIC plans to continue bankruptcy proceedings in a fair and swift manner under the supervision of the Soul Rehabilitation Court, by quickly liquidating the PEF's institutional assets and distributing the proceeds as dividends.

<Table Ⅲ-5> Status of Liquidation Work on Private Equity Firms

Company Name	Measures Ordered	Date of Order	Date of Appointment as Liquidator	Date of Bankruptcy Declaration
Optimus Asset Management	License and registration revoked	November 24, 2021	November 29, 2021	August 29, 2022
Lime Asset Management	Registration revoked	December 2, 2020	December 22, 2020	February 17, 2022

3. Improving the Deposit Insurance Payment Process

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, based on an analysis of foreign practices, including recommendations from the International Association of Deposit Insurers (IADI), the KDIC made it mandatory for financial institutions to maintain depositor information in a KDIC-prescribed format in 2017 and continued to encourage member institutions to implement them.

In 2022, using all depositor data from two selected savings banks, the KDIC performed a test of its overall payment work process and system for an overhaul to ensure its capability to make swift and accurate payouts. Another test was conducted targeting an internet-only bank to assess the integrity of its depositor data and address any errors found. This test was aimed at assessing whether the system could generate accurate deposit insurance claims data in an emergency and enhancing the system's completeness.

<Table Ⅲ-6> 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

4. Efforts 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 in accordance with related laws including the Depositor Protection Act, uncollected claims still exist. This is due to the fact that a large proportion of the claimants tend to be elderly and lack access to financial information. 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 has continually sought efforts to allow depositors to search and claim any uncollected amounts for deposit insurance, bankruptcy dividends, and the difference between actual and advance dividend payments through a wide range of channels including the setting up of a consolidated application system, expanding the network of payment agents and branches to 1,170 locations nationwide, and allowing uncollected claims to be accessed through the FSS's "financial transaction inquiry service for heirs" and the Korea Federation of Banks' integrated search system for dormant accounts.

<Figure Ⅲ-2> Newspaper Advertisements and Social Media Promotion

In 2022, the Mobile Information Service was launched to strengthen public awareness through collaboration with telecommunications carriers to send a notice of uncollected claims under one's name directly to their last known mobile phone number. Meanwhile, the payment procedure for uncollected claims was also improved to enhance user convenience: the requirement for notarization by an embassy 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

As a result of these strenuous efforts, the balance of uncollected claims fell to KRW 3.73 billion by the end of 2022, which represented a KRW 9.07 billion reduction on the KRW 12.8 billion recorded at the end of 2016, when the integrated management of uncollected funds began.

Ⅳ

Risk Management of Financial Institutions

KOREA
DEPOSIT
INSURANCE
CORPORATION

1 Ongoing Risk Monitoring of Insured Financial Institutions

1. Examining the Level of Risk in Financial Institution

Stronger Basis for Risk Analysis

The KDIC monitors and makes forecasts about the financial conditions of, and factors of volatility affecting insured financial institutions in order to minimize any potential loss to the Deposit Insurance Fund (DIF) and to detect and assess insolvency risk of financial institutions. Each institution is graded in accordance with the risk rating criteria, which vary for different types of financial institutions. In addition, the KDIC is continuously striving to improve the information-sharing framework established under the memorandum of understanding (MOU) with related organizations including the Financial Supervisory Service (FSS) and the Bank of Korea (BOK), by broadening and modifying the scope of information sharing.

Improvement of Risk Management Processes and Capacity

The KDIC is continuing various efforts to strengthen its risk monitoring capability, which includes internal capacity building programs. These internal programs, held twice during 2022, include training on how to use the Risk Profiling System (RPS) which performs identification of outliers and financial data analysis. In addition, the KDIC held regular risk monitoring symposiums (12 in 2022) with experts invited from different financial sectors to enable more in-depth analysis of risk factors based on an improved understanding of financial markets and sectors.

Lastly, the KDIC is receiving third-party evaluation of its risk monitoring activities for an objective assessment of its performance and for improved capacity to deal with financial environment changes. Independent experts with extensive experience and knowledge in their 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 rick management processes and capacity by incorporating these independent assessments into everyday operations.

2. More Active, Ongoing Risk Monitoring

To strengthen its system for preemptive response to the risk of financial market instability, the KDIC upgraded its risk monitoring council to a preemptive response to market risks committee in 2022 with the frequency of meetings increased to monthly from quarterly and the chairperson changed from an Executive Director to the Vice President. This allowed more swift company-wide sharing of information on the risk factors affecting financial markets and institutions as well as findings from risk monitoring of troubled institutions, which led to closer coordination within the KDIC and with other financial authorities.

Also, the KDIC is stepping up its capacity for proactive risk management by comprehensively examining risk factors facing financial markets and individual institutions stemming from changes in the business and operating environment.

In 2022, the volatility of domestic and foreign financial markets increased due to the Russia-Ukraine war and the continued trend of monetary tightening worldwide, increasing the need for proactive risk monitoring of insured financial companies. In response, the KDIC conducted comprehensive and systematic monitoring of not only the domestic 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 Trend reports, the Weekly Short-term Financial Market Trend reports that focuses on finding signs of tightening in short-term funding markets, and the Financial Market Information reports to make timely updates on rapidly changing market conditions.

In the banking sector, the capability of small and medium-sized enterprises (SMEs) to repay debts and the status of household loans were flagged as concerns given continued rate hikes by central banks all over the world and the resulting decline in asset quality. Also, with the easing of social distancing protocols, the KDIC was able to resume on-site examinations of banks targeted for focused monitoring.

As for the insurance sector, stress tests were strengthened to include interest rate increase scenarios taking into account the heightened financial market volatility. And the analysis of risk factors centered on, among other things, possible defaults on project financing loans and liquidity shortages. Additionally, the KDIC held interviews with management teams of insurance companies showing weak levels of capital ratios to review their options to deal with major risks and recapitalization needs.

In the investment sector, the ongoing monitoring of liquidity risks in the securities industry was stepped up as short-term financial market volatility increased due to a range of factors including a slowdown in the real estate market and the prospect of interest rates remaining higher for longer. Of particular concern were exposure to real estate project financing lending and guarantees for securitized debts backed by a pool of project financing loans. Furthermore, focusing on insurance companies with weak capital and other financial metrics, the KDIC held interviews with their management teams, too, to check their operational conditions and current risk levels as a precautionary measure for crisis prevention.

For savings banks, an analysis of the impact of interest rate rises and the slowdown in the construction and real estate sector was used to identify ailing savings banks for closer monitoring. Efforts were made to prevent insolvency by contributing to substantial risk reduction at savings banks through joint examinations with supervisory authorities and on-site examinations that included interviews with management.

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 services such as open banking and My Data, a meeting with invited experts was held to strengthen communication with the market.

3. On-site Examinations

Overview

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 2022, the KDIC conducted 11 joint examinations with the FSS and one independent examination. Under the MOU on joint examinations of financial institutions, the KDIC also performed joint examinations of savings banks subject to periodic examination, such as large savings banks with assets of over KRW 2 trillion.

Efforts to Enhance Effectiveness

The focus of the KDIC's independent and joint examinations is on risk factors that could lead to losses to the DIF, rather than on compliance issues.

In the banking sector, concerns were raised over the deterioration of asset soundness as the internal and external financial environment continued to be unfavorable with the extension of financial support to COVID-19 victims, concerns over real estate market slowdown and continued interest rate hikes. Accordingly, on-site examinations were conducted, focusing on prudential risks and risk management of corporate and household loans, to encourage improvements in areas where deficiencies were identified.

As for the insurance sector, joint examinations were conducted at insurance companies that showed insufficient capability for capital adequacy management and signs of deteriorating asset quality. After the examinations, the KDIC presented its opinions regarding how the firms needed to strengthen capital adequacy management by, for example, drawing up medium- to long-term plans for capital management in preparation for the adoption of new accounting standards (IFRS17 and Korean Insurance Capital Standard (K-ICS)) scheduled for 2023 and developing and maintaining effective crisis management plans. Also, the KDIC contributed to the prevention of insolvency by recommending stronger management of risky assets including stocks, structured securities and project financing loans.

In the investment sector, at a time when the internal and external financial environment was going through various fluctuations brought about, not least, by global monetary tightening, the KDIC put the focus of joint examinations on liquidity risks because securities companies tend to rely more on short-term funding. Accordingly, recommendations were made for the overall improvement of their systems to measure and manage liquidity risk. Also, the KDIC made recommendations for stronger internal controls in relation to risky investments, chiefly to bolster the prudential management of exposure to real estate project financing loans whose riskiness increased amid unfavorable environment.

In the savings banking sector, their handling and follow-up management of project financing loans and bridge loans were checked to identify risk factors, in light of the slowdown in the real estate market and interest rate hikes. The findings were then delivered to savings banks to prepare measures for stronger proactive risk management. Also, for savings banks in danger of weakened financial solvency as a result of rapid growth of personal credit loans made via digital financial services platforms, the KDIC took a close look at how they were handling high-risk borrowers, especially those with loans from multiple lenders, and the level of their asset quality, in an effort to induce risk reduction.

4. Communication with Financial Institutions

Communication 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. In 2022, research and coordination directors of major policy research institutes were invited for discussions to review risk issues on two occasions, one in each half of the year. Other opportunities to collect opinions from market experts include the quarterly risk assessment committee meetings.

In addition, by publishing the Financial Risk Review, the KDIC shares its research, analysis and implications for risk issues facing financial companies with market participants in consideration of changes in the financial market environment.

In 2022, the Financial Risk Review strengthened its role as a financial risk journal by publishing articles written by experts on timely topics such as the outlook for, and possible responses to the introduction of new accounting standards including the K-ICS, default options for retirement pension members, etc.

<Table Ⅳ-1> Major Contents of the Financial Risk Review in 2022

Issue	Main Contents
Spring	• Introduction of the Korean Insurance Capital Standard (K-ICS) and How Insurance Companies Should Manage Their Capital Levels • Characteristics of Household Assets and Liabilities on the National Balance Sheet and Their Implications
Summer	• Current Status of Internal Controls at Financial Firms and How to Improve Them • Approval of Domestic Resolution Plans and Future Tasks • Double Liability of Bank Shareholders and the Establishment of the Federal Deposit Insurance Corporation
Autumn	• Impact of Virtual Assets on Financial Stability • Default Options for Retirement Pension Members and Financial Consumer Protection
Winter	• <Special Edition> The Financial Market in 2023: Industry Outlook and Risk Issues Facing Each Financial Sector • Climate Risk Management in Financial Institutions

Strengthened Exchanges with Insured Financial Institutions

In December 2022, the KDIC hosted the 10th strategic workshop for the risk management of savings banks (conducted in a non-face-to-face format to prevent the spread of COVID-19), attended by 160 savings bank executives and managers, policymakers and outside experts. The workshop featured presentations and panel discussions to support the sound management of savings banks by sharing strategies in risk management to deal with the rapidly changing financial environment after the COVID-19 pandemic.

2 Operation of the Risk-based Premium System

1. Overview

As a result of the KDIC's effort to introduce a risk-based premium system, Article 30(1) of the DPA was amended in February 2009. Since then, the KDIC gathered comments from the industry and outside experts and developed the assessment model until 2014 when risk assessments began to be conducted for all insured financial companies.

