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2020

### Annual Report 2020

Korea Deposit Insurance Corporation (KDIC)

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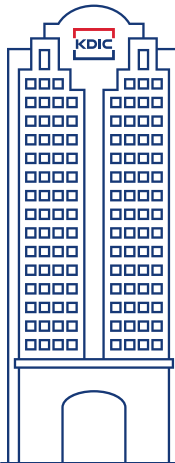
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Korea Deposit Insurance Corporation

# 2020 ANNUAL REPORT





## CEO Message

From the start of 2020, the world economy faced rapid changes of an unprecedented scale caused by the COVID-19 crisis. A decline in international trade led to an accelerated reorganization of global supply chains and industrial activity worldwide. Meanwhile, ultra-low interest rates and ample liquidity increased uncertainty in financial markets as evidenced by the widespread pursuit of high-risk, high-return investment and growing debt levels.

Amid such difficult circumstances, both internal and external, the Korea Deposit Insurance Corporation (KDIC) strove to improve the deposit insurance system so that financial markets and consumers could continue to trust the strength of Korea's financial system while faithfully carrying out its social responsibilities in tackling the coronavirus pandemic.

Firstly, the KDIC led the effort to manage the fallout from the coronavirus. It helped to revise the Depositor Protection Act in a way that any remaining assets of the KDIC-managed Redemption Fund would be reverted to the National Treasury to give government revenues a boost in difficult times. Also, the KDIC became the first public-sector organization to sign an agreement with banks to build resources to extend lending to small businesses hit by COVID-19.

Furthermore, the KDIC provided debt restructuring in an inclusive spirit to share the pain of the less fortunate by forgiving more of their debt and granting payment deferral. The KDIC also continued to engage in service to neighbors and community-building activities, like donating personal computers to people with limited access to information and distributing face masks to socially disadvantaged groups.

Secondly, the KDIC focused its organizational resources on protecting financial consumers and ensuring the stability of financial markets. In order to minimize economic damage from misdirected money transfers, which are on the rise as digital forms of financial transactions increase, the KDIC sought to introduce a scheme to support the return of mistakenly transferred money. In December 2020, a bill to revise existing laws to give the KDIC that power was passed by the National Assembly, broadening the scope of depositor protection.

At the same time, the KDIC pushed for the adoption of the recovery and resolution planning (RRP) scheme in an effort to prevent any market disruption in the event of a large financial company failure and ensure its orderly wind-down. With the enactment of a revision bill in December 2020, it is expected that Korea's resolution scheme for large financial companies will soon be more closely aligned with international standards and thus give more confidence to foreign investors.

Meanwhile, the KDIC made every effort to help the depositors of failed savings banks to get reimbursed for their losses. It won the final trial of a case that had gone on for six years in Cambodian courts over the stock ownership in a real estate developer and launched a joint task force between the governments of the two countries. This laid the groundwork for the restoration of the Camko City development project, which will lead to additional reimbursements to those who suffered losses from the savings bank failures.

Lastly, the KDIC strove to play a bigger role in the international community and raise its profile as a deposit insurer with a global reach. As Chair of the International Association of Deposit Insurers' (IADI's) Asia-Pacific Regional Committee as well as Chair of the International Forum of Insurance Guarantee Schemes (IFIGS), the KDIC tried to show global leadership by hosting international webinars to share know-how in deposit insurance operations and participate in the development of global standards.

This annual report presents the outcomes of the KDIC's major activities in 2020. I sincerely hope that it will provide the general public with a better understanding of the KDIC's work and its achievements.

With my sincere gratitude,



Chairman & President **Wi Seongbak**

위성박

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# | Major Initiatives

In 2020, the Korea Deposit Insurance Corporation (KDIC) strove to achieve its strategic goal of “protecting financial consumers, ensuring financial market stability and fulfilling social values” by protecting its staff from the risk of coronavirus infection, maintaining business continuity and containing growing nervousness in financial markets due to the spread of COVID-19 while continuing business as usual without any disruption.

First, to provide better protection to financial consumers, the KDIC built a broad consensus on the need for a scheme to support the return of misdirected money transfers and helped the passage of a revision to the Depositor Protection Act in December 2020 that laid the groundwork for the adoption of such a scheme.

Furthermore, it worked to enhance financial consumer protection by inspecting member institutions to ensure compliance with the requirements for depositor protection signage display, deposit insurance coverage explanation and confirmation of customer understanding, both in offline branches and online channels, and provided assistance in the receivership and liquidation of failed private equity fund firms, drawing on its experience and know-how in the resolution of financial institutions.

Additionally, the KDIC set tasks for itself to deal with the COVID-19 crisis and protect financial consumers and actively participated in the government’s “Korean New Deal” initiative by uncovering projects which would align the KDIC’s mission with the New Deal priorities of the government.

Meanwhile, for its part as a member of the financial safety net, the KDIC kept close watch on the impact of the economic slowdown and the low-interest rate environment, caused by COVID-19, on financial markets and monitored changes in the risk profiles of financial institutions.

For early detection of failure risks, the KDIC identified credit and market risks facing individual banks and conducted dynamic analysis of any change in banks’ financial performance. In particular, for savings banks, the KDIC selected those at higher risk of failure, developed monitoring plans depending on the specific type of risk affecting each bank and implemented them. Also, the KDIC conducted stress testing of the insurance sector to measure its resilience to increased financial market volatility and encouraged insurers to reduce risk pro-actively through discussions with management, etc.

In the process, the KDIC made use of both on-site and off-site examinations in a flexible manner to adhere to social distancing guidelines, developed an emergency plan for risk-based premium assessment and moved the whole process of assessing premiums online.

Also, the KDIC conducted simulation exercises for the staff to strengthen their ability to deal with resolutions promptly and efficiently and helped to revise existing laws so that advance planning for the recovery and resolution of large financial companies will be a statutory requirement.

In addition, with the winning of the final trial of a case that was raised in Cambodia, the KDIC took an important step in restoring the Camko City project, thereby moving closer to bringing further recompense to the depositors of failed savings banks which invested in the project. To raise the efficiency of fund recovery, the KDIC tried to manage bankruptcy estates in a more efficient manner and conducted stringent investigations to hold persons at fault in a financial institution failure accountable and to find their assets as potential sources for recovering damages.

Besides, the KDIC improved the financial soundness of the Deposit Insurance Fund and repaid public funds as scheduled by efficiently managing the funds recovered from asset sales and premium collection.

Lastly, to create social values, the KDIC allowed borrowers who were badly hit by the coronavirus pandemic to suspend loan payments and increased the portion of loans that could be forgiven, in an effort to support their return to normal economic life. At the same time, the KDIC launched the Reason for Hope: New Deal project under which it supported social enterprises with good growth potential to overcome the COVID-19 crisis and developed opportunities for sustainable collaboration with them. The project helped the companies to continue to keep employees and find financial relief. And the KDIC tried to find ways to help small businesses in cooperation with public fund-injected financial institutions, for instance, by setting non-financial targets designed to deliver more inclusive growth.

As person-to-person gatherings became unavailable due to COVID-19, the KDIC developed new educational materials tailored to online lessons and provided financial literacy training via the internet. Likewise, the Global Training Program, which began in 2017, was also moved online and held as a webinar in response to continued demand for training from a variety of countries.

## Efforts to Realize Social Values as a Public Organization

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

First, project financing (PF) development sites that remained unsold for a long time was put to use for the good of local residents and socially disadvantaged groups, which also helped to raise their sale value. In 2020, the KDIC harvested logs from thinning the forest on a site slated for the construction of a golf course in Cheonan, Chungcheongnam-do and supplied them free of charge to mushroom farms affected by a storm.

The KDIC also has a program to help distressed borrowers of failed financial institutions by restructuring their debts. For instance, when someone follows through on his/her rescheduled payments, the KDIC can now forgive up to an additional 15 percent of the remaining loan balance. Also, members of socially disadvantaged groups are eligible for a further 10 percent point increase in the loan forgiveness rate. Furthermore, in keeping with the national effort to overcome the COVID-19 crisis, the KDIC granted loan payment deferrals to borrowers hit by the pandemic and forgave up to 90 percent of their debts.

The KDIC also developed an annual hiring plan to make more systematic hiring decisions and enhance the predictability of human resources management. By performing a simulation analysis of hiring over the next five years, the KDIC tried to reduce the gap between current staffing and the level mandated by the government. As a result, the KDIC recruited 30 new staffers and four part-time (20 hours a week) workers in a broad effort to provide job opportunities to women who had a career break and others having a problem finding work. In response to youth unemployment, the KDIC increased hiring of interns and provided better pay compared to originally planned and in keeping with the government's initiative to innovate the public sector, the KDIC expanded the scope of job-based remuneration to apply it across all levels of the organization after a study commissioned to an outside research center and an agreement with the labor union.

Meanwhile, in the face of a national emergency caused by COVID-19, the KDIC made every effort to protect and support vulnerable groups such as small merchants, the self-employed and senior citizens. By contacting welfare facilities across the country, the KDIC donated everyday necessities and foodstuff and expanded the scale of assistance delivered by way of Onnuri gift certificates so that small merchants would be eligible for it, too. Furthermore, the KDIC staff personally made face masks to share them with socially disadvantaged groups.

To help struggling farmers and fishermen, the KDIC jointly held farmers' market events with the NH Agribusiness Group and engaged in social contribution activities aimed at promoting the sale of fresh produce and horticultural products through its Flower Bucket Challenge and Baskets of Fresh Fruit and Vegetables event.

Additionally, the KDIC newly signed an agreement to help keep the Cheonggye Stream healthy and took part in cleaning the Cheonggye Stream and its surrounding areas near the KDIC building on many occasions.



## Stronger Financial Consumer Protection and Proactive Depositor Protection Services

Although the proliferation of easy-to-use financial transactions using online and mobile platforms has brought increased convenience to financial consumers, it has also given rise to a large number\* of misdirected money transfers due to errors in entering the transaction amount, receiving bank's name, the receiver's account number, etc. But if the receiver of such misdirected transfer refuses to return the money, the only remedy is for the sender to turn to legal means and file for a lawsuit for the return of the misdirected transfer, which is a costly and time-consuming process and discouraged further action in many cases. To redress losses from misdirected money transfers, the KDIC has pushed for legislation to introduce a scheme which would allow the KDIC to access the receiver's contact information, encourage voluntary return of the money and if necessary, get a court order for payment to enable a quick recovery of funds at an affordable cost. The amendment to the Depositor Protection Act which provides for such a scheme was passed by the National Assembly on December 9, 2020 and is currently awaiting implementation on July 6, 2021.

\* Misdirected money transfers reached 200,000 cases (KRW 464.6 billion) in 2020 across all financial sectors, a rise of 26.6% (45.1%) compared to a year ago.

In the meantime, while the domestic private equity fund (PEF) market continued to grow fast on the back of favorable government policies, it has faced criticism for the lack of investor safeguards related to mis-selling, poor liquidity management and illegal/wrongful acts in fund management since 2019. In response, financial authorities formed an examination team dedicated to PEFs within the Financial Supervisory Service (FSS) in July 2020 in an effort to prevent any repeat of the problems and restore investor trust and asked for the secondment of KDIC staff with relevant expertise.

So the KDIC selected nine individuals, each with a specialty in areas like bank examination, public accounting and actuarial practice, seconded them to the FSS examination team in 2020 and will continue to offer secondments until 2023 when the examination team is set to be closed after examining all PEF firms and stabilizing the PEF market.

In addition, the KDIC created a task force to support protection of financial consumers in July 2020 in order to get a better grasp of the damage that PEFs caused to financial consumers and to ensure readiness to deal with the aftermath of PEF failures. The task force kept up to date on the findings of the PEF examination and prepared protocols regarding how failed PEF firms should be placed into receivership and liquidation so they would be wound-down in an orderly manner.

With continuing failures of PEF firms, in June 2020, the Financial Services Commission (FSC) ordered emergency business suspension of an asset manager where illegal acts and mass resignation of senior managers made it impossible for the firm to operate normally and appointed employees of the FSC and the KDIC as administrators. The administrator from the KDIC was put in charge of managing the firm's own assets to prevent further wrongdoing such as embezzlement and to support protection of fund investors. The administrator also worked with the task force and made sure that the management of receivership would be tailored to the unique characteristics of the PEF sector.

When two more asset management firms were closed and put into liquidation in December 2020, the KDIC became responsible for their liquidation as well. Building on past cases of liquidation and bankruptcy of asset managers, the KDIC trained the persons-in-charge prior to putting them to work and engaged people with experience in the liquidation of asset managers so they could provide consultation. Thanks to those efforts, the firms were swiftly placed into liquidation without causing further damage to fund investors and other financial consumers. The KDIC plans to capture the knowledge arising from the work and share it across the organization to ensure preparedness for future failures of asset managers.

Meanwhile, all financial institutions insured by the KDIC must comply with the requirements for deposit insurance signage display, coverage explanation and confirmation of customer understanding, as provided for by the Depositor Protection Act and related regulations, both in their branch offices and non-face-to-face channels (e.g. websites and mobile apps). The KDIC conducts on-site examinations and a variety of publicity and education activities to ensure compliance.

The KDIC engaged in various public relations activities to raise the level of public awareness including issuing press releases, maintaining a presence on YouTube and other social media sites and running ads on TV and public transport.

By contributing columns to major newspapers, conducting TV and print interviews and placing ads, the KDIC raised public awareness of the deposit insurance system. In particular, by clearly communicating the facts of major issues to the press, the KDIC aimed to form a public consensus on issues such as making recoveries on assets in Cambodia in relation to the failure of Busan Savings Bank, the scheme to support the return of misdirected money transfers and the adoption of RRP.

Besides, to better promote the KDIC and its activities to the public, the KDIC produced various video content which was posted on YouTube, created Card News (a news format telling a story through the combination

of text and images) to be uploaded to the KDIC's social media accounts on Facebook, Instagram and the like and worked with a group of SNS (social network service) reporters who volunteered to write about a range of topics on the KDIC blog for a small pay. In addition, the KDIC ran TV ads in consideration of the demographics of each program's main audience and placed ads on subway cars and buses in major cities where public transportation ads have higher effects due to a large volume of footfall traffic.

As for financial literacy education which is aimed at the financially underserved, the KDIC began using non-face-to-face channels in consideration of people's need for contactless classes for fear of COVID-19. When face-to-face lessons were given, they took place in a safe and clean environment. This allowed the KDIC to continue to provide financial literacy education to a total of 12,796 persons (685 times) during 2020, reducing information gap for the financially underserved.

More specifically, the KDIC developed 10 types of educational content tailored to elderly citizens, people with disabilities and teenagers registered at local child community centers and conducted 74 education sessions in a non-face-to-face format via YouTube. It also provided traditional classroom education on 611 occasions by demonstrating a commitment to the safety of educational environment from the coronavirus and soliciting participation of relevant organizations with offers of hygiene and health products like face masks and safety checks on facilities.

## Deposit Insurance System Improvement and Response to Changing Environments

Recently, with the amendment of the Depositor Protection Act, a new scheme to support the refund of misdirected money transfers was introduced. With the increase in internet and mobile solutions for financial transactions and the growing preference for contactless transactions due to the spread of COVID-19, the number and volume of misdirected money transfers have risen. Against this backdrop, the new scheme is expected to help those who have mistakenly sent money to a wrong person or a wrong amount to recover the money more quickly and easily. As this adds a new "financial consumer protection" dimension to the KDIC's deposit insurance responsibilities, the KDIC will have room to play a more proactive role in ensuring financial stability.

With the passage of a bill to revise the Depositor Protection Act in a way that establishes legal grounds for the early reversion of any remaining assets of the Deposit Insurance Fund Bond Redemption Fund to the Public Fund Redemption Fund, it has become possible to remit part of such assets to the Public Fund Redemption Fund even before the closure of the Deposit Insurance Fund Bond Redemption Fund.

Furthermore, a revision bill to the Act on the Structural Improvement of the Financial Industry which will require recovery and resolution planning for large financial institutions was passed by the National Assembly. The adoption of RRP will strengthen preparedness for financial crises by bringing Korea's resolution scheme for large financial institutions into closer alignment with international standards and enhancing financial system stability.

In June 2020, the Enforcement Decree of the Depositor Protection Act (Article 16 (3), Article 16-4 and Attached Table 1, to be exact) was also revised with the aim of improving the criteria for deposit insurance premium assessment in an effort to make the assessment system more reasonable and ensure fairness for all financial sectors. The gist of the changes is to subtract bank deposits or insurance policy reserves pledged for loans from the assessment base for banks and insurers, respectively, since those amounts will be set-off against deposit insurance claims and not paid in the event of a failure. Another change is that when determining the assessment base for insurers, the basis for calculating policy reserves was changed from "year-end balance" to "average balance" to make it the same as the basis for other financial sectors. Nevertheless, to ensure stable funding of the Deposit Insurance Fund, the KDIC made sure that the change would not affect the scheduled repayment of funds injected into the resolution of past failures.

Meanwhile, in response to threats from COVID-19, the KDIC built an environment where the staff could work from home and installed a new information system for teleconferencing. At the same time, the KDIC is working toward a digital transformation of its entire IT system so as to keep up with the government's Korean New Deal initiative.

To enable staff members to work from home safe from the risk of contagion, the KDIC allowed them to take their company-issued mini PCs for internet use home and set up help desks staffed by members of the IT department to provide remote support and perform daily monitoring. As a result, the KDIC staff's IT proficiency for remote working\* improved by 29%p (33% → 4%) between the first and second half of 2020. Furthermore, all offline meetings and events were moved online with the installation of a new infrastructure for digital communication to facilitate a switch to contactless ways of doing business. For instance, the welcome ceremony for new recruits was held via the new teleconferencing system.

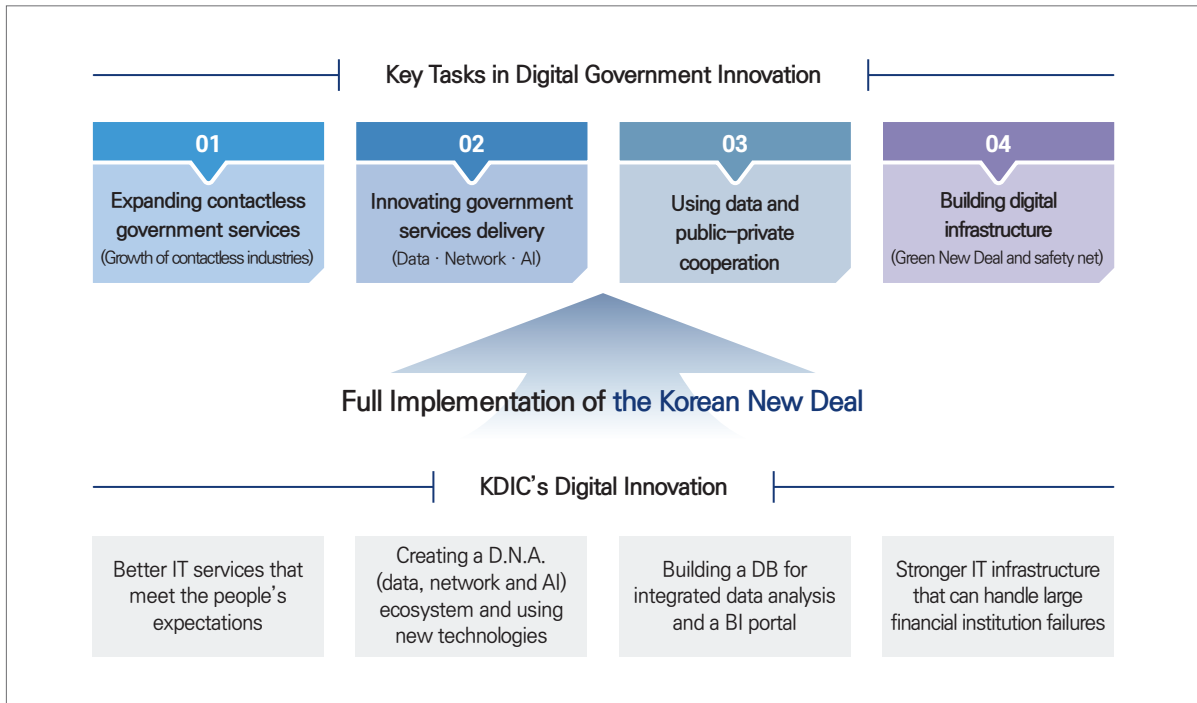
\* Defined as the number of questions divided by the number of people working from home

Concurrently, the KDIC developed an Information System Master Plan (ISMP)\* aimed at enabling it to quickly adapt to changes driven by digital transformation by making use of data and new technologies and discovered 23 tasks in each of the four areas of its digital innovation, including the addition of a public-facing

chatbot consulting service, which will be implemented between 2021 and 2023.

\* Information System Master Plan: A master plan for IT systems which includes an analysis of the current state of business processes and IT use and user demand, a detailed description of functional and technical requirements, implementation strategies and action plans

**Figure | -1** Four Paths of the KDIC's Digital Innovation and Future Change



Since the second half of 2020, the KDIC has actively participated in the government's Korean New Deal initiative to lead the national effort to overcome the coronavirus crisis and take the country to the next level of development. To do that, the KDIC has developed its own plan to implement New Deal policies and worked hard to produce outcomes by setting tasks and creating a task force dedicated to managing progress.

To identify New Deal tasks that the people would relate to the most, the KDIC conducted a survey of a group of volunteers it recruited for public engagement to see which tasks are the most preferred and to choose selection criteria. Based on the survey results, 35 tasks that are in line with the government's New Deal initiative's direction\* were chosen after a task force discussion and a framework for the KDIC to implement a Korean version of the New Deal was developed.

\* Digital New Deal, Green New Deal, Strengthening the Safety Net, Balanced Regional Development New Deal

Going forward, the KDIC will periodically review progress to drive the speedy achievement of these tasks and thereby contribute to the successful implementation of the Korean New Deal and do its part as a public organization in the process of adapting to the post-COVID-19 era.

## Stronger Risk Monitoring of Insured Financial Institutions

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

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

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

The key to effective risk monitoring is timely collection of reliable data. To do that, the KDIC is pushing for the improvement of the information sharing network among relevant organizations, one way of which is to expand the list of data items exchanged among safety net members like the Bank of Korea and the FSS. In particular, the KDIC and the FSS have shared risk analysis information since 2019 for more effective examination and supervision of financial institutions.

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

As for on-site examination, the KDIC works closely with the FSS in terms of working-level discussions for joint examinations and consultations for selecting examination targets for the quarter. In 2020, to avoid a gap in examinations in the face of the pandemic, they developed quarantine guidelines and protocols for remote examination and conducted examinations in a flexible manner by cutting the examination period and team size and increasing non-face-to-face checks. Thanks to these measures, a total of seven examinations were performed in 2020, which helped to prevent failures of insurance firms and enable timely responses to failure risks.

**Table | -1** Joint Examinations with FSS and Independent Examinations

	2016	2017	2018	2019	2020
Joint Examinations	10	9	8	12	7
Independent Examinations	4	6	3	1	-

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

## Efficient Resolution of Failed Financial Institutions and Advancement of the Resolution Scheme

Together with the FSC and the FSS, the KDIC worked to legislate a bill to revise the Act on the Structural Improvement of the Financial Industry to introduce recovery and resolution planning for systemically important financial institutions (SIFIs)\* in order to avoid disruption to the financial system and injection of public funds in the event of a SIFI failure. On December 2, 2020, the bill was approved by the National Assembly and made into law. As such, RRP is scheduled to be implemented in the latter half of 2021 to enhance the readiness of financial authorities as well as SIFIs to deal with the failure of a SIFI and a systemwide crisis.

\* Financial institutions which can have a significant impact on the overall financial system in case of failure. As per recommendation of the Basel Committee on Banking Supervision (BCBS), the FSC has designated SIFIs from among banks and bank-holding companies every year since 2016 and imposed capital surcharges on them. However, progress in other areas of reform such as RRP has been rather slow.

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

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

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

Meanwhile, in recognition of the increased likelihood of financial institution failure due to COVID-19, the KDIC overhauled its contingency plan and emergency HR plan. It also conducted simulation exercises aimed at enhancing the staff's hands-on knowledge of resolution tools and processes, building on their understanding of accounting and finance, and strengthening organizational capacity for crisis management. The exercises were designed based on real-life cases derived from different sectors of the financial services industry.

## Efficient Sale of Assets Held by Bankruptcy Estates

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

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



The KDIC has also formed a committee to provide advisory for asset recovery, comprising outside experts and the like, 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 developing solutions.

In 2020, since the coronavirus pandemic put restrictions on traditional methods of marketing and sales, the KDIC devised non-contact (not in-person) ways of asset sales and promotion. For instance, it produced drone marketing videos of PF project sites and made extensive use of electronic bidding and thus prevented coronavirus transmission and contributed to digital transformation envisioned by the Korean New Deal initiative.

One of the most notable sales that took place in 2020 was the sale of land designated for a golf course development in Hoengseong, Gangwon-do. The 600,000-pyeong land which can accommodate a 36-hole golf course is a mixture of plots held in trust, those pledged for loans and those that have not been paid for in full. It was also riddled with problems hampering sale including the withdrawal of business permit and has been unsuccessfully offered for public sale seven times since 2012. The KDIC found a way to enable the sale of the land in whole, worked with the local government to provide administrative support for the renewal of business permit, identified the optimal timing by continuously monitoring market situations and actively responded to investor demand for information. Potential buyers were also offered a non-person-to-person way of submitting bids.

As a result, the land was sold in November 2020 for KRW 4.3 billion, 3.2 times the lowest unsuccessful bid at the previous auction and the money will be spent to provide reimbursements to the depositors of Busan Group-affiliated savings banks. When the golf course development project resumes, it is expected to create around 1,200 new jobs in construction and golf club management and invigorate tourism by bringing visitors to the Hoengseong area, adding vitality to the local economy.

What accounts for the largest portion of overseas assets held by the KDIC is the Camko City development project in Cambodia. In order to get the stalled project back on track and make whole the depositors who suffered losses from the failures of savings banks which invested in the project, the KDIC has worked with the National Assembly, the government and the Prosecutors' Office to find ways for cooperation with the Cambodian government. When a group of Korean government representatives visited Cambodia in 2019\*, it created positive momentum for cooperation between the two governments. To build on that momentum, the KDIC has kept in close contact with the Cambodian government as well as the Korean government.

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

In particular, with the formation of a joint bilateral task force on Camko City, an ongoing channel of communication has been opened at the government level to discuss the current issues and challenges and to exchange information in a timely manner with regard to Camko City.

After several discussions, the two governments agreed on the Terms of Reference and officially launched the task force in December 2020. With the involvement of various branches of government, the task force is expected to facilitate the sharing of official and reliable information and move the project forward in a way that benefits both nations.

At the same time, the KDIC made its best effort to win court cases going on at home and abroad with the help of its Phnom Penh office. To win a key case involving equity interests in the project\*, the KDIC retained additional legal counsel and worked hard to strengthen its case. Thanks to those efforts, the KDIC won the third and final trial in the appellate court on February 27, 2020. The ruling, which overturned verdicts in the first and second instance, acknowledged that the KDIC had a 60% stake in the local developer and paved the way for the project's resumption.

\* A case filed by a person responsible for the project's failure in a Cambodian court claiming the return of an equity stake in the local developer that he alleges the KDIC has wrongfully taken away from him

These sustained efforts by the KDIC resulted in the recovery of KRW 5.348 trillion between 2011 and the late 2020 from the sale of PF properties, equities, ships, artworks and other assets.

## Efficient Management of Bankruptcy Estates

For more efficient management of bankruptcy estates, the KDIC closed and consolidated bankruptcy estate offices scattered throughout the country and maintained staffing at a proper level, which helped reduce operating costs and systemize operations. To prevent financial fraud at bankruptcy estates and reinforce discipline, the KDIC beefed up internal controls by conducting training for bankruptcy trustees and staff members, examining the operational status of bankruptcy estates, and improving management of personal information.

By means of periodic re-valuation of assets at bankruptcy estates, the KDIC ascertained the value of assets in possession as well as assets put up for sale. This system enabled the development of sales plans that are tailored to different types of assets, which contributed to ensuring efficient asset sales. As a result, it recovered KRW 362.8 billion in bankruptcy dividends in 2020.

For closure of less efficient bankruptcy estates, the KDIC examines how cost-effective the estates are in their effort to dispose of assets. As of the end of 2020, it had closed 456 out of 490 bankruptcy estates in total.

For the purpose of building capacity for asset recovery and enhancing business efficiency, the KDIC opened the country's first training program called the Bankruptcy and Resolution Academy to foster experts in bankruptcy practice in 2016. In 2020, the program, which used to be delivered in person only, was provided online in response to COVID-19 and to broaden access to the program for candidates living in rural areas. This resulted in the share of those living in rural areas among program participants from 5% in 2019 to 48% in 2020 with a total of 21 persons including KDIC staffers completing the program in 2020.

## Strict and Efficient Investigations to Hold Persons Responsible for Failures Accountable

In the event of a financial institution failure, the KDIC conducts strict investigations against insolvency-implicated persons to hold them to account for their role in the failure and the Financial Insolvency Responsibility Deliberation Committee, comprising outside experts in the legal, academic and financial sectors, reviews the investigation results and decides on the accountability of the accused.

So far, the KDIC has completed deliberations on accountability for illegal and wrongful actions of the staff and management of 31 financial institutions which have failed since 2011. From 2017, it has concentrated efforts on deliberations into default debtor corporations and ensuring their accountability as well.

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 lawsuits when it uncovers assets stashed away by such persons as part of a continuing effort to bring wrongdoers to justice.

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

## Smooth Repayment of Public Funds

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

By the end of 2020, the KDIC had repaid KRW 80.9 trillion out of KRW 82.4 trillion to be repaid under the Public Fund Redemption Plan. It plans to repay the remaining KRW 1.48 trillion with special contributions and recoveries from asset sales by the end of 2021. Any remaining asset after the full repayment will 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.

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 dividends. In 2020, the KDIC recovered KRW 50.1 billion from the sale of preferred shares in the Special Account of the Credit Business Unit of the National Federation of Fisheries Cooperatives. The Federation retired the shares afterward. Through efforts to maximize dividends\*, the KDIC collected KRW 240.2 billion of dividends in 2020.

\* KRW 87.2 billion from Woori Financial Group Inc., KRW 150.4 billion from Seoul Guarantee Insurance, and KRW 2.6 billion from Hanwha Life Insurance

The KDIC recovered another KRW 41.5 billion through receipt of interest on loans (KRW 41.4 billion) from the Korea Resolution and Collection (KR&C) which is a KDIC subsidiary that carries out the acquisition, management and sale of assets and liabilities of failed financial institutions under the Depositor Protection Act.

**Table 1-2** KDIC Stakes in Financial Institutions

(As of Dec. 31, 2020, Unit: KRW 1 trillion)

Category		Financial Assistance	Recoveries <sup>1)</sup>	Value of Remaining Stakes <sup>2)</sup>	KDIC Stakes
KDIC	Woori Financial Group Inc (Prev Woori Bank)	12,766.4	11,227.6	1,212.4	17.25%
	Hanwha Life Insurance	3,550.0	2,504.5	211.9	10.00%
	Seoul Guarantee Insurance	10,250.0	4,034.6	3,046.3	93.85%
	Special Account of the Credit Business Unit of the National Federation of Fisheries Cooperatives	1,158.1	304.8	853.3	Preferred equity investment
<b>Total</b>		<b>27,724.4</b>	<b>18,071.5</b>	<b>5,323.9</b>	<b>-</b>

\* 1) Based on the amounts recovered from share sales, collection of dividends, redemption of preferred shares of stock, etc.

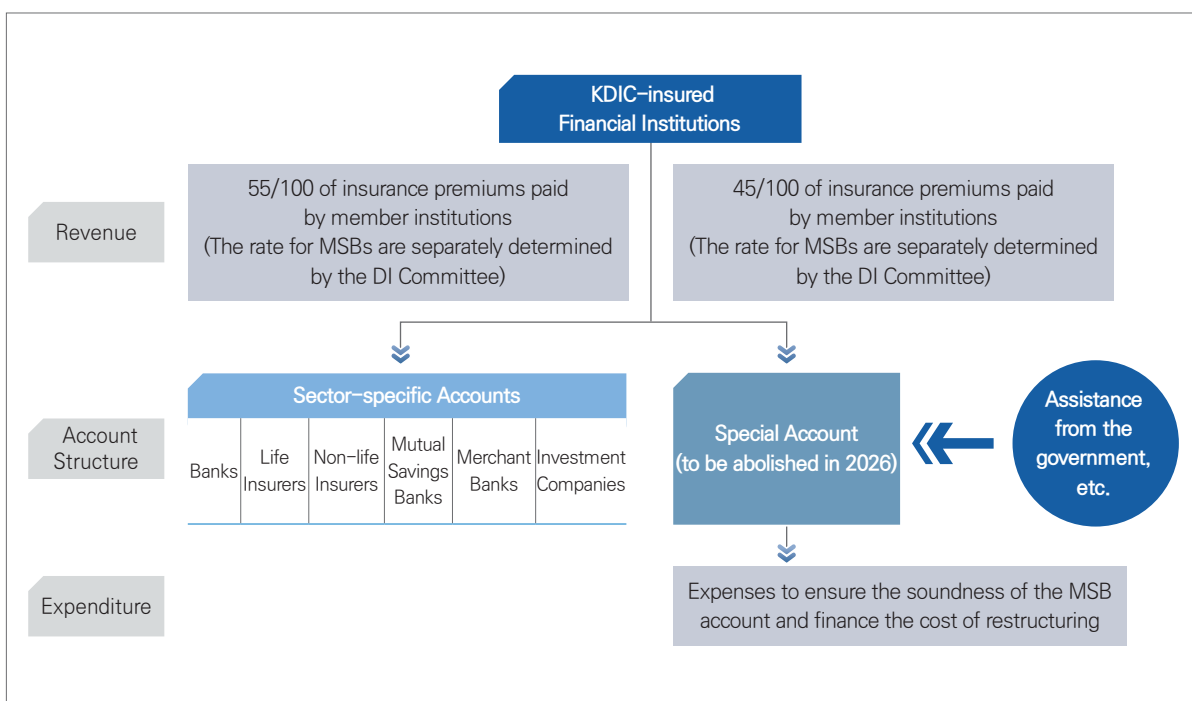
2) For Woori Bank and Hanwha Life Insurance, the valuation is based on the closing prices as of December 31, 2020. The figure for Seoul Guarantee Insurance is based on the results of recomputation of the Redemption Fund in 2018. The valuation for the Special Account of the Credit Business Unit of the National Federation of Fisheries Cooperatives is based on the estimated recovery from the preferred equity investment.

## Increased Stability of the Deposit Insurance Fund

To support the smooth restructuring of failed savings banks, the KDIC created the Special Account for Mutual Savings Bank Restructuring (Special Account)\* in April 2011. Through to the end of 2019, it raised and provided KRW 27.172 trillion in payouts of insured deposits, etc. to handle 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 1-2** Deposit Insurance Fund Structure and Flow of Revenue and Expenses



In July 2012, November 2013 and October 2014, the KDIC used a KRW 250 billion credit facility from the Public Capital Management Fund without interest to be repaid over a 5-year period after a 10-year grace period. It also reduced borrowing costs by issuing Deposit Insurance Fund Bonds for the Special Account for Mutual Savings Bank Restructuring (Special Account Bonds) to finance the repayment of loans from member institutions, building its own electronic system for bond auction called E-BAS, utilizing Asset Backed Short-Term Bonds and having the Special Account Bonds certified and issued as social bonds (on four occasions with a total value of KRW 1.6 trillion during 2020).

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

(As of Dec. 31, 2020, Unit: KRW 1 billion, %)

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)	9.1
			Deposit insurance premiums, etc.	16.1
<b>Total</b>		<b>27.2</b>	<b>Total</b>	<b>27.2</b>

In addition, the KDIC exempted insurance premiums for investment companies and life insurers as the reserves in their Deposit Insurance Fund accounts exceeded the lowest target amounts at the end of 2019. As such, investment firms and life insurers saw their deposit insurance premiums discounted by 49% and 64%, respectively.