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 KDIC's risk-based premium rate is set by applying a surcharge or discount within a range of 10% above and below the standard rate. In 2022, the existing system comprising three grades was further divided into five grades.

<Table Ⅳ-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 using the model with a perfect score of 100 and divided into five grades (A+, A, B, C+, C)	Apply the rate that corresponds to the given 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%)

<Table Ⅳ-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%
Grade 3	+1%	+2.5%	+5%	+7%	+10%

Grade	2022~
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%)

2. Operation

From February to June 2022, the KDIC conducted risk assessments of 284 insured financial institutions for business year 2021. In consideration of the ongoing pandemic, a video briefing on the risk-based premium system was produced and distributed to all insured financial institutions. This helped to improve understanding of changes in the risk assessment system as well as general communication with the financial industry. Moreover, a comprehensive report of the results of risk assessments was later provided to encourage insured financial companies to make voluntary efforts for sound management.

Also, the KDIC completed the selection of supplementary indicators to be used in the 2023 risk assessment cycle by the end of 2022 and notified them to insured financial institutions in January 2023 to give them ample time to improve performance on key risk factors from the beginning of the year. A total of seven working-level consultative meetings involving pertinent internal departments and external stakeholders were held to help with the selection of these indicators, which afforded an opportunity to hear diverse opinions and demonstrate the KDIC's dedication towards improving the transparency and acceptability of the indicators used in assessments.

The KDIC conducts follow-up checks of assessment results to strengthen the fairness and accuracy of risk assessments. As a result of such checks during 2019-2021, a total of 24 financial institutions received revised scores and two financial institutions had their assessment grade changed.

In December 2022, the annual survey on overall awareness of the risk-based premium system, conducted every year among managers in charge of reporting data for risk-based premium assessment at insured financial institutions, was tweaked to focus more on the level of satisfaction with the system's operation. In particular, the survey was modified in a way that allowed the respondents to provide input on a wide range of specific topics. The ideas presented in the survey will be used to improve the system in the future.

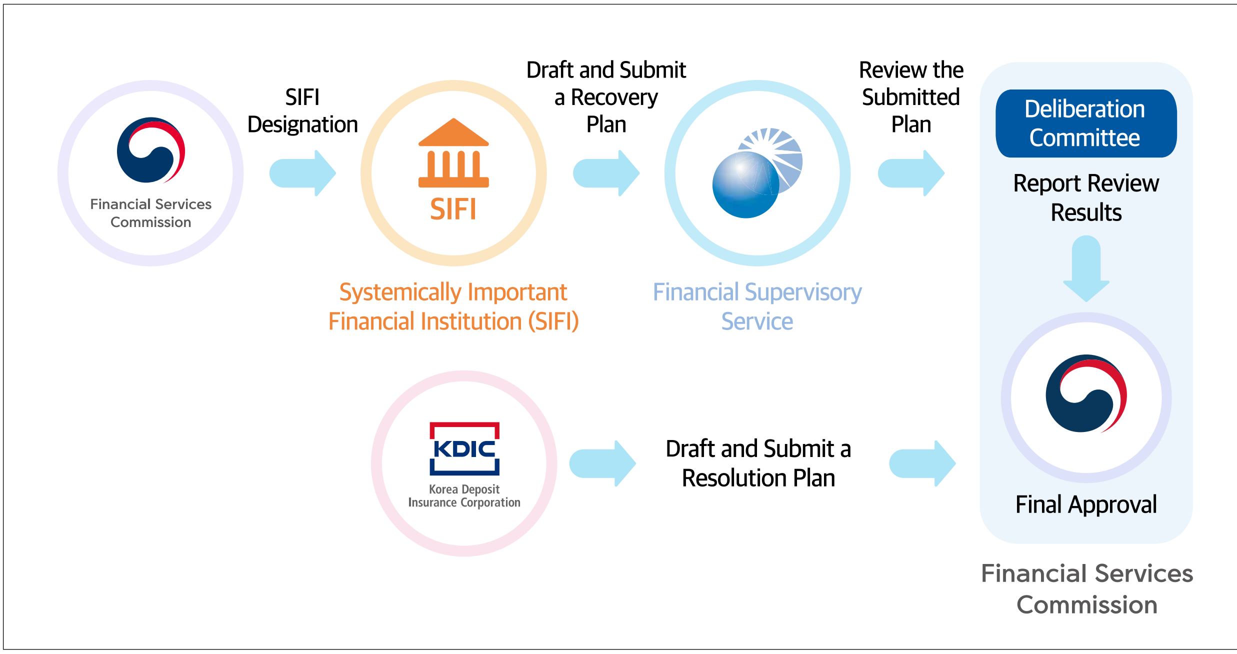
3 Development and Implementation of Resolution Plans

1. Systemically Important Financial Institutions

The recovery and resolution planning (RRP) scheme for systemically important financial institutions (SIFIs) was formally launched on June 30, 2021. In April 2022, the KDIC drafted and submitted the 2021 resolution plans for 10 SIFIs (KB, Nonghyup, Shinhan, Woori and Hana Financial Groups and their subsidiary banks) designated by the Financial Services Commission (FSC). The FSC gave its final approval of these resolution plans on June 22, 2022, following deliberations which confirmed that the plans conformed to relevant laws and international standards and would enable resolution authorities to respond quickly and systematically to a financial crisis should one occur.

In July 2022, the KDIC began drawing up the 2022 resolution plans in reflection of issues raised for fine-tuning and improvement during the FSC approval process. In order to refine the plans and their compliance with international standards, the KDIC retained the services of outside experts to study and incorporate elements of foreign best practices into the plans. Also, a system to verify the adequacy of resolution plans was set up by utilizing the network of advisory committees and professional experts established under KDIC internal regulations.

<Figure Ⅳ-1> Overview of the RRP Scheme



Furthermore, the KDIC worked in collaboration with SIFIs to prepare the base data required for the drafting of resolution plans. The KDIC also hosted joint workshops with the FSC, FSS and SIFIs and briefing sessions for SIFIs in order to communicate areas of improvement, share matters approved by the FSC and listen to feedback from SIFIs. Additionally, to ease the data reporting burden of SIFIs, the KDIC made use, whevever possible, of publicly disclosed data and FSS reports to simplify data requests compared to 2021.

Meanwhile, the KDIC signed a Cooperation Arrangement (CA) with the Single Resolution Board (SRB) of the European Union to promote information sharing and cooperation in respect of resolution. Based on the CA, resolution experts from the SRB visited the KDIC in December 2022 to lead a workshop and share know-how on the drafting of resolution plans. The KDIC also joined the Resolution Steering Group (ReSG) of the Financial Stability Board (FSB) as a full member in August 2022 and began acting as a full member in October same year, which confirmed the KDIC's standing as an integral part of Korea's resolution regime. The KDIC also took part in various international consultative bodies* to keep abreast with current discussions and trends regarding resolution schemes and to learn about foreign cases and best practices in order to use them as reference material for resolution planning.

* The FSB's Cross-Border Crisis Management Group (BankCBCM) in the banking sector, bank-specific Crisis Management Groups of Standard Chartered and HSBC (multinational banks operating in the Korean market), etc.

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

2. Savings Banks

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 bridge banks, thereby accelerating the completion of troubled bank restructuring.

Since then, up until 2022, there had been no further cases of savings bank insolvency. However, the KDIC has drawn up the Plan for Resolution of Insolvent Savings Banks in Stages to enable swift and efficient resolution in case of any further failure.

V

Management of Insolvent Financial Institutions and Bankruptcy Estates

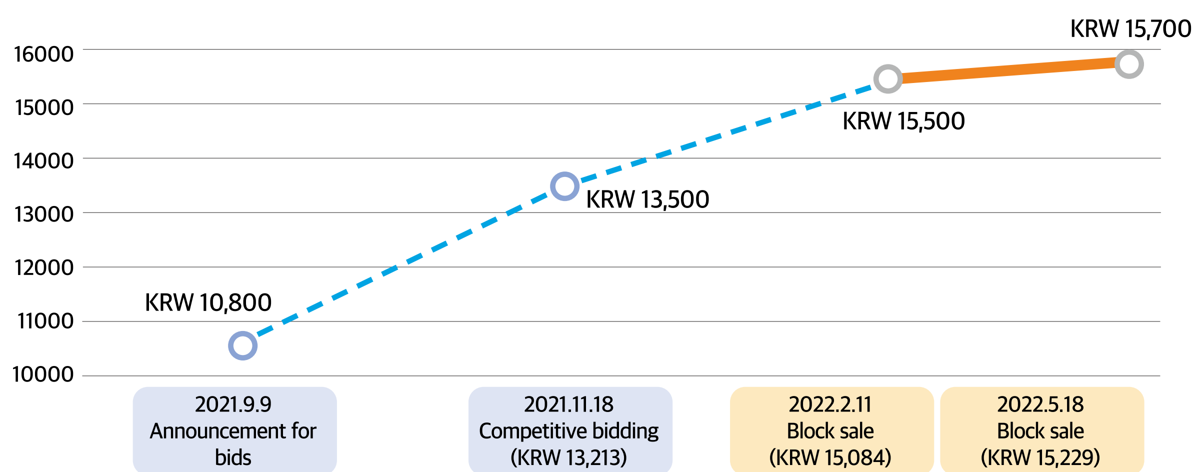
KOREA DEPOSIT INSURANCE CORPORATION

1 Sale of Remaining Stakes in Financial Institutions

1. Woori Financial Group

By successfully completing the sale of 11.33 percent of Woori Financial Group stock through block sales and competitive bidding for desired quantity in 2021, the KDIC reduced its stake in Woori Financial Group to 5.8 percent, which meant that it lost its largest shareholder status, essentially returning the Group to the private sector.

In 2022, in line with the rise in stock prices due to expectations of improved business performance stemming from the removal of price discount caused by government ownership and rising interest rates, the KDIC immediately initiated the sale of the remaining Wooori Financial Group stock to reap an upside gain.



In February and in May, 4.51 percent of Woori Financial Group stock was sold through block sales to recover an additional KRW 498.1 billion. By identifying appropriate times to sell during the stock market's rise, both block sales were completed above the previous sale price. This resulted in a surplus recovery of KRW 100.9 billion, above the KRW 12.7 trillion of public funds injected into Woori Financial Group.

In view of the privatization which leaves only minority shares unrelated to management rights and the surplus recovery above the financial support provided, the KDIC plans to sell the remaining stake (1.29 percent) in a flexible manner, taking market conditions into consideration.

2. National Federation of Fisheries Cooperatives

In accordance with the Repayment Agreement signed during the launch of Suhyup Bank in 2016, the KDIC has been recovering public funds injected (KRW 1.1581 trillion) using dividends from Suhyup Bank (KRW 400.7 billion) to record a recovery rate of 34.6 percent. As such, public funds have been recovered as scheduled with the goal of completing recovery by 2028.