# 02

## | Organization Operations

- 1. Organization Setup
- 2. Organizational Management

## 1

# Organization Setup

## 1. Deposit Insurance Committee

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

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

**Table II-1** Deposit Insurance Committee Members

(As of Dec. 31, 2020)

	Composition	Name
Ex-officio Members	Chairman and President of Korea Deposit Insurance Corporation	Seongbak Wi
	Vice Chairman of Financial Services Commission	Kyu-sang Doh
	Vice Minister of Ministry of Economy and Finance	Yongbeom Kim
	Senior Deputy Governor of Bank of Korea	Seungheon Lee
Commissioned Members	Designated by Financial Services Commission	Han Ju Lee
	Recommended by the Minister of Ministry of Economy and Finance	Hyeong Uk Kang
	Recommended by the Governor of Bank of Korea	Sung Min Kim



**Table II-2 Major Responsibilities of the Deposit Insurance Committee**

Category	Responsibilities
Items for Resolution	<ul style="list-style-type: none"> <li>• Amendment of the Articles of Incorporation</li> <li>• Budget compilation/modification and settlement of accounts</li> <li>• Issuance of Deposit Insurance Fund (DIF) Bonds and DIF Bond Redemption Fund Bonds</li> <li>• Reduction/deferment on the payment of part of or all contributions, deposit insurance premiums and arrears charges</li> <li>• Setting of reserve targets for the DIF</li> <li>• Decision on payment of deposit claims</li> <li>• Approval of advance payment of bankruptcy dividends</li> <li>• Provision of financial support to financial resolution institutions</li> <li>• Provision of financial support to insured financial institutions</li> <li>• Operational guidelines for the Deposit Insurance Committee</li> <li>• Request to the Governor of the FSS to share examination findings on insured financial institutions and financial holding companies and allow KDIC's participation in joint examinations</li> <li>• Request to the FSC for necessary measures such as a P&amp;A order or a bankruptcy filing regarding insolvent financial institutions</li> </ul>
	<ul style="list-style-type: none"> <li>• Designation of insolvent financial institutions</li> <li>• Designation of insolvency-threatened financial institutions</li> <li>• Transactions between DIF accounts</li> <li>• Method of the Deposit Insurance Committee's minutes disclosure</li> <li>• Necessary measures for DIF Bonds and DIF Bond Redemption Fund Bonds</li> <li>• Service fee payment for third-party services</li> <li>• Payment of interim deposit payoffs</li> <li>• Exception to the least-cost principle</li> </ul>
	<ul style="list-style-type: none"> <li>• DIF operation plan</li> <li>• Formulation and revision of rules and regulations on KDIC operations</li> </ul>
	<ul style="list-style-type: none"> <li>• Management of surplus funds                             <ul style="list-style-type: none"> <li>– Purchase of designated securities</li> <li>– Deposits at designated insured financial institutions</li> </ul> </li> </ul>
Items for Report	<ul style="list-style-type: none"> <li>• Report of quarterly inspection results regarding business normalization MOUs</li> </ul>

**Table II-3 Deposit Insurance Committee Agenda in 2020**

Date	Agenda
Jan. 29	<ul style="list-style-type: none"> <li>• Plan for deferment of the payment of deposit insurance premiums for ○○ Bank's Seoul Branch</li> <li>• Request for a joint examination of ○○ Mutual Savings Bank</li> <li>• Joint examination report on ○○ and ○○ Mutual Savings Banks</li> <li>• Joint examination report on ○○ Bank</li> <li>• Report on the results of the 1st Information Security Deliberation Committee (2019)</li> </ul>
Feb. 21	<ul style="list-style-type: none"> <li>• Decision on Asset Management Guidelines for the Deposit Insurance Fund Bond Redemption Fund and Deposit Insurance Fund (DIF) in 2020</li> <li>• Settlement of the KDIC accounts for fiscal year 2019</li> <li>• Report on DIF management plan modification and execution results in 2019</li> <li>• Report on KDIC operating expense settlement and transaction between accounts in 2019</li> <li>• Joint examination report on ○○ Life Insurance Company</li> </ul>

Date	Agenda
Mar. 25	<ul style="list-style-type: none"> <li>• Decision on the risk-based premiums of two insured financial institutions closing accounts at the end of September and October 2019, respectively, for fiscal year 2019</li> <li>• Inclusion of additions to the business normalization plan for Suhyup Bank and Seoul Guarantee Insurance</li> </ul>
Apr. 22	<ul style="list-style-type: none"> <li>• Decision on the reduction of deposit insurance premiums and special contributions for ○○ Bank's Seoul Branch</li> <li>• Report on the progress in implementation of business normalization MOUs during the fourth quarter of 2019</li> </ul>
May 29	<ul style="list-style-type: none"> <li>• Decision on the risk-based premiums of insured financial institutions closing accounts at the end of December 2019</li> <li>• DIF Bond Redemption Fund Management Plan for 2020</li> <li>• Request for joint examinations of ○○, ○○ Mutual Savings Banks</li> </ul>
Jun. 29	<ul style="list-style-type: none"> <li>• Report on the progress in implementation of business normalization MOUs during the first quarter of 2020</li> </ul>
Aug. 27	<ul style="list-style-type: none"> <li>• Decision on the risk-based premiums of insured financial institutions closing accounts at the end of March 2020</li> <li>• Request for a joint examination of ○○ Bank</li> </ul>
Sept. 22	<ul style="list-style-type: none"> <li>• Decision on the reduction of deposit insurance premiums for financial investment traders and brokers</li> <li>• Request for joint examinations of ○○, ○○ Mutual Savings Banks</li> <li>• Joint examination report on ○○ Mutual Savings Bank</li> <li>• Report on the progress in implementation of business normalization MOUs during the second quarter of 2020</li> </ul>
Oct. 29	<ul style="list-style-type: none"> <li>• Request for a joint examination of ○○ Insurance Co., Ltd.</li> <li>• Joint examination report on ○○ Mutual Savings Bank</li> <li>• Joint examination report on ○○ Mutual Savings Bank</li> <li>• Results of the KDIC's half-yearly account settlement for fiscal year 2020</li> </ul>
Nov. 24	<ul style="list-style-type: none"> <li>• Re-determination of risk-based premium for ○○ Mutual Savings Bank as of the end of Dec. 2018</li> <li>• Request for a joint examination of ○○ Securities Co., Ltd.</li> <li>• Request for a joint examination of ○○ Life Insurance Co., Ltd.</li> </ul>
Dec. 21	<ul style="list-style-type: none"> <li>• Draft KDIC Budget for 2021</li> <li>• Draft amendments to the KDIC Articles of Incorporation</li> </ul>
Dec. 22	<ul style="list-style-type: none"> <li>• DIF management plan for 2021</li> <li>• Decision on the reduction of deposit insurance premiums for the life insurance account</li> <li>• Report on the progress in implementation of business normalization MOUs during the third quarter of 2020</li> <li>• Joint examination report on ○○ Mutual Savings Bank</li> </ul>
Dec. 30	<ul style="list-style-type: none"> <li>• Report on the progress in the introduction of a scheme to support the return of misdirected money transfers and future plans</li> </ul>

## 2. Board of Directors

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

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

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

**Table 11-4 Board Members**

(As of Dec. 31, 2020)

Title	Name
Chairman and President	Seongbak Wi
Executive Vice President	Hyung Su Sohn
Executive Director	Yeon Seo Park
Executive Director	Young Kil Kim
Executive Director	Yangig Cho
Executive Director	Sang-Ki Kim
Non-executive Director	Hoo Kyu Rhu
Non-executive Director	Sohie Kim
Non-executive Director	Man Soo Jee
Non-executive Director	Jeong Hoon Park
Non-executive Director	Bong Hee won
Non-executive Director	Sung Chul Lee
Non-executive Director	Jong-moon Sun
Auditor	Hangyu Lee

### 3. Organizational Reshuffle and Current Structure

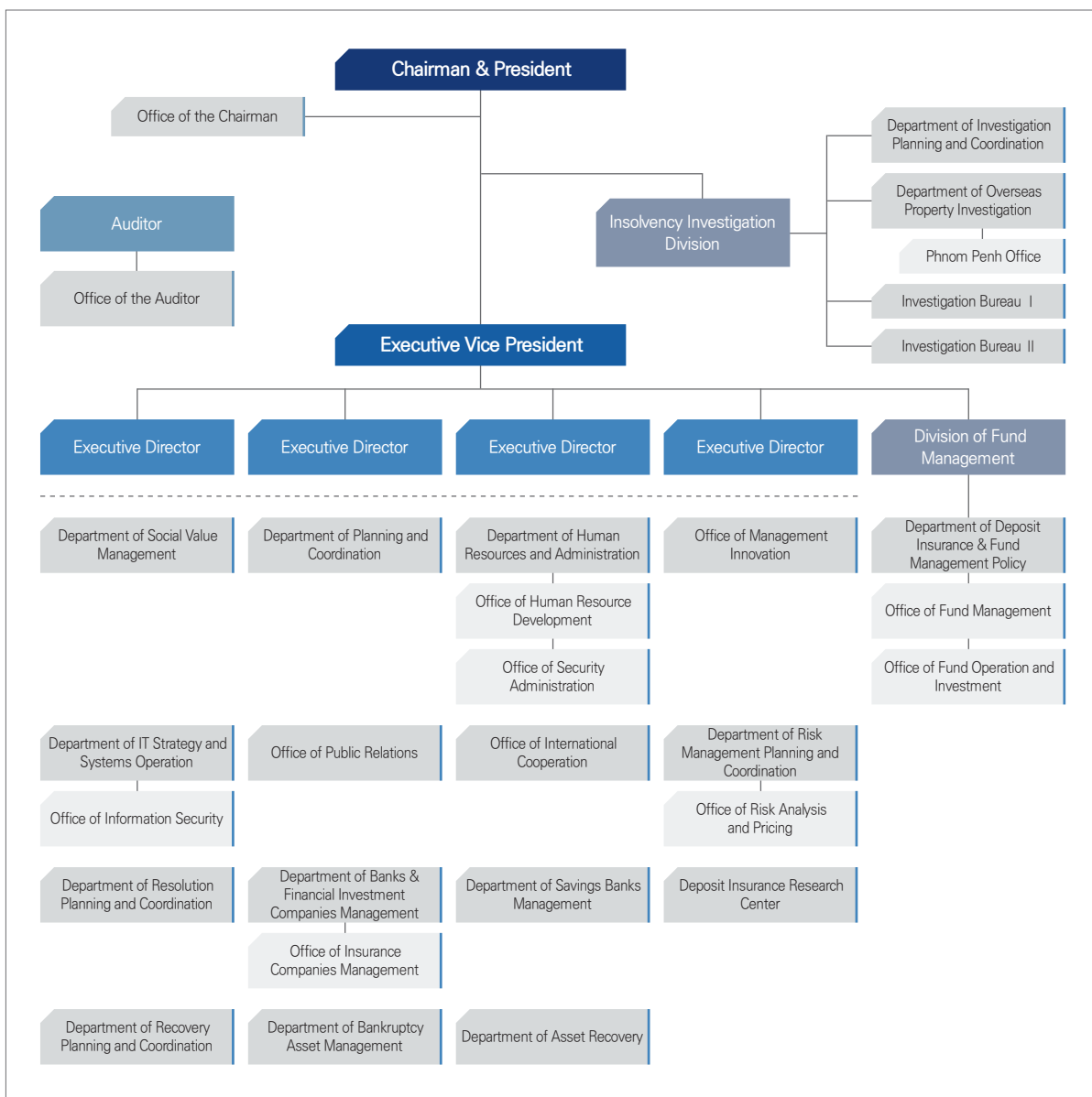
Although an important focus was placed on stabilizing the organization following the extensive reorganization of December 2018, the KDIC prepared a new plan for reorganization in 2021, to effectively support government policies such as strengthening financial consumer protection and the Korean New Deal.

The team organization of the Deposit Insurance and Fund Management Policy Department was changed to strengthen the deposit insurance coverage notification, explanation, and confirmation scheme in order to prevent damage to financial consumers. In addition, the tasks for managing assets in receiverships, formerly shared by the Department of Recovery Planning and Coordination and the Department of Asset Recovery, were integrated to unify the management system for recoverable assets and to improve work efficiency.

In addition, to support the government's Korean New Deal policy through the introduction of the mobile deposit insurance system, a digital new deal promotion unit was established in the Department of IT Strategy and Systems Operation, and the Personal Information Protection Team in the Office of Information Security was reorganized into a Data Management Team to allow for expanded opening of public financial data. Also, a unit for health and environmental matters was established in the Office of Security Administration to oversee the response to COVID-19 and to strengthen workplace safety.

Meanwhile, in line with the increase in misdirected money transfers caused by the spread of internet and mobile banking, the KDIC pursued a Scheme to Support the Return of Misdirected Money Transfers. With the passing of related laws through the National Assembly, organizational adjustments were made to support the preparation and launch of the said scheme.

**Figure II-1 Organizational Chart**



**Table II-5 Number of Staff**

(As of Dec. 31, 2020, Unit: No. of Persons)

Category	Senior Management	Staff				Total
		Regular	Special <sup>2)</sup>	Support Staff <sup>3)</sup>	Sub-total	
No. of People	14 <sup>1)</sup>	681	62	57	800	814

\* 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

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

In December 2018, the KDIC effected an extensive corporate strategic reorganization including its vision and core values to achieve the purpose of its establishment and to create social values. Since then, the strategic system has been reorganized every year to improve coherence and execution capability and to create visible results.

In particular, in 2020, the existing strategic goals for each business unit were reorganized concisely and clearly, based on the mandate of the KDIC under the Depositor Protection Act, while reflecting the specificity of COVID-19, to actively respond to changes in the financial environment, to secure business continuity, and to effectively implement the Korean version of the New Deal.

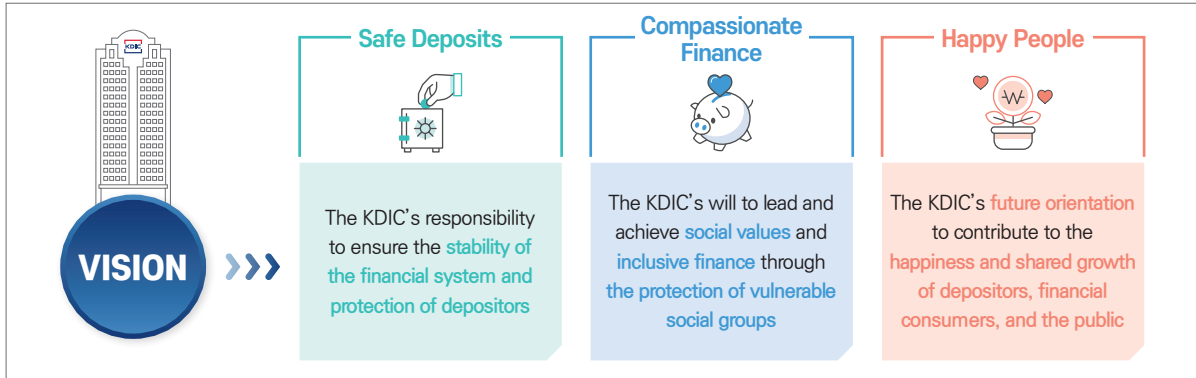
### Vision Structure

#### (1) KDIC Vision and Its Meaning

In consideration of the KDIC's mission and the prevailing business environment, the vision of "safe deposits," "compassionate finance" and "happy people" was maintained.

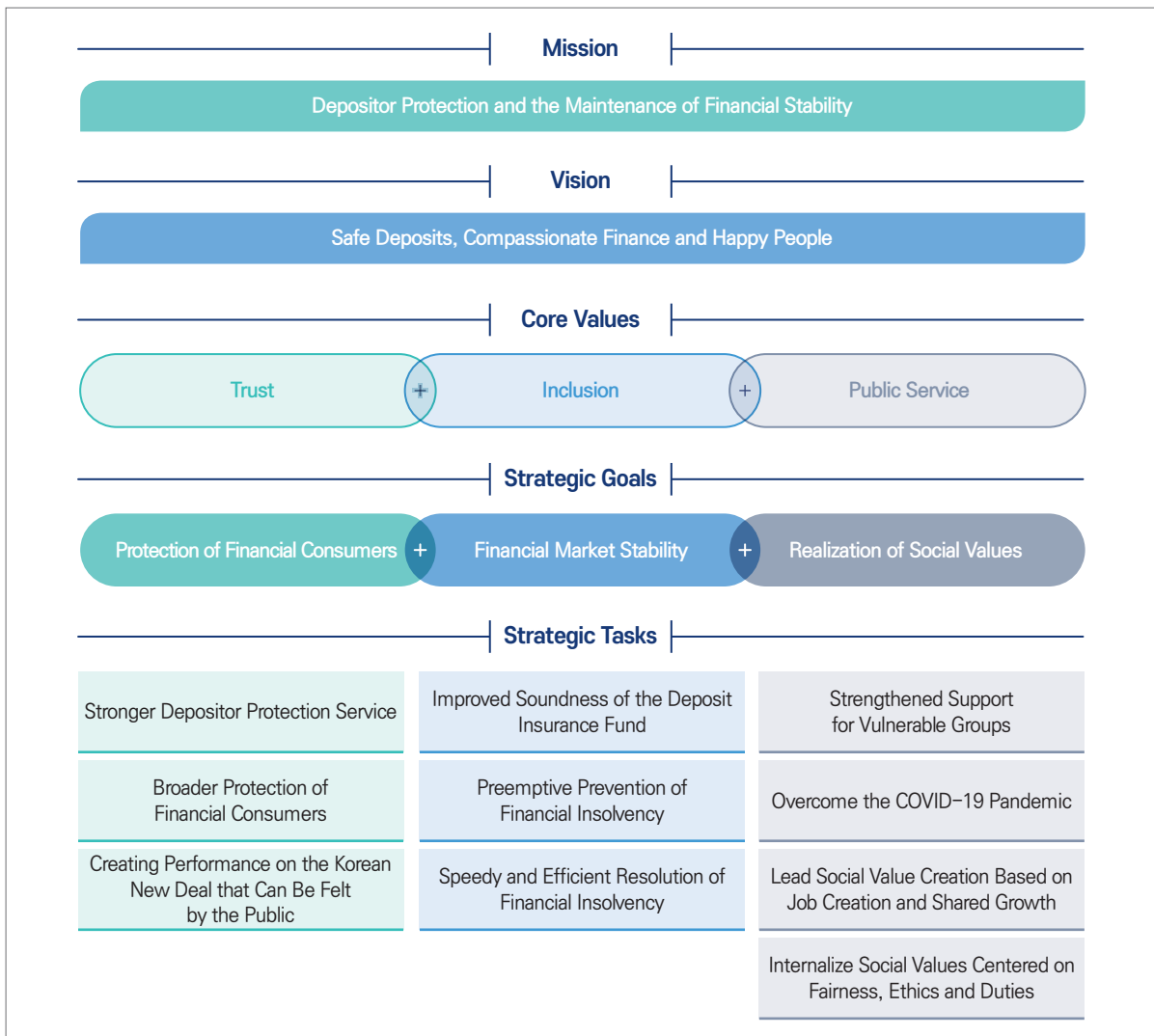
"Safe deposits" refers to the KDIC's mandate to ensure the stability of the financial system and protection of depositors. "Compassionate finance" expresses the KDIC's will to lead and achieve social values and inclusive finance through the protection of vulnerable social groups. "Happy people" has been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

**Figure II-2** KDIC Vision and Its Meaning



**(2) Vision and Strategy Map**

**Figure II-3** KDIC Vision and Strategy Map



## Strategic Goals, Strategic Tasks, and Detailed Action Plans

The mid- to long-term strategic goals for achieving the vision and creating sustainable results were reset to “Protection of Financial Consumers,” “Financial Market Stability,” and “Realization of Social Values.” Detailed annual implementation plans for the next five years (2021-2025) were established accordingly.

In particular, in order to respond to the nationwide spread of COVID-19, a new strategic task called “Overcoming the COVID-19 Pandemic” was established, with the goal of “Creating Performance on the Korean New Deal that Can Be Felt by the Public,” in line with the government’s current policy focus. In addition, the strategic tasks related to the realization of the KDIC’s unique mandate and broader social values were streamlined, while some were revised and others maintained, resulting in a more succinct and clearly arranged strategic system diagram.

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

Strategic Goals	Strategic Tasks	Detailed Action Plans
Protection of Financial Consumers	Stronger Depositor Protection Service	Refinement of the deposit insurance system to reflect changes in the financial environment
		Swift and efficient resolution and deposit insurance payments
		Developing future tasks and strategic responses
		Sharing deposit insurance system operation experience and strengthening global leadership
	Broader Protection of Financial Consumers	Prevent mis-selling of financial products through financial education, etc.
		Protect financial consumers by, for instance, adopting a scheme to support the return of misdirected money transfers
		Establish resolution system infrastructure to protect investors
	Creating Performance on the Korean New Deal that Can Be Felt by the Public	Pursue Digital New Deal such as systematically building IT infrastructure
		Promote Green New Deal, such as green finance and eco-friendly and renewable energy use
Offer wider access to open public data and improve data and system quality		



Strategic Goals	Strategic Tasks	Detailed Action Plans
Financial Market Stability	Improved Soundness of the Deposit Insurance Fund	Enhance consistency of the insurance premium system and improve fund management
		Stable funding and management of the Deposit Insurance Fund (DIF)
		Achieve a balance between stability, profitability, liquidity and public interest in fund operation
	Preemptive Prevention of Financial Insolvency	Improved operation of the risk-based premium system
		Reinforce ongoing monitoring by strengthening the collection and analysis of insolvency risk information
		Strengthen the competence of KDIC management and staff to supervise and examine insolvency risks
		Efficient performance of independent and joint examinations based on the principle of selection and concentration
		Strengthen risk analysis in response to changes in the financial environment such as systemic risk and COVID-19
	Speedy and Efficient Resolution of Financial Insolvency	Recovery and resolution planning for SIFIs and stronger crisis management in the event of a financial crisis
		Enhance the value of share holdings and pursue efficient sales
Increase efficiency in bankruptcy estate management and asset recovery		
Strengthen investigations into insolvency-implicated persons and follow-up management, and management and recovery of special assets located overseas		
Realization of Social Values	Strengthened Support for Vulnerable Groups	Increase public relations and financial education for financially vulnerable social groups
		Debt restructuring and recovery support for financially vulnerable social groups
		Find and return unclaimed funds through inter-agency collaboration

Strategic Goals	Strategic Tasks	Detailed Action Plans
Realization of Social Values	Overcome the COVID-19 Pandemic	Establish infrastructure for safe work environment
		Build a stronger system that enables more effective responses in each stage of crisis development
		Establish a public health management system to prevent and respond to infectious diseases
		Operate manpower and budget to overcome the pandemic crisis and strengthen arrangements for remote work
	Lead Social Value Creation Based on Job Creation and Shared Growth	Creating high-quality jobs and a good workplace
		Intensify social responsibility programs in ways that can be felt by the public
	Internalize Social Values Centered on Fairness, Ethics and Duties	Enhance transparency and rationality in recruitment and HR management
		Human rights protection and ethical management that meets public expectations
		Business innovation through public participation and communication
		Create a healthy organizational culture based on communication and discussion
		Stronger labor-management cooperation based on a win-win relationship
		Enhance professional competency in response to changes in the financial environment

## 2. Dynamic Organizational Culture for Human Resource Management and Business Operations

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

After establishing the Organizational Culture Team in 2019, a unit dedicated to improving organizational culture, the KDIC established a strategic framework for organizational culture by collecting employee opinions, and introduced various programs designed to foster, among other things, “horizontal communication culture, creative work culture and motivation for voluntary activity.”

As a way to improve communication with the growing number of millennials in the organization, a reading program to enhance mutual understanding, video-clip viewing and anonymous discussions to ascertain different takes on issues between generations helped to enhance understanding and establish a mutually respectful communication culture.

In addition, a teamwork improvement program called “1K.E.Y.” was newly set up to promote communication within the team unit, which accounts for the highest frequency of communication within the corporation. By conducting an online-based test of social comprehension - Birkman Method,\* to be exact - for each team and sharing the results among team members, various efforts were made to enhance understanding within teams and to derive more effective communication methods.

\* A type of personality test to analyze motivation, self-perception, social perception and mindset, using various scales related to interests, expectations, stress levels, etc.

In order to enhance the strategic utilization and convergence of knowledge and information, the KDIC implemented a new environment for writing Wiki-style\* work manuals, introduced a knowledge evaluation system, and improved its knowledge management system, thereby laying down the foundation for creative work performance.

\* A form of writing posts that can be linked and extended using a web document format, similar to Namu Wiki, etc.

Meanwhile, a new individual goal-achievement program, “Small, But Definite Accomplishments 19,” was established to minimize face-to-face contact in view of the COVID-19 situation, to share positive experiences of achieving goals throughout the corporation. Sharing a wide array of accomplishments to cope with COVID-19, such as obtaining professional certificates, at-home fitness training, power walking, DIY, coloring, roasting, etc., has had the effect of inducing motivation for voluntary activity in many areas.

**Table II-7** KDIC Strategic Framework for Organizational Culture

Objective	Smart Work Environment Based on Horizontal Communication Culture		
Strategic Goal	Build a Horizontal Communication Culture	Nurture a Creative Work Culture	Strengthen Motivation for Voluntary Activity
Strategic Tasks	<ul style="list-style-type: none"> <li>• Activate open communication</li> <li>• Increase trust and respect in the workplace</li> </ul>	<ul style="list-style-type: none"> <li>• Improve work methods</li> <li>• Foster a creative work environment</li> </ul>	<ul style="list-style-type: none"> <li>• Share corporate values among staff</li> <li>• Enhance pride and self-esteem of staff</li> </ul>

## Performance Evaluation to Promote a Performance-based Organizational Culture

To build a performance-based organizational culture, the KDIC introduced a strategic performance management system called the Balanced Score Card (BSC) in late 2005. It applied the BSC to every department 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 performance-based pay of all employees in 2008.

The KDIC is continuously improving its organization-level performance evaluation system taking due consideration of government policies in response to COVID-19 and staff member opinions. In 2020, (i) the KDIC prepared an evaluation plan to include a “COVID-19 response effort and performance” indicator, encouraging the efforts and participation of each department in overcoming COVID-19; (ii) new indicators such as “support to strengthen the competitiveness of small business owners” and “work manual and knowledge storehouse registration” were created to actively respond to government policies on small business owners and to create a culture of sharing business knowledge and know-how between departments; and (iii) the format for Coaching Workshop, a performance improvement support program using collective training, was changed and conducted for individual teams. This enabled tailored feedback that fits the characteristic of each team and led to the improvement of the performance evaluation system by making evaluation more reasonable and its results accepted by all members.

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

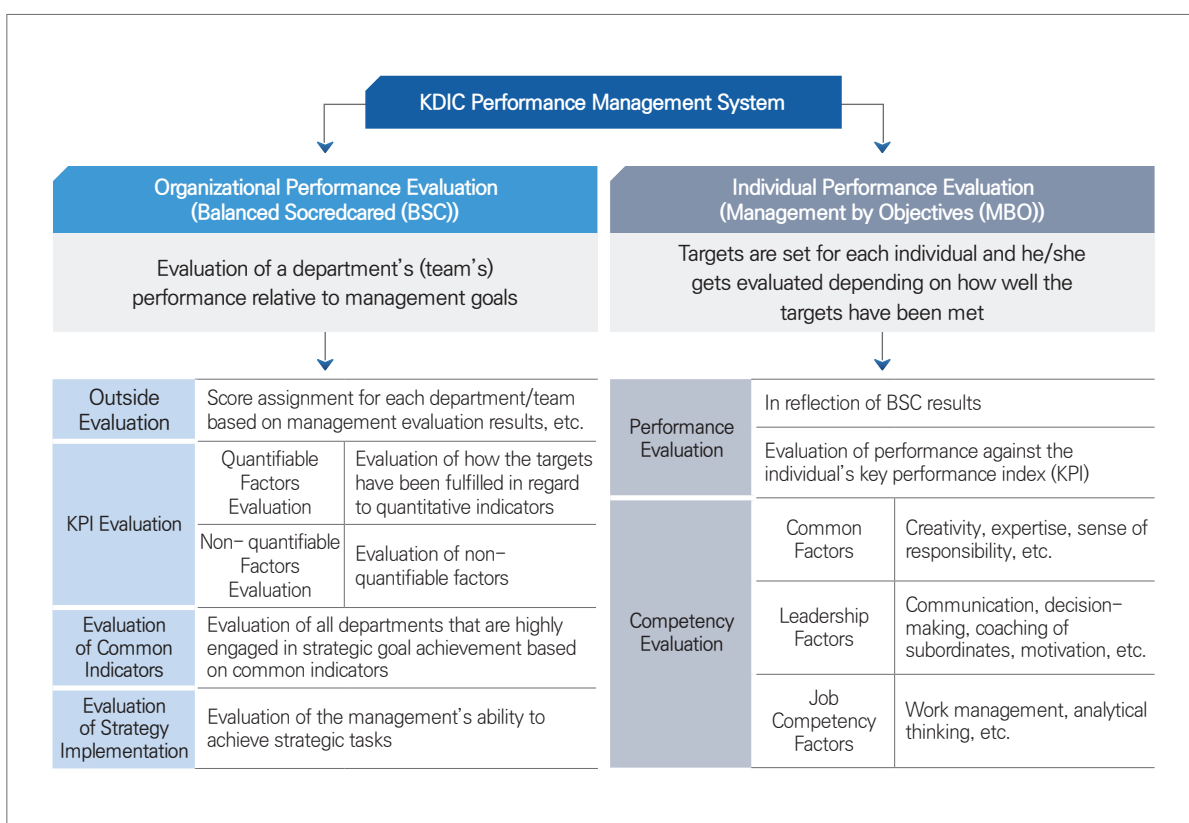
In 2017, the KDIC formulated many new measures for improvement based on an exchange of opinions and discussion between labor and management. These included the creation of an evaluation scheme for contract workers assigned to open positions, improvement of performance assessment items at the individual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

In addition, the KDIC introduced and implemented multidimensional assessment in 2018, including bottom-up evaluation and peer reviews to comprehensively evaluate each employee in every respect. In 2019, clerical support staffers newly became subject to multidimensional assessment. In addition, a performance evaluation firm was hired in 2020 to provide consultation regarding multi-source feedback results in order to

help analyze evaluation results, identify shortcomings, and establish a direction for capacity building. This is being utilized to supplement the existing top-down evaluation method.

In addition, through efforts such as advance notice of individual performance evaluation procedure, establishment and improvement of the appeal system for each job group, and disclosure of the promotion candidate list, 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



### Introduction of a Job-oriented Remuneration System

In January 2020, the KDIC sought the services of a specialized external institution to introduce a job-oriented remuneration system, in accordance with the government's innovation policy for public institutions. A thorough job analysis was conducted to derive a job classification system suitable for its organizational characteristics and job evaluation system, and the existing job descriptions were completely redesigned to conform to the National Competency Standards (NCS). In order to secure the objectivity and acceptability

of job evaluation, a quantitative job evaluation system was established where employees have a chance to voice their opinions through surveys and interviews and then directly participate in the evaluation process. This formed the basis for actual job evaluation and from July 2020, the company has been operating a remuneration system that reflects job values using the new job-grade settings.

Furthermore, a basis for remuneration system reorganization was formed by devising a plan to improve the job-oriented remuneration system suitable for the KDIC using analysis performed by outside experts. Subsequently, continuous efforts were made to maintain communication on this matter, such as reporting the conclusions of the expert consultation on job analysis and evaluation system improvement to the labor-management council. In November, a joint working-level task force (comprising an equal number of participants from labor and management) was formed to engage in discussions to improve the remuneration system. This task force drew up an agreement for a job-oriented remuneration system through regular and subcommittee meetings and also held non-face-to-face labor-management joint briefing sessions for employees to increase their understanding of the agreement and to seek their cooperation.

As a result, a labor-management agreement was reached amicably in December after receiving the consent of employees and the job-oriented remuneration system was formally introduced through the revision of relevant regulations by the KDIC Board of Directors.

Going forward, the KDIC will maintain its efforts to allow the job-oriented remuneration system to take root, such as forming a job evaluation committee comprising equal number of members from labor and management to ensure fairness and objectivity in the job evaluation process.

## Innovate Old Business Practices and Lead Proactive Governance

In order to comply with the government's policy to establish a culture of proactive public services and respond to socio-economic changes triggered by COVID-19 and other crises, the KDIC recognized the need to create a proactive organizational culture and established the Action Plan for Proactive Governance 2020.

The basic direction was set at innovating old business practices and leading proactive governance to provide more benefits to the public. Target objectives include: ① creating a culture of proactive governance, ② implementing proactive governance, and ③ eradicating the atmosphere of 'reactive' governance.

As part of the effort to create a culture of proactive governance, the KDIC appointed members of the public with knowledge and interest in its work to join the public participation group. Best practices of proactive

governance were selected\* and rewarded in 2020 to boost staff morale. In addition, non-face-to-face PR activities were actively carried out through Video Blogs (vlogs\*\*) in which KDIC staff appeared in person.

\* Best innovative practice for 2020: Business Automation using Robotic Process Automation (RPA)

\*\* A blog containing video content, used to share experiences through video content rather than text and images

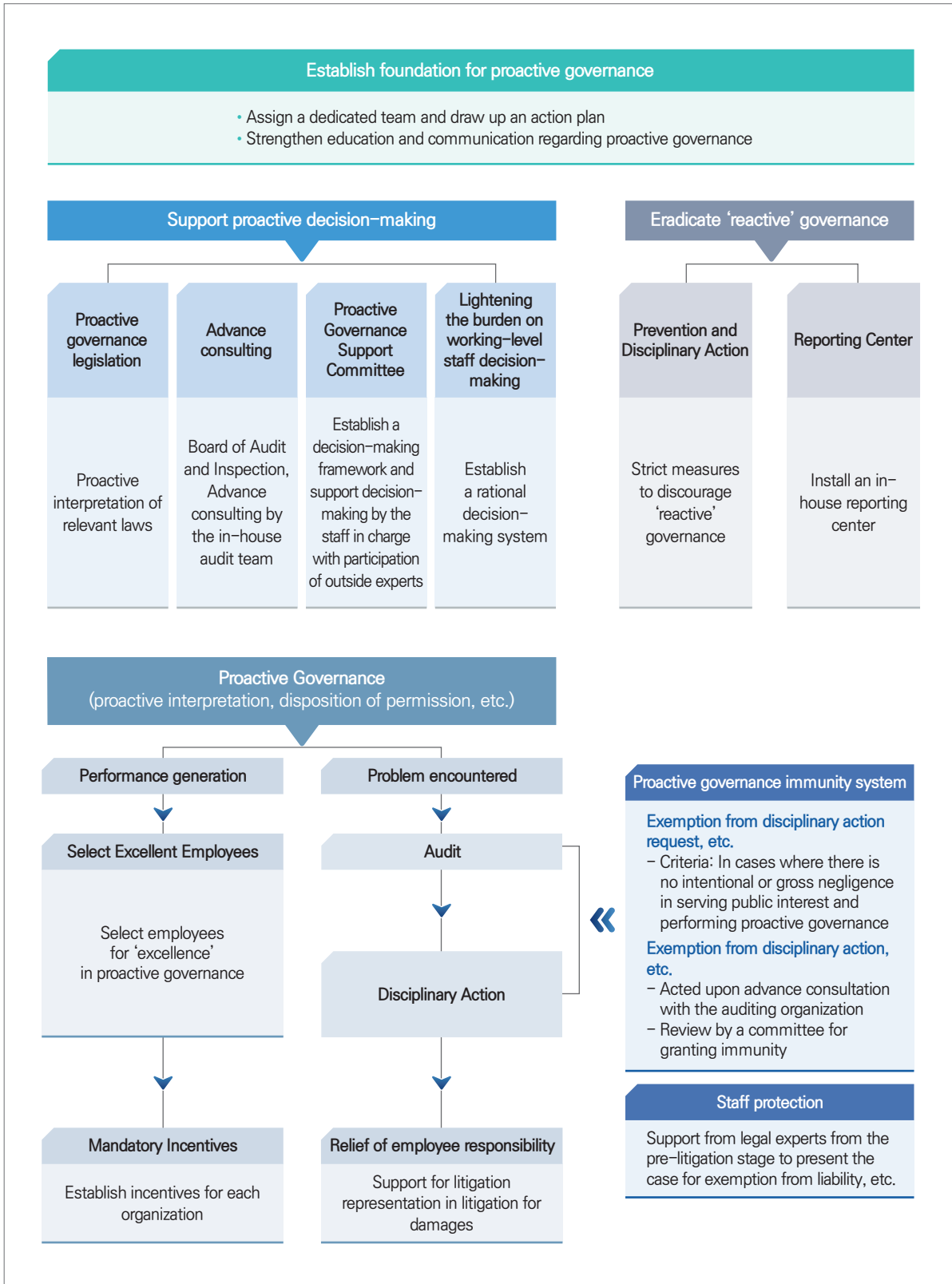
Furthermore, the protection of financial consumers through the legislation of the Scheme to Support the Return of Misdirected Money Transfers and Recovery and Resolution Planning (RRP), the improved operation of bankruptcy estates, and the expansion of digital work infrastructure were selected as key tasks for proactive governance. The KDIC succeeded in passing legislation regarding the Scheme to Support the Return of Misdirected Money Transfers and RRP through the National Assembly, with the concerted effort of all staff members. It also established a master plan for the Digital New Deal. Proactive governance was encouraged by providing HR incentives such as naming employees who played a key role in pushing for proactive governance as innovation leaders and awarding them with a Chairman & President's commendation.

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

In addition, an emphasis was placed on system improvement and public relations, with such measures as conducting a campaign to promote expanded use of the advance consulting and audit system and shortening the time in receiving the results of the advance consulting and audit. As a result, a total of four cases qualified for immunity from personal liability, the largest number since the operation of the liability exemption system, including three that occurred in the process of responding to the COVID-19 situation. Also, by conducting advance consulting and audit in two cases related to the KDIC's response to the COVID-19 situation, the KDIC's in-house audit team produced the first tangible result in its advance consulting and audit program, which promoted proactive governance at the KDIC and enhanced fairness and transparency in the overall work.

Finally, a 'reactive' governance prevention system was established with the Office of the Auditor taking the lead, in order to eradicate the atmosphere of 'reactive' governance. An in-house reporting center for 'reactive' governance was installed to facilitate reporting of 'reactive' governance practices, and the distribution of newsletters from the Office of the Auditor (entitled Touching News) as well as leaflets explaining the reporting process had the effect of raising employee awareness and strengthening publicity of the reporting center.

Figure II-5 Flowchart of Proactive Governance System Operation



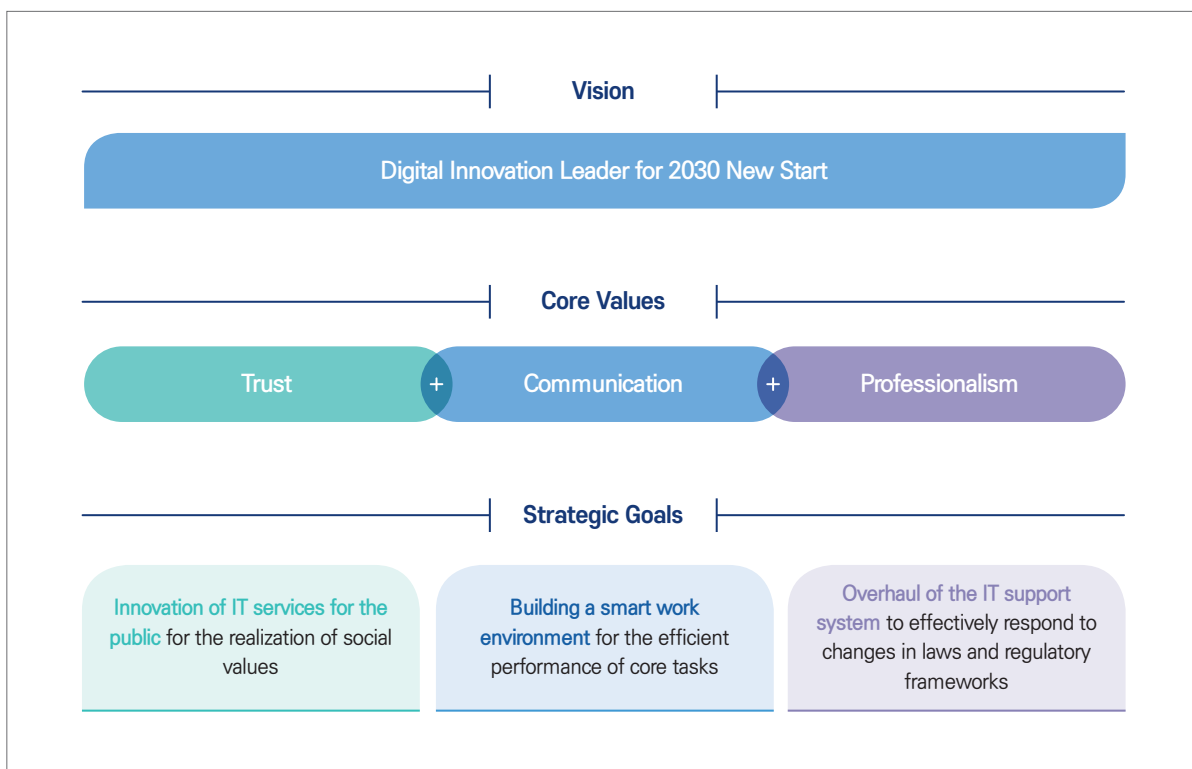


### 3. Progress in the Implementation of the Mid- to Long-term Information Technology Plan

To effectively achieve management goals and quickly respond to changes in the business environment, the KDIC is upgrading its IT infrastructure through the Mid- to Long-term Strategy for IT Advancement.

2020 was the first year in the implementation of the 6th Mid- to Long-term IT Strategy Plan (2020~2022) and the following tasks were successfully carried out to achieve the KDIC's vision.

**Figure II-6** Mid-to Long-Term Strategy for IT Advancement (2020-2022)



First, the successful completion of the 12 IT projects (18 tasks) planned for 2020, such as “establishing a master plan for digital innovation,” supported not only the effective execution of the KDIC’s work, but also the government’s pursuit of the Korean New Deal (Digital New Deal).

In particular, a smart work environment was established through the broadened introduction of Robotic Process Automation (RPA\*) which helped to reduce work hours by 75.8 percent across 14 work areas, including the monitoring of overseas real estate sales information. The knowledge management system

was also reorganized by improving ‘Yejanggak,’ a place for sharing knowledge and information, and by strengthening the data search and archive functions of the ‘information data system.’ Additionally, the improved functioning of the risk monitoring system resulted in shortened data processing times for accessing information and contributed to enhanced user convenience.

\* Robotic Process Automation: Software designed to automatically perform simple repetitive tasks

Second, the business unit dedicated to providing personal information protection and information security was reinforced and related bylaws were revised, systems were upgraded, and educational activities were conducted in order to safely protect valuable personal information of the public and important information assets of the KDIC. Moreover, these measures contributed to the Corporation’s excellent performance in external evaluations, which consequently raised the public profile of the KDIC.

Internal regulations and standards such as Information Security Management Guidelines were fully revised to reflect changes in government policy. A detailed plan to establish information security infrastructure was drawn up in line with changes in the internal and external environment such as the Information System Master Plan. A wireless information leakage detection system was established to prevent data infringement and strengthen response capabilities against cyber attacks as well as to prevent attempts to access internal information. Also, the aging information security system was replaced to enhance security and stability. Also, the DDoS (distributed denial of service) attack response training was expanded to include joint training with related organizations, and other information security training programs for management and employees were carried out, including cyber attack response training, table-top exercises, 24/365 security control system operation and web system hacking experience. These efforts were instrumental in the KDIC being awarded a commendation for information security from the government (National Intelligence Service) and maintaining its position in the “TOP 5” among quasi-governmental institutions for three consecutive years (2018-2020) in the information security management status evaluation.

Meanwhile, in accordance with the revision of the Personal Information Protection Act, the personal information protection guidelines were revised to reflect the establishment of pseudonymization requirements and the expansion of the scope of sensitive information. Separate internal standards for pseudonymization of data were prepared in relation to the creation and use of pseudonymized data. In addition, the system for checking abnormal use of personal information was further strengthened through the project to advance the personal information monitoring system, and the nationwide status of personal information management at bankruptcy estates and at companies entrusted with personal information processing by the KDIC was monitored to prevent personal information leakage accidents. Also, by passing

the post-examination of ISMS-P certification,\* the personal information protection management system was re-examined and supplemented, enhancing the KDIC's external credibility. As a result, the KDIC attained the highest grade in the evaluation of personal information protection levels conducted by the Personal Information Protection Commission in 2020, a status it has maintained for seven consecutive years.

\* Personal Information & Information Security Management System

Third, the project to provide consulting to foreign deposit insurance agencies which want to emulate the KDIC's highly-rated IT system was continued for the fifth year\* in a row, contributing to the overseas expansion of domestic private-sector companies and the creation of jobs.

\* Overseas consulting was provided for Mongolia (2016), Laos (2017), Kazakhstan (2018), Indonesia (2019) and Albania (2020).

In 2020, the consulting project for Albania was conducted with an IT consulting firm, and despite difficulties in face-to-face support due to COVID-19, the KDIC established a plan to conduct the project online by, for example, holding weekly online meetings via a video conference platform. As a result, the KDIC became the first public-sector institution whose consulting topic (Deposit Insurance Payment System) for knowledge sharing received the 2020 Pan-Governmental Korean Wave Excellent Contents Award presented by the Ministry of the Interior and Safety.

**Table II-8** Action Plan for IT Advancement (2020)

Strategy	Action Plan
Respond to changes in internal and external digital environment	<ul style="list-style-type: none"> <li>Establish the Information System Master Plan (ISMP)</li> </ul>
I. Expand depositor protection services using new digital technologies	<ul style="list-style-type: none"> <li>Expanded operation of Robotic Process Automation (RPA)</li> </ul>
II. Provide user-friendly IT services for the public	<ul style="list-style-type: none"> <li>Improve functions of the Integrated Resolution Information System</li> </ul>
III. Promote the development of customized financial public data	<ul style="list-style-type: none"> <li>Public data quality control</li> </ul>
IV. Strengthen IT support for data collection and analysis to facilitate scientific risk monitoring	<ul style="list-style-type: none"> <li>Advance KDIC-Connect and establish a data analysis system</li> </ul>
	<ul style="list-style-type: none"> <li>Improve functions of the integrated risk information platform</li> </ul>
V. Improve asset investigation and recovery work efficiency	<ul style="list-style-type: none"> <li>Improve functions of the asset recovery support system</li> </ul>
VI. Elevate the management support system to support communication and collaboration	<ul style="list-style-type: none"> <li>Improve functions of the e-HR system</li> </ul>
	<ul style="list-style-type: none"> <li>Improve functions of 'Yejanggak' (a knowledge management system)</li> </ul>
	<ul style="list-style-type: none"> <li>Improve functions of the new electronic document management system</li> </ul>

Strategy	Action Plan
VI. Elevate the management support system to support communication and collaboration	• Improve functions of the library management system
	• Install corporation-wide integrated communication infrastructure
VII. Strengthen the IT technology environment to enable continuous business support	• Upgrade the network connection solution
	• Replace aging virtual servers
VIII. Strengthen IT information security environment for stable business support	• Replace aging security systems
	• Establish a wireless information leak detection system
IX. Strengthen protection measures to improve personal information safety	• Advance the personal information monitoring system
	• Check and encrypt server-stored personal information

Above all, the establishment of the Information System Master Plan (ISMP\*) in 2020 laid the foundation for active implementation of the government's Korean New Deal initiative and for responding to changes in the digital environment.

\* Information System Master Plan: Activities to analyze the current status and requirements of business for information technology, and to establish an implementation strategy and plan by describing detailed functions and technology requirements.

An in-house consultative council was formed comprising working-level representatives from relevant departments in areas such as risk management, fund management and recovery. Over the course of more than 100 council meetings, various opinions and comments were collected to redesign IT systems and business processes, which resulted in the selection of 23 action tasks that reflect the changed look of the KDIC through the Digital New Deal, such as the chatbot consultation service to be provided to the general public.

Based on the Information System Master Plan, 2021 will be the first year of digital innovation, setting in motion various tasks across several phases, and the KDIC will invest heavily over the next three years to build its new information system by 2023.

**Table II-9** Major Achievements in IT Advancement in 2020

External Evaluations	By Whom	Results
• Public data quality management evaluation	Ministry of the Interior and Safety	• Awarded Grade A with 90.7 points
• E-government performance management evaluation (Information resource management)		• Achieved "Excellent" grade with 98.6 points (up 6.2 points from the previous year)
• Evaluation of personal information protection levels	Personal Information Protection Commission	• Highest grade for the seventh consecutive year
• Information security management evaluation	National Intelligence Service	• Highest level for the third successive year



# 03

## | Efforts to Promote Social Values and Improve Outcomes

- 1. Stronger Foundation to Pursue Social Values
- 2. Achievements in the Pursuit of Social Values

## 1

## Stronger Foundation to Pursue Social Values

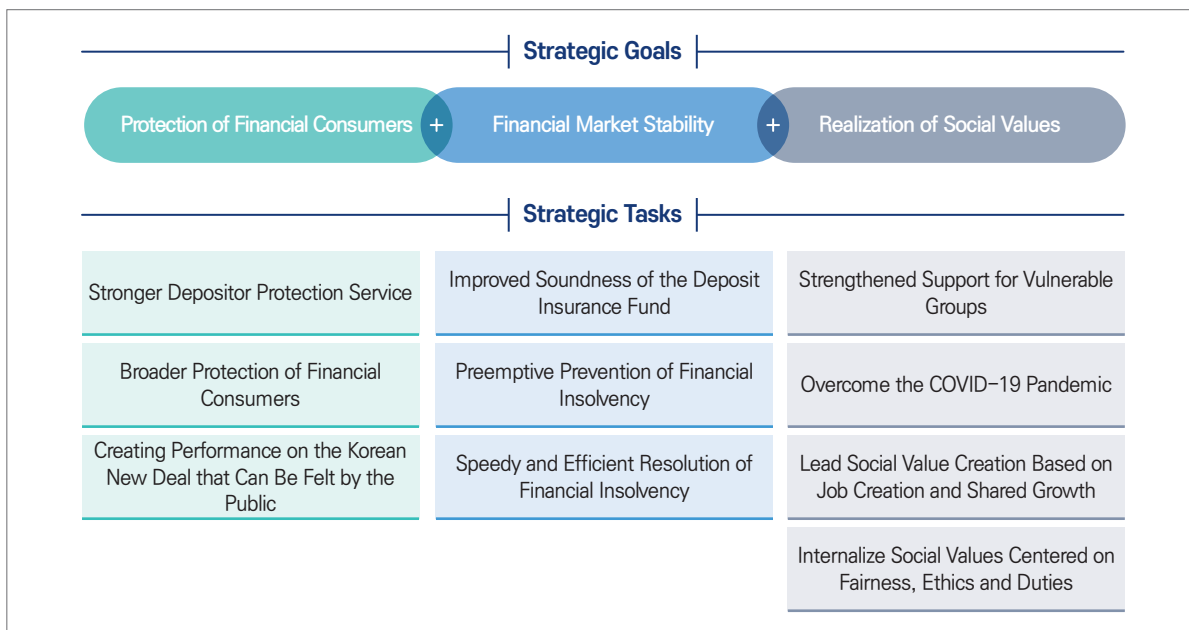
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### 1. Enhancing the Capacity to Promote Social Values

In addition to faithfully carrying out its core duties of protecting depositors and maintaining financial stability, the KDIC is continuously striving to create social values to promote public interest and community development. In 2020, around 3,000 members of the general public as well as internal and external stakeholders were surveyed to establish the direction for pursuing social values. The survey was used to assess the perceived impact of the KDIC's work on social values, key issues on social values and to derive key implementation tasks.

Specifically, the corporate strategic goals and tasks for realizing social values were entirely revamped in 2020 to engage social values in support of government policies such as overcoming the COVID-19 pandemic and pursuing the Korean New Deal. At the same time, a youth platform was newly formed for bottom-up communication, and communication with the public was strengthened via such means as the SNS (social network service) press corps and the public participation group.

**Figure III-1** Strategic Goals and Tasks to Realize Social Values



## 2. Systematic Pursuit and Internalization of Social Values

In 2020, the KDIC identified and implemented a total of 71 social value promotion tasks, including 21 new tasks like the normalization of CamKo City development project and purchase of bonds issued by the Key Industry Stabilization Fund (KISF).

Non-face-to-face meetings of the Innovation Promotion Committee for the Creation of Social Values and the Social Value Creation Promotion Group were held regularly to check the progress of each task and thereby create momentum for task completion. In addition, a new shared growth strategy and road map was prepared to strengthen the pursuit of shared growth and win-win cooperation. In order to systematically carry out shared growth tasks, the Job Creation Subcommittee in the Social Value Creation Promotion Group was expanded and reorganized into the Job Creation and Shared Growth Subcommittee.

The Social Values Check-list, introduced in 2019, was put into full force in 2020 and regularly monitored. This had the effect of raising awareness of social values for staff and management when carrying out major tasks to strengthen links with social values in the overall work of the KDIC. An interesting project newly identified in the process of monitoring the check-list was KDIC-Hope New Deal, which was selected and pursued as a social value promotion task.

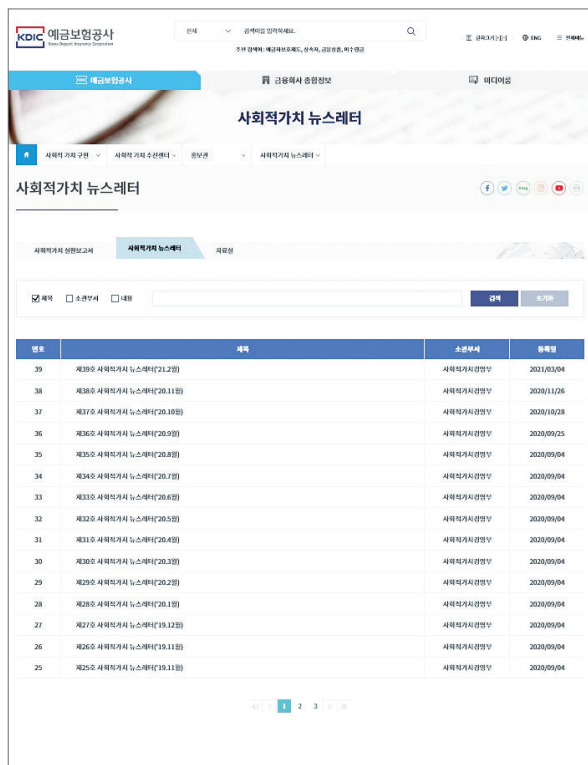
To build a corporation-wide consensus, a Social Values Newsletter was produced and distributed regularly to share and propagate social value activities conducted. These Newsletters contain news about the KDIC's social value activities, internal and external best practices, social value trends at other organizations, etc. They are shared with the KDIC staff and the public participation group through the internal bulletin board and the KDIC's social media outlets to promote its activities and to find new ideas.

In addition, the "Creation of Social Values" menu on the website was completely reorganized to significantly expand the scope of information provided, including the strategic map for social value creation, teams in charge of implementation, and various social value activities and news, in addition to the existing social contribution service activities of the KDIC. Access to information was also improved by making the Social Values Creation Report and Social Values Newsletter, which are regularly published by the Corporation, available for viewing on the website as well as on mobile devices.

**Photo III-1 Social Values Newsletter and Renewal of the KDIC Website**



Newsletter



Website(Social Value Promotion Center)

Furthermore, the Social Value Creation Report, reflecting international guidelines and standards, was published in March 2020 to inform the public of the KDIC's efforts in promoting social values. This report



helped the KDIC gain recognition, at home and abroad, for its effort to embed social values in all its activities, by winning the Platinum Award in the Sustainable Management Sector at the Vision Awards hosted by the League of American Communications Professionals LLC (LACP) and the Korea Standards Association Chairman's Award at the 2020 Sustainable Management Awards hosted by the Ministry of Trade, Industry and Energy.

Furthermore, to strengthen internal feedback regarding the creation of social values, the social value indicators in the Balanced Score Card were revised and the year-end performance review was conducted with the new measures. An internal contest was held to find great examples of creating social values that met the eye level of the public. A total of 18 excellent cases were found, and following evaluation by a public participation group and outside experts, two cases received awards, including 'improving the debt restructuring system and strengthening recovery support for vulnerable social groups' and 'overcoming COVID-19 through the improvement of the risk-based premium system.'

## 1. Job Creation

### Expansion of New Recruitment and Job-Sharing

In 2020, the KDIC devised a detailed annual recruitment plan as it did in the previous year for effective recruitment management and to increase the predictability of personnel management, and reported the plan to the Human Resource Management Committee. In preparing this plan, a simulation analysis for the next five years was conducted to minimize the difference between the Corporation's designated number of staff and current number of staff, thereby creating the possibility of hiring 30 new recruits.

The KDIC also operated several measures to remedy long working hours such as forced computer shutdown on all business days (previously only applied for Wednesdays), commuting time options and flexible working hours.

On the basis of internal survey results, four part-time staffers were hired, providing employment opportunities for such people as women who had a career break. A total of three administrative assistant staff were hired through the special employment for veterans program. In addition, the recruitment of interns, which totaled 73 in 2019 was increased to 75 in 2020, providing intern opportunities to job seekers. In view of the increased challenge of youth employment as a result of COVID-19, the KDIC re-named youth interns as 2020 KDIC Hope Interns and recruited 26, a 30% increase on the original recruitment plan of 20. The monthly salary was set at KRW 2 million, which is higher than the minimum wage (approximately KRW 1.8 million), to support interns in their job search activities.

## Maximize Achievements in Private-sector Job Creation

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

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

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

Secondly, as part of its social responsibility, the Deposit Insurance Fund (DIF) actively supported the government in creating job opportunities in the face of the COVID-19 pandemic and delivering results for the Korean New Deal by operating its bank deposits in a way that serves the public interest. In order to provide financial support to small and medium-sized enterprises (SMEs) affected by COVID-19 and projects related to the Korean New Deal, agreements were signed with three banks, resulting in the creation of a KRW 540 billion credit facility to provide ultra-low interest loans to SMEs with bank deposits made by the DIF. Furthermore, the DIF also contributed to maintaining jobs in key industries and small- and medium-sized venture businesses by purchasing job-related public interest bonds such as Key Industry Stabilization Fund bonds and Small and Medium Venture Promotion bonds (KRW 140 billion in 2019 → KRW 900 billion in 2020).

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

Lastly, in asset recovery, efforts such as developing customized sales plans and active attraction of investors were made through collaboration with experts in the field to speed up the normalization of PF project sites that remained incomplete for long periods of time. These efforts resulted in the creation of 876 jobs by way of construction work as well as new store openings.

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

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

First, the KDIC supported re-employment opportunities for 290 administrative assistants who used to work at one of the 34 bankruptcy estates managed by the Corporation and had lost their jobs when the estate closed at the end of bankruptcy proceedings. The Restart Program is being operated based on the business agreement signed with the Korea Labor Foundation. In 2020, re-employment support services, including an online career change program, were provided in challenging circumstances due to COVID-19.

The KDIC provides one-stop service to support the rehabilitation of struggling debtors, by working with the Employment Welfare Plus Center and the Korea Inclusive Finance Agency to provide job placement and help them access government-offered low interest loans (Microcredit, Sunshine Loans). It also published a collection of inspiring stories of those that succeeded in escaping chronic debt to increase publicity for the service.

Furthermore, the KDIC took the lead in supporting youth employment, a prominent government goal, by utilizing its Global Training Center to hold a job camp for university students in the Chungbuk region in collaboration with public entities in the vicinity. Participants' needs and the challenges to holding face-to-face meetings were considered in offering the event online, and flexible operation and other improvements resulted in an increased number of participating universities and public entities. Thus, amidst the restrictions caused by COVID-19, this event served to provide an opportunity for university students in the region to augment their job search competency.

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

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

## 2. Equal Opportunities and Social Integration

### Increased fairness and transparency in the recruitment process

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

The bidding process for recruitment service providers was conducted to select one specialist firm to administer all the KDIC's recruitment for 2020, and as such, recruitment service quality levels were maintained at a high level.

In addition, in order to utilize the personality test results more effectively, the format of the personality test, which was conducted in handwriting during the first interview, and served only as reference material for the second interview, was conducted as an AI-based test. This AI personality test was conducted following the announcement of written test results, and used as reference material for the first and second interviews, thereby increasing the utilization of the personality test in the interview selection process. Furthermore, the evaluation questions in the AI personality test were structured to include personal traits and qualities (professionalism, communication, responsibility) sought by the KDIC, in consultation with the recruitment service provider. The utilization of the new personality test as reference material has significantly increased due to it deriving more intuitive and effective results.

Recruitment bylaws were revised twice (May and December) in 2020 to bring compliance with government guidelines up to 100 percent, thereby completing the revision of regulations to enhance fairness and transparency in the recruitment process.

As it was difficult to hold a recruitment briefing session in person due to the spread of COVID-19 in 2020, the KDIC introduced its recruitment system by participating in the Live Recruitment Briefing of the Online Recruitment Fair hosted by the Financial Services Commission. It also participated in the 2020 job camp to hold an online recruitment briefing session for students from four universities in the Chungju area.

Finally, the KDIC Chairman & CEO made an effort to minimize the asymmetry of recruitment information for job seekers, such as introducing the KDIC's work and explaining the recruitment process through special lectures (conducted online) to university students.

## Expansion of Employment for Social Equity

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

In drawing up its 2020 recruitment plan, the KDIC strived for systematic recruitment with a simulation analysis for the following five years in consideration of internal and external environmental factors, new staffing demands by departments, difference between designated and current staff numbers, legal mandatory employment rates, etc.

In 2020, a total of 30 new recruits were hired to reduce the gap between designated and current staff levels. Work demands that could not be met through this was supplemented by hiring replacement staff for those on parental leave (eleven persons).

Internship opportunities were provided to 75 job seekers, up from 73 in the previous year, to support youth job creation efforts.

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

The KDIC has continued to promote recruitment opportunities for students in regions with relatively limited recruitment information by holding job fairs. However, due to the spread of COVID-19, these were held using an online platform. The KDIC introduced its recruitment system by participating in the Online Recruitment Fair hosted by the Financial Services Commission and an online job camp to hold a recruitment briefing session for students from four universities in the Chungju area, located in the vicinity of the KDIC's Global Training Center. It also broadened opportunities for regional talent by adding preferential points to applicable candidates in document screening and as a result, hired a total of 12 staffers from regional backgrounds. These efforts resulted in the total number of regional talents recruited in 2020 reaching 31, including new recruits and interns, which represents a significant increase from a total of 19 recorded in the previous year.

To increase job opportunities for persons of national merit, a special recruitment process was conducted in May 2020 to hire one person of national merit and again in December 2020, to recruit two persons of national merit. As for increased employment of disabled persons, separate recruitment in the youth internship scheme resulted in the hiring of six interns with disabilities during 2020.

The KDIC hired four female part-time administrative support staff who had a career break to provide employment opportunities for those hoping to return to work.

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

### 3. Co-prosperity, Cooperation and Regional Development

#### Support for the Revitalization of Local Economies and Social Economy

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

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

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

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

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

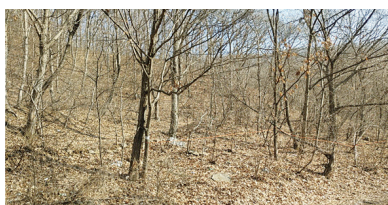
As a result, the KDIC was successful in acquiring some usable real estate. It then proceeded to work with local authorities and social entities to utilize the sites as young entrepreneur startup spaces, retail spaces for selling local specialty products, consulting spaces for social enterprises as well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

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

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

In 2020, as a way to support local farmers suffering from typhoon damage, the KDIC actively consulted relevant local authorities and golf course owners to thin down forest trees (about 150 tons of oriental oak) at a construction site for a 9-hole golf course near Maron New Day Golf Course in Cheonan, Chungnam. The land was then provided rent free to mushroom growers in nearby areas. Forest waste, such as sawdust and twigs, generated after tree thinning were additionally provided to nearby farmers as fuel wood for wood-burning boilers.

**Photo III-2 Free Supply of Logs for Typhoon-affected Mushroom Farmers**



Target Site



Oriental Oak



Delivery (Ceremony)



In addition, renting vacant commercial space free of charge was actively promoted to support small business owners and start-ups who were experiencing difficulty in paying rent due to COVID-19. In consultation with relevant parties, two vacant commercial spaces in Cheongju City were secured for rent-free use, and local authorities and local community groups (Korea Federation of Micro Enterprises, Youth Startup Academy, etc.) were closely consulted in the selection of tenants. The tenants are due to be confirmed and start their business without the burden of rent payment as soon as the COVID-19 situation subsides.

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

In 2020, in response to national disasters including COVID-19 and floods, various social contribution activities were carried out to protect vulnerable social groups and to support small business owners and farmers.

After finding welfare facilities from various parts of the country, including Daegu and Gyeongbuk, where the damage from COVID-19 was concentrated, intensive support was provided in the form of daily necessities and food products. Such donations were purchased using Onnuri gift certificates to indirectly support sole proprietors and small business owners. In order to support the quarantine efforts of socially vulnerable groups, the KDIC got directly involved in the production and delivery of cotton face masks (between March and May) to meet pressing needs in society. In the summer when floods occurred, food products were delivered to welfare facilities in affected areas and support was also provided for damage recovery efforts.

The KDIC provided market development support to small business owners, farmers, and social enterprises in an effort to help them overcome difficult economic conditions. It took part in the Flower Bucket Challenge (June) to support the floral industry. It joined forces with Woori Financial Group to help farmers experiencing difficulties in securing sales channels due to COVID-19, by producing Woori Happiness Boxes, comprising agricultural produce from hard-hit farms, and donated them to welfare facilities (September). Also, a farmers' market (November), in which 14 farm households and social enterprises participated, was held for KDIC executives and employees to secure sales channels and support sales expansion.

Meanwhile, environmental protection activities in the local community were bolstered despite the restrictions on collective volunteer activities due to social distancing, including the environmental cleanup activities (performed three times in June, July and October) in Cheonggyecheon, after signing a business agreement on social contribution (called Beautiful Belt around Cheonggyecheon) with the Seoul Facilities Corporation. The KDIC continued its policy of matching each department with a welfare facility of their choice to provide sponsorship and volunteer work. At the end of the year, blankets were delivered to families of national merit veterans (December).

Photo III-3 Co-prosperity, Cooperation and Regional Development through Social Contribution Activities



Sponsorship for the socially vulnerable to overcome disasters



Clean-up Activities in Cheonggyecheon

In recognition of the KDIC's efforts and achievements on mutually beneficial relations with the underprivileged and development of the local community, it was selected as an Organization Recognized for Social Contribution to Local Communities by the Ministry of Health and Welfare in 2020 (November). The KDIC will continue its efforts to conduct social contribution activities to provide practical support for underserved neighbors in our community while also engaging in various activities to solve various social problems that demand attention, such as environmental issues, in order to carry out its social responsibility as a public institution.

Table III-2 Social Contribution Activities in 2020

(As of the end of 2020, Unit: No. of times, No. of persons)

Category	Program Name	Activities	2020 Achievements		Note
			No. of Times	No. of Participants	
Neighbors	Support for the underprivileged such as neighbors in need	Sponsorship and volunteering to serve meals for neighbors and welfare facilities needing help	212	-	Every year since May 2008
	KDIC scholarship	Granting of scholarships to high school students from low income households	1	20	Every year since 2005
Local Communities	Revitalizing traditional markets	Designation of the day for KDIC members to visit a traditional market, purchase of foodstuff from traditional markets before national holidays and sponsorship of welfare facilities	250	823	Every year since Aug. 2011
	Support for persons of national merit and military officers	Support activities for persons of national merit and military officers such as delivery of heating briquettes and encouragement gifts	2	-	Every year since 2014
	Matching one facility with one department	Sponsorship and volunteer work by each department at the facility of their choice	49	71	Every year since Sept. 2006

Category	Program Name	Activities	2020 Achievements		Note
			No. of Times	No. of Participants	
Rural Villages	Revitalizing rural economies	Rural community support through helping out at farms and taking part in farming experience events	1	–	Every year since Nov. 2005
	Haengbok Yegam farmers' market	Held farmers' markets to promote and sell goods from farmers and social enterprises	1	–	Every year since Jul. 2015
Environment	Environmental protection	Clean up and beautification of Cheonggyecheon, Tree-planting Day events, etc.	3	76	Every year since Apr. 2014
Total			519	990	

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

In preparation for the winter, when fire accidents tend to occur more frequently, the KDIC visited a Jjokbang-chon (tiny house area, located behind Namdaemun Police Station), which is susceptible to fires due to the use of portable cooking and heating equipment, and delivered around 1,000 fire safety devices such as fire alarms and extinguishers in addition to checking fire safety facilities.

In 2019, the KDIC conducted fire safety equipment support as well as financial literacy education and fire safety training for traditional markets in collaboration with Jungbu Fire Station under the shared value of 'safety in the local community.' This was continued in 2020, to firmly establish an exemplary cooperation model in the local community. The two organizations plan to faithfully carry out their roles as guardians of local residents in the future.

Photo III-4 Installation of Fire Alarms in Jjokbang-chon and Distribution of Fire Extinguishers



Installation of Fire Alarms



Delivery of Fire Extinguishers

#### (4) Expanded Provision of Financial Information and Legal Knowledge to the Socially Marginalized

##### 1) Financial Education Focused on People with Little Access to Financial Information

Prompted by the global financial crisis in 2008 and the rising need for financial literacy education, the KDIC provides education for future financial consumers (elementary, middle, and high school students) and financially underserved people (the elderly, market merchants, multicultural families, etc.).

Beginning with elementary school students and senior citizens in 2010, the KDIC gradually expanded the scope of its financial literacy education to traditional market merchants in 2012; multicultural families in 2013; middle and high school students in 2014; military service personnel and North Korean defectors in 2015; and the disabled and local children in 2017.

During 2020, in spite of the COVID-19 situation, a safe quarantine environment was created to conduct a total of 685 financial literacy education sessions. In particular, there was a significant increase\* in the proportion of financial literacy education for underprivileged groups such as the disabled and local children, to shed light on potential blind spots within our society.

\*The proportion of education for underprivileged groups, which stood at 61 percent in 2019 was increased to 91 percent in 2020

##### 2) Promotion of Safe Financial Literacy Education in Response to COVID-19

This year, the KDIC created new online education content to continue its program despite the COVID-19 situation which limited face-to-face education. To satisfy both the interests and needs of education consumers, a new educational channel was secured by producing 10 videos on financial literacy education centered on case studies and keywords, each lasting around 10 minutes.

A total of 74 non-face-to-face financial literacy education sessions (61 for the elderly, six for local children and seven for the disabled) were conducted using the newly created online education content via the highly accessible YouTube platform. Specifically, by viewing video on mobile and other digital devices, participants could receive education without time or space restrictions, which enabled a more customized approach to meet the participants' needs and improve satisfaction.

On the other hand, face-to-face education was conducted 611 times during 2020. The KDIC induced participation from relevant organizations by creating a safe learning environment with the provision of quarantine items such as face masks and on-site quarantine inspections.

**Table III-3 Non-face-to-face Financial Literacy Education Programs**

Category	Education content for the elderly	Education content for the disabled	Education content for local children
Targets	Seniors and workers in senior welfare centers	The developmentally disabled and workers in welfare centers for the disabled	Elementary, middle and high school students in local children's centers
Content	<ul style="list-style-type: none"> <li>• Deposit Insurance System and Prevention of Financial Scams</li> <li>• How to Prepare for Life in Old Age, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• I Trust It! Deposit Insurance System</li> <li>• Right! Money Is My Friend.</li> <li>• Way to Go! You Can Now Go and Shop Alone.</li> </ul>	<ul style="list-style-type: none"> <li>• I Feel Safe! How Depositors Are Protected</li> <li>• Easy-peasy! Become an Expert in Allowance Management</li> <li>• Smart! Sensible Spending</li> <li>• Shoot Up! Become the Best at Saving</li> </ul>
Results	61 times	7 times	6 times
Photos			

### 3) Greater Opening of Data to the Public

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

As of the end of 2020, a total of 43 data items have been opened to the public, including six additional public data, such as the sale status of bridge savings banks and the status of fund raising through bond issue during 2020. Based on the results of expert interviews and public opinion gathering, data related to the public auction of real estate, which recorded the highest utilization among data open to the public, were improved.

In addition, to strengthen the management of data open to the public, the KDIC designated staff to take charge of each data item and conduct a special inspection for quality management. A banner was newly installed on the KDIC website to strengthen publicity and accessibility.

Through these efforts, the number of cases where open data was put to productive use reached 36,784, up 76% from the preceding year.

#### 4) Expanding the Benefits of Non-face-to-face Free Legal Counseling

The KDIC provides free legal counseling to prevent financial losses of the socially underprivileged and to protect their rights and interests, in cooperation with social welfare organizations. This service of utilizing financial and legal expertise was initiated by the KDIC in 2008 as part of its social contribution activities and usually involves the KDIC in-house lawyer visiting facilities such as senior welfare centers. With the introduction of non-face-to-face legal counseling in 2020, this service contributed to the creation of social values, in spite of the social distancing protocols imposed due to COVID-19.

The adoption of non-face-to-face counseling broadened the geographical coverage of the service from senior welfare centers in the metropolitan area to include those in remote locations, to provide legal support nationwide. In 2020, 123 counseling sessions (using emails) were held and contributed to solving legal problems closely related to pressing issues for the elderly such as planning inheritance, writing wills and managing leases.

**Table III-4** Free Non-face-to-face Legal Counseling in 2020

Region	Seoul	Gyeonggi	Incheon	Chung-cheong	Gyeong-sang	Jeolla	Gang-won	Jeju	Total
Number of Cases	21	25	6	25	21	14	5	6	123

### Promotion of Win-Win Cooperation with Small- and Medium-sized Enterprises (SMEs) and Small Business Owners (SBOs)

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

The KDIC launched the KDIC-Hope New Deal project to support small and medium-sized social enterprises suffering from COVID-19 and to promote co-prosperity. In collaboration with the Center for Social Value Enhancement Studies (CSES), the KDIC assessed each candidate based on the degree of damage caused by COVID-19, relevance to the Korean New Deal in areas like digital, green, and safety nets, and the possibility of continued collaboration. Following a non-face-to-face video screening process, 14 social economy enterprises were selected to receive growth support grants.

In addition, sustainable collaboration projects with selected social economy enterprises were identified and promoted to revitalize the social economy and create jobs. Through the Social Value Sharing Day campaign, KDIC employees collected and donated about 600 household items. The donations went to Forest Story, a social enterprise employing people with developmental disabilities, thereby contributing to resource recycling, environmental protection, and maintaining employment and self-reliance for people with disabilities.

The KDIC also collaborated with Remann, an IT social enterprise, to donate personal computers, which the KDIC would normally just discard or give away, to the socially disadvantaged such as local children's centers and senior welfare facilities after significantly upgrading their performance by replacing parts and reinstalling software. This contributed to increased sales of the social enterprise and access to information as well as preserving the environment. Nanum Food, a local children's meal service and red ginseng processing company, was invited to the KDIC farmers' market to promote their excellent products and increase sales.

The KDIC's sponsorship and collaboration projects with 14 social enterprises contributed to the employment retention and job stability of 289 staffers working in those enterprises. In the future, the KDIC plans to identify and promote sustainable cooperative projects with selected social economy enterprises, while expanding these efforts by finding more social economy enterprises related to the Korean New Deal.

## **(2) Establishing Fair Economic Order through the Introduction of the KDIC Best Practice Model for Contracting**

The KDIC introduced and implemented the KDIC Best Practice Model for Contracting to cultivate a fair dealing culture with business partners, based on government guidelines.

Among the major contents of the model is an advance inspection checklist for unfair transaction conditions in contracts where the KDIC gets revenue from charging user fees to consumers, etc. In addition, the existing checklists for preventing abuse of power and service bidding were revised to include provisions for guaranteeing business execution period of partner companies, checking the status of KDIC retirees hired when signing a private contract, checking the use of co-subcontractors, and checking the appropriateness of the expected price.

In addition, the KDIC operated an integrity monitoring system that checked the fairness of contract work by directly contacting subcontractors after signing the contract as well as a reporting center to tip off difficulties and complaints experienced during project execution with the KDIC. These efforts contributed to establishing the principles of fair trade in compliance with government guidelines.

## 4. Safety and the Environment

### Establishment of Safety and Public Health Management System

#### (1) Establishing a Safety And Public Health Management System

The KDIC established a safety and public health management system by prioritizing the life, safety, and health of workers and the general public in promoting projects and managing facilities. Relevant work included the enhancement of the department concerned with necessary regulations, conducting a risk assessment for risk factor management in the workplace, and gaining the Occupational Health and Safety Management Systems (ISO 45001) standard certification.

First, senior executives of the KDIC declared that safety would take top priority in the management of the Corporation at a ceremony announcing the safety and public health management policy. Direct management of safety and public health work was institutionalized by placing the relevant department under the control of the KDIC Executive Vice President.

The Health Environment Management Taskforce was established, in addition to the safety management team in the Office of Safety Management, to carry out safety and health tasks in a systematic manner. Two new specialists were hired to strengthen the Corporation's safety and public health expertise. Meanwhile, in consideration of the importance of safety and health, the Safety and Public Health Management Regulations were drawn up to replace the existing Safety Management Rules. In order to embed the management of health and safety in everyday work, the KDIC began operating the Occupational Safety and Health Committee and the Safety and Health Council and took prevention measures against industrial disasters that can happen during contract projects.

At the same time, all internal and external tasks, projects, events, and related activities were managed to remove or minimize the impact of risk factors through risk assessments across all departments. The KDIC management carried out company-wide safety accident prevention activities, such as conducting on-site inspections of the company's headquarters and the workplaces of employees of the facility management subsidiary.

As a result of these efforts, the KDIC received the ISO 45001 certification, following an external professional organization's documentary and on-site examination of the Corporation's safety and health management system.



**Photo III-5** Establishment of the KDIC Safety and Public Health System



On-site Safety Check by the KDIC Chairman & CEO



ISO 45001 Certificate Award Ceremony

**(2) Conducting Safety and Health Education for the Spread of a Safety Culture**

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

First, a non-face-to-face disaster safety training center was installed in the KDIC building to teach cardio-pulmonary resuscitation (CPR) and how to use a fire extinguisher in case of an emergency such as cardiac arrest or fire. The training was conducted for groups of four people at a time, to comply with COVID-19 quarantine guidelines.

In addition, in order to enhance the safety management capabilities of the bankruptcy estate staff, public health specialists from the Corporation visited each bankruptcy estate and provided first-aid training such as CPR and instructions on using the automated external defibrillator (AED) to employees.

Meanwhile, to increase employees' understanding of safety accidents that can occur in their daily work environment, various safety and health training videos were posted on the KDIC internal portal so that all employees could access safety knowledge at any time, including the life safety rules and practices for preventing musculoskeletal disorders, distributed by the Ministry of the Interior and Security.

In the future, the KDIC plans to develop customized safety and health education suitable for office workers to raise employees' safety awareness using training on how to use CPR and AED for all employees, seasonal health management, and reduction of job stress, administered under the direction of the Office of Safety Management.



Safety Training (Fire Drill)



First Aid Training at a Bankruptcy Estate

## 5. Ethical Management

As part of efforts to achieve “internalization of social values centered on fairness, ethics and duties,” the KDIC introduced an ethical management system in a bid to operate the Corporation according to business procedures that are aligned with moral standards and is accelerating its implementation.