After receiving a proposal from the National Federation of Fisheries Cooperatives for a one-off complete repayment of outstanding public funds in government bonds in November 2021, the KDIC reviewed the feasibility and validity of the proposal and subsequently coordinated with related organizations including the Ministry of Strategy and Finance, the Ministry of Maritime Affairs and Fisheries, the Financial Services Commission and the Public Fund Management Committee. Accordingly, an agreement was reached for Suhyup to repay its outstanding amount of public fund support (KRW 757.4 billion) to the KDIC through a one-off repayment in government bonds during 2022. The KDIC would then receive the repayment in cash upon the maturity of the government bonds (KRW 80.0 billion for each year between 2023 and 2026, KRW 437.4 billion in 2027) to recover the public funds. This plan was decided and confirmed by the Public Fund Management Committee in May 2022.

The Repayment Agreement signed between the KDIC and Suhyup was amended in June 2022 and Suhyup's repayment of public funds was effectively completed by the payment of government bonds to the KDIC on September 29, 2022. This signified the KDIC's recovery of public funds based on a more reliable cash flow than the existing recovery method of dividend payments and also the recovery deadline was moved up by a year from 2028 to 2027. Suhyup, in turn, now has more autonomy in management after the termination of the memorandum of understanding (MOU) on business normalization with the KDIC and regained its ability to use dividends to focus on its original function of supporting fishermen and developing the fisheries industry.

3. Seoul Guarantee Insurance

After injecting KRW 10.2500 trillion in public funds into Seoul Guarantee Insurance in the form of common and preferred stock, the KDIC has since recovered a total of KRW 4.3484 trillion from the redemption of redeemable preferred stock, capital decrease with compensation, and dividends. However, in view of the difficulty in boosting the recovery rate by the liquidation deadline of the Deposit Insurance Fund Bond Redemption Fund (Redemption Fund) at the end of 2027 using dividends as the primary method of recovery, there have been calls for the pursuit of recovery through the sale of shares in Seoul Guarantee Insurance.

The Public Fund Management Committee agreed with the KDIC’s plan to recover public funds by pushing for a phased sale of shares in Seoul Guarantee Insurance. The Committee determined that the conditions for such a sale had matured, bearing in mind factors such as the short time remaining until the liquidation of the Redemption Fund according to related laws including the Depositor Protection Act, and the continued profit generation at Seoul Guarantee Insurance. The KDIC therefore prepared a mid- to long-term sales roadmap for Seoul Guarantee Insurance through a resolution of the Public Fund Management Committee. The major contents included the gradual reduction in the KDIC’s stake in Seoul Guarantee Insurance using the sale of minority shares to pave the way for the smooth sale of managerial stake in the future.

The sale of minority shares will be pursued by pushing ahead with the sale of old shares through an initial public offering (IPO) bearing in mind factors like securing investment demand, ease of future sales through price discovery and the key lessons learned from the sale of Woori Financial Group. The preparations for the IPO are currently in progress with the aim of listing Seoul Guarantee Insurance in 2023.

For a period of two to three years following the IPO, the KDIC’s remaining minority shares in Seoul Guarantee Insurance will be sold in batches using methods like open bidding and block sales. Subsequently, the sale of managerial stake (50 percent plus one share) will be explored in the medium to long term considering the nature and scope of Seoul Guarantee Insurance’s business and the government’s policy direction on the guarantee insurance industry.

<Table V-1> Main Contents of the Sales Roadmap for Seoul Guarantee Insurance

Method	IPO	Additional Sale of Minority Shares	Sale of Managerial Stake
Time*	First Half of 2023	2-3 Years Following Listing	Under review
Sale Volume	Above 10%	Maximum of 33.85% (divided into 2-3 batches)	Over 50% + 1 Share

* Subject to change in consideration of market conditions, policies related to the guarantee insurance market, etc.

【Management of Financial Institutions into Which Public Funds Were Injected】

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 until the end of 2021, 12 MOUs signed with financial institutions were terminated when these institutions were sold to, or merged with other healthy financial institutions. With the Public Fund Management Committee's resolution of the plan for the National Federation of Fisheries Cooperatives to repay public funds in government bonds in 2022, the MOU with Suhyup Bank was terminated immediately following the payment of government bonds on September 30, 2022. As of the end of 2022, the only MOU still in place was the one with Seoul Guarantee Insurance.

After a review of performance under the MOU during the period of the fourth quarter of 2021 to the third quarter of 2022, the KDIC found that Seoul Guarantee Insurance had 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 Management of Bankruptcy Estates

1. Current Status

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 2022, the KDIC was appointed as bankruptcy trustee for 36* bankruptcy estates of failed financial institutions nationwide and dispatched 29 employees to those estates to manage them 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.

* Including three bankruptcy estates (HanMag Securities, Lime Asset Management, Optimus Asset Management) to which the KDIC did not provide financial support

2. Sale of Assets

Status of Key Assets

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 and other factors. When these insolvent MSBs had their business suspended by the financial authorities, the non-performing loans of these banks came under the direct management of the KDIC. As of the end of 2022, the KDIC was managing a total of KRW 218.1 billion of such assets.

<Table V-2> Status of Key Assets Held by Bankruptcy Estates of Failed MSBs by Type

(As of Dec. 31, 2022, 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	7,424.0	161.8
Ships	16	281.3	-
Equity Holdings	23	274.7	-
Overseas Assets	37	340.6	55.9
Others Including Artworks	5	1.2	0.4
Total	839	8,321.8	218.1

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, some MSBs set up special purpose companies (SPCs) through close associates to circumvent the law and then extended loans to the SPCs to finance large construction projects. There are now numerous legal disputes among the parties involved regarding assets of similar nature, which 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 has set up and operates 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 a multi-pronged recovery plan using arbitration and negotiation techniques in consideration of local business characteristics as well as intergovernmental diplomatic consultations.

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 V-1> 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

Asset Recovery 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.

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.

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.

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. The Committee

【Establishment of a Cooperation Network to Recover Overseas Assets (Investments in the Camko City Development Project)】

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 in the KDIC's ability to pursue asset recovery on its own 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 particular, the KDIC's efforts to work with domestic government departments and agencies as well as 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, a 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. One successful outcome of the visit was the formation of the joint task force in December 2020.

Immediately following the launch of the Korea-Cambodia joint task force, the kick-off meeting was held via video conference in January 2021. This meeting served as an opportunity for the two countries to discuss the operation direction and information sharing requirements of the joint task force. 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.

In view of the restrictions on face-to-face meetings due to the continuing spread of the COVID-19 pandemic, the KDIC sent an official letter requesting information sharing signed by the Head of the Economic Policy Coordination Office at the Office for Government Policy Direction as representative of the Korean team on the task force. Efforts to access information continued via the sending of an official request for additional information, along with detailed inquiries on the properties in the Camko City project, through the Financial Services Commission in June 2022.

Also, apart from contact with the Cambodian government using diplomatic channels, a meeting was held between the Cambodian Ambassador to Korea and the Chairman and President of the KDIC on September 1, 2022, to establish a Hot Line for communication between the two governments. On December 21, 2022, a meeting between the Secretary General of the Council for the Development of Cambodia (CDC) as the Cambodian task force representative and an executive director of the KDIC was held to discuss future cooperation between the two countries regarding Camko City.

Going forward, the KDIC will consult with domestic government entities including the Financial Services Commission and the Ministry of Foreign Affairs as well as the Cambodian government to organize a full meeting or working group meetings of the task force in the near future. Also, by exerting best efforts to finalize ongoing lawsuits in Cambodia, the KDIC will find a path toward a win-win outcome for both countries while trying to lessen the hardship of depositors who suffered heavy losses from the savings bank failure with payments from the proceeds of asset sales.

was held six times in 2022 and served as an advisory body by deliberating on important matters related to the sale of assets and receiving reports on key current issues.

<Figure V-2> Four Phases of the Asset Recovery Process

Pursuit of Sale Immediately After Business Suspension

Phase 1 (Preservation Measures)	Phase 2 (Strategy Development)	Phase 3 (Sale)	Phase 4 (Follow-up Management)
Status of business is examined and measures for preservation of creditor claims are taken.	Plans for asset recovery and sale are developed.	Recovery procedures including asset sale are performed.	Follow-up management after closing of the sale is provided.

Recovery Performance

The KDIC's active recovery efforts based on the above asset recovery management system has resulted in the recovery of KRW 5.6444 trillion during the period from 2011 to the end of 2022. Due to the economic slowdown in the real estate and construction industries and the resulting decline in buying interest in 2022, an insistence on using existing methods of public sales and auctions was dropped to give way to a more diversified approach which included reassessment of security deposits and payment by subrogation following consultation with stakeholders.

Examples of key asset sales in 2022 include the apartment construction project in Gulhwa-ri, Ulju-gun in Ulsan and urban development project in Songjeon-ri, Idong-myun in Yongin. In the Ulsan case, the competent court was refusing to allow the distribution of dividends to creditors because of multiple foreclosures on the deposit for provisional seizure release (KRW 13.5 billion) paid by the housing association. In response, the KDIC pursued continuous discussions with other creditors to reach a final consent for the termination of seizure and the progress of the dividend procedure. This resulted in the recovery of KRW 10.94 billion in deposits, up KRW 640 million from the previous dividend plan.

In the Yongin case, the sale of the collateral was delayed for a long time due to continuous litigation and complaints by the landowners' association against the auction of secured land. The KDIC decided to forego a simple auction method following consultation with stakeholders to diversify the recovery method including putting a request for subrogation to the housing association. This prevented a mass filing of civil complaints and resulted in the final recovery of KRW 53.5 billion, 127% more than the KRW 42.2 billion loan owed to the bankruptcy estate.

<Photo V-1> Major Assets Sold in 2022

Ulsan Apartment Project

Yongin Urban Development Project

<Table V-3> Recoveries by Type of Key Assets of Bankruptcy Estate

(As of Dec. 31, 2022, Unit: KRW 1 billion)

Type	Recovery Performance											
	Before 2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
PF Real Estate	173.7	352.9	952.2	1,051.6	482.9	540.8	386.3	444.6	131.1	226.7	63.6	4,806.4
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	-	-	0.4	192.3
Overseas 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	25.4	2.2	2.6	1.7	100.9
Total	358.5	503.8	1,104.9	1,214.8	517.0	611.5	432.8	471.8	133.3	230.3	65.7	5,644.4

3. Debt Restructuring

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

In 2022, the special moratorium on loan repayment designed to ease the burden on debtors who were repaying their debts in installments and the deadline for temporary extra loan reduction for borrowers hit hard by COVID-19, which were both due to end, were extended by one year respectively, so that more of the people adversely affected by COVID-19 could bounce back from economic hardship. Efforts were also made to ease the debt burden on socially vulnerable debtors amid sharp interest rate hikes. The loan reduction/forgiveness rate was increased for unemployed youth to afford them a fair opportunity to get out of the debt trap, and small business owners were newly included in the category of socially vulnerable debtors.

Through these efforts, the program successfully restructured the debts of 11,149 borrowers in 2022 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 35.5 billion.

<Table V-4> Details of Improvements to the Debt Restructuring Program

Category	Key Point	Description
Debt Restructuring	Extension of loan reduction/forgiveness period for COVID-19 victims	• Extension of the period for providing additional loan reduction/forgiveness to COVID-19 victims by 12 months until Dec. 31, 2023
	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
	Expansion of the scope of, and the loan reduction rate for the socially vulnerable	• Application of the maximum reduction/forgiveness rate for unemployed young people • Application of increased reduction/forgiveness rate for small business owners by newly incorporating them into the socially vulnerable category
	Ease of debt burden	• Easing the burden of interest rate hikes on debtors by not allowing the official posted interest rate to exceed the previous quarter's

4. Legal Closure of Bankruptcy Estates

Status

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 2022, 456 out of a total of 492 bankruptcy estates were declared closed by the court and for the remaining 36, the KDIC plans to pursue legal closure of those that have become old and inefficient.

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 notification to creditors of major events and resolution of legal issues.

<Table V-5> Bankruptcy Estates Including Both Open and Closed Ones

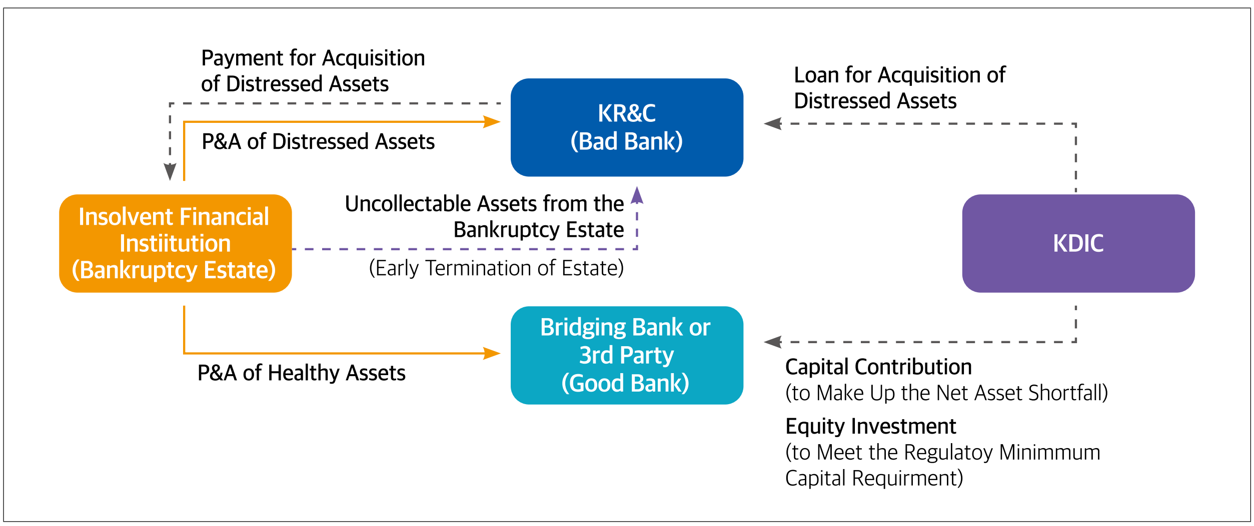
(As of Dec. 31, 2022, Unit: No. of estates, %)

Category		Banks	Insurance Companies	Investment Companies	Merchant Banks	MSBs	Credit Unions	Total
Total No. of Estates (A)		5	11	8	22	121	325	492
Closed	No. of Closed Estates (B)	5	10	5	22	89	325	456
	Closure Rate (B/A×100)	100	91	63	100	74	100	93
Remaining Estates (A-B)		0	1	3	0	32	0	36

Sale of Remaining Assets and Post-management

For the swift disposal of remaining assets of insolvent financial institutions that could not find a buyer in the private market, the bankruptcy estate sells such assets to the KR&C (a subsidiary of KDIC) and proceeds toward closure.

<Figure V-3> How the KR&C Works



In 2022, the KR&C acquired and managed KRW 440.5 billion of remaining assets from eight bankruptcy estates including Eutteum, Kyongeun, Domin, Hanju, Golden Bridge, Busan Central, Parangsae and Jeonil, at a purchasing price of KRW 2.7 billion.

As of the end of 2022, the balance of assets held by the KR&C stood at KRW 7.1196 trillion, of which KRW 150.7 billion was directly managed by the KR&C while the remaining KRW 6.9689 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 auctions.

<Table V-6> Assets Acquired by the KR&C during 2022

(As of Dec. 31, 2022, Unit: KRW 1 billion)

Entities Acquired	Amount of Claims	Purchasing Price	Note
Eight Bankruptcy Estates Including Eutteum Savings Bank	440.5	2.7	-

<Table V-7> Assets Owned by the KR&C (Balance)

(As of Dec. 31, 2022, Unit: KRW 1 billion)

Asset Type*	Directly Managed	Delegated to Outside Agencies for Management	Total
Loans	43.9	6,968.9	7,012.8
Securities	44.5	-	44.5
Real Estate, etc.	62.3	-	62.3
Total	150.7	6,968.9	7,119.6

* Excluding claims for damage, etc.

VI

Promotion of Accountability for Insolvency

KOREA
DEPOSIT
INSURANCE
CORPORATION

1 Insolvent Financial Institutions

1. Investigations

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 those 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.

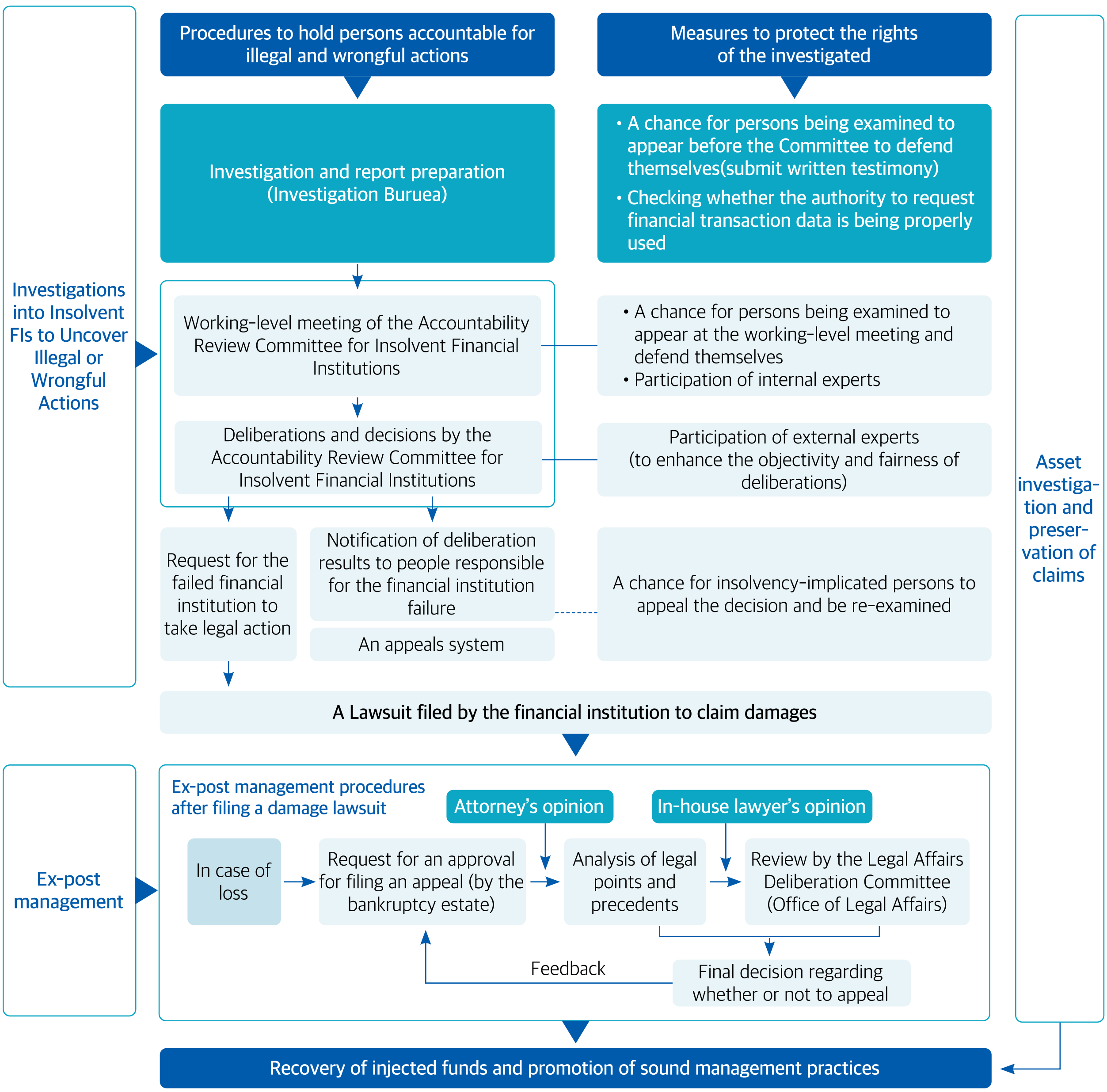
<Table Ⅵ-1> Investigations into Illegal and Wrongful Activities Regarding Insolvent Financial Institutions (Accumulated)

(As of Dec. 31, 2022, 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.

<Figure Ⅵ-1> Procedures to Hold Persons Accountable for Their Illegal and Wrongful Acts and the System to Protect the Rights of the Investigated



The KDIC found it imperative to systematically investigate unlawful activities perpetrated in collusion between the insolvent financial institutions and default debtor companies. For 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 88 members at the end of 2022 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 received 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 subsequent insurance company failures.

By the end of 2022, 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.

2. Damage Claim Proceedings

After the initial enactment of a clause allowing the KDIC to pursue damage claims against insolvency-implicated persons on January 21, 2000, legal revisions followed to clarify the scope of persons involved in insolvency as well as to specify investigation methods and procedures. This was then followed by the modification of legal language to make it easier for public comprehension on December 22, 2015, leading to the present time. Holding persons accountable for illegal or wrongful acts that occurred during insolvencies is important not only to uphold the interest of the DIF, but also to provide a way to make insolvency-implicated persons pay for the damages they caused in accordance with the principle of fair and equitable sharing of loss.

By the end of 2022, the KDIC had filed damage claims amounting to KRW 1.8118 trillion against 9,013 persons implicated in insolvencies of financial institutions into which funds of the Redemption Fund had been injected. These lawsuits have all come to a close. The KDIC is now striving to maximize collection of damages from insolvency-implicated persons through court-ordered foreclosure on their assets and other means.

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

(As of Dec. 31, 2022, 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 not included.
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 an investigation for such reasons as voluntary payment of damages and exemption from liability

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

(As of Dec. 31, 2022, Unit: No. of cases, No. of persons, KRW 1 billion)

No. of Failed Financial Institutions	No. of Defendants	Amount Claimed	Amount Awarded	Amount Collected[1]
47	702	462.5	270.4	128.2

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

The KDIC also requests insolvent financial institutions and their bankruptcy estates to file lawsuits claiming damages against persons responsible for the insolvencies of financial institutions that received financial support from the DIF. By the end of 2022, damage claims worth KRW 462.5 billion had been filed against 702 persons implicated in the failures of 47 financial institutions.

The KDIC files lawsuits against individuals responsible for financial institution failures with the goal of establishing a sound management environment for financial institutions and maximizing the recovery of public funds. This is achieved by reducing moral hazard through strict accountability measures. The legal action taken by the KDIC to seek damages from those involved in insolvency goes through three stages: preservation of claims by filing an injunction against a property, for instance, to secure sources of damage payments prior to the initiation of the lawsuit; legal proceedings to obtain a judgement for damages and the right to enforce it; and enforcement procedures where collection of the awarded judgement is carried out. To efficiently handle these legal processes, the KDIC carefully prepares legal defenses by reviewing Supreme Court precedents in related cases and conducting fund flow investigations as a means of gathering evidence. These efforts are aimed at increasing the likelihood of successful lawsuits and supporting the KDIC's overall objectives.