In 2020, the Anti-bribery Management Systems (ISO 37001) standard was pursued to bring the KDIC’s ethical management in line with international standards. First, the KDIC Chairman & President established an Anti-corruption Policy and distributed it to the Corporation and its subsidiaries. Various types of integrity messages, including the Integrity Letter, were disseminated to promote ethical awareness among executives and staff. Efforts were also made to encourage self-reflection of values and practices within the Corporation.

In addition, the KDIC conducted its own anti-corruption risk assessment across all departments and obtained the anti-corruption system certification through a rigorous, two-stage evaluation, proving that it has a high level of anti-corruption system in place.

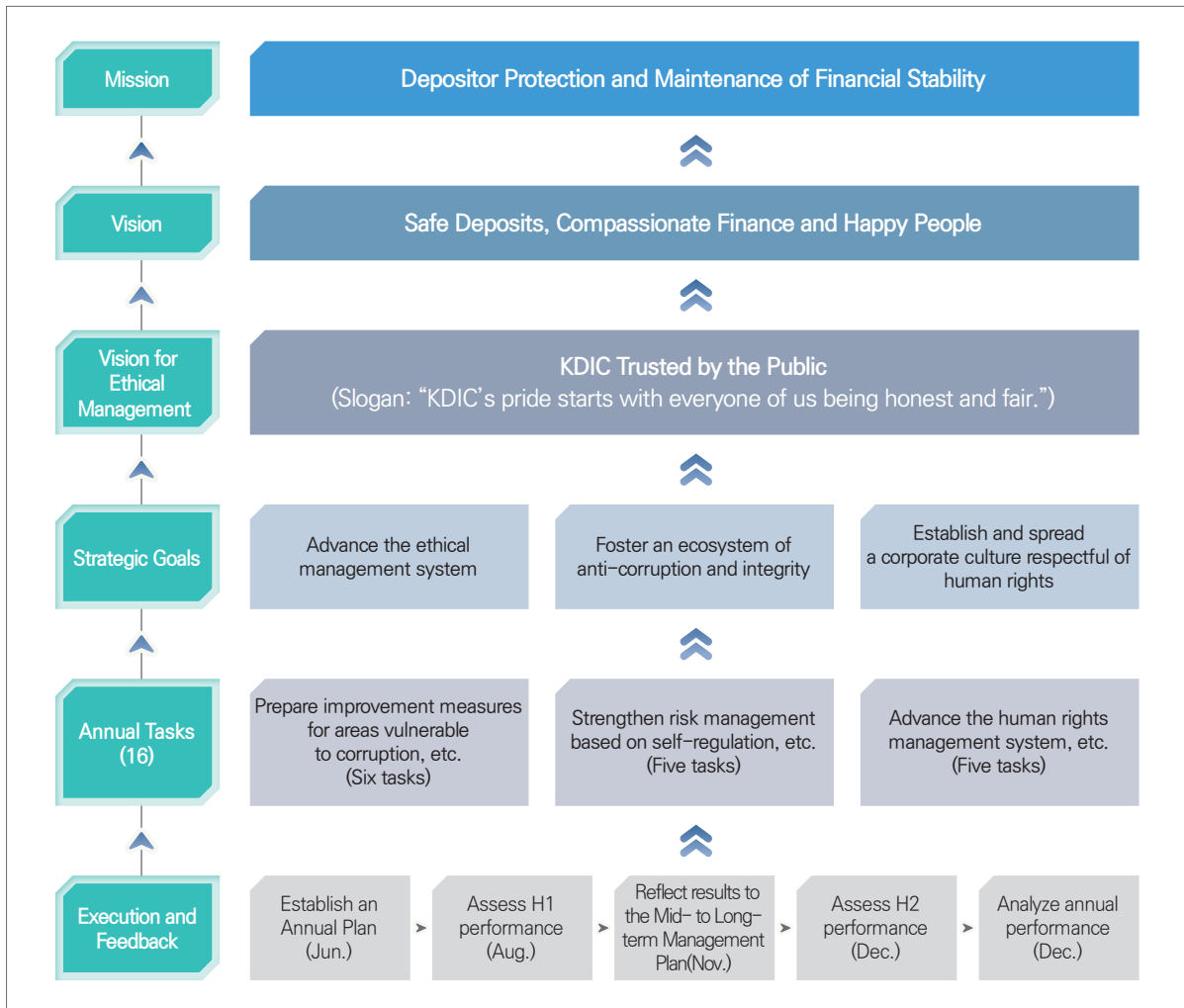
Furthermore, the Integrity Monitoring System was launched to prevent cases of unfairness and abuse of power against contract counterparties. The newly launched “Measures to Strengthen Management of Job-related Contact with Outside Parties” were prepared to remove at source potential risks of corruption that can occur in the course of work. For example, employees coming into contact with outside parties were required to attend the meeting in a group of two or more, in an open place where recording is possible.

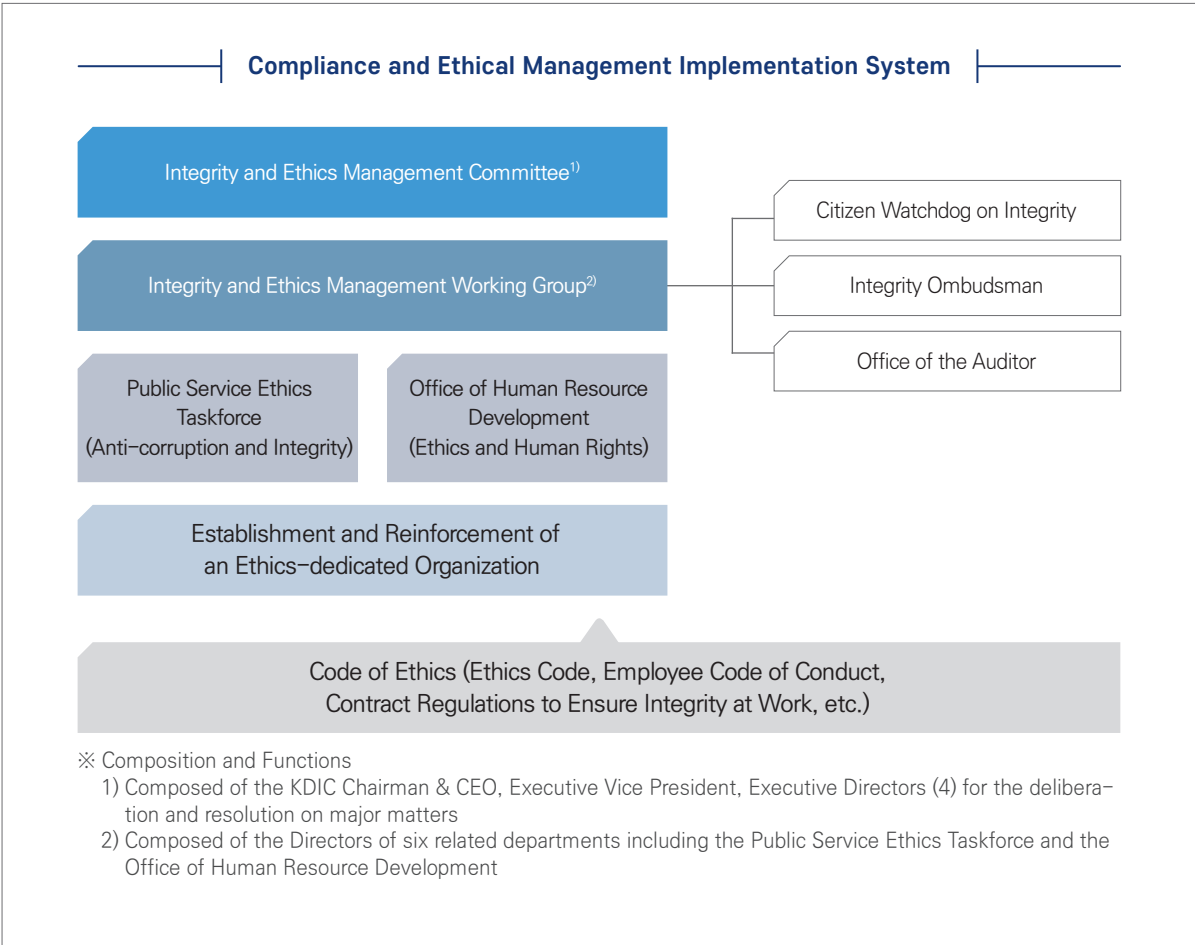
The holding of Integrity Day each month and regular posting of Integrity Talks were used to transmit messages on integrity. Efforts were made to establish a culture of integrity and ethical management and reinforce the moral sensibility of employees by watching “Integrity Plays.”

The KDIC is also responding to the government’s emphasis on human rights and the National Human Rights Commission’s recommendation to implement the human rights management manual. The Human Rights Management Committee, which is composed of various stakeholders such as external experts on human rights and members of the labor union, was held to discuss and confirm the direction and plan for the promotion of human rights management. In order to prevent human rights violations and strengthen reporting and remedies, the human rights management system was upgraded through the revision of related bylaws which provide diversified channels for reporting human rights violations including online, mail and fax. The Corporation is also proactively discovering and addressing factors responsible for human rights violations through continuous impact assessments.

The KDIC will continue to perform its social responsibilities including respect for human rights as a public institution going forward.

**Table III-5 Strategic Map for Ethical Management**







# 04

## | Stronger Financial Consumer Protection

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

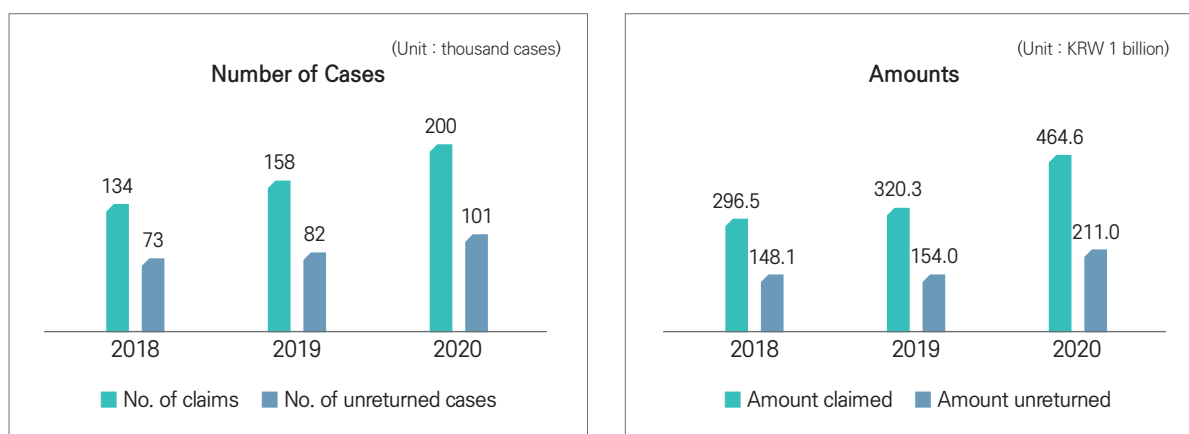
## 1

# Legislation of the Scheme to Support the Return of Misdirected Money Transfers

## 1. The Need for the Scheme

The increased number of non-face-to-face financial transactions due to the spread of internet and mobile banking as well as the impact of COVID-19 has brought greater convenience in financial transactions, while also increasing the number of misdirected money transfers each year.

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



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

\* Estimated cost of over KRW 600,000 (USD 530) and litigation period of over 6 months for a case of misdirected money transfer of KRW 1 million (USD 880)

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

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

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

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

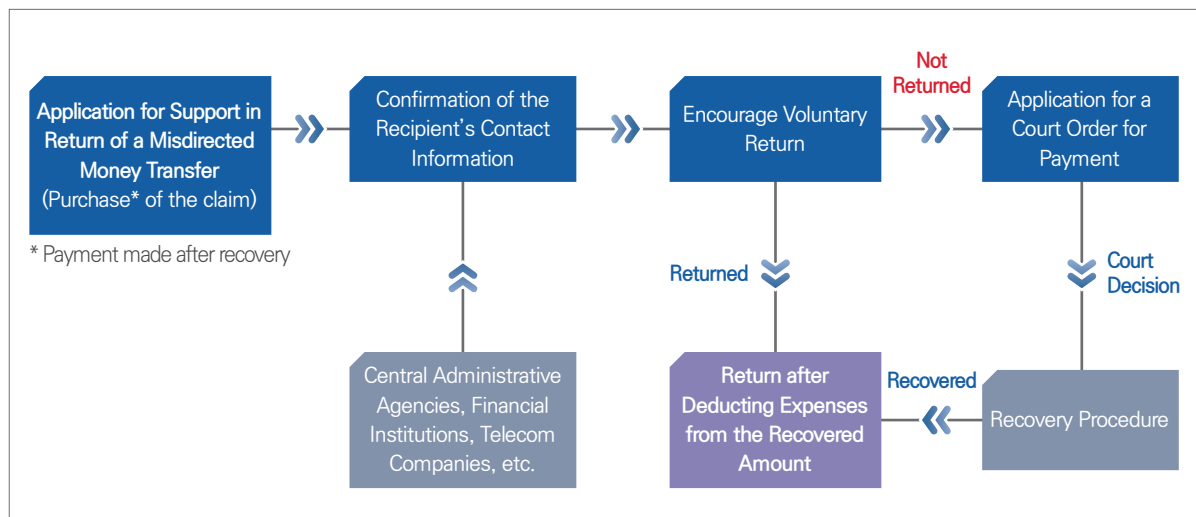
In addition, efforts were made to reflect appropriate ideas in the design of the scheme through such means as information sharing with relevant institutions like the Financial Supervisory Service (FSS) and the Korea Financial Telecommunications and Clearings Institute (KFTC) and opinion gathering through the public participation group. The KDIC was also able to build public consensus through PR activities on the need to introduce the scheme.

As a result, amendments to the Depositor Protection Act to introduce the Scheme to Support the Return of Misdirected Money Transfers passed the plenary session of the National Assembly on December 9, 2020. In this way, the KDIC was able to enact legislation within two years of initiating discussions through active efforts to improve the scheme, persuade the National Assembly, and build public consensus.

### 3. Efforts for the Seamless Implementation of the Scheme to Support the Return of Misdirected Money Transfers

The Scheme to Support the Return of Misdirected Money Transfers will be launched on July 6, 2021. When an application is made to the KDIC from a person who misdirected a money transfer, the KDIC acquires contact details of the recipient of the misdirected money transfer to make recoveries through methods such as encouraging voluntary return. Then the recovered amount will be returned to the applicant after deducting the KDIC's expenses.

**Figure IV-2** Procedures to Support the Return of Misdirected Money Transfers



In order to implement the new scheme in a seamless manner, the KDIC will prepare the necessary enforcement decree and related internal regulations and an appropriate IT system. It will also continue efforts to promote the scheme to increase public awareness and to make the scheme convenient for the public's use.

When the scheme comes into operation, it is expected to recover losses incurred by persons misdirecting money transfers swiftly and at a low cost, in addition to reducing social costs arising from the reduced number of unnecessary lawsuits due to the KDIC's guidance for voluntary return, increasing financial consumer convenience and promoting financial innovation. This additional duty in depositor protection will also make a significant contribution to strengthening the public nature of the KDIC's role as an active financial consumer protection organization.



## 2

## Efforts to Enhance Financial Consumer Protection

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

#### Support to Financial Authorities' Inspection of Fraud-prone Sectors including Private Equity Funds

The continued trend of low interest rates in financial markets prompted a growing number of retail investors to jump into investments in high-risk financial products such as private equity funds and peer-to-peer (P2P) lending. As a result, incidents of financial fraud or improper practices have been on the rise, making retail investors vulnerable to huge losses. Frequent incidents of consumer damages could undermine investors' trust in financial markets and evolve into systemic risks. As such, the financial authorities decided to launch comprehensive inspections on targeted areas of financial consumer damage including private equity funds and P2P lending, and formed a special examination team at the FSS.

In guiding the formation of the special examination team, the Financial Services Commission (FSC) requested the participation of KDIC staff well-versed in financial institution examination and inspection. The KDIC decided to provide full support drawing on its expertise in stabilizing the financial market and protecting financial consumers. In particular, the KDIC aimed to provide support for the smooth conduct of the comprehensive inspections to prevent a crisis occurring at financial institutions not covered by deposit insurance, like private equity funds and P2P lenders, and spreading to insured financial institutions, such as banks, at an early stage and thereby promote stability in the overall financial system. Accordingly, the KDIC dispatched a total of nine staff members with ample experience in inspections and examinations to the Private Equity Fund Examination Team and the P2P Inspection Taskforce. It plans to provide manpower support until the end of these special units' operation in 2023.

Meanwhile, the KDIC set up its own taskforce to support the protection of financial consumers in July 2020, to prepare the Corporation in its timely response to the comprehensive inspections on targeted areas of financial consumer damage and follow-up actions. This taskforce was established to monitor the inspections on private equity funds and P2P lenders and prepare protocols for follow-up work such as administration and liquidation to expedite the resolution of insolvent private equity firms.

## Performing Administration and Liquidation of PEF Firms

The suspension of redemptions in private equity funds (PEFs) that occurred from 2019 were followed by other PEF firms becoming insolvent in 2020. The financial authorities were called on to take measures such as taking insolvent PEF firms under administration to prevent further damage to investors, and drum out those in deep trouble from the market. The KDIC has extensive experience in the resolution of insolvent financial institutions, including the administration of troubled financial institutions as well as asset recovery and liquidation during bankruptcy. Using these experiences and expertise, the KDIC took charge of the follow-up work related to the three PEF firms which became insolvent in 2020 and performed its work in an orderly manner to minimize investor damage.

In June 2020, the FSC issued an order for Optimus Asset Management, which became unable to conduct normal business activities due to the illegal actions and resignation of former employees, and appointed staff members of the KDIC and the FSS as administrators. The KDIC administrator was responsible for managing the own property of the asset management company to prevent further illegal activities such as embezzlement by executives and employees, and provided support to protect the fund victims. The taskforce to support the protection of financial consumers also provided assistance based on the characteristics of the PEF sector through continued consultation with the administrator.

Meanwhile, two PEF firms had their hedge fund business license and registration revoked in December 2020, formally dissolving them and leading to the liquidation process to resolve the remaining assets. For Lime Asset Management, which had its hedge fund registration revoked as a sanction against illegal fund management, a KDIC representative was appointed as liquidator to oversee investor protection and a smooth liquidation process. In addition, Monolith Asset Management, which was issued a business improvement order (a form of prompt correction action) due to insufficient capital, was unable to meet the requirement and had its hedge fund license and registration revoked. Subsequently, the FSC appointed the KDIC as liquidator.

To facilitate the smooth progress of liquidation work of these two PEF firms, the KDIC produced liquidation work manuals based on past cases of bankruptcy and liquidation of PEF companies and conducted training sessions for staff tasked with the liquidation work. Also, the KDIC provided support staff to the liquidator to ensure activities such as notice to present claims and preservation of claims could be performed without delay. These efforts accelerated the liquidation process without further damage to financial consumers. The KDIC plans to prepare for future insolvencies of PEF firms by sharing its experiences accumulated in performing the administration and liquidation of PEF firms throughout the Corporation.

**Table IV-1** Administration and Liquidation of PEF Firms

Company Name	Measure Ordered	Date of Order	Status of KDIC staff Dispatched
Optimus Asset Management	Order issued	June 30, 2020	Administrator and one support staff
Lime Asset Management	Registration revoked	December 2, 2020	Liquidator and one support staff
Monolith Asset Management	License and registration revoked	December 2, 2020	Representative of the liquidator and two support staff

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

### Inspection of Compliance with Requirements for Deposit Insurance Signage Display, Coverage Explanation and Confirmation Using Non-face-to-face Methods

Pursuant to the Depositor Protection Act, all insured financial institutions must comply with the KDIC's requirements for signage display, coverage explanation and confirmation of customer understanding for such purposes as prevention of mis-selling. The KDIC conducts regular inspections to ensure their compliance through various means, including visits to insured financial institution branches for on-site examinations and monitoring of their internet websites.

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

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

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

The KDIC has conducted on-site inspections of insured financial institution branches to check compliance with the scheme for KDIC signage display, deposit insurance coverage explanation and confirmation every year. In 2020, however, to respond to the spread of COVID-19, the Corporation introduced a non-face-to-face inspection in which the branches filled out and submitted self-inspection forms. This method was used to complete the inspection for around 10,000 branches across five financial sectors. These non-face-to-face inspections had the effect of raising awareness of the scheme at insured financial institutions and laid a foundation for autonomous implementation of the scheme going forward.

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

### Increased Publicity and Education Regarding the Deposit Insurance Signage Display, Coverage Explanation and Confirmation Scheme

The successful take-up of the deposit insurance signage display, coverage explanation and confirmation scheme depends on the accurate understanding of the details by financial institution staff to apply the scheme in their daily work. As such, the KDIC actively pursued publicity and education activities for staff members of financial institutions.

In particular, in view of the damages incurred by financial consumers as a result of mis-selling of investment products such as derivatives-linked funds (DLFs), the KDIC decided to strengthen operation of the signage display requirements for unprotected financial products. Accordingly, print materials outlining the depositor protection system (leaflets and table-top stands) were revised to focus more on financial products excluded from depositor protection. Also, two videos were produced to better inform insured financial institutions as well as financial consumers about the scheme, using various social media outlets including the KDIC website and YouTube.

Additionally, the KDIC is conducting continuous training on the depositor protection system and the scheme aimed at employees of insured financial institutions.

### 3. Stronger PR on the Depositor Protection System Online and Non-face-to-face

In 2020, the KDIC engaged in promotional initiatives with a focus on online and non-face-to-face methods of delivery due to the COVID-19 situation. Various promotional channels such as video contents, online platforms like Kakao and Naver, and TV commercials were used to enhance promotional effect.

First, various video contents were produced and uploaded to revitalize the KDIC YouTube Channel. Unlike existing PR video content, the new content was produced using a diverse range of composition and shooting methods to make it more interesting. Video contents like Office Worker Video Blogs (Vlogs), PR for Social Enterprises and PR Videos for PF Assets on Sale were produced in a new style, attracting a lot of interest from YouTube users. In addition, these PR channels referred to the KDIC's major work areas in a natural, conversational way to promote the Corporation's work.

Figure IV-3 Strengthening Public Relations Using Various Channels



Office Worker Vlog



PR for Social Enterprises



PR Videos for PF Assets on Sale

Next, the Corporation actively carried out public relations activities using online platforms such as KakaoTalk and Naver blog, which are the most popular and frequently used in Korea. Recently, KakaoTalk emoticons, featuring KDIC mascot characters - Yeteuni and Yesomi - and a message related to COVID-19, were produced and distributed to young people in their 20s and students. In addition, by engaging creative strengths of the social media press corps, the scope and quantity of contents related to the KDIC as well as finance and economy posted on the blog were expanded to attract more users.

**Figure IV-4** Promotional Activities Using Online Platforms



Finally, television (TV) commercials were transmitted on the most reliable terrestrial TV, comprehensive programming and regional channels. TV commercials were transmitted during times of highest viewing figures for people in their 50s and 60s. Accordingly, the Corporation was able to increase exposure to people in these age groups and raise awareness and understanding of the depositor protection system.

## 3

## Protection of Financial Consumers of Insolvent Financial Institutions

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### 1. Alleviation of Inconveniences to Financial Consumers During Conservatorship

The ongoing restructuring of failed mutual savings banks that began in the second half of 2012 has enabled ‘resolution without interruption in financial services.’ This approach shortened the duration of conservatorship of failing saving banks and thus sharply reduced depositors’ hardship.

In the past, a depositor with a deposit of less than or equal to KRW 50 million could only access his or her deposit in the form of a provisional payment or deposit-secured loan for about three months following business suspension of their mutual savings bank. Under the new resolution method, depositors can continue to make financial transactions without interruption. A person with a deposit of more than KRW 50 million can now manage his or her funds more efficiently even if their bank fails because payment of deposit insurance claims and advance payment of bankruptcy dividends have been brought forward by approximately five months, too.

The shortened conservatorship period benefits, not only depositors, but also the KDIC, because it reduces human resources needs and costs, including labor costs.

## 2. Efforts for the Payment of Uncollected Claims to Depositors

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

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

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

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

### Operating Services for the Payment of Uncollected Claims

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

#### (1) Establishment of an Integrated Management System

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



In addition, the expanded network of payment agents and branches now means that all unclaimed funds can be collected at over 300 payment agent branches (Nonhyup Bank, Kookmin Bank and Industrial Bank of Korea branches), irrespective of the type of bankrupt financial institutions.

### **(2) Reinforcement of Coordinated Services with Related Agencies**

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

### **(3) Strengthened Publicity through Improved Guidance**

Furthermore, the KDIC pursued various tailored guidance and publicity activities to meet depositors' specific needs. These included the sending of individual notices to eligible claimants in cooperation with the Ministry of the Interior and Safety; the publishing of newspaper ads during periods when most dividends are paid out; the distribution of leaflets through payment agents; the furnishing of leaflets in 310 senior welfare centers in cooperation with the Korea Association of Senior Welfare Centers; the sending of mail notices to heirs of deceased claimants and corporate claimants; and individual notices to large claimants.

### **(4) Increased Convenience through Improved Payment Procedures**

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

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

These strenuous efforts proved effective in many ways, especially in regards to increased user convenience, with improved public accessibility and growing awareness of the deposit insurance system and uncollected claims. The balance of uncollected claims fell to KRW 4.26 billion by the end of 2020, which represented a KRW 460 million reduction on the previous year's figure.

Figure IV-5 Newspaper Advertisements, Promotional Leaflets and Videos





# 05

## | Advancement of the Deposit Insurance System and International Cooperation

- 1. Improvement of the Deposit Insurance System
- 2. Research on Deposit Insurance Systems and Financial Stability
- 3. International Exchange and Cooperation

## 1. Revision of the Depositor Protection Act

The amendments to the Depositor Protection Act and the Act on the Structural Improvement of Agricultural Cooperatives to provide for the exclusion of 36 regional cooperatives licensed to sell funds from the KDIC's coverage and include deposits in regional cooperatives under the coverage of the Cooperative Banking Depositor Protection Fund passed through the plenary session of the National Assembly in April 2020 and came into effect from November 27, 2020. Accordingly, the 36 regional cooperatives licensed to sell funds were removed from among financial institutions covered by the KDIC.

In addition, the amendment to the Depositor Protection Act to provide for the introduction of the Scheme to Support the Return of Misdirected Money Transfers passed through the plenary session of the National Assembly on December 9, 2020 and is due to come into effect from July 6, 2021. The Scheme aims to provide speedy recovery of financial losses due to mistaken transfers of money and provide greater convenience for financial consumers in view of increased numbers and amounts of misdirected funds transfers owing to the growing popularity of internet and mobile banking and other forms of non-face-to-face financial transactions since COVID-19. The amendment includes i) a clear basis for providing support to recoup and return misdirected money transfers; ii) creation and operation of an account to support the return of misdirected money transfers; iii) purchase of related claims (for the return of unfair enrichment) using ex-post settlements; iv) requirements for related organizations and telecommunications operators to provide necessary information to ensure successful scheme operations, etc. Accordingly, a new financial consumer protection component was added to the KDIC's mandate, thereby laying a foundation to perform its role in enhancing financial transaction stability.

Furthermore, the amendment to the Depositor Protection Act passed in December 2020 also included the basis for the early return of the remaining assets of the Deposit Insurance Fund Bond Redemption Fund (Redemption Fund) to the Public Fund Redemption Fund, thereby providing clear legal footing to allow a portion of the remaining assets to be reverted to the Public Fund Redemption Fund, even before the eventual liquidation of the Redemption Fund.

In other areas, the KDIC effected an improvement to its deposit insurance premium calculation criteria through a revision of the Enforcement Decree of the Depositor Protection Act in June 2020. Major improvement areas include the removal of deposits (policy reserves in the case of insurers) pledged as loan collateral from the assessment base on which deposit insurance premiums are charged and changing the criteria for calculating liability reserves (a component of the assessment base of premiums for insurance companies) from the year-end balance to the average yearly balance, to achieve consistency with other financial sectors. However, in order to maintain stability of the Deposit Insurance Fund (DIF), these improvement measures were implemented so as not to affect the redemption of funds injected into the resolution of insolvent financial institutions in the past.

## 2. Revision of the Act on the Structural Improvement of the Financial Industry

The amendment to the Act on the Structural Improvement of the Financial Industry stipulating the introduction of Recovery and Resolution Planning (RRP) for large financial institutions to strengthen preemptive crisis management planning was passed through the plenary session of the National Assembly in December 2020 and will come into effect from June 30, 2021.

The revised law includes i) the legal basis for designation of systemically important financial institutions (SIFIs); ii) preparation of Recovery and Resolution Plans (RRPs); iii) temporary suspension of early termination rights, etc. This legal revision will introduce a resolution system for SIFIs that meets international standards and thereby bring Korea's resolution scheme in closer alignment with international standards for SIFI resolution and contribute to enhanced stability in the financial system.

## 1. Research on Deposit Insurance Systems and Financial Stability

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

In the midst of the global shock caused by the outbreak of COVID-19 at the beginning of 2020, the KDIC engaged in active research from the initial stages of the pandemic regarding the spread of COVID-19 to keep tabs on the evolving situation, economic forecasts, policy trends in major countries, and responses by international organizations. By analyzing environmental changes and potential risk factors caused by COVID-19 and sharing them throughout the Corporation, support was provided to respond smoothly to the COVID-19 crisis.

Also, major research papers from international organizations were introduced and implications derived to deal with rapid changes in the financial environment including the expansion of fintech and entry of big tech companies into the financial industry. Research findings and trends on deposit insurance-related policies and reforms from international organization such as the Financial Stability Board (FSB) and the International Association of Deposit Insurers (IADI) were monitored regularly and shared with relevant departments.

Furthermore, the KDIC conducted intensive research on economic and financial issues in response to the crisis caused by the spread of COVID-19. Research conducted included: i) identification of risk factors arising from the prolonged COVID-19 pandemic to measure potential insolvency of insured financial institutions such as banks; and ii) cases of preemptive financial support to financial institutions in other countries to

block systemic risks caused by the spread of insolvency in the financial sector and the derivation of policy implications from those cases.

The issue of mis-selling and financial consumer protection has become a hot topic due to the recent scandal in the private equity fund sector. The KDIC studied the case of the Fair Fund in the U.S. and shared the direction for effective investor loss compensation both internally and externally. A wide range of other research was conducted including a case study of senior financial consumer protection in Japan.

In other areas, to raise interest in the deposit insurance system from the younger generation and for early discovery of talent the KDIC initiated a new thesis contest for university students (including graduate school students) in the fields of deposit insurance and financial stability. As a result, 50 students from ten universities participated in the contest and numerous papers with expert-level analysis and innovative ideas were received.

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

**Table V-1** Major Research on Deposit Insurance Systems and Financial Stability in 2020

Subject	Title
Research on Improving the Deposit Insurance System	<ul style="list-style-type: none"> <li>• Future Trend of the COVID-19 Pandemic and Economic Outlook</li> <li>• Changes to Financial Environment and Potential Risk Factors Due to COVID-19</li> <li>• Improvement of the KDIC's Stress Test Model</li> <li>• Analysis on the Effect of Introducing the Risk-based Premium System and Model Consistency</li> <li>• COVID-19 Pandemic: Financial Stability Impact and Policy Responses (FSB)</li> <li>• Ensuring Business Continuity and Effective Crisis Management Activities for Deposit Insurers (IADI)</li> </ul>
Financial Stability Research in Relation to Current Issues	<ul style="list-style-type: none"> <li>• Plan to Improve Risk Surveillance by Analyzing Savings Bank Insolvencies by Type</li> <li>• International Standards on the Protection of Senior Financial Consumers, a Case Study of Japan</li> <li>• IMF's Stress Test Assessment and Implications</li> <li>• Changes in the Financial Industry Following the Introduction of Open Banking and Implications</li> <li>• Major Contents of the Recovery and Resolution Planning Scheme and Policy Implications</li> <li>• Operational Status of the Fair Fund in the U.S. and Implications</li> <li>• Corporate Bond Risks and Policy Responses in the U.S. and Korea</li> <li>• Review of Recent Discussions on the Negative Interest Rate Policy by Central Banks</li> <li>• Review of Global Financial Risk Using Stress Test Scenarios of Major Countries</li> <li>• Management Performance and Risk Analysis of Life Insurance Companies in an Environment of Low Interest Rates</li> </ul>

## 2. Sharing of Research Results

### Hosting of Academic Events and Publication of Journals

In 2020, the KDIC hosted academic events to reflect on social issues and actively shared its research results internally and externally in order to promote understanding of current financial issues.

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

The 2020 KDIC Policy Symposium was co-hosted with the Korea Money and Finance Association to set the stage for discussion on financial environment changes and financial stability in the Post-COVID era with academic scholars and related organizations. In particular, the event was conducted in a completely non-face-to-face manner through the KDIC's YouTube channel in consideration of the COVID-19 situation, increasing the number of participants and achieving diversification of audience.

The Deposit Insurance Research Forum discussed issues related to investor protection in light of the recent scandal involving private equity funds and the direction for improvement of ex-post investor loss compensation. The forum was also conducted using an online method and many experts in the financial and legal fields, based in academia and research institutes, participated to share various opinions and discuss policy issues.

**Photo V-1** Policy Symposium (November 2020)





**Table V-2 Academic Events Held in 2020 and Presentation Topics**

Date	Date	Program Contents
Policy Symposium	Nov. 2020	<ul style="list-style-type: none"> <li>• Topic: Financial Environment Changes and Financial Stability in the Post-COVID Era</li> <li>• Co-hosted with the Korea Money and Finance Association</li> <li>• Presentation: Session 1 (Financial industry outlook and policy tasks after the COVID-19 crisis) Session 2 (Domestic and Foreign Policy Responses to COVID-19 and Future Tasks of the Financial Safety Net)</li> </ul>
Deposit Insurance Research Forum	Jul. 2020	<ul style="list-style-type: none"> <li>• Collecting expert opinions regarding how to respond to problems in the private equity fund sector</li> <li>• Direction for further development of stress testing in response to the COVID-19 crisis</li> </ul>
	Dec. 2020	<ul style="list-style-type: none"> <li>• Legal and institutional issues related to investor protection in the recent scandal involving private equity funds</li> <li>• Direction for the improvement of ex-post investor loss compensation</li> </ul>

Meanwhile, the KDIC supported professional and creative research on deposit insurance systems and stability of the financial system and published those findings in the Financial Stability Studies (an academic journal registered with the Korea Research Foundation) and a collection of theses which was submitted to a contest for research funding.

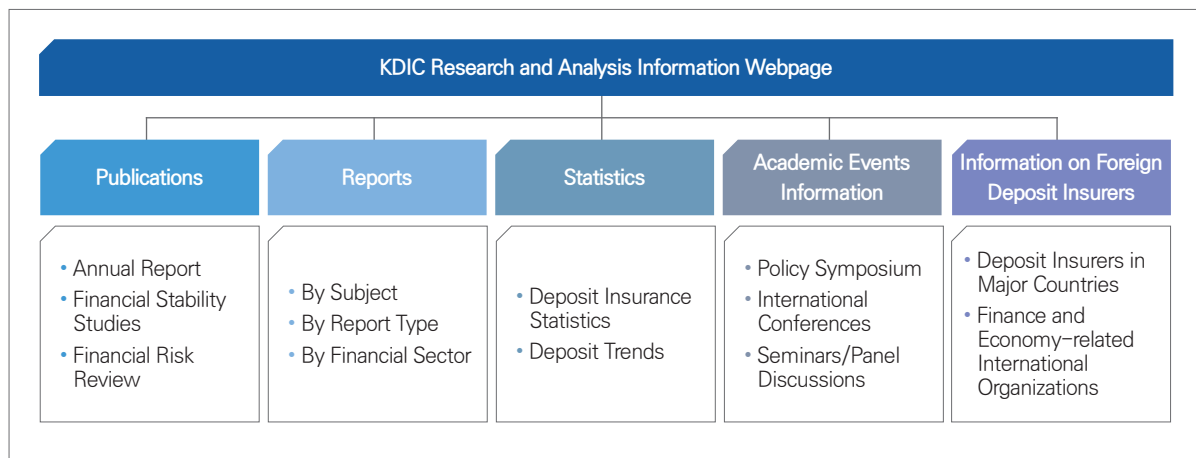
**Table V-3 Major Publications in 2020**

Title	Key Theses Published
Financial Stability Studies (Vol. 21; Issues 1&2)  	<ul style="list-style-type: none"> <li>• A Study on Compensating Consumers of Failed Financial Institutions for Mis-selling</li> <li>• The Effect of Korea-US Interest Rates Co-movement on Financial Stability Conditions in South Korea</li> <li>• An Evaluation of Risks in Korean Non-recourse Mortgages</li> <li>• Analysis and Implications of Judgments Related to Financial Institutions' Accountability in Insolvencies – Focusing on Insolvency Accountability of Savings Banks</li> <li>• Systemic Risk and the Role of Deposit Insurance Authority in Korea</li> <li>• A Study on Determinants of Credit Constraint in Korean Households</li> <li>• Savings Banks' Outside Director Activity and Loan Delinquency: CEO and Outside Director's Tenures and Profitability</li> <li>• Prediction of Exchange Rates and Capital Flows via the Relative Nelson-Siegel Factors</li> <li>• The Study on the Role of Text Data in the Financial Early Warning System</li> </ul>
Collection of Theses Submitted to a Contest for Research Funding (Vol. 17)  	<ul style="list-style-type: none"> <li>• Impact of COVID-19 Shock on Financial Industry System Risks through the Stock Network: Comparison with an Economic Shock</li> <li>• The Impact of COVID-19 on Financial System Risk</li> <li>• The Relationship between Changes in the Composition of Assets and Liabilities and Insolvency of Savings Banks</li> <li>• A Study on Predicting Financial Institution Insolvency Using Machine Learning Techniques</li> <li>• Public Law Review on Organization and Authority of the Korea Deposit Insurance Corporation</li> </ul>

## Launching of the KDIC Research and Analysis Information Webpage

The KDIC created the KDIC Research and Analysis Information Webpage to allow easy public access to its research findings and formally launched its service on February 5, 2020. The webpage is an online knowledge platform to share research findings relating to the financial system and financial policy accumulated since the establishment of the KDIC. As of the end of 2020, a total of 4,000 research materials are posted and divided into five categories (13 sub-categories) according to content and subject type.

**Figure V-1** KDIC Research and Analysis Information Webpage Categories



Users can access the webpage (at <http://www.kdic.or.kr/krai>) using personal computers or mobile devices to search research materials tailored to their needs, download files and share them via social media outlets. It is hoped that financial institutions and consumers will find this source of up-to-date research and analysis on financial stability useful for their own research and understanding of current issues facing the financial industry.