2 Default Debtor Corporations

1. Investigations

By the end of 2006, the KDIC's former Special Investigation Mission for Default Debtor Corporations had completed its investigations against insolvent debtor corporations that defaulted on their loans to public fund-injected insolvent financial institutions. In 2007, the KDIC began similar investigations in relation to mutual savings bank failures which were resolved with financial assistance from the DIF.

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 2022 that 891 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 these persons.

<Table VI-4> Investigations against Default Debtor Corporations (Accumulated)

(As of Dec. 31, 2022, Unit: No. of cases, No. of persons)

No. of Default Debtor Companies	No. of Insolvency-Implicated Persons
385	891

2. Damage Claim Proceedings

The KDIC has the right to request insolvent financial institutions and their bankruptcy estates to file for damages against insolvency-implicated persons of default debtor corporations. As of the end of 2022, in aggregate, these lawsuits sought KRW 983.1 billion in damages from 1,194 persons implicated in insolvencies. Decisions on whether to file a lawsuit is made following comprehensive consideration of factors such as whether the suspected person has quality assets that can be seized and liquidated, the probability of a win, and the benefits that are practically obtainable.

<Table VI-5> Lawsuits Filed in Relation to Default Debtor Corporations (Accumulated)

(As of Dec. 31, 2022, Unit: No. of cases, No. of persons, KRW 1 billion)

No. of Companies	No. of Defendants	Amount Claimed	Amount Awarded	Amount Collected[1]
155	1,194	983.1	449.5	118.8

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

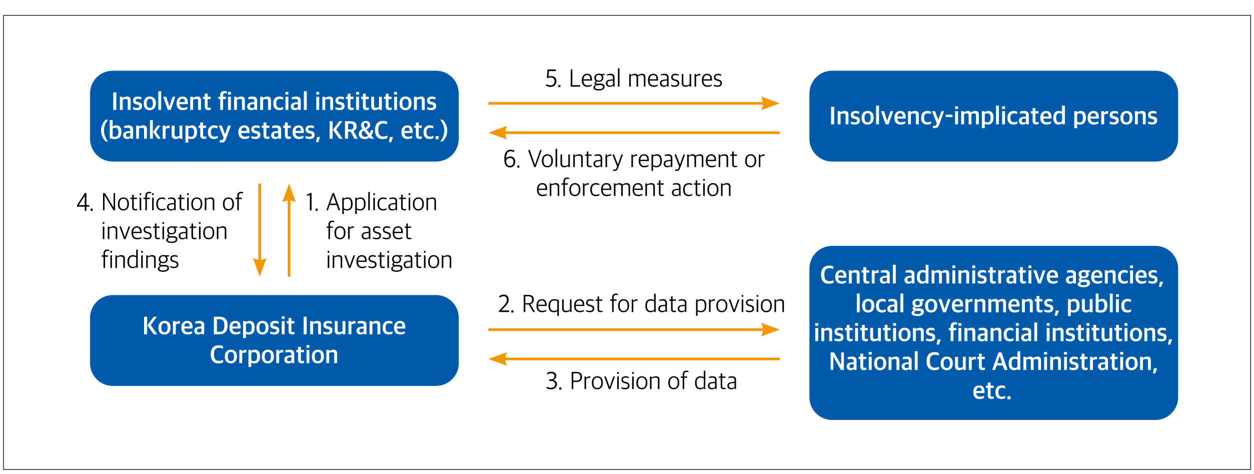
3 Investigations into Properties Owned by Insolvency-Implicated Persons

1. 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.

In 2022, the KDIC focused its capabilities on areas with a high probability of identifying new assets to recover KRW 26.6 billion. As of the end of December 2022, the KDIC had recovered a total of KRW 1.4511 trillion from persons involved in financial institution insolvencies.

<Figure Ⅵ-2> Flow Chart of Domestic Asset Investigations



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 to request data such as financial transaction information, the appropriateness of individual requests and the appeals filed by investigation subjects. In 2022, 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.

<Table Ⅵ-6> Recovery Status of Domestic Assets

(As of Dec. 31, 2022, Unit: KRW 1 billion)

Year	2003~2015	2016	2017	2018	2019	2020	2021	2022	Total
Amount	1,134.7	125.7	29.0	29.1	30.2	33.0	42.8	26.6	1,451.1

2. 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 2022. 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 2022, the KDIC uncovered USD 4.579 million (equivalent to KRW 6.0 billion) of assets hidden by insolvency-implicated persons in seven foreign countries including the U.S. through its own investigation of offshore properties, despite increasingly sophisticated concealment methods.

<Table Ⅵ-7> Recovery of Assets Hidden Overseas

(As of Dec. 31, 2022, Unit: USD 1,000)

Year	2003~2015	2016	2017	2018	2019	2020	2021	2022	Total
Amount	24,142	6,250	1,496	1,595	1,988	1,569	527	731	38,298

Alongside the increasing sophistication of offshore property concealment methods, the countries where assets are hidden have also increased from North America, Australia and Europe to include South America and Southeast Asia. To cope with these changing working conditions, the KDIC broadened the scope of its recovery of hidden assets to countries in South America including Brazil and Argentina during 2022. An expert seminar concerning the judicial systems and civil laws of major South American Countries was held to improve the understanding of local legislation by officers in charge, laying the foundation for effective recovery strategies. The KDIC is continuously working to maximize successful recoveries in South America through efforts such as close communication with local legal representatives and close examination of domestic, international laws and enforcement authorities.

In addition, the KDIC has sought to improve the efficiency of recovery work on property concealed overseas by performing customized management into three classifications ranging from ongoing, focused and special cases taking into account the characteristics of individual debtors subject to litigation. In particular, efforts are being made to improve the recovery rate by assessing the appropriateness of this strategy through in-depth review of the ongoing recovery cases. Meanwhile, the flexibility of this strategy is continuously being optimized to account for diversified situations. As a result of these efforts, the KDIC succeeded in recovering USD 0.731 million (equivalent to KRW 950 million) from assets concealed abroad by insolvency-implicated persons in 2022.

【 Operation of 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.

<Work Flow at the Concealed Property Report Center>

Receipt of Report	Basic Investigation	Transfer of Reported Information and Recovery Procedures	Reward Payment after Recovery
Review of a report (tip) including whether the reported person is implicated in insolvency and subsequent issuance of a receipt certificate	Confirmation of facts through cash-flow examination and on-site investigation	Notification of the report to creditor financial institutions and initiation of a lawsuit for recovery of concealed assets	Payment of a reward (up to KRW 3 billion) to the reporter (tipper) when recovery of concealed assets is completed

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.

The KDIC had received a total of 439 reports, recovering KRW 82.6 billion from 104 cases, and paid out KRW 5.5 billion in rewards as of the end of 2022. The Corporation will continue its role to facilitate more reporting going forward and to ensure that such reports can lead to successful recoveries.

<Current Operational Status of the Concealed Property Report Center>

(As of Dec. 31, 2022, Unit: No. of cases, KRW 1 million)

Category	2002~2015	2016	2017	2018	2019	2020	2021	2022	Total
No. of Cases Reported	311	37	25	22	16	10	7	11	439
No. of Recoveries	56	9	11	9	7	4	4	4	104
Recovered Amount	36,178	6,773	7,780	10,190	10,509	1,522	6,919	2,736	82,607

4 Institutional Improvements

1. Protection of Rights for 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. Upon commencement of an investigation, the KDIC informs the investigated parties of how the investigation will proceed and how they can explain 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 2022, the exclusion, avoidance and recusal system for investigators was introduced to enhance fairness and ensure impartiality in the investigation of accountability for insolvency by amending the Detailed Rules for Enforcement of Regulations on Investigations Concerning Insolvency Accountability and the Notice of Rights Protection System for Persons Subject to Accountability Investigations.

<Table Ⅵ-8> Comparison of Exclusion, Avoidance and Recusal Systems

Category	Exclusion	Avoidance	Recusal
Basis	Rules of Service for Investigators	Guidelines for Operation of Conflict of Interest Prevention System	
Reason	Family relationship	Existence of private interests	
Process	No separate procedure required	Application by investigator	Application of person under investigation
Effect	Natural exclusion from duties	Measures such as exclusion from duties by the Conflict of Interest Prevention Officer	

2. Stronger Investigation Capabilities

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

In 2022, to enhance professional capabilities regarding claims preservation and recovery procedures relating to virtual assets and to draw implications applicable to the KDIC's work, an expert from the National Tax Service was invited to conduct training on cases of tracking and retrieving concealed, virtual assets.

In addition, the KDIC is engaging in consultation with the National Assembly and Financial Services Commission for the revision of the Depositor Protection Act (and its Enforcement Decree) that would allow the KDIC to request information from more organizations and broaden the scope and power of investigation. Especially, in relation to information requests, the KDIC is considering expanding the scope of institutions that are subject to data requests, from financial institutions to include virtual asset businesses as well, as a way to boost the efficiency of investigative work and recovery of concealed assets.

Meanwhile, a search system to find precedents in insolvency accountability cases was created on the KDIC's website in an effort to ensure the protection of the rights and interests of persons under investigation and to encourage public engagement. This system is to be updated regularly with new precedents and currently a total of 307 major rulings have been selected for disclosure.

VII

Fund Management and Account Settlement

KOREA
DEPOSIT
INSURANCE
CORPORATION

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. Fund Financing

The Redemption Fund is financed through Special Contributions, Contributions from the Public Fund Redemption Fund, Deposit Insurance Fund Bonds (issued on or before Dec. 31, 2002), Redemption Fund Bonds and Borrowings. In 2022, the KDIC received KRW 2.3750 trillion in Special Contributions (pursuant to Article 30-3 of the Depositor Protection Act and Article 16-4 of its Enforcement Decree). There were no other sources of financing.

<Table Ⅶ-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 Ⅶ-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
2022	1,708.4	75.5	358.4	151.9	2.2	78.6	-	2,375.0
Total	18,047.3	509.5	4,306.6	1,458.2	22.1	944.8	261.7	25,550.2

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

【 Creation of the Redemption Fund 】

Ⅰ. 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.

Ⅱ. 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.

Ⅲ. Deposit Insurance Fund Bonds (Issued on or before Dec. 31, 2002)

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.

<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

Ⅳ. 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, a complete repayment of liabilities incurred under the Redemption Plan by the Redemption Fund was made in 2021. Since then, the KDIC began contributing to the country's finances by reverting* part of the remaining assets of the Redemption Fund to the Public Fund Redemption Fund, a first for the Redemption Fund since its establishment.

* Any remaining asset after 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. Total amount reverted in 2021 and 2022 reached KRW 1.25 trillion and KRW 2.4 trillion, respectively.

<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	-
2022	-	-	-
Total	60,680.5	60,680.5	

V. 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.

<Borrowings and Loan Repayments of the Redemption Fund>

(Unit: KRW 1 billion)

Year	Borrowed Amount				Repaid Amount	Balance
	Member Institutions	Loans[1)]	Special Account for Government Investment and Financing	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.