**Figure V-2** Main Page of the KDIC Research and Analysis Information Webpage



## Organization-wide Workshop

The new normal in times of COVID-19 brought many changes in the real and financial environment and based on its judgment that proactive response was needed, the KDIC, as an important part of the financial safety net, studied these environment changes and analyzed potential risk factors in the post-COVID-19 era.

It also held a workshop bringing together all senior executives and department heads to share and discuss research findings. Efforts were made to actively overcome the unprecedented pandemic by supporting the establishment of detailed responses for each department. As a side note, this workshop was the first of its kind to be conducted using both face-to-face and online formats at the same time, in strict compliance with COVID-19 quarantine guidelines.

**Photo V-2** Organization-wide Workshop (July 2020)



**Table V-4** Major Topics Addressed at the Organization-wide Workshop

Category	Date	Main Presentation Topics
Organization-wide Workshop	Jul. 2020	<ul style="list-style-type: none"> <li>• Topics: (Session 1) “Major Environmental Changes Due to COVID-19” (Session 2) “The Financial Environment and Potential Risk Factors Post-COVID-19”</li> <li>• Format: Conducted using both face-to-face (Senior Executives and key dept. heads) and online (other dept. heads) formats in view of COVID-19 social distancing guidelines</li> </ul>

## 1. Global Leadership in International Organizations Including IADI and IFIGS

### Active Global Leadership Using Digital Platforms in Response to COVID-19

The International Association of Deposit Insurers (IADI) is an association of deposit insurers from all over the world, consisting of 110 deposit insurers including 86 members, eight associates, and 16 partners. As a founding member of the IADI and a member of the IADI Executive Council, the KDIC plays a leading role in policy and decision making. The year 2020 posed challenges to international exchange and cooperation using conventional methods due to the travel constraints brought about by COVID-19. The KDIC sought to overcome these challenges by establishing a digital-based international cooperation system to engage in communication with IADI members using online platforms such as video conferencing and webinars.

First, during the 19th IADI Annual General Meeting held virtually, the KDIC participated in key decision-making as a member of the Executive Council (EXCO) including the setting of strategic goals and appointment of new EXCO members. As Chairperson of the Asia-Pacific Regional Committee (APRC), the KDIC Chairman also presented a report on major activities of the APRC including membership trends within the region and webinars held. In addition, as a member of the IADI Strategic Planning Working Group (SPWG), it gathered APRC members' opinions on IADI's strategic goals and discussed issues like the follow-up measures for additional reform of the Differentiated Fee Model (DFM). In a total of four SPWG meetings, discussions were held to review the current DFM in consideration of other criteria which could be utilised to differentiate members into appropriate annual fee categories. Furthermore, the KDIC sought to provide leadership through communication by continuing to share the discussions of SPWG with other members and listening attentively to the position of each member organization during the three APRC meetings held in 2020.

In addition, the KDIC chaired meetings, kept track of the many activities of regional member organizations and managed the operation of the APRC Secretariat to promote exchanges and cooperation among deposit insurers in the IADI APRC. In particular, in March 2020, it conducted a survey of APRC members to find out how they were dealing with COVID-19 as part of an effort to create a global cooperation system to jointly respond to the rapid spread of COVID-19. After analyzing the results of the survey, an interim APRC meeting was held in May 2020 to share the relevant contents and provide support in benchmarking the best practices of member organizations in the region.

Meanwhile, another area that was seriously constrained by COVID-19 was technical assistance. Technical assistance refers to the transfer of experience and know-how on specific topics through workshops and seminars for the purpose of improving the deposit insurance system. However, due to the outbreak of COVID-19, all scheduled bilateral technical assistance projects were suspended, leading to difficulties experienced by requesting organizations. To overcome this, an online-based technical assistance method was pursued, and as a result, multilateral technical assistance in the form of a webinar was implemented.

Specifically, an international webinar on the theme of “Preparing Our Path to the New Normal” was co-hosted with the Malaysia Deposit Insurance Corporation (PIDM) in close cooperation with the World Bank in June 2020. The first webinar in the Asia-Pacific region was successfully held with the participation of about 100 people from a total of 16 organizations, including the heads of the deposit insurance agencies in the IADI APRC as well as key figures from international organizations. In November 2020, the KDIC hosted an APRC webinar on the topic of “A Deep Dive into the Differential Premium System.” This webinar was joined by around 120 participants from 12 APRC member organizations to discuss the background to introducing the system as well as operation plans.

Photo V-3 1<sup>st</sup> and 2<sup>nd</sup> IADI Asia-Pacific Regional Committee Webinars



Although the COVID-19 imposed constraints on travel and face-to-face meetings made international cooperation difficult during 2020, the speed and flexibility demonstrated by the APRC Chair in setting up a digital-based international cooperation system to overcome this difficulty could be seen as a silver lining. Above all, it is meaningful that the KDIC successfully held the first online APRC Annual Meeting and webinar in the region, opening a new chapter in the promotion of exchanges and cooperation among APRC member organizations using online platforms in the future.

### Reinforced Position within IFIGS by Performing the Roles of First Vice Chair and Chair of the Information Sharing Working Group

The International Forum of Insurance Guarantee Schemes (IFIGS) is a consultative body to promote international cooperation and information sharing among insurance policyholder protection agencies from around the world with 27 members, 25 of which are full members and two are associate members.

The KDIC's involvement with IFIGS dates back to 2013 when it joined as a founding member. It has gradually increased its role and responsibility within the organization and after being elected to the Management Committee at the end of 2019, the Corporation began performing the role of First Vice Chair in 2020.

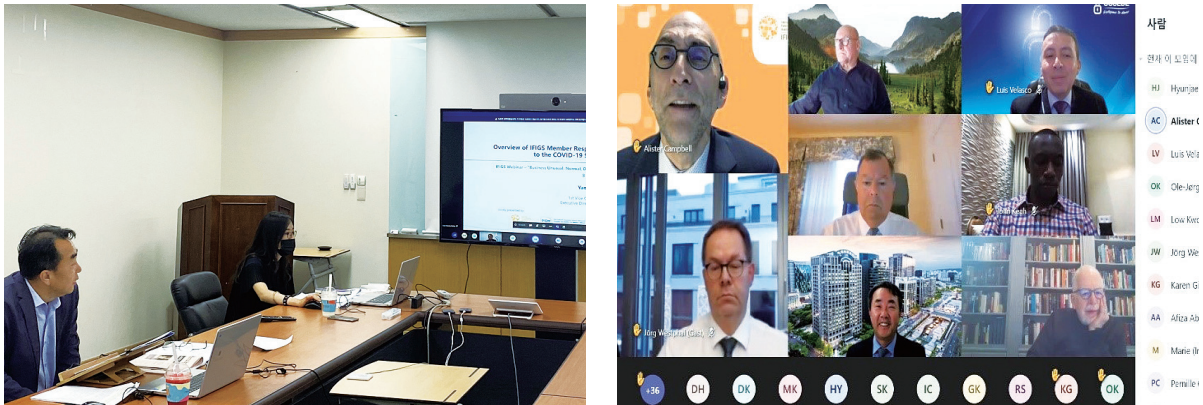
IFIGS is operated as a consultative body and its members are currently engaged in discussions to develop into a formal international organization by strengthening its internal competence and raising its external profile. IFIGS is operated by the Management Committee comprising the Chair, First Vice Chair and Immediate Past Chair and three strategic working groups (for information sharing, raising awareness of IFIGS, and increasing membership). The Forum is currently pursuing mid- to long-term development of its organization and the KDIC has actively participated in discussions concerning IFIGS operation and management as First Vice Chair and Chair of the Information Sharing Working Group on matters such as the planning and hosting of webinars and holding the Annual General Meeting online.

Moreover, the KDIC led discussions related to the reorganization of IFIGS' mid- to long-term strategy and based on the results of discussions on specific development plans including expansion of membership size and strengthened public relations, the Corporation produced the Forum's first promotional video entitled "Overview of IFIGS."

Meanwhile, the KDIC worked tirelessly to promote information sharing within the organization and establish new communication channels. First, in consideration of limitations on exchange and cooperation through international events due to COVID-19, it proposed an avenue to share IFIGS activities and member organization trends through the publication of a quarterly newsletter. Since 2020, the KDIC has published quarterly newsletters, distributing it internally and externally, to increase awareness of IFIGS and promote information sharing among member organizations, which has been well received. It also planned and conducted a survey to find out the insurance market status and response measures taken in member countries in relation to COVID-19. Then best practices found in the survey were shared to support members in dealing with COVID-19 related challenges. The KDIC presented a full report on survey results during the webinar co-hosted by IFIGS and the Malaysia Deposit Insurance Corporation (PIDM) in July 2020, in addition to sharing the KDIC's best response cases relating to COVID-19.

In recognition of the active performance of key duties and efforts to promote information sharing as First Vice Chair, the KDIC was elected as Chair of the IFIGS Management Committee in December 2020. In performing the duties of the IFIGS Chair in 2021, the KDIC will strive to promote mid- to long-term development of the organization and lead international discussions on insurance policyholder protection.

**Photo V-4** A Webinar Co-hosted by IFIGS and PIDM and the 7<sup>th</sup> IFIGS Annual Meeting



## 2. Expansion of Exchanges with Foreign Deposit Insurers

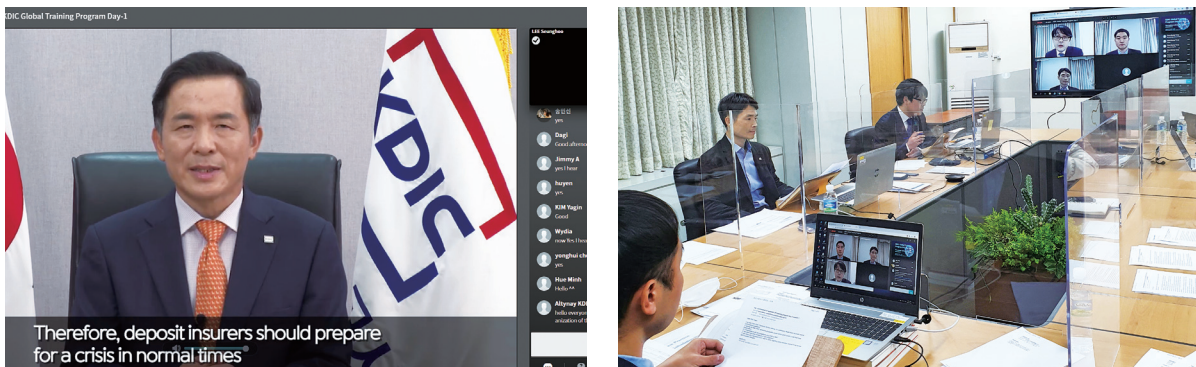
### Implementation of the KDIC Global Training Program Using an Online Format

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

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

The 6<sup>th</sup> KDIC Global Training Program was held over a three-day period between November 24-26, 2020. Around 200 fellow deposit insurance officials from 22 jurisdictions across four continents – Asia, Africa, Europe, and South America – 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 a ten-fold increase in the number of participants including newly participating deposit insurance agency executives and employees from eight countries such as Hong Kong, Brunei and Malaysia.

Photo V-5 6<sup>th</sup> KDIC Global Training Program in 2020



The 2020 program was conducted on the theme of crisis management and resolution and included a stimulating range of programs ranging from a lecture on the KDIC's response to COVID-19 and resolution methods for insolvent financial institutions to an invitational lecture on fintech that discussed the latest financial market trends. The online practice course where participants logged on to an internet site to calculate deposit insurance claims was a popular component of the program. In addition, the program ran



case studies for participants to get involved in solving problems so that participants would be able to apply what they studied to their work. The participants were given actual cases of financial institution insolvencies to arrive at appropriate resolution methods.

This year's program was held via Remote Seminar, which is the webinar platform of a local company, RSUPPORT, serving as an opportunity to promote Korea's digital technology to program participants from all over the world including Asia, Africa and Europe.

The cultural experience activities that were conducted after training hours during previous training visits were replaced by virtual culture experience program videos produced and screened in a Vlog format, due to COVID-19 constraints, to raise the participants' spirits and also to use the opportunity to promote interesting cultural sites in Korea.

**Photo V-6** Virtual Culture Experience Program as Part of the Global Training Program



## Strengthened Pursuit of Overseas Consulting to Share Experiences in Operating the Deposit Insurance System

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

In 2020, the Corporation participated in the Korean government's Knowledge Sharing Program (KSP) to continue its efforts to share experience in deposit insurance system operation. The coordination of the KSP is conducted by the Korea Development Institute (KDI) which was tasked with this role by the Ministry of Economy and Finance. The KDIC was designated as the sole institution to conduct the 2019-20 Policy Consultation on "Enhancing the Deposit Protection System in the Kyrgyz Republic," with the aim of establishing a strategy and roadmap for the development of the Kyrgyz deposit protection system as well as suggesting ways to improve the operation of the system.

The Kyrgyz government identified the improvement of the deposit protection system for financial stability as an important component in the development of its financial industry and is maintaining policy efforts to develop the system by increasing the protection limit and expanding the scope of insured financial institutions. The KDIC conducted the KSP Policy Consultation taking these needs into consideration. In addition to proposing a mid- to long-term development strategy to advance the Kyrgyz deposit protection system, the KDIC also presented detailed working-level plans to improve operation competence in managing the deposit protection fund, making insurance payments, setting up a more sophisticated IT system and conducting risk management of financial institutions. The project also put forward ways to increase public awareness of the deposit protection system in the Kyrgyz Republic.

In January 2020, the KDIC held a kick-off meeting and fact-finding mission in Kyrgyzstan. During the kick-off meeting, the contents of the research plan was shared with the Deposit Protection Agency of the Kyrgyz Republic (DPAKR) followed by discussions on detailed requests and general project direction. Also, interviews were conducted with prominent local authorities of the Kyrgyz Republic, to gain a better understanding of Kyrgyzstan's financial industry and financial safety-net. Meanwhile, even though the global outbreak of COVID-19 after February 2020 severely restricted visits between project participants from both countries, the KDIC succeeded in completing the project as planned by conducting detailed fact-finding, an interim reporting workshop, a practitioners' workshop, and a final reporting workshop with senior-level policy dialogue, through non-face-to-face channels such as written questions and answers, video conferencing and production of videos.

Based on the successful completion of this project in spite of COVID-19, the KDIC plans to further solidify its international status by actively engaging in future projects to share its experience in operating the deposit insurance system.

Photo V-7 KSP Policy Consulting for Kyrgyzstan



Policy Consultation for the Kyrgyz Republic

PART 1

Меня зовут Юн Чхаён.  
Я – менеджер проекта KSP.



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Knowledge Sharing Program (KSP)

# Policy Consultation for the Kyrgyz Republic

Final Reporting



Korea Deposit Insurance Corporation

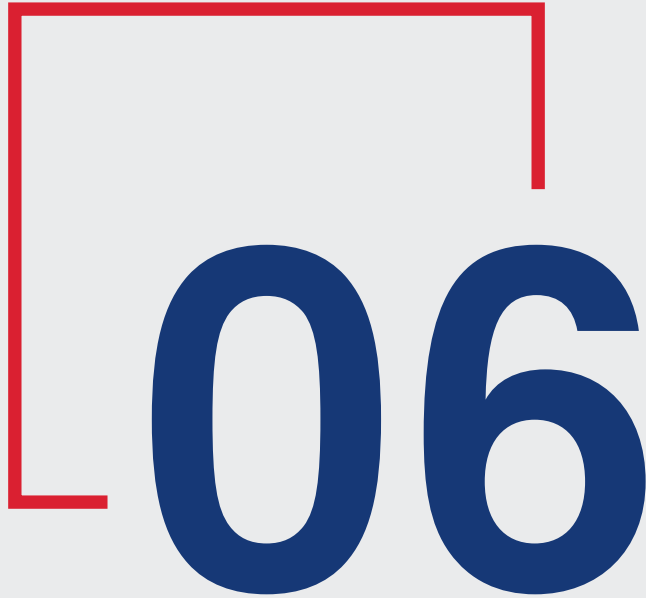
## Expansion of Information Sharing and Personnel Exchange through the Signing of MOUs

The KDIC has signed memoranda of understanding (MOUs) with foreign deposit insurers and central banks to promote information sharing and personnel exchange for the development of deposit insurance systems and to expedite consultation concerning current issues.

As of the end of 2020, the KDIC has signed MOUs with a total of 25 agencies from 23 countries. In 2020, it renewed the MOU with the Central Deposit Insurance Corporation (CDIC) in Taiwan.

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





## | Risk Management

- 1. Risk Management to Prevent Financial Institution Failures
- 2. Successful Operation of the Risk-based Premium System
- 3. Management of Financial Institutions into Which Public Funds Were Injected

## 1

# Risk Management to Prevent Financial Institution Failures

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## 1. Enhancement of Risk Surveillance

### Reinforcement of the Basis for Risk Surveillance

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

In addition, the KDIC signed a memorandum of understanding (MOU) on information sharing with related organizations including the Financial Supervisory Service (FSS) and the Bank of Korea (BOK). The financial data accessed through the MOU is used to analyze risk factors, and with the cooperation of those organizations, the timeliness and accuracy of the information are being improved continuously by broadening and modifying the scope of information sharing. In 2019, the KDIC reached an agreement with the FSS to share their analysis of risk factors at individual financial institutions, on a quarterly basis, to allow confirmation regarding potential insolvency events.

Meanwhile, the KDIC made necessary improvements to the Integrated Risk Information Platform, developed in 2018 and enhanced the efficiency of risk analysis work by conducting system user training. In particular, a project to improve the performance of the Integrated Risk Information Platform was conducted in 2020 to strengthen the KDIC's risk analysis automation and digital-based risk surveillance system.

## Improvement of Risk Surveillance Processes and Capacity

The KDIC is making a dedicated effort to improve its risk surveillance processes. In 2019, the KDIC broadened internal sharing of current issues by operating a matrix organization encompassing risk surveillance and resolution units, which led to more consultation between the relevant departments.

Meanwhile, in order to meet the need to add new indicators to enhance the banking sector risk surveillance model's ability to distinguish weak banks from healthy ones, as well as to respond to changes in the regulatory environment using the latest data, the KDIC pursued system advancement based on the results of consultation which included improvement of model indicators and significance verification, in cooperation with a group of experts in 2019. Following pilot operation in the first half of 2020, the new and improved model was fully utilized from June onwards.

Furthermore, the KDIC developed a risk surveillance model for financial holding companies to assess and evaluate the risk factors concerning financial groups as well as individual financial institutions and derived improvement tasks through expert consultation and test operation. Accordingly, the KDIC signed a service contract with an external specialist firm to improve the existing model, and formally establish a risk surveillance model system for financial holding companies.

The KDIC is also continuing various efforts to strengthen its risk surveillance competence including an internal capacity building program as well as seminars with experts in the field. Internal training programs on risk analysis systems are being held, including the Risk Profiling System (RPS), which performs identification of anomalies and financial analysis. Working-level seminars are held regularly to augment risk surveillance competence regarding mutual savings banks. In addition, symposiums held with business management experts invited from all financial sectors, are being used to strengthen in-depth analysis of risk factors based on an improved understanding of financial markets and different financial sectors.

Finally, the KDIC is receiving third-party evaluation of its risk monitoring activities for an objective assessment of its performance and to improve existing capacity to deal with financial environment changes. Independent experts with vast experience and knowledge in the field were invited to perform an assessment of risk management capacity to prevent insurance events. Going forward, the KDIC will continuously improve its risk surveillance processes and apply its strengthened capabilities by reflecting the competency evaluation results provided by academic professors, researchers, and market experts who are well-versed in risk surveillance work, into actual operation.

## 2. More Active Risk Surveillance

The KDIC analyzed individual insured financial institutions focusing on the fluctuations in their capital adequacy arising from changes in the business environment such as interest rate and stock price movements. It strengthened ongoing risk monitoring by analyzing risks stemming from changes in the financial system and current issues in each financial sector. The KDIC held regular presentations where the key risk factors facing each financial sector were discussed in order to facilitate the sharing of analysis techniques and risk information across the organization.

Specifically, the KDIC took preventive measures to deal with changing circumstances for as well as institutional changes in each financial sector including the imposition of the more rigorous, new insurance regulation regime (including IFRS17 and K-ICS, scheduled for 2022), increased credit capacity of investment banks and the long-term impact of low interest rates. It sought to remove the risk of insolvency through ongoing monitoring of insured financial institutions with weaker financial positions.

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

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

In the case of the savings banking sector, the KDIC strived to prevent insolvencies by setting up a system to conduct intensive monitoring of savings banks with high-risk loans and a high proportion of vulnerable borrowers, performing joint examinations as well as conducting interviews with the executives of such savings banks. In the insurance sector, the improved risk surveillance model was used to select key surveillance targets and then surveillance reports were drafted to analyze risk factors. Especially, insurance companies that have been assigned prompt corrective action are being monitored closely through the dispatching of administrators and inspection of adherence to MOUs on business normalization. The number



of interviews with the executives and staff of such insurance companies was also doubled compared to the previous year.

In addition, the volatility of domestic and foreign financial markets increased due to COVID-19 and the US presidential election, giving rise to an increased need for preemptive risk surveillance of insured financial companies. In response, the KDIC held the Ongoing Risk Surveillance Council to raise the crisis level from Caution to Warning and established the Financial Market Preemptive Response Team. Also, the Meeting to Monitor Insured Financial Institution Trends was held from time to time, as a means of strengthening preemptive risk surveillance. New risk factors to be monitored in each sector were added to the report on daily financial market trends, and real-time monitoring of short-term finance was strengthened, including crude oil, derivatives market fluctuations as well as stock, foreign exchange, and bond markets.

### 3. Strengthening On-site Risk Verification by Means of Independent and Joint Examinations

#### On-Site Risk Verification

From the results of its ongoing monitoring and model 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 2020, quarantine and remote screening guidelines were prepared to minimize on-site examination gaps that could potentially occur due to the COVID-19 situation. Examinations and inspections were conducted in a flexible manner to respond to changing circumstances including the reduction of examination period and number of examiners as well as an increase in non-face-to-face inspections. Through these efforts, the KDIC performed joint examinations on seven occasions with the FSS to prevent insurance events and to take appropriate measures to prevent the spread of financial insolvencies.

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

## Independent and Joint Examinations to Prevent Losses to the DIF

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

In the case of the savings banking sector, joint examinations were conducted on savings banks which rapidly expanded assets through securities-backed loans and were therefore deemed likely to experience deterioration in financial soundness. The joint examinations uncovered cases of individual borrowers in breach of the legal lending limit to a single borrower as well as cases of insufficient internal controls, and appropriate corrective measures were assigned to induce risk reduction. Furthermore, the KDIC's plan to strengthen risk management of securities-backed loans through system improvements was relayed to the FSS and subsequently applied to standard regulations on loan amount limits, collateral coverage ratios, collateral restrictions, etc., thus contributing to the proactive risk management of high-risk loans at savings banks.

Meanwhile, in the insurance sector, an assessment of dividend size adequacy confirmed that internal standards for dividends payment were somewhat unreasonable. An analysis of crisis situations revealed that the loss ratio and the minimum solvency ratio requirement were set at exceedingly low levels. When a company overestimates its risk tolerance, it could face the risk of capital outflow through dividends exceeding an appropriate size. The insurance company concerned was informed the result of this assessment and advised to improve its criteria for evaluating the adequacy of dividend size.

In other areas, for high-risk insured financial institutions that could cause losses to the DIF according to the results of risk analysis and on-site examinations, the KDIC dispatched administrators, jointly with the FSS, to prevent the spread of insolvency risk through timely measures including ensuring their adherence to MOUs on business normalization.

## 4. Market-friendly Risk Surveillance

### Expanded Exchanges with Market Experts

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

In addition, the KDIC is actively utilizing its expert network to review major risk factors in the financial market and improve the level of analysis by reflecting the opinions of external experts. In 2020, exchange with market experts was strengthened by holding such events as two invitational forums on the subject of machine learning-based forecasting of insolvencies of financial institutions, to advance the KDIC's risk surveillance infrastructure.

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

The Financial Risk Review mainly analyzes changes and issues in the financial market environment as well as their implications. It is distributed to major government agencies, relevant organizations, college libraries, and the like. In 2020, the Financial Risk Review featured contributions of experts in various fields on current topics such as the macroeconomic environment and the deposit insurance system in the post-COVID-19 era and forecast of financial market changes and flow of funds triggered by COVID-19, to strengthen its position as a specialized financial risk journal.

**Table VI-1** Main Contents of Financial Risk Review in 2020

Issue	Main Contents
Spring	<ul style="list-style-type: none"> <li>• Improvement Tasks to Eradicate Mis-selling of Private Equity Funds</li> <li>• Major Contents and Implications of the K-Insurance Capital Standard (K-ICS 2.0) for Insurance Companies</li> </ul>
Summer	<ul style="list-style-type: none"> <li>• Macroeconomic Environment and Deposit Insurance System after COVID-19</li> <li>• Changes in the Savings Bank Sector in the Aftermath of Restructuring and Future Policy Considerations</li> </ul>

Issue	Main Contents
Autumn	<ul style="list-style-type: none"> <li>• The Introduction and Prospects for Joint Reinsurance</li> <li>• Forecast of Financial Market Changes and Flow of Funds Triggered by COVID-19</li> <li>• Living with COVID-19, the Korean Economy after 2021</li> </ul>
Winter	<ul style="list-style-type: none"> <li>• 〈Special Edition〉 Forecast of Financial Sectors in 2021</li> <li>• Analysis of Risk Factors Due to the Expansion of Overseas Alternative Investments by Financial Companies</li> <li>• Impact and Implications of the Enactment of the Financial Conglomerates Supervision Act</li> </ul>

## Strengthened Exchanges with Insured Financial Institutions

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

In the meantime, the KDIC hosted the 8<sup>th</sup> workshop for senior managers of mutual savings banks in December 2020. The participants included bank executives and managers, policymakers, and outside experts, and the workshop was conducted in a non-face-to-face format to prevent the spread of COVID-19, featuring presentations and panel discussions to support the stable growth of mutual savings banks with the sharing of risk management strategies designed to deal with the changes in the financial environment brought about by COVID-19.

The KDIC will continue to improve its communication with the market by providing risk management strategy workshops and educational support services to small and medium-sized regional savings banks.

Photo VI-1 YouTube Broadcast of the 8<sup>th</sup> Risk Management Strategy Workshop for MSBs



## 2

## Successful Operation of the Risk-based Premium System

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

The risk-based (or differential) premium system applies different premium rates to different financial institutions in consideration of their managerial and financial conditions in order to reduce moral hazard and induce sound management. As a result of the KDIC's effort to introduce the system, Article 30(1) of the DPA was amended in February 2009. The amended law mandates that the system be applied to all insured financial institutions, beginning in 2014.

There are three methods by which the KDIC determines premium rates: (i) model-based assessment; (ii) assessment based on a specifically assigned rate; and (iii) non-grade assessment, according to the expected effects of assessment, amount of premiums to be paid, and the feasibility of assessment. The model for risk rating comprises: basic evaluation (80 points); and supplementary evaluation (20 points). Basic evaluation consists of assessments of the firm's ability to cope with a crisis (capital adequacy and liquidity), prudential soundness (asset quality), and resilience to losses (profitability). Supplementary evaluation involves the firm's ability to manage financial risks (as a supplement to the quantitative basic evaluation) and ability to manage non-financial risks (e.g. the number or severity of sanctions imposed by financial authorities).

**Table VI-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	Assignment of a grade from one to three depending on the institution's risk rating score on a 100-point scale	The premium rate assigned to the relevant grade
Assessment Based on a Specifically Assigned Rate	Companies paying a small amount of premium, etc.	No risk assessment needed	Rates predetermined in the relevant regulation
Non-grade Assessment	Failed financial institutions, companies under prompt corrective action restrictions, etc.		Rates predetermined in the relevant regulations which are higher to compensate for risk

Additionally, the KDIC designated 2014 to 2016 as a “soft landing period” to minimize the impact on insured financial institutions’ premium burden, and starting from 2017, the KDIC began a “full implementation” of the system by gradually increasing the gap in premium rates between grades in a phased manner.

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

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

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

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

Against the backdrop of insured financial institutions' heightened interest in risk-based assessment due to the widened rate gap (from  $\pm 5\%$  to  $\pm 7\%$ ) between different grades, the KDIC conducted the risk-based assessment of 323 insured financial institutions in 2019 business year to calculate deposit insurance premium rates and informed each financial institution of its premium rate decision. Meanwhile, it drafted a report on risk-based assessment results and provided it to each insured financial institution in on and offline formats to support the sound management of insured financial institutions.

In consideration of COVID-19, a risk-based assessment briefing session video was produced for all insured financial institutions and distributed through KDIC-Connect, which is an interactive non-face-to-face online channel. By expanding the Risk-Based Premium System (RBPS), the KDIC was able to increase user convenience and communication with the industry.

In addition, efforts were made to improve the accuracy of risk-based assessment by strengthening the post-rating system to check for changes in financial institutions' assessment indicators after examinations by the FSS as well as to correct any errors or omissions.

With the risk-based assessment system taking root, the KDIC's existing method of giving individual awards for financial company employees who contributed to the smooth operation of the system was reformed to award nine insured financial institutions, with excellent performance in managing and improving key potential risk factors in each financial sector (Dec 30, 2020). By making these awards public, the KDIC continued to send out alert signals for future risk factors and induced preemptive response.

The KDIC conducted a survey on overall awareness of the risk-based premium system, and the findings are being used to improve the system. Working-level officers of insured financial institutions were polled to gauge the level of receptiveness to the system and evaluate the adequacy and effects of its operation. To ensure the greatest possible objectivity, the KDIC commissioned the survey to an external agency for the first time, and the highest-ever score was recorded since 2014 when the survey was first conducted. Survey respondents also said that their managers showed greater interest and showed stronger determination to achieve higher grades, which demonstrates that the insured financial institutions indeed became more aware of the risk-based premium system and worked harder to reduce risk.

### 3. Continued Improvements to the Risk-based Premium System

After launching the risk-based premium system in 2014 and operating the system ever since, the KDIC noticed a clustering into a certain grade in some financial sectors in 2016 as well as changes in financial supervisory indicators due to the introduction of the Basel III standards, etc. and other changes in the financial market environment which needed to be reflected in the risk-based assessment model. As such, it made appropriate improvements to the assessment model.

In 2020, the KDIC also sought to further refine the system, so that the risk-based premium system would contribute to overcoming COVID-19 in addition to accurately distinguishing well-managed institutions from poorly managed ones and offering proper rewards for improvement efforts.

To this end, the KDIC prepared an improvement plan, including measures for further sophistication of the assessment model and indicators as well as subdivision of grades, through a public-private joint taskforce comprising financial authorities, private-sector experts and financial industry representatives. In particular, the plan included measures to prepare a device for adjusting premium rates to help overcome the COVID-19 pandemic and to reflect performance of COVID-19-related financial support policies including making loans at special low interest rates and granting interest payment deferrals.





## 3

## Management of Financial Institutions into Which Public Funds Were Injected

### 1. MOU Conclusion and Examination of MOU Implementation

Since 1999, the KDIC has entered into MOUs on business normalization with 14 public fund recipients in order to increase their corporate value and recover public funds injected into them as early as possible, and imposed quarterly targets - financial and non-financial - with continuous monitoring of their progress on those targets. Beginning in April 2002, 12 MOUs signed with financial institutions were terminated when these institutions were sold to, or merged with healthy financial institutions. On December 1, 2016, the KDIC entered into a new MOU with the newly founded Suhyup Bank, which was spun off from the credit business unit of the National Federation of Fisheries Cooperatives, as a result of business restructuring. As of the end of 2020, the only two MOUs still in place are the ones with Suhyup Bank and Seoul Guarantee Insurance.

**Table VI-4** Conclusion of, Addition to, and Revision of the MOUs on Business Normalization

(As of Dec. 31, 2020)

Financial Institution	MOU Conclusion (Renewal)	Business Performance Targets in the MOU		MOU Termination
		Addition	Adjustment	
Suhyup Bank (former credit business unit of the National Federation of Fisheries Cooperatives)	2001. 4. 25 (2016. 12. 1. <sup>1)</sup> )	2005. 3. 23		-
		2007. 3. 28		
		2009. 3. 30		
		2011. 3. 30		
		2012. 3. 29	2003. 2. 12	
		2013. 4. 24	2003. 7. 9	
		2014. 3. 25	2005.12. 21	
		2015. 3. 25	2007.12. 26	
		2016. 3. 25	2010. 3. 23	
		2017. 3. 22		
		2018. 3. 28		
		2019. 4. 24		
		2020. 3. 25		

Financial Institution	MOU Conclusion (Renewal)	Business Performance Targets in the MOU		MOU Termination
		Addition	Adjustment	
Seoul Guarantee Insurance Corporation	2000. 4. 12 <sup>2)</sup> (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	2002. 7. 10 2006. 6. 21 2007.12. 26	-
Woori Bank (former Hanvit Bank)	1999. 1. 22 <sup>3)</sup> (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. <sup>3)</sup> (Sold to a consortium of investors who collectively hold a controlling interest)
Jeju Bank	2000. 12. 30	-	-	2002. 4. 29 (Sold to Shinhan Financial Group)
Seoul Bank	2000. 12. 30	-	2001. 6. 29	2002. 12. 1 (Sold to Hana Bank)
Chohung Bank	1999. 11. 12 <sup>2)</sup> (2002. 1. 31)	-	-	2003. 8. 19 (Sold to Shinhan Financial Group)
Daetoo Investment & Securities	2000. 9. 25 <sup>2)</sup> (2002. 2. 20)	-	-	2005. 5. 31 (Sold to Hana Bank)
Korea Investment & Securities	2000. 9. 25 <sup>2)</sup> (2002. 2. 20)	-	-	2005. 3. 31 (Sold to former Dongwon Financial Group)
Korea Life Insurance	2000. 4. 12 <sup>2)</sup> (2001. 9. 5)	-	-	2002. 12. 12 (Sold to Hanwha Consortium)

Financial Institution	MOU Conclusion (Renewal)	Business Performance Targets in the MOU		MOU Termination
		Addition	Adjustment	
Woori Credit Card (former Peace Bank)	2000. 6. 7 <sup>2)</sup> (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 Finance Holdings Co.	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 concluded with Suhyup Bank, which was spun off from the credit business unit of the National Federation of Fisheries Cooperatives as a result of business restructuring.

2) A tripartite MOU was signed between the financial institution concerned, the KDIC and the Financial Supervisory Commission (the predecessor to the Financial Services Commission).

3) The MOU between the KDIC and Woori Bank was terminated by a resolution of the Public Fund Oversight Committee under Article 9(2) of the MOU Management Rules on August 22, 2016 when sale of the bank to a group of shareholders who formed a consortium was clinched.

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

After a review of performance under the MOUs during the period from the fourth quarter of 2019 to the third quarter of 2020, the KDIC found that both Suhyup Bank and Seoul Guarantee Insurance attained their targets.

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

## 2. Improvement in MOU Management Efficiency

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



# | Resolution of Insolvent Financial Institutions and Management of Bankruptcy Estates

- 1. Resolution and Receivership of Insolvent Financial Institutions
- 2. Efforts to Implement the Roadmap for the Sale of Woori Financial Group
- 3. Management of Key Assets of Insolvent Financial Institutions
- 4. Management of Bankruptcy Estates
- 5. Management of Assets Acquired from Insolvent Financial Institutions

## 1

# Resolution and Receivership of Insolvent Financial Institutions

## 1. Crisis Response Training on a Corporate-level

In order to respond quickly to financial crisis situations, the KDIC prepared a crisis response plan and conducted resolution capacity building training to strengthen on- and offline resolution capabilities in preparation for insolvency of systemically important financial institutions (SIFIs). The crisis response plan was revised to reflect changes in the financial market, and the emergency manpower plan was continuously supplemented to prepare for cases requiring large-scale resource mobilization. In addition, based on case studies of all financial sectors, including savings banks and insurance companies, resolution capacity building training was conducted on a variety of topics throughout the year to ensure full response to financial crises.

Photo VII-1 Resolution Capacity Building Training in 2020



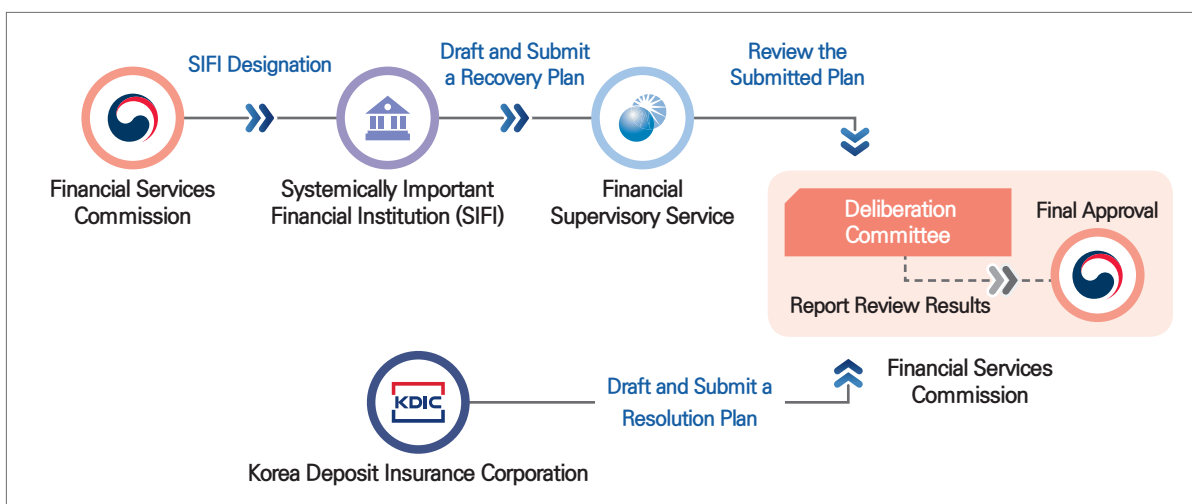
## 2. Improvement of the Resolution System Including the Legislation of Recovery and Resolution Planning (RRP)

The Financial Stability Board (FSB), an international organization with 24 member states including Korea, recommends its members to establish a Recovery and Resolution Planning (RRP) scheme for SIFIs, to respond swiftly and effectively to insolvency of large financial institutions. The KDIC sought to establish the legal basis for instituting RRP for SIFIs by seeking an amendment to the Act on the Structural Improvement of the Financial Industry with the Financial Services Commission (FSC) and the Financial Supervisory Service (FSS). The amendment to the Act on the Structural Improvement of the Financial Industry passed the plenary session of the National Assembly on December 2, 2020 and is expected to come into force during the latter half of 2021.