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 2022, the Redemption Fund had no outstanding borrowing.

2. Financial Assistance

The KDIC provided financial assistance through the Redemption Fund to make deposit payouts as well as equity investment, capital contributions, loans, etc. to resolve insolvent financial institutions. There were no additional cases of financial assistance through the Redemption Fund made during 2022.

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 2022. 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 stabilization, KRW 18.6117 trillion (16.8%) in capital contributions to facilitate purchase of assets and assumption of liabilities (P&A) transactions, and KRW 11.1767 trillion (10.1%) for the purchase of assets and other resolution activities.

There were no cases of financial support provided to insured financial institutions at the expense of the Redemption Fund during 2022.

<Table Ⅶ-3> Financial Assistance and Deposit Insurance Payments from the Redemption Fund (Accumulated)

(As of Dec. 31, 2022, 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 resolution financial institutions

3. Recovery of Public Funds

Overview

Depending on the nature of the support extended, the KDIC employs a variety 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 exceeded 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 2022 totaled KRW 62.2855 trillion including KRW 0.8467 trillion recovered in 2022 alone.

<Table Ⅶ-4> Redemption Fund Recoveries (2022)

(As of Dec. 31, 2022, 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	573.7	-	39.6	-	-	613.3
Investment Companies	-	-	0.1	-	-	0.1
Insurance Companies	215.0	0	-	-	-	215.0
Merchant Banks	18.3	-	-	-	-	18.3
MSBs	-	-	-	-	-	-
Credit Unions	-	-	-	-	-	-
Total	807.0	0	39.7	-	-	846.7

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

<Table Ⅶ-5> Redemption Fund Recoveries (Accumulated)

(As of Dec. 31, 2022, 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	23,649.6	70.2	6,706.3	-	1,847.2	32,273.3
Investment Companies	1,212.1	337.5	1,801.5	-	7.8	3,358.9
Insurance Companies	6,882.3	88.8	245.3	-	431.0	7,647.4
Merchant Banks	330.5	5.9	-	-	9,339.1	9,675.5
MSBs	-	34.3	-	596.9	5,276.0	5,907.2
Credit Unions	-	0.4	-	-	3,422.9	3,423.3
Total	32,074.5	537.1	8,753.1	596.9	20,324.0	62,285.5

* 1) Including recoveries made through the KR&C

Sale of Equity Stakes, etc.

(1) Banks

The KDIC recovered KRW 0.4809 trillion (equivalent to its stake held in the banking account of the DIF) through the sale of its 4.51 percent stake in Woori Financial Group during 2022 and collected KRW 31.9 billion (equivalent to its stake held in the banking account of the DIF) in dividends from Woori Financial Group. The preferred stock in the National Federation of Fisheries Cooperatives (Suhyup's Credit Business Unit Special Account) amounting to KRW 60.9 billion was redeemed for recovery. All remaining preferred shares were sold through exchange transactions that resulted in the receipt of government bonds worth KRW 636.2 billion at fair value. These government bonds will be recovered in cash when they each reach maturity between 2023 and 2027.

(2) Insurance Companies

In 2022, the KDIC collected KRW 215.0 billion in dividends from Seoul Guarantee Insurance.

(3) Merchant Banks

In 2022, the KDIC recovered KRW 17.2 billion (equivalent to its stake held in the merchant bank account of the DIF) through the sale of its 4.51 percent stake in Woori Financial Group and collected KRW 1.1 billion (equivalent to its stake held in the merchant bank account of the DIF) in dividends from Woori Financial Group.

Loan Recoveries, etc.

In 2022, the KDIC recovered KRW 1 million from the settlement of contributions made in relation to the P&A of Hyundai Life Insurance.

2 Deposit Insurance Fund

1. Fundraising

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 Ⅶ-6> 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 Ⅶ-7> Deposit Insurance Premium Revenue by Financial Sector and by Year

(As of the end of December 2022, 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	103.0	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
2022[5]	694.6	45.6	82.6	115.9	1.8	21.1	1,247.3	2,209.0
Total	10,102.5	331.8	4,378.4	1,526.9	35.5	1,649.8	9,503.6	27,528.4

* 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); in 2021 (70% reduction for life insurance companies); and in 2022 (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 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 2022 remained at KRW 2.2090 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 placed in the current DIF.

<Table Ⅶ-8> 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	0.2	-	-	-	0.88
2004	0.34	0.2	0.60	0.2	-	-	-	1.34
2005	0.22	0.2	-	-	-	1.25	-	1.67
2006	0.38	0.8	-	0.2	-	1.34	-	2.72
2007	-	-	-	-	-	-	-	-
2008	0.16	11.01	-	-	-	0.56	-	11.72
2009	0.77	4.31	0.42	0.34	0.02	0.78	-	6.63
2010	0.08	0.58	0.9	0.03	-	-	-	1.59
2011	0.03	-	-	-	-	1.2	-	1.23
2012	0.58	0.13	5.0	0.8	-	2.4	-	8.91
2013	0.08	2.17	0.32	0.31	0.0	4.98	-	7.86
2014	-	0.06	-	-	-	9.06	-	9.12
2015	-	-	-	-	-	-	-	-

2016	0.88	0.53	-	0.6	-	-	-	2.01
2017	2.03	0.06	-	0.03	-	-	-	2.12
2018	-	0.29	0.3	-	-	-	-	0.59
2019	-	-	-	-	-	-	-	-
2020	-	△0.3	-	0.2	-	-	-	△0.1
2021	0.3	0.2	-	-	-	-	-	0.5
2022	-	0.01	-	0.2	-	-	-	0.2
Total	5.8	20.3	8.2	3.1	0.0	21.6	-	59.0

* 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.

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. Issued between 2011 and 2013, the Special Account Bonds were used to raise funding for the restructuring of insolvent mutual savings banks. New issues since 2014 were made for the purpose of redeeming (or rolling over) the maturing Special Account Bonds. The KDIC is consistently reducing the amount of outstanding bonds by repaying them with funds recovered and insurance premiums received. In 2022, it redeemed KRW 2.7 trillion of Special Account Bonds while rolling over KRW 1.39 trillion. As of the end of 2022, the outstanding balance of Special Account Bonds amounted to KRW 6.23 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 4.17 trillion of Social Bonds.

<Table Ⅶ-9> 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
2022	1,390.0	2,700.0	6,230.0
Total	42,690.0	36,460.0	6,230.0

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 2022, the KDIC issued short-term bonds totaling KRW 1.53 trillion and redeemed KRW 1.533 trillion by the end of the year.

<Table Ⅶ-10> 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
2022	1,530.0	1,533.0	-
Total	14,113.0	14,113.0	-

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 Ⅶ-11> 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
	2022	999.3	-	-	999.3	1,013.9	250.0
	Sub-total	46,037.8	-	250.0	46,287.8	46,037.8	250.0
Total		46,269.2	-	250.0	46,519.2	46,269.2	250.0

* 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 46.0378 trillion had been borrowed from insured financial institutions including banks by the end of 2022. 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 2022, KRW 46.0378 trillion had been repaid, out of KRW 46.2878 trillion in borrowings of the Special Account, through the recovery of injected funds and issuance of DIF Bonds, etc. As of the end of 2022, the outstanding balance of borrowings amounted to KRW 250.0 billion.

2. Financial Assistance

Overview

Since 2003, the KDIC has provided financial assistance from the DIF for the purpose of reimbursing depositors in the event of an insolvency and offering equity investment, capital contribution and lending 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 Ⅶ-12> Financial Assistance and Deposit Insurance Payments from the DIF (Accumulated)

(As of Dec. 31, 2022, 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	25,464.1	5,069.0	602.7	99.4	31,721.8

* 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 2022, 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 2022, 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 2022, 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 2022, 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 Ⅶ-13> Financial Assistance and Deposit Insurance Payments from the Special Account

(As of Dec. 31, 2022, 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. Recovery of Public Funds

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 15.5775 trillion between 2003 and end of 2022, with KRW 1.9 billion in the mutual savings bank account, and KRW 265.7 billion in the Special Account recovered in 2022 alone.

<Table Ⅶ-14> DIF Recoveries (2022 and Accumulated)

(As of Dec. 31, 2022, Unit: KRW 1 billion)

Category		Equity Investment	Capital Contributions	Deposit Payoffs	Loans[1]	Money Paid in Advance Dividends	Total[2]
2022	Non-life Insurance Companies	-	-	-	-	-	0
	MSBs	-	0.7	0.8	0.4	-	1.9
	Special Account	-	250.9	14.7	0.1	-	265.7
	Total	-	251.6	15.5	0.5	-	267.6
2003 to end-2022 Accumulated		594.8	11,853.2	2,416.7	613.4	99.4	15,577.5

* 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 2022, the KDIC collected KRW 267.1 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 2022, a cumulative total of KRW 14.6134 trillion was recovered.

From 2003 to end-2022, 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 613.4 billion was recovered.

<Table Ⅶ-15> Collection of Bankruptcy Dividends and Loans

(As of Dec. 31, 2022, Unit: KRW 1 billion)

Financial Sector	Collection of Bankruptcy Dividends		Collection of Loans	
	2022	2003-end-2022 Accumulated	2022	2003-end-2022 Accumulated
Non-life Insurance Companies	-	14.7	-	-
MSBs (Including the Special Account)	267.1	14,354.6	0.4	613.4
Total	267.1	14,369.3	0.4	613.4

3 Account Settlement

1. Overview of Account Settlement

The KDIC has classified its funds into four accounting units: the Deposit Insurance Fund, the Account for Supporting the Return of Misdirected Money Transfers (Support Account), the KDIC Internal Account, and the DIF Bond Redemption Fund pursuant to Article 24-3 (Separate Accounting) 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. 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 2022, the audit was conducted by Yeil LLC, and the auditor's opinion was "unqualified."

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.

【 Criteria for Account Settlement 】

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 non-financial 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 non-financial assets (transferred-out capital budget) and added to operating expenses. The costs of the operation of the KDIC such as labor costs are treated as operating 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 Based on the Integration of the Deposit Insurance Fund, Support Account and KDIC Internal Account

Financial Status

Assets totaled KRW 17.7638 trillion as of the end of 2022, up 8.0% (KRW 1.3107 trillion) from the same period of the previous year. This increase is mainly attributable to net increases of KRW 1.0353 trillion, KRW 186.0 billion and KRW 53.5 billion in invested assets, accrued insurance premiums and long-term indemnity receivables, respectively.

As of the end of 2022, total liabilities stood at KRW 6.5584 trillion, down 16.9% (KRW 1.3292 trillion) year-on-year. This is mainly ascribed to a KRW 1.3275 trillion repayment of Deposit Insurance Fund Bonds and other borrowings, issued to fund the Special Account, with deposit insurance premium revenue and dividend income.

Total equity increased by KRW 2.6399 trillion or 30.8% to KRW 11.2099 trillion as of end-2022 from a year ago, largely due to positive net income of KRW 2.6752 trillion.

Profits and Losses

In 2022, net income stood at KRW 2.6752 trillion, up KRW 389.9 billion or 17.1% from 2021.