The RRP scheme refers to plans for the recovery and resolution of SIFIs that are prepared in advance during normal times. With RRP, SIFIs remain alert to crisis situations, and in the event of a crisis such as lack of liquidity or a drop in the capital ratio, can quickly identify options to restore operational and financial strength. Moreover, the KDIC will be able to resolve failed firms quickly and in an orderly manner in case of insolvency through the preparation of resolution plans, thereby minimizing resolution costs by, for instance, preventing confusion in financial markets and injecting public funds.

Also, implementing the RRP scheme, as recommended by international organizations including the FSB and the IMF, will raise confidence in Korea's financial sector, to hopefully reduce future costs that the domestic financial industry would have to bear in the global financial market.

Figure VII-1 Overview of the RRP Scheme



Meanwhile, the KDIC is keeping tabs on recent global trends pertaining to the resolution of SIFIs by participating in the FSB's Cross-Border Crisis Management Group. Also, it is participating in the bank-specific Crisis Management Groups of Standard Chartered and HSBC, both of which are presided by the Bank of England as the home authority of those banks. Through these efforts, the KDIC has formed a cooperative network with overseas resolution authorities and plans to continue its efforts to strengthen resolution capabilities in the future.

### 3. Improvements for Prompt Payment of Deposit Insurance Claims

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

Thus, using an analysis of foreign practices, including the recommendations of IADI, the KDIC pursued the introduction of the depositor information maintenance scheme, and has worked with banks from 2017 to establish the necessary IT systems. As a result, it has introduced the scheme to 18 domestic banks including two internet-only banks, one merchant bank and five domestic branches of foreign banks. In addition, to broaden the scope of the scheme from banks to investment companies, business agreements were signed with related organizations in the investment sector which sought to strengthen cooperation on IT system development for depositor information standardization and swift payment of deposit insurance.

In 2020, in order to proactively prepare for insurance risk events in the savings banking sector, an inspection was conducted to enhance the consistency of depositor information data across all 79 savings banks in operation, thereby raising the Corporation's ability to make payouts quickly and accurately in case of an emergency.

**Table VII-1** IADI Recommendations for Prompt Payment of Deposit Insurance Claims

Category	Excerpts from IADI Core Principle 15
Deposit Payout Period	<ul style="list-style-type: none"> <li>The deposit insurer is able to reimburse most insured depositors within seven working days.</li> </ul>
Timely Access to Depositor Information	<ul style="list-style-type: none"> <li>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</li> <li>IT systems capable of processing such depositor information</li> </ul>



## 4. Resolution of Insolvent Financial Institutions

Beginning in the latter half of 2012, the KDIC introduced the ‘resolution without interruption in financial services’ system. It closed mutual savings banks (MSBs) declared insolvent at the close of business hours on a Friday and then completed a P&A to a bridge bank over the weekend so that business could resume on the following Monday. This helped to minimize inconvenience of depositors and borrowers from interruption of financial services.

In the second half of 2012 and the first half of 2013, the KDIC used bridge bank P&A transactions to swiftly resolve insolvent MSBs by achieving ‘resolution without interruption in financial services.’ However, managing and selling the bridge banks was a substantial burden for the KDIC. To rectify the situation, the KDIC employed a new resolution tool named ‘P&A with a third party during normal operations,’ beginning with Smile Savings Bank failure in the latter half of 2013. The system reduced both inconvenience to depositors and the burden of managing and marketing bridge banks and thus accelerated the completion of troubled bank restructuring.

The KDIC pursued the same arrangement of ‘P&A with a third party during normal operations’ for Haesol Savings Bank, which was declared insolvent in October 2013. For Haesol Savings Bank, a P&A transaction with Welcome Savings Bank was completed in May 2014. For the resolution of Golden Bridge Savings Bank, which fell into insolvency in August 2014, a P&A transaction with Choeun Savings Bank was completed in January 2015. This maintained the momentum for resolving insolvent financial institutions in accordance with the ‘resolution without interruption in financial services’ system. Meanwhile, there were no new insolvencies of savings banks during 2020 and the KDIC prepared a Resolution Plan for the Systematic Resolution of Insolvent Savings Banks to enable swift and efficient resolution in case of insolvencies as well as Virtual Resolution Scenarios for savings banks showing signs of weakness.

**Table VII-2** Resolution of MSB Failures that Occurred in 2014 through 2020 (P&A with a third party in the course of normal operations)

Name of MSB	Date of Declaration of Insolvency	Date of P&A (Date of Business Suspension)	Acquiring Institution
Haesol Savings Bank	2013. 10. 10	2014. 5. 2	Welcome Savings Bank
Golden Bridge Savings Bank	2014. 8. 27	2015. 1. 16	Choeun Savings Bank

## 5. Conservatorship of Insolvent Financial Institutions

Many insolvent MSBs were placed into restructuring simultaneously in 2011. The restructuring of MSBs continued into 2013 through 2015. Immediately after Golden Bridge Savings Bank was declared insolvent on August 27, 2014, the KDIC was appointed as conservator and sent several staffers to stay at the bank and oversee its operations. According to the business suspension and P&A (Purchase and Assumption) order issued by the FSC on January 16, 2015, the KDIC swiftly resolved the bank through a 'P&A transaction with a third party in the course of normal operations.' ○○ Savings Bank was put under conservatorship when a business improvement order was issued on September 16, 2015, which was brought to an end in April 2016 as the bank was stabilized after a paid-in capital increase by its controlling shareholder.

**Table VII-3** Conservatorship of Insolvent Financial Institutions Since 2013

Institution Name	Date of Business Suspension	Current Status (Acquirer)	Date of P&A	Date of Bankruptcy Declaration
Seoul Savings Bank	2013. 2. 15	Bridge bank P&A (Yeju Savings Bank)	2013. 2. 15	2013. 9. 26
Youngnam Savings Bank	2013. 2. 15	Bridge bank P&A (Yesol Savings Bank)	2013. 2. 15	2013. 9. 26
Shilla Savings Bank	2013. 4. 12	Bridge bank P&A (Yeshin Savings Bank)	2013. 4. 12	2013. 10. 29
Green Non-Life Insurance	2013. 5. 3	3rd-party P&A (MG Non-Life Insurance)	2013. 5. 3	2013. 11. 1
Smile Savings Bank	2013. 11. 1	3rd-party P&A (OSB Saving Bank)	2013. 11. 1	2014. 4. 29
Hanul Savings Bank	2013. 12. 27	3rd-party P&A (Pepper Savings Bank)	2013. 12. 27	2014. 7. 1
Haesol Savings Bank	2014. 5. 2	3rd-party P&A (Welcome Savings Bank)	2014. 5. 2	2014. 10. 21
Hanmag Investment Securities	2014. 1. 15	P&A of assets deposited by investors (IM Investment & Securities)	2014. 12. 26	2015. 2. 16
Golden Bridge Savings Bank	2015. 1. 16	3rd-party P&A (Choeun Savings Bank)	2015. 1. 16	2015. 6. 15
○○ Savings Bank	-	Business Normalized	-	-

Meanwhile, the KDIC's dispatch of staff and provision of business support ensures a well-organized conservatorship of insolvent financial institutions.

The KDIC produces and distributes a manual to help its employees stationed at insolvent financial institutions as administrator to get a hold of their job more effectively and efficiently. It also holds quarterly meetings with administrators and their assistants to better communicate with people in the field and to ensure their success in discharging duties. For major issues facing each insolvent financial institution, it lessens the burden on the staff by rendering multi-faceted support to them through business consultation and legal reviews.

After a business improvement order was issued against ○○ Savings Bank in 2015, the KDIC sent one administrator and one assistant administrator to the bank given its asset size and number of branches until its conservatorship was ended in April 2016. The KDIC also sent one assistant administrator to △△ Savings Bank, a subsidiary of ○○ Savings Bank. By dispatching its staff as administrators, the KDIC helped weakened MSBs to stabilize operations and manage assets in a more prudential manner.

## Efforts to Implement the Roadmap for the Sale of Woori Financial Group

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

In 2020, the KDIC started preparing for the sale by reviewing the performance of Woori Financial Group, tapping potential investors, and reviewing the sale plan for different market conditions, so that the sale could go ahead as soon as favorable conditions for the sale appeared. The start of the sale was delayed, however, due to increased market uncertainty arising from the sharp drop in stock prices due to COVID-19, the difficulty of holding investment briefing sessions for domestic and foreign investors, and the US presidential election.

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

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

- ◆ The roadmap for the sale of the KDIC’s remaining stake in Woori Financial Group Inc. was proposed in light of the fact that the completion of Woori Bank’s transition to a financial holding company laid the foundation for long-term growth.
- ① Sale of the KDIC’s remaining stake would begin in 2020 to be completed by 2022.
- ② The sale will take place between 2020 and 2022, in two to three rounds (with the sale of maximum 10% at a time).
- ③ Initial sales will involve competitive bidding in which bidders specify the number of shares they wish to acquire. Any remaining amount that fails to attract successful bids will be sold through block sales.

## 3

# Management of Key Assets of Insolvent Financial Institutions

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## 1. Status of Key Assets

### Overview

Since 2011, a number of MSBs, including Busan Savings Bank, and affiliated financial companies, experienced business deterioration leading to insolvencies caused by the continued downturn in the real estate market, moral hazard, etc. When these insolvent MSBs had their business suspended by the financial authorities, the non-performing loans of those banks came under the direct management of the KDIC. As of the end of 2020, the KDIC was managing a total of KRW 430.7 billion of such assets.

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

In order to maintain the value of these assets and to maximize recovery, the KDIC established the Department of Special Asset Management and Recovery in 2011. This department's role is now being performed by two departments (Department of Asset Recovery and Department of Overseas Property Investigation), and one office (Phnom Penh Office in Cambodia). In particular, the newly established (January 2019) Department of Overseas Property Investigation leads efforts to enhance the efficiency of overseas property identification and recovery. It is pursuing multi-faceted recovery plans using arbitration

and negotiation techniques in consideration of local business characteristics as well as intergovernmental diplomatic consultations.

**Table VII-4** Status of Key Assets Held by Bankruptcy Estates of Failed MSBs by Type

(As of Dec. 31, 2020, Unit: No., KRW 1 billion)

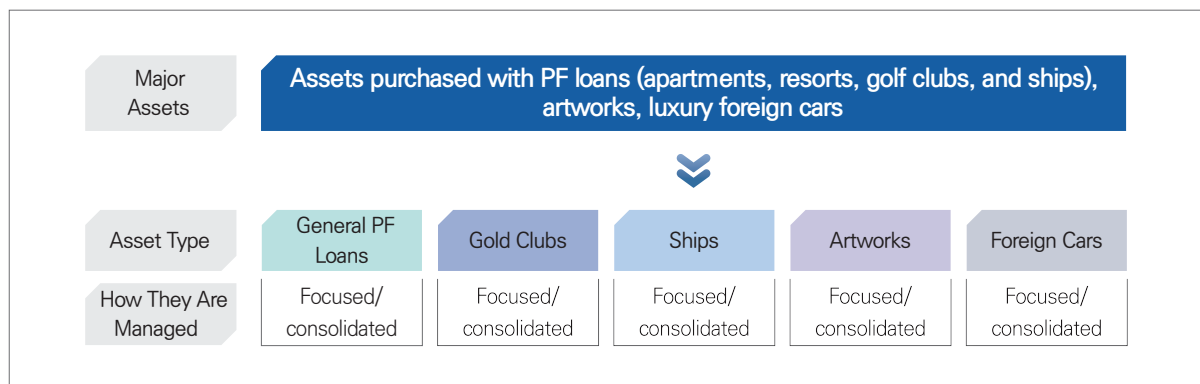
Type	Number of Assets to Be Managed at the Time of Bankruptcy	Loan Balance	Effective Collateral Value of Unsold Assets
PF Real Estate	758	8,253.6	378.5
Ships	16	207.0	-
Equity Holdings	23	293.0	-
Foreign Assets	37	334.5	47.0
Others Including Artworks	5	3.3	5.2
<b>Total</b>	<b>839</b>	<b>9,091.4</b>	<b>430.7</b>

### Management of Key Assets

From the time that a savings bank's business is suspended, the department in charge of managing assets tries to develop an accurate understanding of its asset portfolio by examining the loan handling process, analyzing related 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 factors that could reduce asset values, and draw up plans to mitigate them.

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

**Figure VII-2** Management of Assets by Type



## 2. Pursuing Maximum Recovery of Assets

### Recovery Management System

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

#### (1) Four-phase Recovery Process

In the event of a financial institution's business suspension, 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 expedited through public announcement and bidding. Finally, follow-up management including the collection of payment for assets sold is carried out to complete the four-phase recovery process.

**Figure VII-3** Four Phases of the Asset Recovery Process



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

## (2) Asset Recovery Advisory Committee

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

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

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

Photo VII-2 Methods of Asset Sales Marketing



1:1 Consultation

Promotional Videos

Investment Notes

As the use of existing methods of marketing, such as holding asset sale briefing sessions, became difficult due to COVID-19 in 2020, new marketing methods using non-person-to-person, contactless technologies were sought and utilized to provide uninterrupted public services and to meet the challenges posed by digital innovation.

First, promotional videos for each project-financed (PF) development site were produced using new technologies such as drones to enhance the convenience of buyers who required site visits and to deliver vivid information like aerial views. These videos were actively promoted using digital channels including YouTube and the KDIC website and resulted in the successful sale of three out of six project sites for which videos were produced, including Bongdam New Town, Gangwon-do Rental Cottage and the site for Eumseong Golf Course during 2020.



In addition, investment notes containing detailed information on transportation conditions and location for each PF development site, and purchase conditions were produced separately and posted on the KDIC website in PDF and booklet formats. A ‘contactless service to your doorstep’ was also launched to provide information for institutional and individual investors by email and mail.

Photo VII-3 Press Coverage of Non-person-to-person, Contactless Sale of Assets



Seoul Economic Daily (Oct. 30, 2020)



Korea Sport & Business Daily (Oct. 30, 2020)

#### (4) Cooperation with Other Agencies

The KDIC is pursuing maximum recovery of key assets by forming a system of cooperation with outside agencies. For certain assets held overseas, the inevitable limitations of the KDIC's solitary recovery efforts 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 2020, the KDIC's efforts to cooperate with domestic government departments and agencies and to institutionalize 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 Busan Savings Bank made heavy investments

The standout achievement of these efforts was the formation of the CamKo City Taskforce (joint taskforce) between the two governments. In November 2019, the KDIC had arranged a visit by a Korean government delegation to Cambodia, which opened the door to government-level cooperation for resolving the CamKo City Project. This cooperative momentum was continued and strengthened during 2020 to make inroads into a swift revival of the development project as well as providing relief to the depositors who suffered heavy losses from the failure of the savings bank. To this end, the KDIC concentrated its efforts into forming a government-level joint taskforce to expedite discussions and information sharing between the two countries regarding the CamKo City Project. Through numerous consultations with related government departments including the

Office of the Prime Minister, Financial Services Commission, Ministry of Land, Infrastructure and Transport, Ministry of Foreign Affairs, and the Prosecution Service, the Terms of Reference (ToR) for the operation of the joint taskforce was agreed with the Cambodian government and the joint taskforce was formally launched in December 2020.

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

Furthermore, in order to reset the CamKo City Project on the right track as soon as possible, the Corporation started to draw up blueprints such as the basic plan for project promotion through collaboration with external organizations. The KDIC prepared a project implementation plan, including due diligence on assets related to CamKo City and preparation of a detailed project plan, which it then discussed with relevant ministries and agencies. In particular, in order to establish a more tangible new town development plan, a business feasibility study was conducted in close cooperation with the Ministry of Land, Infrastructure and Transport and the Korea Land & Housing Corporation (LH) to utilize their expertise and know-how in new town development. The foundation for cooperation was further strengthened with the signing of an MOU between the KDIC and the LH (November 2020) that determined the scope of business cooperation between the two organizations.

The KDIC also made significant strides in the domestic and international litigation concerning CamKo City, securing legal authority for business resumption. In February 2020, when the Cambodian Supreme Court overturned two previous rulings in a case regarding the share ownership in the local developer, it gave the KDIC a final win in a crucial part of the process for turning the project around. The final decision gave the KDIC official recognition for its 60% stake in the local developer, laying down a firm legal basis for project resumption.

In addition, the Supreme Court in Korea confirmed the bankruptcy of CamKo City's domestic developer\* in April 2020. The Corporation was able to achieve the result of bankruptcy finalization after three years and eight months of filing for bankruptcy, through tenacious efforts and active responses, such as reinforcing legal arguments in close cooperation with legal representatives. This final decision allowed the KDIC to work

with the bankruptcy trustee of the domestic developer appointed by the court to control management by requesting the provision of data regarding its subsidiary local developer in Cambodia.

\*The domestic developer, whose CEO was implicated in the insolvency of CamKo City, interfered with recovery efforts of the Corporation through continued non-cooperation. The bankruptcy decision provided impetus to block the exercise of influence by those implicated in the project's failure.

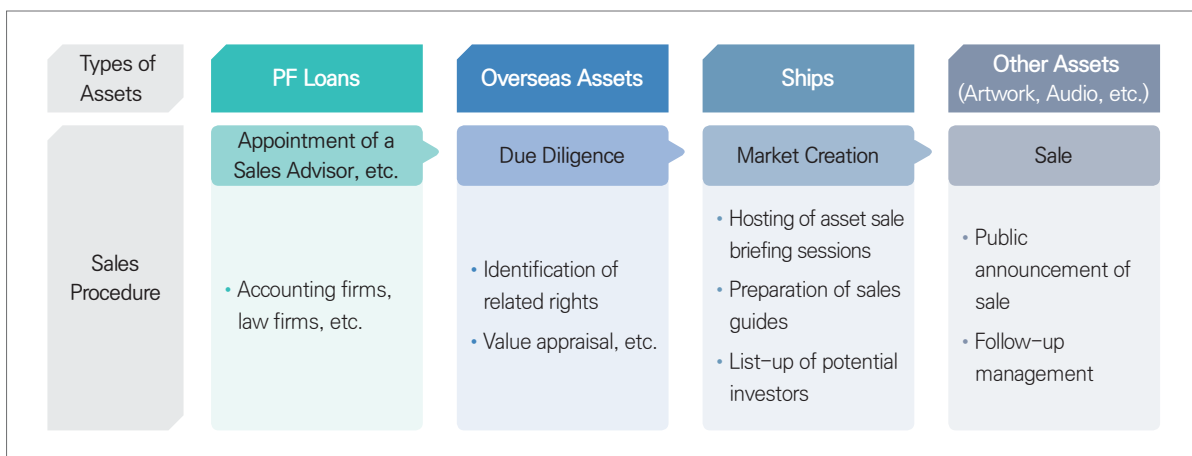
The KDIC will promote the effective operation of the joint taskforce between Korea and Cambodia while doing its utmost to successfully conclude the remaining litigation for the securing of management rights of the project. In so doing, the Corporation plans to fulfill its social responsibility of resuming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

## Recovery Process

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

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

**Figure VII-4** Types of Key Assets and Sale Procedure



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

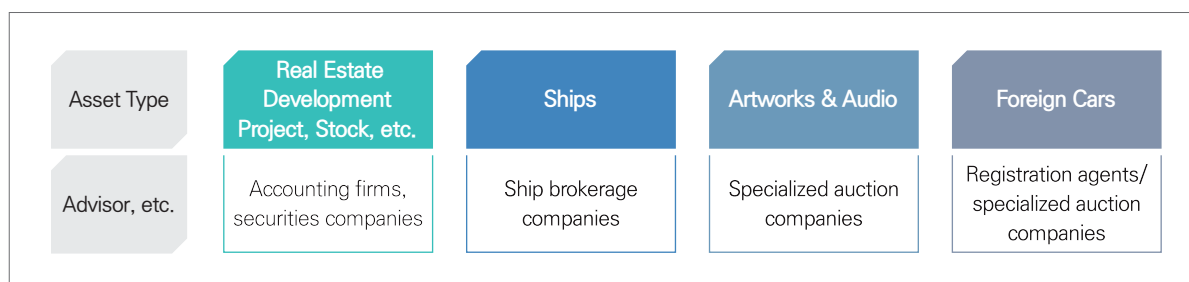
Meanwhile, for PF development sites remaining unsold for extended periods of time due to complex rights issues or ongoing legal proceedings, the KDIC analyzes obstacles to sales with legal experts to devise sales plans that contain suggestions to resolve the legal issues.

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

Due to the difficulties associated with using existing face-to-face asset sales methods as a result of COVID-19, the KDIC actively utilized a non-face-to-face and non-contact method throughout the whole process from notice of tender to decision on successful bidder via the Korea Asset Management Corporation's OnBid electronic bidding system in 2020. This contributed to increasing convenience for buyers while also fundamentally eliminating the risk of COVID-19 infections occurring at bidding sites.

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

**Figure VII-5** Types of Outside Experts Retained by the KDIC for Asset Sales



## Recovery Performance

The KDIC's active recovery efforts based on the above asset recovery management system has resulted in the recovery of KRW 5.3484 trillion during the period of 2011 to the end of 2020.

In particular, in 2020, the KDIC successfully sold a number of golf course and apartment sites, including those in Hoengseong-gun, Gangwon-do, and Bongdam New Town by promoting a strategy of “selection and concentration,” taking into account market conditions such as an increase in domestic golf course demand due to COVID-19 and the general supply shortage of apartments.

In Hoengseong-gun, Gangwon-do, the site of a 36-hole golf course with a size of 600,000 pyeong (around 200 hectares) had a mixture of trust, mortgage and unpaid plots of land as well as was fraught with various challenges in sale including the cancellation of the existing license for golf course business. As such, the public auction of this site failed on seven occasions from 2012 onwards. In order to accelerate the sale of this property, the KDIC prepared a package sale plan to enable the buyer to secure the entire business site, provided administrative support to facilitate the re-approval of business license through consultation with the local government, conducted constant monitoring of market conditions due to COVID-19 to capture the optimal sales timing, and utilized strengthened investment notes as well as non-contact and unmanned bidding boxes to promote sale of the site while remaining vigilant to COVID-19 quarantine standards.

As a result, the sale was completed at KRW 43 billion, which was 3.2 times higher than the last lowest bid received in November 2020, and the recovered funds will be used in the future as relief funds for the depositors of Busan Savings Bank. The planned normalization of golf course construction and operation is expected to create 1,200 new jobs and the increase in visitors to the golf course in Hoengseong is expected to contribute to revitalizing the local economy and bring an uptick in tourist demand.

Photo VII-4 Major Assets Sold in 2020



Hoengseong Golf Course Site



Eumseong Golf Course Site



Bongdam New Town

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

**Table VII-5 Recoveries by Type of Assets of Failed MSBs**

(As of Dec. 31, 2020, Unit: KRW 1 billion)

Type	Recovery Performance									
	Before 2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
PF Real Estate	173.7	352.9	952.2	1,051.6	482.9	540.8	386.3	444.7	131.1	4,516.2
Ships	22.3	66.1	87.0	120.0	15.2	-	-	-	-	310.6
Stock	83.8	64.1	21.4	18.3	0.1	1.0	1.6	1.6	-	191.9
Foreign Assets	73.4	15.8	35.7	8.8	7.2	57.6	34.5	0.2	-	233.2
Others Including Artworks	5.3	4.9	8.6	16.1	11.6	12.1	10.4	25.3	2.2	96.5
<b>Total</b>	<b>358.5</b>	<b>503.8</b>	<b>1,104.9</b>	<b>1,214.8</b>	<b>517.0</b>	<b>611.5</b>	<b>432.8</b>	<b>471.8</b>	<b>133.3</b>	<b>5,348.4</b>

## 4

## Management of Bankruptcy Estates

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### 1. Management Status of Bankruptcy Estates

#### KDIC's Role as Bankruptcy Trustee

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

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

In the meantime, 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 a liquidator or bankruptcy trustee notwithstanding applicable laws (Article 35-8 of the Depositor Protection Act).

Accordingly, the KDIC was appointed as bankruptcy trustee for 34 bankruptcy estates of insured financial institutions nationwide and dispatched its employees as its representatives as of the end of 2020. In close cooperation with the court, it pursued efficient and swift implementation of bankruptcy procedures to maximize the recovery of injected funds.

**Table VII-6 Bankruptcy Estates and Trustees**

(Unit : No. of Estates, No. of Persons)

Category	End of 2018	End of 2019	End of 2020
Bankruptcy Estates*	35	35	34
Bankruptcy Trustees	29	29	29

\* In the case of two estates (Wise Asset Management and Hanmag Investment Securities) which had not received KDIC funds, the FSC recommended that the KDIC be appointed as their trustee based on Article 15 of the Act on the Structural Improvement of the Financial Industry.

## Efficient Management of Bankruptcy Estates

The KDIC is operating a regional supervisor system that was established in July 2007, according to which it groups the bankruptcy estates scattered all over the country into eight regional groups for more efficient management. A single bankruptcy trustee takes responsibility for multiple bankruptcy estates located in the region. This consolidation of bankruptcy estates has prevented cash seepage by increasing the efficiency in management of employees and assets and significantly reduced the costs of rent, building maintenance, office supplies, and the like.

The KDIC has several controls in place to prevent financial incidents and to improve work efficiency. For instance, it reviews the work done by bankruptcy estates and has estates in the same regional group cross-check each other's work. It hosts semi-annual workshops for bankruptcy trustees in which they are encouraged to share their experience and know-how and provides them with estate management guidelines and business instructions.

Meanwhile, special bonuses were offered as incentives to bankruptcy estate staff who achieved considerable progress in the liquidation of assets, to boost their morale and to offset the increasing difficulty of making recoveries with the passing of time. Also, recovery figures of each bankruptcy estate are reflected in their performance evaluation.

In particular, from 2020, a plan for the management of contact with outside persons was implemented to establish a culture of integrity in bankruptcy estates. This requires voice recordings and keeping a log of contact with outside job-related persons. The KDIC is also regularly monitoring the public nature, responsibilities, acceptance of bribes and entertainment in performing bankruptcy estate duties by introducing an integrity call system for business counterparts of bankruptcy estate contracts.



Furthermore, a safety and disaster response system was established to strengthen safety management for real estate and PF sites managed by the KDIC, as a response to COVID-19. Under the theme of safety management, a workshops for bankruptcy trustees and staff was conducted in a non-face-to-face, online format.

## Improvements to the Debt Restructuring System and Debt Relief

Beginning in 2001, the KDIC has operated a debt restructuring system in consideration of the financial status and debt repayment capabilities of debtors who owe delinquent debt to the bankruptcy estates of failed financial institutions.

In 2020, the “System to Incentivize Conscientious Repayment” was introduced to provide additional reductions and exemptions in case of early repayment by debtors who are conscientiously making repayment in installments. The debt burden of vulnerable debtors was alleviated by expanding the scope and rates of debt reduction for the socially marginalized, applying interest rate cuts when adjusting interest rates, and expanding the scope for the granting of special conditions. In addition, a higher maximum rate of debt reduction and payment deferral were allowed for debtors affected by COVID-19, on a temporary basis, to help debtors’ financial recovery despite the difficulties caused by COVID-19.

Through these efforts, the system successfully restructured the debt burden of 14,101 debtors in 2020 to provide an opportunity for financial independence, and in turn, the KDIC was able to complete the early recovery of long-term delinquent loans totaling KRW 48.2 billion.

Meanwhile, the KDIC forgave debts lacking legal claims due to the completion of extinctive prescription amounting to KRW 200 billion for 12,000 cases (cumulative amount of KRW 2.3 trillion, 126,000 cases) to help the debtors avoid falling into the debt trap again. The details of this debt relief was made searchable on the KDIC and Korea Credit Information Services websites.

**Table VII-7** Details of Improvements to the Debt Restructuring Program and Debt Relief

Category	Major Contents	Specific Details
Debt Restructuring	Expansion of reduction rate and deferred payment for COVID-19 victims	<ul style="list-style-type: none"> <li>• Up to 90 percent reduction in debt restructuring applied to debtors affected by COVID-19</li> <li>• Up to one year deferral of installment repayments for debtors affected by COVID-19</li> </ul>
	Introduction of incentives for conscientious repayment	<ul style="list-style-type: none"> <li>• Additional reduction of 10-15 percent for early repayment made by debtors who have conscientiously met their installment repayment schedules</li> </ul>
	Broader scope and reduction rate applied to the socially marginalized	<ul style="list-style-type: none"> <li>• Inclusion of unemployed youth in the category of socially marginalized</li> <li>• Maximum reduction rate for the socially marginalized increased by 10 percentage points</li> </ul>
	Interest rate cuts and increased scope for special interest rate adjustment	<ul style="list-style-type: none"> <li>• A cut in the applied rate when adjusting interest rates (6.1 percent → 2.7 percent)</li> <li>• Relaxation of income requirements to be eligible for special interest rate adjustment (ceiling on the yearly income raised from KRW 36 million to KRW 50 million)</li> </ul>
Debt Relief	Write-off of debts lacking legal claims	<ul style="list-style-type: none"> <li>• Forgiveness of debts lacking legal claims due to the completion of extinctive prescription</li> <li>• Search function for written-off debts on KDIC and Korea Credit Information Services websites</li> </ul>

## 2. Maximization of Asset Marketability and Dividend Collection

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

In 2020, online publicity was strengthened to revitalize sales amid the COVID-19 situation. A wide range of publicity efforts were used to promote the public sale of assets from embedding the OnBid electronic bidding banner on appropriate websites such as Budongsan 114 to the use of Card News content for promotion on social media outlets.

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

**Figure VII-6** KDIC Public Auction Information System



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

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

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

**Table VII-8 Sales of Assets Owned by Bankruptcy Estates**

(As of Dec. 31, 2020, Unit: No. of sales, KRW 1 billion)

Category	2018		2019		2020	
	No.	Amount	No.	Amount	No.	Amount
Real Estate	27	52.9	19	28.6	16	35.4
Golf and Condominium Membership	13	3.3	7	0.4	4	0.1
Non-listed Stocks	10	2.4	2	1.6	-	-

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

### 3. Timely Closure of Bankruptcy Estates

Regarding the bankruptcy estates whose bankruptcy proceedings have been so drawn out that they cannot be managed efficiently anymore, the KDIC pursues their legal closure by making 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 2020, 456 out of a total of 490 bankruptcy estates were declared closed by the court and the KDIC plans to pursue legal closure for the remaining 34 estates.

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

**Table VII-9 Bankruptcy Estates That Are Closed or Still Open**

(As of Dec. 31, 2020, Unit: No. of estates, %)

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

## 5

## Management of Assets Acquired from Insolvent Financial Institutions

### 1. Assets Acquired from Insolvent Financial Institutions

By year-end 2020, the KDIC had acquired a total of KRW 49.0649 trillion in assets (based on acquisition costs) through a resolution financial institution (called the Korea Resolution & Collection, KR&C). Of that amount, KRW 2 million worth of assets (based on acquisition costs) were acquired in 2020 alone.

**Table VII-10** Assets Acquired by the KR&C in 2020

(As of Dec. 31, 2020, Unit: KRW 1 million)

Acquired Parties	Amount of Claims	Purchasing Price	Note
Green Non-Life Insurance	18,839	2	-

The Resolution & Finance Corporation (RFC, currently the KR&C) was established in December 1999 to acquire: assets of Korea First Bank (KFB) which the acquirer (New Bridge Capital) of KFB refused to take over, KFB's put-back options, and the assets that had not been assumed by any acquirer in the restructuring of other failed financial institutions. By the end of 2020, with borrowings from the DIF Bond Redemption Fund of the KDIC, the RFC had acquired assets worth KRW 49.0649 trillion (based on acquisition costs). This included KRW 7.8386 trillion from KFB, KRW 158.8 billion from five acquiring banks (Kookmin, H&CB, Shinhan, Hana, and Hanmi), KRW 356.9 billion from five life insurance companies (Kookmin, Dong-A, Taepyongyang, Handuk, and Korea), KRW 1.3072 trillion from the sale of three financial investment companies (Korea, Daehan, and Hyundai), KRW 377.7 billion from 470 bankruptcy estates, KRW 514.8 billion from 37 mutual savings banks\*, and KRW 38.5109 trillion from the absorption of Hanareum Merchant Bank and Hanareum Mutual Savings Bank.

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

**Table VII-11 Assets Acquired by the KR&C (Accumulated)**

(As of Dec. 31, 2020, Unit: KRW 1 billion)

Category		Amount of Claims	Purchasing Price	Note
KR&C	Banks	9,869.5	7,997.4	6 banks (including Korea First Bank)
	Insurance Companies	405.1	356.9	5 life insurance companies
	Investment Companies	2,532.4	1,307.2	3 investment companies
	Bankruptcy Estates	10,562.2	377.7	470 estates (5 banks, 11 insurers, 4 investment firms, 22 merchant banks, 89 saving banks, 339 credit unions <sup>1)</sup> )
	Mutual Savings Banks	2,642.9	514.8	37 mutual savings banks
	Sub-total	26,012.1	10,554.0	-
Hanareum Merchant Bank <sup>2)</sup>	Merchant Bank	33,058.8	32,662.5 <sup>3)</sup>	16 merchant banks
Hanareum Savings Bank <sup>2)</sup>	Savings and Loan Institution	7,984.8	5,848.4 <sup>3)</sup>	41 mutual savings banks
<b>Total</b>		<b>67,055.7</b>	<b>49,064.9</b>	<b>-</b>

\* 1) Including 14 bankruptcy estates transferred to the responsibility of the National Credit Union Federation of Korea on Jan. 1 of 2010

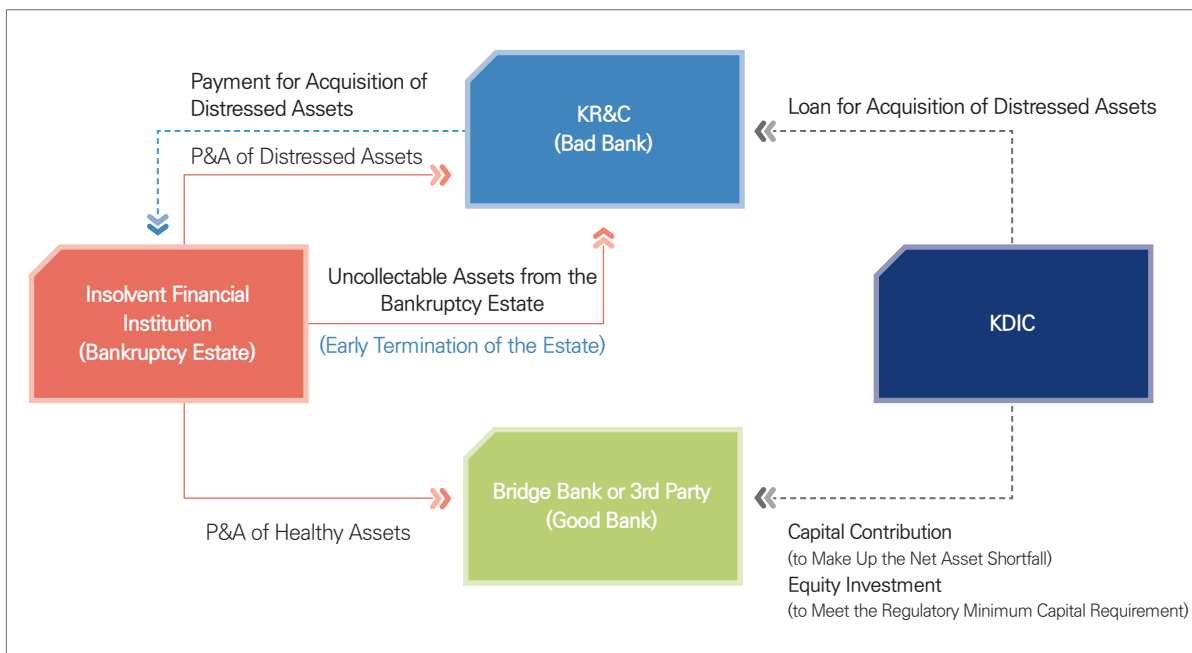
2) Resolution financial institutions eligible for the KDIC's deposit payoff (based on the classification criteria for public fund assistance)

3) Including claims acquired in return for deposit payoffs

## 2. Efficient Management of Assets Acquired from Insolvent Financial Institutions

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

**Figure VII-7** Duties of the KR&C



As of the end of 2020, the balance of assets held by the KR&C stood at KRW 7.8777 trillion, of which KRW 163.3 billion was directly managed by the KR&C while the remaining KRW 7.7144 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 regular joint public sales.

**Table VII-12** Assets Owned by the KR&C (Balance)

(As of the end of Dec. 2020, Unit: KRW 1 billion)

Asset Type*	Directly Managed	Delegated to Outside Agencies for Management	Total
Loans	40.9	7,711.2	7,752.1
Securities	47.5	-	47.5
Real Estate, etc.	74.9	3.2	78.1
<b>Total</b>	<b>163.3</b>	<b>7,714.4</b>	<b>7,877.7</b>

\* Excluding claims for damage, etc.







## | Promotion of Accountability for Insolvency

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

## 1

# Investigations against Insolvent Financial Institutions

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

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

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

The KDIC found it imperative to systematically investigate unlawful activities perpetrated in collusion between the insolvent financial institutions and default debtor companies. Due to this reason, 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 two bureaus, two departments, and one office, the Insolvency Investigation Division had 87 members at the end of 2020 including seconded officers from related organizations such as the Prosecution Service. The Division not only utilizes the expertise and know-how of the seconded officers to increase the efficiency of investigation but actively seeks and utilizes data from appropriate organizations.

The KDIC refers illegal activities revealed by investigations to the Accountability Review Committee for Insolvent Financial Institutions for confirmation of illegal activities according to a fair and objective review. The Committee is made up of external experts from the legal services industry, academia, financial industry,

etc. Legal and financial experts were appointed as members of the Committee to 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 after and insurance company failures.

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

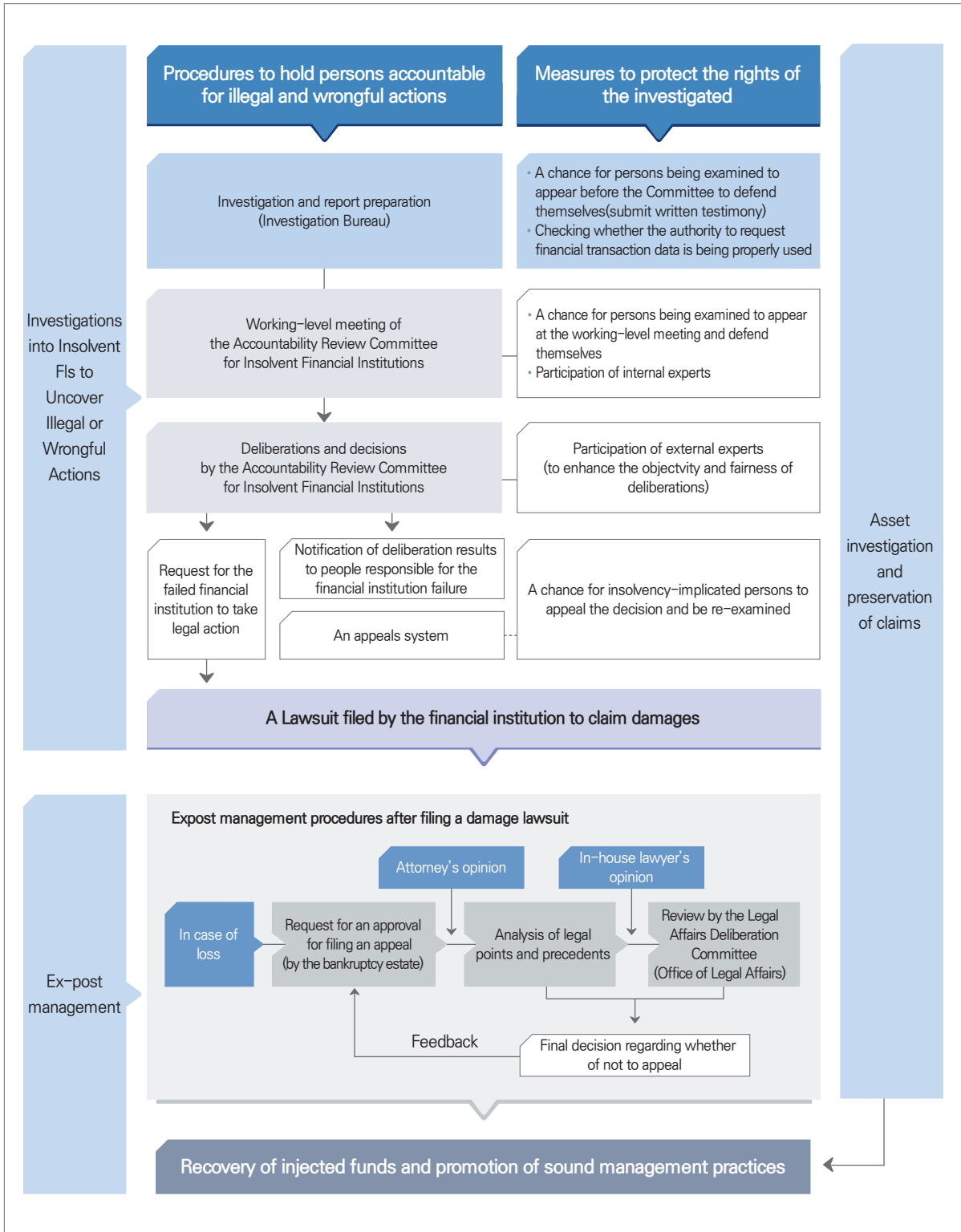
(As of Dec. 31, 2020, Unit: No. of cases, No. of persons)

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 Union <sup>1)</sup>	325	4,146	-	-	325	4,146
<b>Total</b>	<b>472</b>	<b>5,595</b>	<b>47</b>	<b>527</b>	<b>519</b>	<b>6,122</b>

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

By the end of 2020, deliberations on accountability for financial institution failures resulted in a confirmation of accountability for 6,122 persons in 519 insolvency cases. The KDIC requested the insolvent financial institutions and their bankruptcy estates to file for damages against these people.

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



## 2. Damage Claim Proceedings against Insolvency-Implicated Persons

Following the KDIC's request for seeking damages, insolvent financial institutions and their bankruptcy estates filed damage claims against persons involved in insolvencies. By the end of 2020, damage claims for KRW 1.8118 trillion were instituted against 9,013 persons implicated in insolvencies of financial institutions into which funds of the Deposit Insurance Fund Bond Redemption Fund (Redemption Fund) had been injected. These lawsuits have all come to a close. The KDIC is now striving to collect monetary sanctions from insolvency-implicated persons through court-ordered foreclosure on their assets and other means.

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

(As of Dec. 31, 2020, Unit: No. of cases, No. of persons, KRW 1 billion)

Category	Banks	Investment Companies	Insurance Companies	Merchant Banks	MSBs	Credit Union <sup>1)</sup>	Total
No. of Failed Financial Institutions	15	6	18	22	85	311	457 <sup>3)</sup>
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 <sup>2)</sup>	10.2	5.4	21.8	66.0	92.3	76.9	272.6

\* 1) 14 credit unions which were transferred to the National Credit Union Federation of Korea on Jan. 1, 2010 were excluded.

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

3) Excluding 15 companies that did not institute legal action after investigation completion for such reasons as voluntary repayment and liability exemption

The KDIC also requests insolvent financial institutions and their bankruptcy estates to file litigation claiming damages against persons involved in insolvencies of financial institutions that received financial support from the Deposit Insurance Fund (DIF). By the end of 2020, damage claims for KRW 460.5 billion were filed against 702 persons implicated in failures of 47 financial institutions.

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

(As of Dec. 31, 2020, Unit: No. of cases, No. of persons, KRW 1 billion)

No. of Failed Financial Institutions	No. of Defendants	Amount Claimed	Amount Finalized <sup>1)</sup>	Amount Awarded	Amount Collected <sup>2)</sup>
47	702	460.5	451.0	259.5	121.3

\* 1) Pending litigation: KRW 9.5 billion

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

The KDIC provides continuous support and conducts follow-up management of legal actions taken by insolvent financial institutions and their bankruptcy estates following the KDIC's demand for damage claims and preservation of creditor claims. It also has a supporting system in place to enable clear and orderly presentation of defense and submission of extensive evidence in legal proceedings. The KDIC continues to manage remaining claims for damages on an ongoing basis to allow additional lawsuits to be filed immediately if more assets of persons implicated in insolvencies are found.

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

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

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

In 2019, a plan to establish a system to protect the rights of persons subject to investigations was drawn up to minimize the violation of basic rights, under the Constitution, in the investigation process, including permission for socially vulnerable persons to attend investigations with a trusted party, operation of a Committee for the protection of rights and interests to deliberate on key issues requiring review and

resolution, and improvement of the way in which information on the system to protect the rights of persons subject to investigations is disclosed on the KDIC website as well as the creation of a new information tab.

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

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

### 1. Investigations into Illegal and Wrongful Acts of Default Debtor Corporations

By the end of 2006, the KDIC's former Special Investigation Mission for Default Debtor Corporations completed its investigations against insolvent default debtor corporations that failed to pay their debts to public fund-injected insolvent financial institutions. In 2007, KDIC began to investigate illegal and wrongful acts of default debtor corporations in relation to mutual savings bank failures which were resolved with financial assistance from the Deposit Insurance Fund.

In 2008, the Special Investigation Mission for Default Debtor Corporations was reorganized into the Insolvency Investigation Division following integration with the Investigations Department in charge of investigations against insolvent financial institutions. In 2013, Corporate Investigation Bureau (the current Investigation Bureau II) 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 for Insolvent Financial Institutions confirmed as of the end of 2019 that 874 persons were responsible for financial institution failures and gave notice to the insolvent financial institutions and their bankruptcy estates so that they could start damage claim proceedings against those persons.



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

(As of Dec. 31, 2020, Unit: No. of cases, No. of persons)

No. of Default Debtor Corporations	No. of Insolvency-Implicated Persons
375	886

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

As it assists insolvent financial institutions and their bankruptcy estates in collecting damages, the KDIC seeks to ensure that the same legal measures that are applicable to persons responsible for their failures are also applied to default debtor companies' personnel who are at fault. In compliance with the KDIC's request, insolvent financial institutions and their bankruptcy estates filed suits claiming KRW 999.8 billion of damages in total against 1,238 persons implicated in insolvencies as of the end of 2020.

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

(As of Dec. 31, 2020, Unit: No. of cases, No. of persons, KRW 1 billion)

No. of Companies	No. of Defendants	Amount Claimed	Amount Awarded	Amount Collected <sup>1)</sup>
326	1,238	999.8	464.4	120.3

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

### 1. Stricter Investigations into Assets Located in Korea

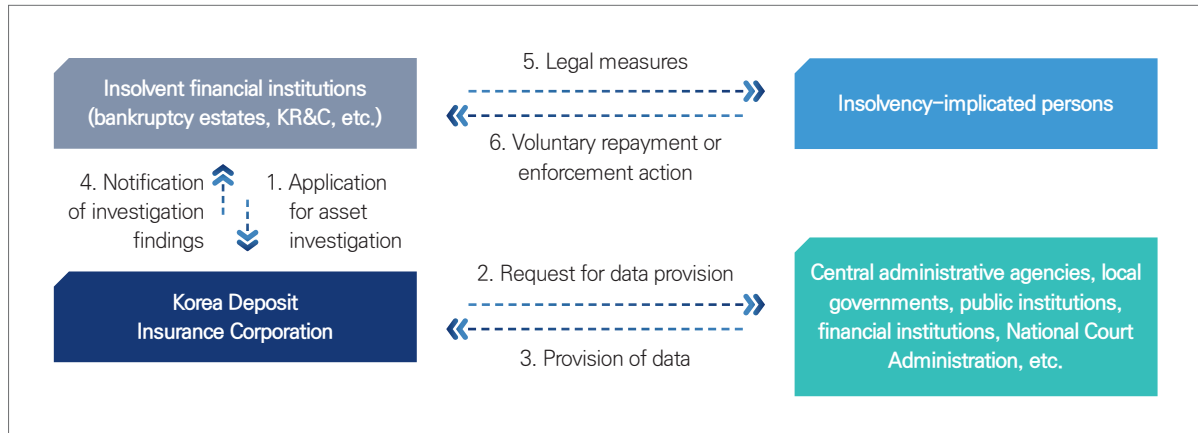
The KDIC endeavors to maximize fund recovery and create a climate of sound management at insured financial institutions. Towards that end, it holds parties at fault in a financial institution failure to account by systematically tracking and recovering their assets or those concealed by them with the help of a third party. For this, KDIC utilizes its power, conferred by the Depositor Protection Act, 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 Depositor Protection Act revision of 2019 removed the sunset clause in the right to request financial transaction information of insolvency-implicated persons, laying the basis to perform investigations of insolvency-implicated persons and to recover funds in a stable manner.

In 2020, to overcome the slowdown of new asset discoveries due to repeated investigations, the KDIC focused its capabilities on areas with a high probability of identifying new assets, based on an analysis of recovery cases of institutions subject to data requests as well as bankruptcy estates. These efforts yielded a 30 percent increase in new assets identified compared to the previous year. The KDIC succeeded in recovering KRW 27.9 billion in 2020. As of the end of December 2020, the KDIC has recovered a total of KRW 1.376 trillion from persons involved in financial institution insolvencies.

Meanwhile, the KDIC established the Information Protection Review Committee at the end of 2019 comprising private-sector members with extensive knowledge and experience in finance, accounting, law and personal information management to deliberate on matters including the right, appropriateness and objections surrounding the request for data such as financial transaction information. In 2020, the Committee

deliberated on matters like the asset investigation plan and results on a regular basis to enhance the protection of the rights and interests of persons under investigation and the transparency of asset investigation activities.

**Figure VIII-2** Flow Chart of Domestic Asset Investigation



**Table VIII-6** Recovery Status of Domestic Assets

(As of Dec. 31, 2020, Unit: No. of sales, KRW 1 billion)

Year	2003-2014	2015	2016	2017	2018	2019	2020	Total
Amount	1,049.6	85.1	125.7	29.0	29.1	30.2	27.9	1,376.6

## 2. Expanded Investigations into Assets Located Overseas

The KDIC embarked on investigations of overseas assets owned by insolvency-implicated persons in 2002. Efforts at systematic and efficient uncovering of overseas assets stashed away by insolvency-implicated persons are ongoing with the setup 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 has broadened the scope of its investigation to identify hidden assets in a total of 55 countries up to 2020. 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. Moreover, new investigative channels

were pursued by increasing exposure of the Concealed Property Report Center in collaboration with overseas branches of domestic banks and encouraging reports on properties illegally concealed overseas.

Thanks to these efforts, in 2020, the KDIC uncovered USD 2.16 million (equivalent to KRW 2.4 billion) of assets hidden by insolvency-implicated persons in four foreign countries including the U.S. through its own investigation of offshore properties, despite increasingly sophisticated concealment methods.

Meanwhile, the competitiveness of the pool of local lawyers (in 16 countries at present) is being maintained through collaboration with related organizations like the Korea Trade-Investment Promotion Agency (KOTRA) and associations of Korean residents in addition to the KDIC's own evaluation of legal representatives. In the future, the Corporation plans to strengthen the pool of local lawyers in cooperation with overseas deposit insurance organizations and domestic commercial banks, and establish conditions for expanded investigation activities by broadening the number of regions where recoveries can be made.

The KDIC succeeded in recovering USD 1.57 million (equivalent to KRW 1.8 billion) from assets concealed by insolvency-implicated persons in 2020. It is also making every effort to improve recovery performance in the future by employing experts on recovering properties hidden overseas to draw up a checklist to improve recovery efficiency and rationalize the method of calculating the probability of winning lawsuits.

**Table VIII-7** Recovery of Assets Hidden Overseas

(As of Dec. 31, 2020, Unit: USD 1,000)

Year	2003-2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Amount	3,046	349	1,400	415	11,653	2,252	5,027	6,250	1,496	1,596	1,990	1,570	37,044

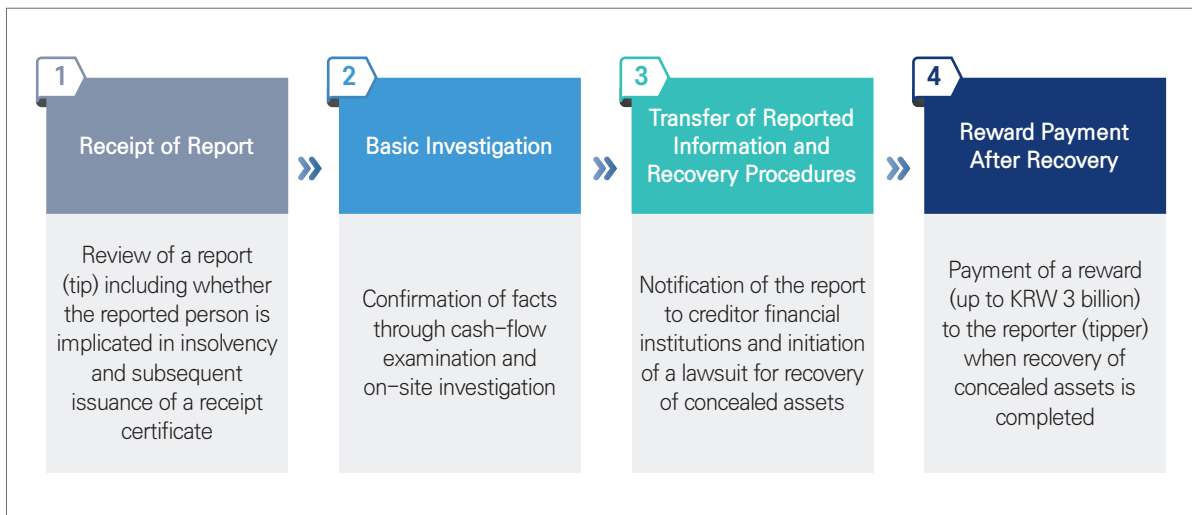
### 3. Recoveries through the Concealed Property Report Center

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

Upon receipt of a report on concealed assets, a preliminary investigation including a cash-flow examination

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

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



The reward for reporting concealed property is paid to the reporter upon the completion of the recovery procedure, following a review of the contribution of the whistleblower. In accordance with related laws, the competent court in which the bankruptcy estate (creditor financial institution) is located decides on the reward amount and provides permission for payment. To further promote reporting activities, print ads in major daily newspapers and online banners were used and social media channels were used to provide a wide range of online users with detailed information on the scheme and reporting methods. Also, active PR activities were carried out through the media in the countries where many Koreans reside and engage in economic activities such as the U.S., Vietnam and China.

As a result of these efforts, the KDIC has received a total of 421 reports, recovering KRW 73 billion from 96 cases, and paid out KRW 4.9 billion in rewards as of the end of 2020. The Corporation will continue its role to facilitate more reporting going forward and to ensure that such reports can lead to successful recoveries.

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

(As of Dec. 31, 2020, Unit: No. of cases, KRW 1 million)

Category	2002-2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
No. of Cases Reported	166	23	53	33	36	37	25	22	16	10	<b>421</b>
No. of Recoveries	27	5	9	8	7	9	11	9	7	4	<b>96</b>
Recovered Amount	28,866	825	2,553	732	3,230	6,745	7,779	10,191	10,509	1,522	<b>72,952</b>



## | Fund Management

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

## 1

## Deposit Insurance Fund Bond Redemption Fund

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

### 1. Stable Financing

#### Special Contributions

Pursuant to Article 30-3 of the Depositor Protection Act and Article 16-4 of its Enforcement Decree, insured financial institutions, for the period from 2003 to 2027, are required to pay a given percentage of their deposit balances (the arithmetic mean of liability reserves and premium revenue in the case of insurance companies) to the KDIC as Special Contributions. Banks must pay Special Contributions within one month following the end of each quarter, and other insured financial institutions also need to pay Special Contributions within three months following the end of each fiscal year. In 2020, the KDIC received KRW 1.9748 trillion in Special Contributions.



**Table IX-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 <sup>1)</sup>

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

**Table IX-2 Special Contributions Received from Each Financial Sector**

(Unit: KRW 1 billion)

Year	Banks	Investment Companies	Life Insurance Company	Non-life Insurance Company	Merchant Banks	MSBs	Credit Union <sup>1)</sup>	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
<b>Total</b>	<b>14,770.9</b>	<b>380.3</b>	<b>3,604.6</b>	<b>1,161.4</b>	<b>18.2</b>	<b>801.1</b>	<b>261.7</b>	<b>20,998.1</b>

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

## Contributions from the Public Fund Redemption Fund

In accordance with the Redemption Plan, the KDIC had received a total of KRW 52.3064 trillion in contributions from the Public Fund Redemption Fund during the four-year period from 2003 to 2006 and used the funds to partially repay the principal and interest of the Deposit Insurance Fund Bonds (DIF Bonds) issued on or before December 31, 2002, as provided in Article 4 of the Act on the Fund for Repayment of Public Funds. The KDIC has not received any additional contributions from the Public Fund Redemption Fund since 2007.

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

As stipulated in Article 26-2 of the Depositor Protection Act, the KDIC may issue DIF Bonds. The KDIC issued a total of KRW 87.1599 trillion of DIF Bonds from 1998 to 2002.

With the establishment of the Redemption Fund in 2003, the outstanding balance of DIF Bonds amounting to KRW 80.9744 trillion as of the end of 2002 was transferred to the Redemption Fund. All DIF Bonds issued on or before December 31, 2002 that matured afterwards were all repaid as of the end of 2008 with contributions from the Public Fund Redemption Fund, money raised by issuing DIF Bond Redemption Fund Bonds (Redemption Fund Bonds), Special Contributions from the industry, and other recovered funds in accordance with the Redemption Plan.

**Table IX-3** Issuance and Redemption of DIF Bonds Issued on or before Dec. 31, 2002

(Unit: KRW 1 billion)

Year	Amount Issued	Amount Redeemed	Balance
1998	21,015.0	-	21,015.0
1999	22,484.9	-	43,499.9
2000	8,940.7	-	52,440.6
2001	31,059.3	1,464.0	82,035.9
2002	3,660.0	4,721.5	80,974.4
2003	-	9,737.1	71,237.3
2004	-	16,622.7	54,614.6
2005	-	18,090.4	36,524.2
2006	-	19,063.6	17,460.6
2007	-	6,067.2	11,393.3
2008	-	11,393.3	-
<b>Total</b>	<b>87,159.9<sup>1)</sup></b>	<b>87,159.9</b>	<b>-</b>

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

## Issuance and Repayment of Redemption Fund Bonds

Under Article 26-3 of the Depositor Protection Act, the KDIC is authorized to issue Redemption Fund Bonds to repay the principal and interest of DIF Bonds issued on or before December 31, 2002. However, the KDIC did not issue any additional Redemption Fund Bonds in 2020, as the principal and interest of bonds maturing that year could be fully repaid with recovered funds, Special Contributions, etc. Meanwhile, the KDIC repaid KRW 2.4 trillion of Redemption Fund Bonds that matured in 2020, which brought the outstanding balance of Redemption Fund Bonds as of the end of 2020 to KRW 1.48 trillion.

**Table IX-4** Issuance and Redemption of Redemption Fund Bonds

(Unit: KRW 1 billion)

Year	Amount Issued	Amount Redeemed	Balance
2004	6,500.0	-	6,500.0
2005	7,440.0	-	13,940.0
2006	2,870.5	315.5	16,495.0
2007	2,720.0	45.0	19,170.0
2008	8,800.0	10.0	27,960.0
2009	5,860.0	6,500.0	27,320.0
2010	6,810.0	7,440.0	26,690.0
2011	780.0	3,730.0	23,740.0
2012	4,770.0	5,690.0	22,820.0
2013	7,270.0	7,570.0	22,520.0
2014	1,010.0	5,010.0	18,520.0
2015	880.0	4,690.0	14,710.0
2016	1,970.0	4,130.0	12,550.0
2017	1,520.0	4,390.0	9,680.0
2018	1,480.0	5,310.0	5,850.0
2019	-	1,970.0	3,880.0
2020	-	2,400.0	1,480.0
<b>Total</b>	<b>60,680.5</b>	<b>59,200.5</b>	<b>-</b>

## Borrowings

Pursuant to Article 26 of the Depositor Protection Act and Article 15 of its Enforcement Decree, the KDIC is authorized, when necessary for payment of deposit insurance claims or resolution of insolvent financial institutions, to borrow funds from various entities including the government, the Bank of Korea, insured financial institutions, and other institutions specified in Article 15(3) of the Enforcement Decree. 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.

**Table IX-5 Borrowings and Loan Repayments of the Redemption Fund**

(Unit: KRW 1 billion)

Year	Borrowed Amount				Repaid Amount	Balance
	Member Institutions	Loans <sup>1)</sup>	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	-
<b>Total</b>	<b>18,320.4</b>	<b>1,445.3</b>	<b>18,559.4</b>	<b>38,325.1</b>	<b>38,325.1</b>	<b>-</b>

\* 1) Loans from the International Bank for Reconstruction and Development (IBRD), the Asian Development Bank (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 2020, the Redemption Fund had no outstanding borrowing.

## 2. Financial Assistance

### Overview

The KDIC provided financial assistance through the Redemption Fund to make deposit payouts as well as equity investment, contributions, loans, etc. to resolve insolvent financial institutions. The Redemption Fund provided a total of KRW 1 million in financial assistance during 2020, all of which was in the form of capital contribution.

**Table IX-6** Financial Assistance and Deposit Insurance Payments from the Redemption Fund (2020)

(Unit: KRW 1 billion)

Sector	Equity Investment	Capital Contributions	Asset Purchase	Loans	Deposit Insurance Payments	Total
Banks	-	-	-	-	-	-
Investment Companies	-	-	-	-	-	-
Insurance Companies	-	0.001	-	-	-	0.001
Merchant Banks	-	-	-	-	-	-
MSBs	-	-	-	-	-	-
Credit Unions	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>0.001</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.001</b>

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 2020. This amount includes KRW 30.3124 trillion (27.3%) in payment of insured deposits for depositors of insolvent financial institutions, KRW 50.7937 trillion (45.8%) in equity investment for business normalization, KRW 18.6117 trillion (16.8%) in capital contributions for P&As, and KRW 11.1767 trillion (10.1%) for the purchase of assets, etc.

**Table IX-7** Financial Assistance and Deposit Insurance Payments from the Redemption Fund (Accumulated)

(As of Dec. 31, 2020, Unit: KRW 1 billion)

Sector	Equity Investment	Capital Contributions	Asset Purchase <sup>1)</sup>	Loans	Deposit Insurance Payments <sup>1)</sup>	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
<b>Total</b>	<b>50,793.7</b>	<b>18,611.7</b>	<b>10,579.9</b>	<b>596.9</b>	<b>30,312.4</b>	<b>110,894.6</b>

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

## Assistance for Each Sector of the Financial Industry

### (1) Banks

By the end of 2020, the KDIC had provided KRW 44.2292 trillion from the Redemption Fund in the form of equity investment, capital contribution, or asset purchase to restructure 20 banks. In 2020, the KDIC did not provide any financial assistance to banks from the Redemption Fund.

### (2) Investment Companies

By the end of 2020, the KDIC had provided KRW 12.5264 trillion from the Redemption Fund in the form of equity investment, capital contribution, or asset purchase to restructure seven securities firms. In 2020, the KDIC did not provide any financial assistance to the sector from the Redemption Fund.

### (3) Insurance Companies

By the end of 2020, the KDIC had provided KRW 19.3885 trillion from the Redemption Fund in the form of equity investment, capital contribution, or asset purchase to restructure 21 insurance companies. KB Life requested settlement of dormant claims to be paid from June 1, 2019 to May 31, 2020 upon the request of customers according to a contribution agreement that it had signed with the KDIC upon the acquisition of Hanil Life. Accordingly, the KDIC made an additional contribution of KRW 1 million in 2020.

### (4) Merchant Banks

By the end of 2020, the KDIC had provided KRW 21.708 trillion in the form of equity investment, capital contributions, or payouts of deposit insurance claims to restructure 29 merchant banks. In 2020, the KDIC did not provide any financial assistance to merchant banks.

### (5) Mutual Savings Banks

By the end of 2020, the KDIC had restructured 92 mutual savings banks by paying off of insured deposits or making capital contributions to provide a total of KRW 8.3023 trillion from the Redemption Fund. In 2020, the KDIC did not provide any financial assistance to mutual savings banks.

## (6) Credit Unions

By the end of 2020, the KDIC had provided KRW 4.7402 trillion to restructure 348 credit unions. In 2020, the KDIC did not provide any financial assistance to credit unions.

## 3. Maximization of Public Fund Recovery

### Overview

Depending on the nature of the support extended, the KDIC uses a number of methods to recover public funds. Firstly, regarding capital contributions, the KDIC tries to recover the funds by selling stock shares it received in exchange for the financial assistance. Next, for insolvent financial institutions whose liabilities exceed assets and for whom 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 2020 totaled KRW 60.1464 trillion including KRW 331.8 billion recovered in 2020 alone.

**Table IX-8** Redemption Fund Recoveries (2020)

(As of Dec. 31, 2020, Unit: KRW 1 billion)

Sector	Recovery of Equity Investment	Settlement of Capital Contributions, etc.	Asset Sales <sup>1)</sup>	Recovery of Loans	Collection of Bankruptcy Dividends <sup>1)</sup>	Total
Banks	134.3	-	33.5	-	-	167.8
Investment Companies	-	0	-	-	-	0
Insurance Companies	153.0	0	-	-	-	153.0
Merchant Banks	3.0	-	-	-	7.9	10.9
MSBs	-	-	-	-	0.1	0.1
Credit Unions	-	-	-	-	-	-
<b>Total</b>	<b>290.3</b>	<b>0</b>	<b>33.5</b>	<b>-</b>	<b>8.0</b>	<b>331.8</b>

\* 1) Including recoveries made through the resolution financial institution

**Table IX-9 Redemption Fund Recoveries (Accumulated)**

(As of Dec. 31, 2020, Unit: KRW 1 billion)

Sector	Recovery of Equity Investment	Settlement of Capital Contributions, etc.	Asset Sales <sup>1)</sup>	Recovery of Loans	Collection of Bankruptcy Dividends <sup>1)</sup>	Total
Banks	21,970.7	70.2	6,666.7	-	1,847.2	<b>30,554.9</b>
Investment Companies	1,212.1	337.5	1,801.3	-	7.8	<b>3,358.7</b>
Insurance Companies	6,566.0	88.8	245.3	-	431.0	<b>7,331.1</b>
Merchant Banks	273.9	5.9	-	-	9,331.5	<b>9,611.3</b>
MSBs	-	34.3	-	596.9	5,236.0	<b>5,867.2</b>
Credit Unions	-	0.4	-	-	3,422.9	<b>3,423.3</b>
<b>Total</b>	<b>30,022.8</b>	<b>537.1</b>	<b>8,713.3</b>	<b>596.9</b>	<b>20,276.4</b>	<b>60,146.4</b>

\* 1) Including recoveries made through the resolution financial institution

## Sale of Equity Stakes, etc.

### (1) Banks

In 2020, the KDIC collected KRW 84.2 billion (equivalent to its stake held in the banking account of the DIF) in dividends from Woori Financial Group. Also, it recovered KRW 50.1 billion in 2020, after the first recovery of public funds in 2017 totaling KRW 12.7 billion, from Suhyup Bank. Another KRW 33.5 billion was recovered in asset sales through the KR&C.

### (2) Insurance Companies

In 2020, the KDIC collected KRW 2.6 billion and KRW 150.4 billion in dividends, respectively from Hanwha Life Insurance and Seoul Guarantee Insurance.

### (3) Merchant Banks

In 2020, the KDIC collected KRW 3 billion (equivalent to its stake held in the merchant bank account of the DIF) in dividends from Woori Financial Group.



## Bankruptcy Dividends

In 2020, the KDIC (including the KR&C) received KRW 8 billion in bankruptcy dividends from bankruptcy estates of failed merchant banks and savings banks into which public funds were injected through the sale of their assets. By the end of 2019, the cumulative total of funds recovered through bankruptcy dividends, etc. had reached KRW 20.2764 trillion.

**Table IX-10** Bankruptcy Dividends Collection by Financial Sector<sup>1)</sup>

(As of Dec. 31, 2020, Unit: No. of estates, KRW 1 billion)

Sector	No. of Estates <sup>2)</sup>	Recovered Amount	
		2020	1999-2020
Banks	5	-	1,847.2
Investment Companies	4	-	7.8
Insurance Companies	10	-	431.0
Merchant Banks	22	7.9	9,331.5
MSBs	75	0.1	5,236.0
Credit Unions	325	-	3,422.9
<b>Total</b>	<b>441</b>	<b>8.0</b>	<b>20,276.4</b>

\* 1) The amount of bankruptcy dividends collected by the KDIC from estates of failed financial institutions (in cases where the KDIC reimbursed depositors directly) and from the KR&C (in cases where the KDIC repaid depositors through the former Hanareum Merchant Bank or Hanareum Savings Bank)

2) Based on bankruptcy estates tied to the Redemption Fund

## Recovery of Loans, etc.

By the end of 2020, the KDIC had provided KRW 596.9 billion in loans, all of which were recovered. By the end of 2020, it had recovered KRW 537.1 billion from the settlement of capital contributions, etc. In 2020, it recovered an additional KRW 10 million from the settlement of capital contributions related to the P&A of Hyundai Life Insurance and the sale of Daehan Investment Trust Securities.

## Recovery through the KR&C

The KR&C also employs a variety of means of recovery in addition to the traditional method of recovery-at-maturity. These include sales through M&A transactions, disposal of non-performing loans (NPLs) through joint venture special purpose companies (J.V. SPCs), and issuance of asset-backed securities (ABSs). By the end of 2020, on a cumulative basis, the KR&C had recovered a total of KRW 41.3448 trillion and repaid\* KRW 20.9661 trillion to the KDIC.

\* Amount of loans from the KDIC for the purpose of resolving insolvent financial institutions: KRW 34.0089 trillion

In 2020, the KR&C recovered a total of KRW 27.8 billion including KRW 25.3 billion from debt restructuring and asset sales\* and KRW 2.5 billion from the sale of securities. It repaid KRW 41.4 billion to the KDIC (including some recoveries from before 2020).

\* Sale to the Korea Asset Management Corporation of KRW 74.8 billion (based on the principal amount) in personal loans written-off as irrecoverable under such circumstances as non-existence of discovered assets, according to the Financial Services Commission's Plan to Improve Non-Performing Loan Management by Public Institutions in the Financial Sector (announced on March 7, 2017)

**Table IX-11 Recoveries from Sale of KR&C-owned Assets**

(As of the end of December 2020, Unit: KRW 1 billion)

Category	Assets Subject to Sale		Amount Recovered	Recovery Method
Amount Recovered in 2020	Loans	Loans in KRW	24.1	Direct collection, debt restructuring, debt write-offs
		Loans in foreign currencies	1.2	
		Sub-total	25.3	
	Marketable securities	Listed and unlisted stock	1.6	Auction, sale on the stock market, dividend collection, etc.
	Real estate, etc.	Land, etc.	0.9	Public auction, etc.
	Right of indemnity	Claims as subrogee of insured depositors, etc.	-	Bankruptcy dividend collection
	<b>Total</b>		<b>27.8</b>	<b>-</b>
Accumulated Amount	Loans	Loans in KRW	10,511.5	International bidding, NPL sale, ABS issuance, etc.
		Loans in foreign currencies	3,073.8	
		Sub-total	13,585.3	
	Marketable securities	Listed and unlisted stock	6,207.0	Public auction, block sale, etc.
	Real estate, etc.	Land, etc.	624.2	Public auction, etc.
	Right of indemnity	Claims as subrogee of insured depositors, etc.	20,928.3	Bankruptcy dividend collection
	<b>Total</b>		<b>41,344.8</b>	<b>-</b>

## 1. Stable Financing

### Deposit Insurance Premiums

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

**Table IX-12** Deposit Insurance Premium Rates by Financial Sector

Category	Banks	Investment Companies	Insurance Company	Merchant Banks	MSBs
DI Premium Rates	8/10,000	15/10,000 <sup>1)</sup>	15/10,000	15/10,000	40/10,000 <sup>2)</sup>

\* 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 IX-13 Deposit Insurance Premium Revenue by Financial Sector by Year**

(As of the end of December 2020, Unit: KRW 1 billion)

Year	Banks	Investment Companies	Life Insurance Companies	Non-life Insurance Companies	Merchant Banks	MSBs	Special Account <sup>2)</sup>	Total <sup>4)</sup>
2003 <sup>1)</sup>	477.5	31.2	258.0	53.5	7.3	66.8	-	<b>894.2</b>
2004	496.0	33.6	283.2	57.1	1.7	79.3	-	<b>950.9</b>
2005	486.9	30.0	310.9	62.8	1.5	97.4	-	<b>989.5</b>
2006	498.7	30.3	336.2	69.7	1.9	111.6	-	<b>1,048.4</b>
2007	502.7	25.6	365.4	80.1	2.2	130.6	-	<b>1,106.6</b>
2008	480.8	30.5	393.4	91.8	2.4	148.3	-	<b>1,147.2</b>
2009	529.1	27.6	409.7	101.6	2.9	173.7	-	<b>1,244.6</b>
2010	545.1	28.4	260.9	69.8	3.4	252.4	-	<b>1,160.0</b>
2011	479.5	28.3	236.2	70.0	1.8	233.2	174.2	<b>1,223.1</b>
2012 <sup>5)</sup>	374.8	0.2	-1.4 <sup>3)</sup>	10.0	0.8	134.5	581.6	<b>1,100.4</b>
2013 <sup>5)</sup>	394.8	-	22.1	48.8	0.8	25.3	667.2	<b>1,159.0</b>
2014 <sup>5)</sup>	419.7	-	81.1	44.5	0.6	25.6	615.8	<b>1,187.2</b>
2015 <sup>5)</sup>	436.9	-	128.0	71.0	0.4	6.4	712.0	<b>1,354.7</b>
2016 <sup>5)</sup>	467.5	-	185.7	80.6	0.7	29.6	682.3	<b>1,446.3</b>
2017 <sup>5)</sup>	500.5	-	234.9	88.3	0.9	28.6	824.2	<b>1,677.4</b>
2018 <sup>5)</sup>	525.0	-	246.6	97.3	0.9	13.9	910.2	<b>1,794.0</b>
2019 <sup>5)</sup>	534.2	3.9	242.6	101.8	1.0	24.8	936.0	<b>1,844.3</b>
2020 <sup>5)</sup>	594.2	0	210.9	103.0	1.1	21.6	1,025.9	<b>1,956.7</b>
<b>Total</b>	<b>8,743.8</b>	<b>269.7</b>	<b>4,204.3</b>	<b>1,301.6</b>	<b>32.2</b>	<b>1,603.5</b>	<b>7,129.6</b>	<b>23,284.7</b>

\* 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, 16% reduction for life insurance companies); and in 2020 (49% reduction for financial investment companies, 64% reduction for life insurance companies).

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

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

The total amount of premiums received from insured financial institutions including those that went to the Special Account in 2020 remained at KRW 1.9567 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 proportion 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 proportion 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 proportion of its paid-in capital to the KDIC.

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

Due to a revision of the Depositor Protection Act in 2020, 36 agricultural and fisheries cooperatives that were included in KDIC membership after receiving investment business licenses in April 2016 were excluded from the Corporation's insurance coverage and accordingly the KRW 300 million these cooperatives had paid in contributions were returned.

**Table IX-14 Contributions from KDIC-insured Financial Institutions**

(Unit: KRW 1 billion)

Year	Banks	Investment Companies	Life Insurance Companies	Non-life Insurance Companies	Merchant Banks	MSBs	Special Account	Total <sup>2)</sup>
2003 <sup>1)</sup>	0.03	-	0.65	0.20	-	-	-	<b>0.88</b>
2004	0.34	0.20	0.60	0.20	-	-	-	<b>1.34</b>
2005	0.22	0.20	-	-	-	1.25	-	<b>1.67</b>
2006	0.38	0.80	-	0.20	-	1.34	-	<b>2.72</b>
2007	-	-	-	-	-	-	-	<b>-</b>
2008	0.16	11.01	-	-	-	0.56	-	<b>11.72</b>
2009	0.77	4.31	0.42	0.34	0.02	0.78	-	<b>6.63</b>
2010	0.08	0.58	0.90	0.03	-	-	-	<b>1.59</b>
2011	0.03	-	-	-	-	1.20	-	<b>1.23</b>
2012	0.58	0.13	5.00	0.80	-	2.40	-	<b>8.91</b>
2013	0.08	2.17	0.32	0.31	0.00	4.98	-	<b>7.86</b>
2014	-	0.06	-	-	-	9.06	-	<b>9.12</b>
2015	-	-	-	-	-	-	-	<b>-</b>
2016	0.88	0.53	-	0.60	-	-	-	<b>2.01</b>
2017	2.03	0.06	-	0.03	-	-	-	<b>2.12</b>
2018	-	0.29	0.30	-	-	-	-	<b>0.59</b>
2019	-	-	-	-	-	-	-	<b>-</b>
2020	-	△0.3	-	0.2	-	-	-	<b>△0.1</b>
<b>Total</b>	<b>5.57</b>	<b>20.03</b>	<b>8.19</b>	<b>2.91</b>	<b>0.02</b>	<b>21.56</b>	<b>-</b>	<b>58.28</b>

\* 1) Contributions received up to 2002 were transferred to the Redemption Fund due to the revision of a relevant law.