The operating profits, calculated by deducting operating costs from operating revenues, amounted to KRW 2.3577 trillion. The operating revenues (KRW 2.6164 trillion) are mainly comprised of insurance premium revenues (KRW 2.3153 trillion) and interest income earned from asset management (KRW 287.6 billion). The operating costs (KRW 258.7 billion) include interest expenses (KRW 135.4 billion) for bonds issued to fund the Special Account and other borrowings, and KDIC operating expenses (KRW 111.2 billion).

Meanwhile, the amount of other income was KRW 320.1 billion, mainly attributable to the net reversal of allowances for bad loans (KRW 320.1 billion) due to an increase in expected recovery of indemnity receivables.

<Table Ⅶ-16> Condensed Statement of Financial Position

Current Period: As of Dec. 31, 2022
Previous Period: As of Dec. 31, 2021

(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	13,005.4	11,019.2	Current Liabilities	2,635.1	2,777.9
1. Cash and Cash Equivalents	**17.1**	**23.6**	**1. Accounts and Other Payables**	**59.7**	**54.9**
2. Current Financial Assets	**11,458.4**	**9,652.1**	Short-term Accrued Expenses	51.8	47.3
			Captial lease liabilities, etc.	7.9	7.6
Financial Assets Carried at Fair Value through Profit or Loss (MMF)	299.7	62.1	**2. Current Financial Liabilities**	**25,717**	**27,187**
Financial Assets carried at Fair Value through Other Comprehensive Income (Bonds)	3,988.1	1,882.2	Short-term borrowings	2.1	18.6
			Liquid Long-term borrowings	20.0	-
Short-term Loans	62.8	62.8	(Present Value Discount Debt)	(-)1.8	-
(Allowance for Doubtful Accounts)	-	-	(Present Value Discount Debt)	1.4	-
Short-term Financial Instruments	7,107.8	7,645.0	Bonds	2,550.0	2,700
3. Trade and Other Receivables	**1,529.7**	**1,343.4**	Discounts on Bonds Payable	-	0.1
Misdirected Money Transfer bond	1.1	0.9	**3. Current Non-financial Liabilities**	**1.1**	**1.8**
Short-term Accrued Income	1,528.3	1,342.3	Short-term Deposits	1.1	18

ASSETS	Amount		LIABILITIES and EQUITY	Amount	
	Current period	Previous period		Current period	Previous period
Others	0.3	0.2	**4. Current Provisions**	**2.6**	**2.5**
4. Current Non-financial Assets	**0.2**	**0.1**	Current Provisions for Employee Benefits	2.6	2.5
Short-term Prepaid Expenses	0.2	0.1			
Non-current Assets	4,762.9	5,438.4	Non-current Liabilities	3,923.3	5,109.7
1. Non-current Financial Assets	**3,801.7**	**4,566.2**	**1. Long-term Trade Payables and Other Liabilities**	**10.9**	**16.7**
Financial Assets Carried at Fair Value through Other Comprehensive Income (Bonds)	3,650.2	4,307.2	Capital lease liabilities	10.9	16.7
			2. Non-current Financial Liabilities	**3,905.0**	**5,085.6**
Long-term Loans	0.6	0.6	Long-term Borrowings	230.0	250.0
Long-term Financial Instruments	150.9	258.4	(Present Value Discount)	(-)24.4	(-)33.6
2. Long-term Trade and Other Receivables	**10.8**	**10.2**	Deferred Income from Government Grants	20.7	29.0
Long-term Deposits Provided	11.7	11.1	Bonds	3,680.0	4,840.0
(Present Value Discount)	(-)0.9	(-)0.9	Discounts (Premiums) on Bonds Payable	(-)1.3	0.2
3. Tangible Assets	**62.7**	**41.4**	**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	13.9	10.2			
Structures	1.8	1.8			

ASSETS	Amount		LIABILITIES and EQUITY	Amount	
	Current period	Previous period		Current period	Previous period
Assets under construction	25.4	1.4			
License assets	30.9	31.3			
Other Tangible Assets	27.7	27.7	**Total Liabilities**	**6,558.4**	**7,887.6**
(Accumulated Depreciation)	(-)42.2	(-)36.2			
4. Intangible Assets Other than Goodwill	**0.6**	**0.6**	**Retained Earnings**	**11,308.6**	**8,621.9**
Other Intangible Assets	0.6	0.6	Net income:(+)26,752		
5. Net Defined Benefit Assets	**22.6**	**9.0**	Changes in Other Retained Earnings:(+)115		
6. Non-current Non-financial Assets	**864.5**	**811.0**			
Long-term Advanced Payment	0.8	0.7	**Elements of Other Equity**	**(-)98.7**	**(-)51.9**
Long-term Indemnity Receivables	14,233.2	14,499.9	Accumulated Other Comprehensive Income:(-)468	(-)98.7	(-)51.9
(Allowance for Doubtful Accounts)	(-)13,369.5	(-)13,689.6	**Total Equity**	**11,209.9**	**8,570.0**
Total Assets	**17,768.3**	**16,457.6**	**Total Liabilities and Equity**	**17,768.3**	**16,457.6**

<Table Ⅶ-17> Condensed Income Statement

Current period: For the year ended December 31, 2022
Previous period: For the year ended December 31, 2021

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

Categories	Current Period	Previous Period
Income from Operations (A=B-C)	**2,357.7**	**2,102.3**
Operating Revenues (B)	**2,616.4**	**2,382.7**
Premium Revenues	2,315.3	2,200.1
Interest Revenues	287.6	169.4
Transfer Income	7.1	7.3
Misdirected Money Transfers Income	0.2	0.1
Other Income	6.2	5.8
Operating Expenses (C)	**258.7**	**280.4**
Interest Expenses	135.4	156.8
Personnel Expenses	83.5	81.4
General Expenses	39.7	421.8
Misdirected Money Transfers Expenses	0.1	0.02
Other Gains and Losses (D)	**320.1**	**182.9**
Net reversal (transfer to) allowance for bad loans	320.1	181.4
Others	-	1.5
Financial Gains and Losses (E)	**(-)2.6**	**0.1**
Gains on Disposal of Financial Assets etc.	(-)2.6	0.1
Net Income for Current Period (F=A+D+E)	**2,675.2**	**2,285.3**
Other Comprehensive Income (G)	**(-)35.4**	**(-)58.4**
Total Comprehensive Income (H=F+G)	**2,639.8**	**2,226.9**

4. Account Settlement of the Redemption Fund

Financial Status

As of the end of 2022, total assets of the Redemption Fund stood at KRW 3.3706 trillion, up KRW 220.7 billion or 7% from the end of the previous year. This was mostly due to an increase in current assets* (KRW 929.8 billion), despite a reduction in the value of long-term securities** (KRW 694.8 billion).

* Increase in deposits (KRW 779.9 billion), current long-term government bonds (KRW 77.2 billion) and bonds for short-term investments (KRW 48.7 billion), etc.

** Sale of Woori Financial Group stock (KRW (-)417.3 billion), reclassification of long-term government bonds to current assets (KRW (-)77.2 billion), etc.

Total liabilities, as of the end of 2022, stands at KRW 0 representing a decrease of KRW 2.4 billion (100 percent). This is mainly attributable to a decrease in provisions following the final judgment of court cases.

As of the end of 2022, total net assets stood at KRW 3.3706 trillion, up KRW 223.2 billion from the end of 2021. This is primarily due to the achievement of KRW 2.7758 trillion in net income despite the transfer-out of KRW 2.4 trillion in contributions to the Public Fund Redemption Fund.

Profits and Losses

In 2022 the Redemption Fund's financial operation* generated a negative balance of KRW 2.7758 trillion, recording a year-on-year increase of KRW 109.6 billion or 4.1%.

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

The net program costs incurred for the operation of the financial policy support program, an essential business of the Redemption Fund, remained at KRW (-)359.7 billion. This figure was arrived at by deducting program income of KRW 613.7 billion from the total program costs of KRW 254.0 billion. Total program costs consist of losses on disposal of contributed assets (KRW 238.2 billion), allowance for bad loans (KRW 15.0 billion) and others. Program income is comprised of gains on disposal of contributed assets (KRW 325.3 billion), dividend income (KRW 248.1 billion), interest income on loans to the KR&C (KRW 39.6 billion) and the like.

The net cost for financial operation came to KRW (-)398.5 billion, which was calculated by adding KRW 3.3 billion in administrative and general expenses and deducting KRW 42.1 billion in non-allocated revenues from the net program costs of KRW (-)359.7 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 (-)2.7758 trillion was calculated by deducting non-exchange revenues of KRW 2.3773 trillion from the net cost for financial operation of KRW (-)398.5 billion. Non-exchange revenues above are special contributions received that arise without any direct consideration in return.

<Table Ⅶ-18> Condensed Statement of Financial Position

Current period: As of December 31, 2022
Previous period: As of December 31, 2021

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

ASSETS	Amount		LIABILITIES and EQUITY	Amount	
	Current period	Previous period		Current period	Previous period
Current Assets	**2,044.2**	**1,114.4**	**Current Liabilities**	-	**0.1**
1. Cash and Cash Equivalents	32.4	1,113.1	1. Other Current Liabilities	-	0.1
2. Short-term Financial Instruments	1,860.7	-			
3. Short-term Investment Securities	125.9	-			
4. Outstanding Bonds	1,128.0	1,104.1	**Long-term Borrowing Liabilities**	-	**2.4**
(Allowance for Doubtful Accounts)	(-)1,102.8	(-)1,102.8	1. Provision for Litigation	-	2.4
Investment Assets	**1,319.0**	**2,028.1**	**Total Liabilities**	-	**2.5**
1. Long-term Loans	14,281.5	14,281.5			
(Allowance for Doubtful Accounts)	(-)14,013.2	(-)13,998.9	**Net Asset**		
2. Long-term Investment Securities	1,050.7	1,745.5	1. Net Asset	52,306.4	52,306.4
Other Non-current Assets	**7.4**	**7.4**	2. Reserves and Surplus	(-)48,767.7	(-)49,143.4
1. Other Non-current Assets	7.4	7.4	3. Net Asset Adjustment	(-)168.1	(-)15.6
(Allowance for Doubtful Accounts)	-	-	**Total Net Asset**	**3,370.6**	**3,147.4**
Total Assets	**3,370.6**	**3,149.9**	**Total Liabilities and Net Asset**	**3,370.6**	**3,149.9**

<Table Ⅶ-19> Condensed Financial Operating Statement

Current period: As of December 31, 2022
Previous period: As of December 31, 2021

(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	**254.0**	**(-)613.7**	**(-)359.7**	**348.5**	**(-)832.7**	**(-)484.2**
1. Financial Policy Support	254.0	(-)613.7	(-)359.7	348.5	(-)832.7	(-)484.2
Interest Expense	-			11.9		
Allowance for Doubtful Accounts	15.0			32.1		
Losses on Disposal of Contributed Assets	238.2		300.1	3,001		
Payment Fees etc.	0.8			44		
Dividend Income		248.1			162.7	
Interest Income from Loans to Non-Government Organizations		39.6			47.6	
Gains on Disposal of Contributed Assets		325.3			620.5	
Reversal of Allowances for Doubtful Accounts		0.7			1.9	
Miscellaneous Revenue etc.		-			-	
Ⅱ. Management and Administrative Expenses			**3.3**			**3.2**
1. Commissions Paid			3.3			3.2
Ⅲ. Non-Allocated Costs			**-**			**-**
1. Valuation Losses			-			-
Ⅳ. Non-Allocated Revenues			**42.1**			**8.0**
1. Interest Income			42.1			8.0
Ⅴ. Net Cost for Financial Operation (Ⅰ+Ⅱ+Ⅲ-Ⅳ)			**(-)398.5**			**(-)489.0**
Ⅵ. Non-Exchange Revenues			**2,377.3**			**2,177.2**
1. Revenues from Contributions			2,377.3			2,177.2
Ⅶ. Financial Operation Result (Ⅴ-Ⅵ)			**(-)2,775.8**			**(-)2,666.2**

Appendix

1. Overview of the Deposit Insurance System

2. Statistics

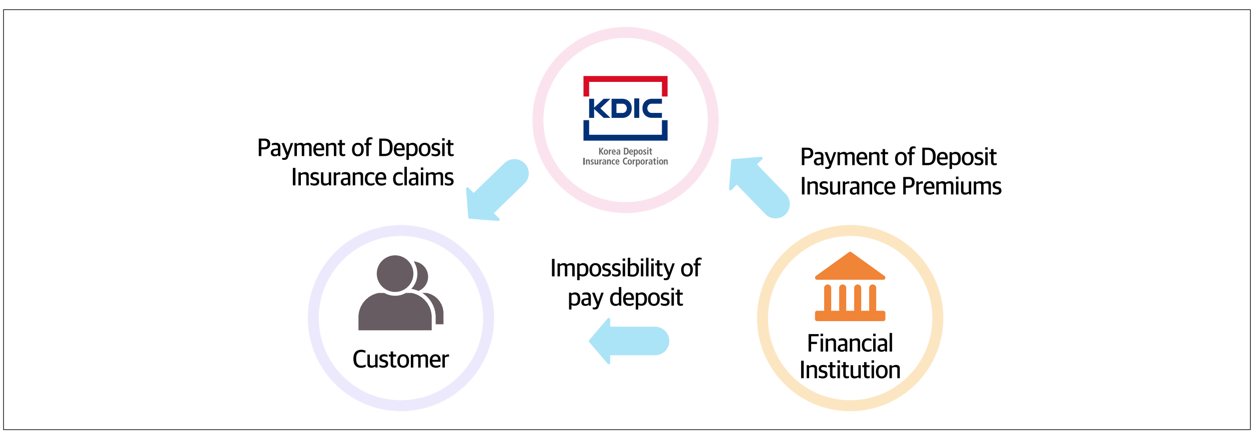
KOREA
DEPOSIT
INSURANCE
CORPORATION

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 as well as 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 governments, 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, 2022)

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 guaran	• 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
	• Cash deposits with securities finance companies made under Article 330(1) 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.

Financial Sector	Insured Financial Products	Uninsured Financial Products
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 invested in financial products covered by deposit insurance2) • 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 materialize 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 helped to ease the turmoil in the financial market, 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 instrument eligible for deposit protection : KRW 50 million separately) * Including retirement insurance and retirement lump-sum payment trust

2. Statistics

Insured Financial Institutions[1]

(As of Dec.31, 2022, Unit: No. of financial institutions)

Financial Sector	2018	2019	2020	2021	2022
Banks	56	54	54	54	54
Domestic	18	18	18	19	19
Foreign	38	36	36	35	35
Investment Companies[2]	124	141	105	106	107
Insurance Companies	44	45	45	43	45
Life	24	24	24	23	23
Non-life	20	21	21	20	22
Merchant Banks	1	1	1	1	1
MSBs[3]	80	80	80	80	80
Total	305	321	285	284	287

* 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, 2022, Unit: KRW 1 billion)

Financial Sector	Dec. 31, 2021(A)	Sep. 30, 2022(B)	Change(B-A)
Banks	1,716,481.4	1,796,793.5	80,312.1
Investment Companies	81,421.0	63,005.4	△18,415.6
Insurance Companies	865,310.1	876,989.4	11,679.3
Life	642,991.1	648,669.6	5,678.5
Non-life	222,319.1	228,319.8	6,000.7
Merchant Banks	2,459.2	3,037.7	578.5
MSBs	88,534.0	103,432.0	14,898.0
Total	2,754,205.7	2,843,258.1	89,052.4

* 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, 2022, 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 ~2015	2016	2017	2018	2019	2020	2021	2022	Total
Banks		161.3	1,310.5	1,471.8	8,702.4	1,066.4	1,134.4	1,201.1	1,256.6	1,410.0	1,568.1	1,708.4	18,047.3
Investment Companies		-	68.7	68.7	237.9	24.0	27.2	30.0	30.7	30.5	53.8	75.5	509.5
Insurance Companies		232.2	823.7	1,055.9	2,607.0	383.6	417.1	433.0	450.9	474.5	488.5	510.3	5,764.8
	Life	180.0	664.6	844.6	2,039.8	283.5	306.7	313.3	322.8	338.4	343.6	358.4	4,306.6
	Non-life	52.2	159.1	211.3	567.2	100.1	110.3	119.7	128.1	136.1	144.9	151.9	1,458.2
Merchant Banks		98.0	83.8	181.8	12.6	0.8	1.0	1.1	1.2	1.4	1.7	2.2	22.1
MSBs		240.7	183.3	424.0	566.8	34.8	40.3	46.9	53.9	58.5	65.1	78.6	944.8
Credit Unions		40.2	149.1	189.3	198.6	29.9	33.2	-	-	-	-	-	261.7
Total		772.4	2,619.1	3,391.5	12,325.5	1,923.1	1,653.1	1,712.1	1,793.3	1,974.8	2,177.2	2,375.0	25,550.2

* 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 consolidation into the DIF in early 1998.
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, 2022, Unit: KRW 1 billion)

Financial Sector		2003~2012[1]	2013[5]	2014[5]	2015[5]	2016[5]	2017[5]	2018[5]	2019[5]	2020[5]	2021[5]	2022[5]	Total
Banks		4,871.1	394.8	419.7	436.9	467.5	500.5	525.0	534.2	594.2	664.1	694.6	10,102.5
Investment Companies		265.7	0.0	0.0	0.0	0.0	0.0	0.0	3.9	0.0	16.5	45.6	331.8
Insurance Companies		3,518.9	70.9	125.6	199.0	266.2	323.3	343.9	344.4	313.9	200.8	198.5	5,905.4
	Life	2,852.5	22.1	81.1	128.0	185.7	234.9	246.6	242.6	210.9	91.4	82.6	4,378.4
	Non-life	666.4	48.8	44.5	71.0	80.6	88.3	97.3	101.8	103.0	109.3	115.9	1,526.9
Merchant Banks		25.9	0.8	0.6	0.4	0.7	0.9	0.9	1.0	1.1	1.4	1.8	35.5
MSBs		1,427.6	25.3	25.6	6.4	29.6	28.6	13.9	24.8	21.6	25.3	21.1	1,649.8
Special Account[2]		755.8	667.2	615.8	712.0	682.3	824.2	910.2	936.0	1,025.9	1.126.7	1,247.3	9,503.6
Total[4]		10,864.9	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	2,209.0	27,528.4

* 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; and 70% reduction for life insurance companies in 2022

DIF Bonds Issued (Old DIF Bonds Issued in 2002)

(As of Dec. 31, 2022, 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, 2022, 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, 2022, 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

Injection Type & Recipient Institutions			Amount Provided
Deposit Payoffs	Deposit Payoffs	Credit Unions	4,740.2
		Financial Investment Companies (4 companies)	11.3
		MSBs	1,233.5
		Youngnam, Hansol, Korea Merchant Bank	0.1
	Payment through Resolution of Financial Institutions	Hanareum Banking Corporation (in resolving 18 merchant banks)	18,271.7
		Hanareum MSB (in resolving 59 MSBs)	6,055.7
	Sub-total		30,312.4
Asset Purchase	Direct Purchase	Korea First Bank (BW)	24.9
		Korea First Bank (Shares of KFB's Vietnam and New York subsidiaries)	16.5
		Hyundai Investment & Securities (Shares of Hyundai Autonet, etc.)	857.0
	Indirect Purchase by Lending Money to the RFC	Five acquiring banks including Kookmin Bank (KB)	158.8
		Korea First Bank	7,906.3
		Dong-A, Kookmin, Taepyongyang, Daehan, SK Life	349.5
		Korea Investment Trust Management & Securities	483.0
		Daehan Investment Trust Securities	653.9
		Hyundai Investment & Securities	130.0
	Sub-total		10,579.9
Loans		MSB (13 MSBs)	596.9
		Sub-total	596.9
Aggregate Total			110,894.6

Financial Assistance from the DIF

(As of Dec. 31, 2022, 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	3,627.7	113.6	77.5	27,171.7
Total		486.6	25,464.2	5,069.0	602.7	99.4	31,721.8

* 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 not included.

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

(As of Dec. 31, 2022, 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
2022	846.7
Total[1)]	62,285.5

* 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, 2022, 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		23,649.6	70.2	1,847.2	6,706.3	-	32,273.3
Investment Companies		1,212.1	337.5	7.8	1,801.5	-	3,358.9
Insurance Companies		6,882.3	88.8	431.0	245.3	-	7,647.4
	Life	2,533.8	84.8	366.2	245.3	-	3,230.2
	Non-life	4,348.5	4.0	64.8	-	-	4,417.2
Merchant Banks		330.5	5.9	9,339.1	-	-	9,675.5
MSBs		-	34.3	5,276.0	-	596.9	5,907.2
Credit Unions		-	0.4	3,422.9	-	-	3,423.3
Total		32,074.5	537.1	20,324.0	8,753.1	596.9	62,285.5

* 1) Including financial assistance provided through resolution financial institutions

Progress in Financial Restructuring

(As of Dec. 31, 2022, 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	293	635	1,133	54.9	595	1,524
• 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	10	13	34	68.0	37	53
• Asset Mgmt Companies	24	9	12	3	24	100.0	437	437
• MSBs	231	144	38	1	183	79.2	31	79
• Credit Unions	1,666	3	196	612	811	48.7	15	870
• Lease Companies	25	10	15	-	25	100.0	26	26
Total	2,095	210	305	635	1,150	54.8	599	1,544

* Source: Financial Services Commission

Amount of Financial Assistance Provided from Public Funds by Type

(from Nov. 1997 to Dec. 31, 2022, 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

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

(As of Dec. 31, 2022)

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 2022. 3. 22	2003. 2. 12 2003. 7. 9 2005. 12. 21 2007. 12. 26 2010. 3. 23	2022. 9. 30 (Payment in government bonds)
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 2022. 3. 22	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)

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

* 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 consortium of investors who would collectively hold a majority stake was clinched.

2022
ANNUAL REPORT

PUBLISHER	YOO, JaeHoon
EDITOR	JANG, Donghun
ADDRESS	Cheonggyecheon-ro 30, Jung-gu, Seoul, Republic of Korea (04521)
TEL	+82-2-758-1130
FAX	+82-2-758-1120

2022
ANNUAL REPORT

Korea Deposit
Insurance Corporation

ADDRESS 04521 Cheonggyecheon-ro 30, Jung-gu, Seoul, Republic of Korea
TEL +82-2-758-1130 FAX +82-2-758-1120 www.kdic.or.kr