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

## Issuance and Redemption of DIF Bonds

Pursuant to Articles 24-4 and 26-2 of the Depositor Protection Act, the KDIC, for the first time, issued non-government-guaranteed DIF Bonds to finance the Special Account based on its own credit standing in December 2011. From 2011 to 2013, it issued Special Account bonds to finance the restructuring of insolvent mutual savings banks. Since 2014, it has issued bonds for the purpose of redeeming (or rolling over) the maturing Special Account bonds. It is consistently reducing the amount of outstanding bonds by repaying them with funds recovered and insurance premiums received. In 2020, it redeemed KRW 3.42 trillion of Special Account bonds while rolling over KRW 2.23 trillion. As of the end of 2020, the outstanding balance of Special Account bonds amounted to KRW 8.86 trillion.

**Table IX-15** 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
<b>Total</b>	<b>40,150.0</b>	<b>31,290.0</b>	<b>8,860.0</b>

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 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 in receipts and payments. In 2020, the KDIC issued short-term bonds totaling KRW 3.73 trillion and fully redeemed them by the end of the year.

**Table IX-16** 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	-
<b>Total</b>	<b>9,300.0</b>	<b>9,300.0</b>	<b>-</b>

## 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 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 IX-17 Borrowings and Loan Repayments of the DIF**

(Unit: KRW 1 billion)

Account Name	Year	Borrowed Amount <sup>1)</sup>				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
	Sub-total	44,048.7	-	250.0	44,298.7	44,048.7	250.0
<b>Total</b>		<b>44,280.1</b>	<b>-</b>	<b>250.0</b>	<b>44,530.1</b>	<b>44,280.1</b>	<b>250.0</b>

\* 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 44.487 trillion had been borrowed from insured financial institutions including banks by the end of 2020. 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 2020, KRW 44.0487 trillion had been repaid, out of KRW 44.2987 trillion in borrowings of the Special Account, through issuance of DIF Bonds, etc. As of the end of 2020, the outstanding balance of borrowings amounted to KRW 250 billion.



## 2. Timely Provision of Financial Assistance

### Overview

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

Until 2010, a total of KRW 4.5275 trillion had been provided, from the DIF's mutual savings bank account, to 16 insolvent mutual savings banks, including Kimchun 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 IX-18** Financial Assistance and Deposit Insurance Payments from the DIF (2020)

(Unit: KRW 1 billion)

Account Name	Equity Investment	Capital Contributions	Deposit Insurance Payment	Loans	Advance Dividend Payments	Total
Special Account	-	-	△0.01 <sup>1)</sup>	-	-	△0.01
<b>Total</b>	-	-	△0.01	-	-	△0.01

\* 1) Deposit insurance payments returned due to the completion of extinctive prescription

**Table IX-19** Financial Assistance and Deposit Insurance Payments from the DIF (Accumulated)

(As of Dec. 31, 2020, Unit: KRW 1 billion)

Account Name	Equity Investment	Capital Contributions	Deposit Insurance Payment	Loans	Advance Dividend Payments	Total <sup>1)</sup>
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
<b>Total</b>	<b>486.6</b>	<b>25,464.2</b>	<b>5,069.0</b>	<b>602.7</b>	<b>99.4</b>	<b>31,721.9</b>

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

### (2) Investment companies

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

### (3) Insurance companies

In 2020, 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 insolvent 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 P&A transactions and the KR&C purchased the assets with loans from the KDIC.

Although there were no cases of mutual savings bank failure in 2020, the KDIC received KRW 10 million in returned funds due to the completion of statute of limitations on outstanding deposit insurance claims of depositors of failed mutual savings banks. 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 IX-20** Financial Assistance and Deposit Insurance Payments from the Special Account

(As of Dec. 31, 2020, Unit: KRW 1 billion)

Bank Name	Date of Business Suspension	Payment of Deposit 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
<b>Total</b>		<b>3,627.8</b>	<b>23,543.9</b>	<b>27,171.7</b>

### 3. Maximization of Fund Recovery

#### Overview

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

The KDIC recovered KRW 14.9686 trillion between 2003 and end-2020, with KRW 38.3 billion in the mutual savings bank account, and KRW 364.5 billion in the Special Account recovered in 2020 alone.

**Table IX-21** DIF Recoveries (2020 and Accumulated)

(As of Dec. 31, 2020, Unit: KRW 1 billion)

Category	Equity Investment	Capital Contributions	Money Paid in Deposit Insurance Payments	Loans <sup>1)</sup>	Money Paid in Advance Dividends	Total <sup>2)</sup>
2020	Non-life Insurance Companies	-	-	-	-	-
	MSBs	-	10.2	27.3	0.8	-
	Special Account	-	310.5	53.8	0.3	-
	<b>Total</b>	<b>-</b>	<b>320.7</b>	<b>81.1</b>	<b>1.1</b>	<b>-</b>
2003 to end-2020 Accumulated	594.8	11,292.6	2,369.4	612.4	99.4	14,968.6

\* 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 2020, the KDIC collected KRW 401.8 billion in bankruptcy dividends through the sale of remaining assets owned by bankruptcy estates of insolvent mutual savings banks that had received financial assistance from the DIF. From 2003 to 2020, a cumulative total of KRW 14.3562 trillion was recovered.

From 2003 to end-2020, 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 612.4 billion was recovered.

**Table IX-22** Collection of Bankruptcy Dividends and Loans

(As of Dec. 31, 2020, Unit: KRW 1 billion)

Financial Sector	Collection of Dividends from Estates		Collection of Loans	
	2020	2003-end-2020 Accumulated	2020	2003-end-2020 Accumulated
Non-life Insurance Companies	-	12.2	-	-
MSBs (Including the Special Account)	401.8	14,344.0	1.1	612.4
<b>Total</b>	<b>401.8</b>	<b>14,356.2</b>	<b>1.1</b>	<b>612.4</b>

## Recovery through the KR&C

The KR&C had recovered a cumulative total of KRW 748 billion by the end of 2020 by various means including recovery of loans, disposal of non-performing loans, and public auctions. Of the amount, KRW 612.4 billion was paid to the KDIC in loan repayments.\*

\* Amount of loans from the KDIC for the purpose of resolving insolvent mutual savings banks from 2003 to 2020: KRW 602.7 billion

In 2020, the KR&C recovered a total of KRW 18.5 billion by means of debt restructuring and asset sale\* and repaid KRW 1.1 billion to the KDIC.

\* Sale to the Korea Asset Management Corporation of KRW 42.7 billion in personal loans written-off as irrecoverable (on the basis of principal amount) under such circumstances as non-existence of discovered assets, according to the Financial Services Commission's Plan to Improve Non-Performing Loan Management by Public Institutions in the Financial Sector (announced on March 7, 2017)

**Table IX-23 Recoveries from Sale of KR&C-owned Assets**

(As of Dec. 31, 2020, Unit: KRW 1 billion)

Year	Asset Type	Assets for Sale	Amount Recovered	Recovery Method
Amount Recovered in 2020	Loans	Loans in KRW	18.5	Direct collection, debt restructuring, loan sales
		Loans in foreign currencies	-	
		Sub-total	18.5	
	Marketable securities	Listed and unlisted stock	-	-
	Real estate, etc.	Land, etc.	-	Public auction, etc.
	<b>Total</b>			<b>18.5</b>
Cumulative Amount	Loans	Loans in KRW	679.7	NPL sale, collection, debt restructuring, etc.
		Loans in foreign currencies	-	
		Sub-total	679.7	
	Marketable securities	Listed and unlisted stock	0.2	Public auction, etc.
	Real estate, etc.	Land, etc.	68.1	Public auction, etc.
	<b>Total</b>			<b>748.0</b>

## Enhanced Financial Soundness of the DIF

After the new DIF was launched in 2003, the ministerial meeting for regulatory reform held in May 2006 approved the adoption of the Target Fund System and the overhaul of insurance premium rates as a means to improve the deposit insurance system. Then, the KDIC commissioned research to outside research organizations and held a deposit insurance policy symposium to gather opinions from various fields. In October 2007, a private-public joint taskforce team was formed to identify possible improvements to the deposit insurance system including the introduction of the Target Fund System and adjustment of the premium rates. In December 2007, the National Assembly amended the Depositor Protection Act as proposed by lawmakers and thus approved the implementation of the Target Fund System starting in 2009.

Amendment of the Depositor Protection Act in February 2009 allowed the separation between accounts for life and non-life insurance companies as well as a delay in setting reserve targets for the merchant bank account that covers only a small number of member institutions. Also, amendment of the Enforcement

Decree of the Depositor Protection Act in June 2009 authorized the Deposit Insurance Committee to reduce, exempt, or refund premiums by its resolution if fund reserves reach the targeted amount.

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

After 2012, the KDIC published a white paper every year on management of the Special Account pursuant to Article 24-4 of the Depositor Protection Act. It also reported the results of settlement of accounts for the Special Account for the previous year as well as its management plan for the current year to the corresponding standing committee in the National Assembly to ensure transparency. On three occasions in July 2012, November 2013, and October 2014, the KDIC received a combined total of KRW 250 billion in zero-interest loans from the government (Public Capital Management Fund) to expand financing for, and diversify the funding sources of, the Special Account. Such endeavor helped make DIF management more healthy.

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

Meanwhile, difficult circumstances continued during 2020 from a fund management perspective due to the impact of COVID-19. Due to the lockdown measures and trade reductions in countries around the world the global economy suffered the worst economic recession since World War II. The serious deterioration in employment figures also contributed to continued instability in both the domestic and foreign financial markets. Accordingly, the Bank of Korea cut the base rate twice and maintained it at the lowest ever level (0.5%) throughout the year.

In proactive response to the persistence of ultra-low interest rates and greater financial market volatility, the KDIC sought flexible asset allocation and active bond duration management based on analysis of financial market trends and market interest rate forecasts. In addition, by expanding exchanges with market experts and actively responding to the rapidly changing financial market environment, efforts were made to improve the performance of the DIF investment portfolio.



# | Account Settlement for Fiscal Year 2020

- 1. Overview of Account Settlement
- 2. Criteria for Account Settlement
- 3. Account Settlement Results

The KDIC has classified its funds into three accounting units: the Deposit Insurance Fund (DIF), the KDIC Internal Account, and the DIF Bond Redemption Fund (Redemption Fund) pursuant to Article 24-3 (Separate Audit of Accounts) of the Depositor Protection Act.

However, the DIF and the KDIC Internal Account issue consolidated financial statements with the exception of internal transactions between separate accounting entities in accordance with the Act on the Management of Public Institutions and the Accounting Rules for Public Corporations and Quasi-Government Institutions.

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

The KDIC has retained the services of accounting firms to conduct independent audits since fiscal year 2002 to enhance the credibility and transparency of its financial statements. For account settlement of 2020, the audit was conducted by Yeil LLC, and the auditor's opinion was "qualified."



**2****Criteria for Account Settlement**

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

**I . Deposit Insurance Fund and KDIC Internal Account****1. Accounting for Assets and Liabilities****Classification and Valuation of Securities****(1) Acquisition Cost and Classification of Securities**

The acquisition costs of securities are estimated by adding together the purchase prices and incidental costs incurred in acquiring the securities. The KDIC classifies securities as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets carried at amortized cost, and investments in associates, according to their nature and ownership purpose.

**(2) Valuation of Securities**

The value of financial assets at fair value through profit or loss is estimated by the fair value method. Gains/

losses on remeasurement to fair value or on the sale of assets are recorded as net income/losses.

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

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

### Valuation of Loans, etc.

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

### Provisions

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

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

The DIF covers the costs incurred in the KDIC's acquisition of assets as well as its general expenses. The money used for capital expenditures of the KDIC Internal Account is booked as other non-current assets (transferred-out capital budget) and, if the asset decreases in value due to depreciation, etc. the corresponding

amount is deducted from other non-current assets (transferred-out capital budget) and added to general expenses. The costs of the operation of the KDIC such as labor costs are treated as recurring general expenses.

## 2. Accounting for Revenues and Expenses

### Revenue Recognition Criteria

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

### Cut-off for Recognition of Revenues and Expenses

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

- (1) Deferral of Expenses: If an expense belonging to the following fiscal year is prepaid, it is booked as a prepaid expense and deducted from current expenditures.
- (2) Expense Booking: An expense belonging to the current fiscal year but remaining unpaid as of the date of account settlement is recorded as an unpaid expense and added to expenses. An expense whose amount had not been fixed as of the date of account settlement is not recorded.
- (3) Revenue Booking: Any revenue belonging to the current fiscal year that has not been received in cash as of the date of account settlement 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

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### 1. Integration of the Deposit Insurance Fund and KDIC Internal Account

#### Financial Status

Assets totaled KRW 15.5459 trillion as of the end of 2020, up 3.9% (KRW 585.5 billion) from the previous year. This increase is attributable to a KRW 1.1051 trillion increase in bond assets and a KRW 445.9 billion reduction in long-term indemnity receivables.

As of the end of 2020, total liabilities stood at KRW 9.2028 trillion, down 12.6% (KRW 1.3249 trillion) year-on-year. This is mainly ascribed to a KRW 1.1893 trillion repayment of Deposit Insurance Fund Bonds and borrowings, issued to fund the Special Account, with deposit insurance premiums and bankruptcy dividends.

Total equity increased by KRW 1.9104 trillion or 43.1% to KRW 6.3431 trillion as of end-2020 from a year ago, largely due to positive net income of KRW 1.9115 trillion.

#### Profits and Losses

In 2020, net income stood at KRW 1.9115 trillion, down KRW 29.5 billion or 1.5% from 2019.

The operating profits, calculated by deducting operating costs from operating revenues, amounted to KRW 1.8088 trillion. The operating revenues (KRW 2.1243 trillion) are mainly comprised of insurance premium revenues (KRW 1.9069 trillion) and interest income earned from asset management (KRW 204.4 billion). The operating costs (KRW 315.5 billion) include interest expenses (KRW 193.7 billion) for bonds issued to fund the

Special Account and other borrowings, and KDIC operating expenses (KRW 113.6 billion).

Meanwhile, the amount of other income was KRW 102.5 billion, attributable to allowance for doubtful accounts (KRW 47.8 billion) due to the reduction in expected recovery of indemnity receivables.

## 2. Redemption Fund

### Financial Status

As of the end of 2020, the total assets of the Redemption Fund stood at KRW 3.1317 trillion, down KRW 452.8 billion or 12.6% from the end of the previous year. This is mostly due to a decrease in current assets (KRW 162.4 billion) and a reduction in the value of long-term securities (KRW 271.8 billion) due to a fall in stock prices.

Total liabilities, as of the end of 2020, decreased by KRW 2.4078 trillion or 61.7% year-on-year to KRW 1.4938 trillion. This is primarily attributable to a net redemption (KRW 2.4 trillion) of Redemption Fund Bonds by use of special contributions and stock dividends.

As of the end of 2020, total net equity recorded a turnaround to stand at KRW 1.6379 trillion, up KRW 1.9550 trillion from the end of 2019. This is primarily due to the achievement of KRW 2.1766 trillion in net income.

### Profits and Losses

In 2020, the Redemption Fund's financial operation\* generated a result of KRW (-)2.1766 trillion, recording a year-on-year increase of KRW 96.7 billion or 4.7%.

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

The net program costs incurred for the operation of the financial policy support program, an essential business of the Redemption Fund, remained at KRW (-)181.3 billion. This figure was arrived at by deducting program income of KRW 281.7 billion from the total program costs of KRW 100.4 billion. Total program costs consist of interest expenses of Redemption Fund Bonds (KRW 81.7 billion) and others. Program income is comprised of dividend income (KRW 240.2 billion), interest income on loans to the KR&C (KRW 41.4 billion) and the like.



The net cost for financial management came to KRW (-)202.6 billion, which was calculated by adding KRW 3.3 billion in administrative and general expenses and deducting KRW 24.6 billion in non-allocated revenues from, the net program costs of KRW (-)181.3 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 (-)2.1766 trillion was calculated by deducting non-exchange revenues of KRW 1.9740 trillion from the net cost for financial management of KRW (-)202.6 billion. Non-exchange revenues above are special contributions received that arise without any direct consideration in return.

**Table X-1 Condensed Statement of Financial Position**

Current period : As of December 31, 2020

Previous period : As of December 31, 2019

(DIF and KDIC Internal Account Combined)

(Unit: KRW 1 billion)

ASSETS	Amount		LIABILITIES and EQUITY	Amount	
	Current period	Previous period		Current period	Previous period
<b>Current Assets</b>	<b>11,407.5</b>	<b>10,713.8</b>	<b>Current Liabilities</b>	<b>2,533.3</b>	<b>3,635.1</b>
1. Cash and Cash Equivalents	11.4	18.0	1. Accounts and Other Payables	59.9	70.1
2. Current Financial Assets	10,192.5	9,398.4	Short-term Accrued Expenses	54.3	65.7
Financial Assets Carried at Fair Value through Profit or Loss (MMF)	39.8	242.6	Capital lease liabilities, etc.	5.6	4.4
Financial Assets carried at Fair Value through Other Comprehensive Income (Bonds)	2,334.0	2,799.8	2. Current Financial Liabilities	2,469.9	3,419.6
Short-term Loans	62.8	62.8	Bonds	2,470.0	3,420.0
(Allowance for Doubtful Accounts)	(-)3.8	(-)6.8	Discounts on Bonds Payable	(-)0.1	(-)0.4
Short-term Financial Instruments	7,759.7	6,300.0	3. Current Non-financial Liabilities	1.2	143.3
3. Trade and Other Receivables	1,203.5	1,297.3	Short-term Deposits	1.2	143.3
Short-term Accrued Income	1,203.7	1,297.8	4. Current Provisions	2.3	2.1
(Allowance for Doubtful Accounts)	(-)0.2	(-)0.5	Current Provisions for Employee Benefits	2.3	2.1
4. Current Non-financial Assets	0.1	0.1			
Short-term Prepaid Expenses	0.1	0.1	<b>Non-current Liabilities</b>	<b>6,669.5</b>	<b>6,892.6</b>

ASSETS	Amount		LIABILITIES and EQUITY	Amount	
	Current period	Previous period		Current period	Previous period
<b>Non-current Assets</b>	<b>4,138.4</b>	<b>4,246.6</b>	1. Long-term Trade Payables and Other Liabilities	19.4	0.3
1. Non-current Financial Assets	3,114.0	2,793.3	Capital lease liabilities	19.4	0.3
Financial Assets Carried at Fair Value through Other Comprehensive Income (Bonds)	3,099.4	2,792.7	2. Non-current Financial Liabilities	6,635.6	6,875.1
Long-term Loans	0.6	0.6	Long-term Borrowings	250.0	250.0
Long-term Financial Instruments	14.0	-	(Present Value Discount)	(-)40.8	(-)47.7
2. Long-term Trade and Other Receivables	9.1	12.1	Deferred Income from Government Grants	35.9	42.7
Long-term Deposits Provided	10.1	12.6	Bonds	6,390.0	6,630.0
(Present Value Discount)	(-)1.0	(-)0.5	Discounts (Premiums) on Bonds Payable	0.5	0.1
3. Tangible Assets	41.3	21.8	3. Non-current Non-financial Liabilities	7.4	7.4
Lands	5.2	5.2	Other Non-current Non-financial Liabilities	7.4	7.4
Buildings	10.2	10.2	4. Employee Benefit Liabilities	7.1	9.7
Structures	1.8	1.8	Net Defined Benefit Liabilities and etc.	7.1	9.7
Assets under construction	0.1	-	5. Non-current Provisions	-	0.1
License assets	35.5	9.8	Legal Proceedings Provisions	-	0.1
Other Tangible Assets	27.6	26.3	<b>Total Liabilities</b>	<b>9,202.8</b>	<b>10,527.7</b>
(Accumulated Depreciation)	(-)39.1	(-)31.5			
4. Intangible Assets Other than Goodwill	0.6	0.6	<b>Deficit</b>	<b>6,327.7</b>	<b>4,415.5</b>
Other Intangible Assets	0.6	0.6	Net Income: (+) 1,911.5		
5. Non-current Non-financial Assets	973.4	1,418.8	Changes in Other Retained Earnings: (+) 0.7		
Long-term Advanced Payment	0.9	0.4	<b>Elements of Other Equity</b>	<b>15.4</b>	<b>17.2</b>
Long-term Indemnity Receivables	14,839.6	15,234.3	Accumulated Other Comprehensive Income (Loss)	15.4	17.2
(Allowance for Doubtful Accounts)	(-)13,867.1	(-)13,815.9	<b>Total Equity</b>	<b>6,343.1</b>	<b>4,432.7</b>
<b>Total Assets</b>	<b>15,545.9</b>	<b>14,960.4</b>	<b>Total Liabilities and Equity</b>	<b>15,545.9</b>	<b>14,960.4</b>

**Table X-2 Condensed Income Statement**

Current period: For the year ended December 31, 2020

Previous period: For the year ended December 31, 2019

(DIF and KDIC Internal Account Combined)

(Unit: KRW 1 billion)

Categories	Current Period	Previous Period
<b>Income from Operations (A=B-C)</b>	<b>1,808.8</b>	<b>1,760.5</b>
<b>Operating Revenues (B)</b>	<b>2,124.3</b>	<b>2,114.7</b>
Premium Revenues	1,906.9	1,856.5
Interest Revenues	204.4	246.3
Transfer Income	7.1	6.8
Other Income	5.9	5.1
<b>Operating Expenses (C)</b>	<b>315.5</b>	<b>354.2</b>
Interest Expenses	193.7	237.8
Personnel Expenses	79.3	72.5
General Expenses	34.3	35.8
Others	8.2	8.1
<b>Other Gains and Losses (D)</b>	<b>102.5</b>	<b>179.4</b>
Net Reversal of (Transfer to) Other Provisions	0.1	(-)0.1
Allowance for Credit Losses (Reversal)	(-)47.8	178.3
Others	150.2	1.2
<b>Financial Gains and Losses (E)</b>	<b>0.2</b>	<b>1.1</b>
Gains on Disposal of Financial Assets	0.2	1.1
<b>Net Profit of Loss for Current Period (F=A+D+E)</b>	<b>1,911.5</b>	<b>1,941.0</b>
<b>Other Comprehensive Income (G)</b>	<b>(-)1.1</b>	<b>4.0</b>
<b>Total Comprehensive Income (H=F+G)</b>	<b>1,910.4</b>	<b>1,945.0</b>

**Table X-3 Condensed Statement of Financial Position**

Current period: As of December 31, 2020

Previous period: As of December 31, 2019

(DIF Bond Redemption Fund)

(Unit: KRW 1 billion)

ASSETS	Amount		LIABILITIES and EQUITY	Amount	
	Current period	Previous period		Current period	Previous period
Current Assets	397.9	560.3	Current Liabilities	1,493.8	2,421.5
1. Cash and Cash Equivalents	86.8	1.1	1. Current Portion of Long-term Liabilities	1,480.0	2,399.5
2. Short-term Financial Instruments	310.0	556.7	2. Other Current Liabilities	13.8	22.0
3. Outstanding Bonds	1,103.9	1,105.3	<b>Long-term Borrowing Liabilities</b>	-	<b>1,480.1</b>
(Allowance for Doubtful Accounts)	(-1,102.8)	(-1,102.8)	1. Public Bonds	-	1,480.1
<b>Investment Assets</b>	<b>2,726.4</b>	<b>3,016.8</b>	<b>Total Liabilities</b>	<b>1,493.8</b>	<b>3,901.6</b>
1. Long-term Loans	14,281.5	14,281.4			
(Allowance for Doubtful Accounts)	(-13,968.8)	(-13,950.1)	<b>Net Asset</b>		
2. Long-term Investment Securities	2,413.7	2,685.5	1. Net Asset	52,306.4	52,306.4
<b>Other Non-current Assets</b>	<b>7.4</b>	<b>7.4</b>	2. Reserves and Surplus	(-50,559.6)	(-52,736.2)
1. Long-term Indemnity Receivables, etc.	8.5	8.5	3. Net Asset Adjustment	(-108.9)	112.7
(Allowance for Doubtful Accounts)	(-1.1)	(-1.1)	<b>Total Net Asset</b>	<b>1,637.9</b>	<b>(-317.1)</b>
<b>Total Assets</b>	<b>3,131.7</b>	<b>3,584.5</b>	<b>Total Liabilities and Net Asset</b>	<b>3,131.7</b>	<b>3,584.5</b>

**Table X-4 Condensed Financial Operating Statement**

Current period: As of December 31, 2020

Previous period: As of December 31, 2019

(DIF Bond Redemption Fund)

(Unit: KRW 1 billion)

Categories	Current Period			Previous Period		
	Total Cost	Profit	Net Cost	Total Cost	Profit	Net Cost
<b>I. Program Net Cost</b>	<b>100.4</b>	<b>(-)281.7</b>	<b>(-)181.3</b>	<b>103.1</b>	<b>(-)379.2</b>	<b>(-)276.1</b>
1. Financial Policy Support	100.4	(-)281.7	(-)181.3	103.1	(-)379.2	(-)276.1
Interest Expense	81.7			102.6		
Allowance for Doubtful Accounts	18.6			0.1		
Payment Fees etc.	0.1			0.4		
Dividend Income		240.2			235.2	
Interest Income from Loans to Non-Government Organizations		41.4			33.0	
Reversal of Contribution Costs		-			65.0	
Reversal of Allowances for Doubtful Accounts		-			46.0	
Miscellaneous Revenue		0.1			-	
<b>II. Management and Administrative Expenses</b>			<b>3.3</b>			<b>3.3</b>
1. Commissions Paid			3.3			3.3
<b>III. Non-Allocated Costs</b>			<b>-</b>			<b>0.2</b>
1. Valuation Losses			-			0.2
<b>IV. Non-Allocated Revenues</b>			<b>24.6</b>			<b>13.8</b>
1. Interest Income			24.6			13.8
<b>V. Net Cost for Financial Operation ( I + II + III - IV)</b>			<b>(-)202.6</b>			<b>(-)286.4</b>
<b>VI. Non-Exchange Revenues</b>			<b>1,974.0</b>			<b>1,793.5</b>
1. Revenues from Contributions			1,974.0			1,793.5
<b>VII. Financial Operation Result ( V - VI)</b>			<b>(-)2,176.6</b>			<b>(-)2,079.9</b>





# Appendix

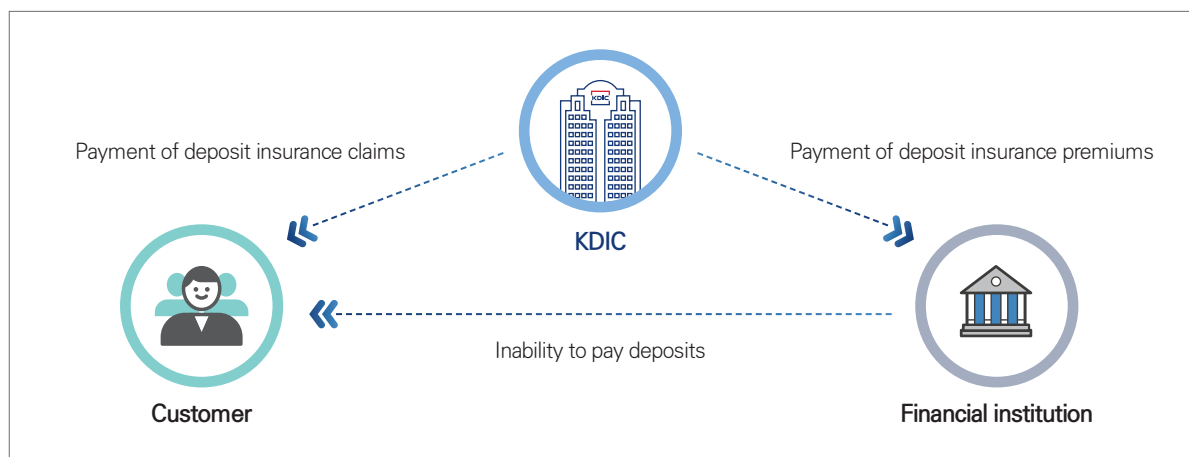
- 1. Overview of the Deposit Insurance System
- 2. Independent Evaluation
- 3. Summary of Major Events in 2020
- 4. Statistics

# 1. Overview of the Deposit Insurance System

## Significance of the Deposit Insurance System

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

### Structure of Deposit Insurance



## Insured Financial Institutions

Insured financial institutions are those that are required to join the deposit insurance system under the Depositor Protection Act. They include banks, financial investment traders/brokers, insurance companies, merchant banks, and mutual savings banks. In Korea, deposit insurance membership is compulsory for individual companies in the corresponding areas of the financial industry. “Banks” include banks licensed under the Banking Act such as commercial banks and regional banks, in addition to domestic branches of foreign banks and special-purpose banks except the Export-Import Bank of Korea. They also include the National Federation of Agricultural Cooperatives under the Agricultural Cooperatives Act and the National Federation of Fisheries Cooperatives under the Fisheries Cooperatives Act.

“Investment traders/brokers” are any investment traders and brokers including domestic offices of foreign investment firms authorized to engage in the securities investment trading and brokerage business under domestic law. While member cooperatives of the national federations of agricultural and fisheries



cooperatives, credit unions and community credit cooperatives (called Saemaeul Geumgo) are not insured by the KDIC, for those licensed for investment trading and brokerage services, the KDIC protects the deposits at those institutions made for the purpose of using such services. All “insurance companies,” except reinsurance firms, are included in the scope of insured financial institutions.

## Insured Financial Products

Insured financial products are cash deposits protected under Article 2 of the Depositor Protection Act other than deposits of the government, local authorities, and other 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, 2020)

Financial Sector	Insured Financial Products	Uninsured Financial Products
Banks	<ul style="list-style-type: none"> <li>• Demand deposits (e.g. ordinary deposits, corporate deposits, temporary deposits, checking deposits)</li> <li>• Savings deposits (term deposits, time and savings deposits, housing subscription deposits, and issued notes)</li> <li>• Installment deposits (e.g. installment savings deposits, installment savings for housing, and mutual installment deposits)</li> <li>• Foreign currency deposits</li> <li>• Money trusts with principal guarantees</li> <li>• Financial products subject to deposit protection which are incorporated into individual savings accounts (ISAs)</li> <li>• Deposits in defined contribution retirement pension accounts or individual retirement accounts that are invested in KDIC-insured products</li> </ul>	<ul style="list-style-type: none"> <li>• Certificates of Deposits (CD), Repurchase agreements (RP)</li> <li>• Financial investment products (e.g. beneficiary certificates, mutual funds, money market funds (MMF))</li> <li>• Bank-issued bonds</li> <li>• Some types of housing subscription deposits<sup>1)</sup></li> <li>• Deposits in defined benefit retirement pension accounts</li> <li>• Real fiduciary accounts (e.g. money market trust)</li> <li>• Development trust</li> </ul>
Investment Traders and Brokers	<ul style="list-style-type: none"> <li>• Money that remains in cash in customer accounts which has not been used to purchase securities, etc.</li> <li>• Cash balance from deposits for stock margin loans (proprietary), deposits for opening a margin account and deposits for margin loans</li> <li>• Deposits in defined contribution retirement pension accounts or individual retirement accounts that are invested in KDIC-insured products</li> <li>• Financial products subject to deposit protection which are incorporated into individual savings accounts (ISAs)</li> <li>• Money trusts with principal guarantees</li> </ul>	<ul style="list-style-type: none"> <li>• Financial investment products (e.g. beneficiary certificates, mutual funds, MMF)</li> <li>• Subscription deposits, taxes withheld, deposits for stock margin loans (KSFC)</li> <li>• Repurchase agreements (RP)</li> <li>• Deposits for gold transactions in kind, etc.</li> <li>• Deposits in defined benefit retirement pension accounts</li> <li>• Wrap accounts, equity-linked securities (ELS), equity-linked warrants (ELW), etc.</li> <li>• Cash management accounts (CMA)</li> <li>• Bonds issued by securities companies</li> <li>• Cash deposits in securities finance companies made under Article 117-8 of the Financial Investment Services and Capital Markets Act</li> </ul>
	<ul style="list-style-type: none"> <li>• Cash deposits with securities finance companies made under Article 330(1) of the Financial Investment Services and Capital Markets Act</li> </ul>	

Insurance Companies	<ul style="list-style-type: none"> <li>• Individual policies</li> <li>• Retirement insurance</li> <li>• Special policy conditions for variable insurance contracts</li> <li>• 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</li> <li>• Deposits in defined contribution retirement pension accounts or individual retirement accounts that are invested in KDIC-insured products</li> <li>• Financial products subject to deposit protection which are incorporated into individual savings accounts (ISAs)</li> <li>• Monetary trusts with principal guarantees</li> </ul>	<ul style="list-style-type: none"> <li>• Policies of which the holders and premium payers are corporate entities</li> <li>• Guarantee insurance or reinsurance policies</li> <li>• 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.</li> <li>• Deposits in defined benefit retirement pension accounts</li> </ul>
Merchant Banks	<ul style="list-style-type: none"> <li>• Notes issued, CMA</li> </ul>	<ul style="list-style-type: none"> <li>• Financial investment products (e.g. beneficiary certificates, mutual funds, MMF)</li> <li>• Repurchase agreements (RP), Certificates of Deposits (CD), Commercial Papers (CP), bonds issued by merchant banks, etc.</li> </ul>
Mutual Savings Banks	<ul style="list-style-type: none"> <li>• Ordinary deposits, savings deposits, term deposits, term installment savings, mutual installment deposits, notes issued, etc.</li> <li>• Reserves in DC pension and IRP accounts invested in financial products covered by deposit insurance<sup>2)</sup></li> <li>• Financial products subject to deposit protection which are incorporated into individual savings accounts (ISAs)<sup>2)</sup></li> <li>• Cashier's checks issued by the Korea Federation of Savings Banks, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Bonds issued by savings banks (subordinated bonds), etc.</li> <li>• Deposits in defined benefit retirement pension accounts</li> </ul>

\* 1) Managed separately by the government through the Housing and Urban Fund (pursuant to Article 14(2) of the Housing and Urban Fund Act)

2) In cases where MSBs have raised the funds from insured financial institutions to invest them in KDIC-covered financial products  
 ※ Deposits of the central and local governments (including national and public schools), the Bank of Korea, FSS, KDIC and insured financial institutions are excluded from the scope of protection

## Coverage Limit

When the KDIC was launched in 1996, deposit insurance coverage was up to KRW 20 million per depositor. However, as financial markets became unstable and systemic risk started to manifest itself across the economic system in the wake of the Asian financial crisis in 1997, deposit insurance coverage was temporarily expanded to cover both principal and interest in full with the revision of the Enforcement Decree of the Depositor Protection Act in December 1997.

Financial restructuring served to ease the turmoil in the financial market somewhat, but moral hazard ran rampant among depositors and financial institutions as a result of the adoption of blanket coverage. In response, the Enforcement Decree was revised again in July 1998 and limited coverage was re-introduced. Under the revision, if principal (or insurance premiums paid in the case of policyholders) was no more than KRW 20 million, principal and designated interest\* were guaranteed up to KRW 20 million. If principal (or insurance premiums paid in the case of policyholders) exceeded KRW 20 million, only principal was protected.

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

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, financial investment trader/broker, merchant bank or a mutual savings bank. For insurance companies, up to KRW 50 million for both surrender value (or insurance payout at maturity) and other payments are covered.

Starting in June 2009, the KDIC protected reserves 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 applies a separate protection limit of KRW 50 million respectively to each depositor's protected ordinary financial products and reserves for retirement pension plans.

#### 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

Period	Coverage Limit
Aug. 1, 1998 – Dec. 31, 2000	<ul style="list-style-type: none"> <li>• Subscribed before Aug. 1, 1998: Blanket guarantee</li> <li>• Subscribed on or after Aug. 1, 1998:               <ul style="list-style-type: none"> <li>– Principal exceeding KRW 20 million: Principal only</li> <li>– Principal of up to KRW 20 million: Up to KRW 20 million including principal and designated interest</li> </ul> </li> </ul>
Jan. 1, 2001 – Feb. 25, 2015	<ul style="list-style-type: none"> <li>• KRW 50 million per person (Blanket guarantee for bank demand deposits made by December 31, 2003)</li> </ul>
Feb. 26, 2015 – Present	<ul style="list-style-type: none"> <li>• KRW 50 million per person (Reserves for DC and IRP plans* managed as financial instruments eligible for deposit protection: KRW 50 million separately)</li> </ul> <p>* Including retirement insurance and retirement lump-sum payment trust</p>

## 2. Independent Evaluation

### Management Evaluation of Public Institutions

In March 2020, the KDIC submitted its managerial performance report for 2019 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 2020, the evaluation team gave the KDIC a composite grade of “A.”

### Fund Management Evaluation

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

The KDIC prepared a fund management performance report (asset management) for the DIF Bond Redemption Fund in 2019 and submitted it to the Fund Management Evaluation Committee in February 2020. The Committee made available the evaluation results in May 2020 after conducting due diligence and opinion gathering.

According to the fund management evaluation (asset management) results, the Redemption Fund was rated “superior” for the ninth consecutive year, in recognition of the KDIC’s highest level of fund management capability among funds of its kind.

## Anti-Corruption Policy Evaluation and Integrity Assessment for Public Organizations

The KDIC undergoes integrity assessments targeting public organizations and anti-corruption policy evaluations by the Anti-Corruption and Civil Rights Commission in compliance with the Act on the Prevention of Corruption and the Establishment and Management of the Anti-Corruption and Civil Rights Commission. The assessment and evaluation are intended to measure the integrity of public organizations and encourage them to address all known risks of corruption.

In the 2020 integrity assessment targeting internal employees and outside stakeholders of public organizations, the KDIC was rated grade 2 with respect to its external integrity, up three grades from the previous year. This reflected the many efforts the KDIC undertook including efforts to address weaknesses in terms of corruption monitoring (Integrity Call Center), for example. In the overall integrity assessment, the Corporation received grade 3, which represented a grade higher than the year prior.

In the 2020 anti-corruption policy evaluation, which assessed anti-corruption measures and improvement actions taken by public organizations, the KDIC was rated grade 3. Improvements were made compared to the previous year in efforts to eliminate corruption risks, operate anti-corruption systems, implement anti-corruption policy, and promote understanding of anti-corruption policies. The Corporation established the KDIC Anti-Corruption Promotion Plan for 2021 to continue to implement anti-corruption and integrity efforts by reviewing measures to improve susceptible areas.

## Evaluation of Performance of the Standing Auditor, and Review of Self-Audit by the Board of Audit and Inspection

In accordance with Article 36 of the Act on the Management of Public Institutions, the KDIC is required to be evaluated on the standing auditor's performance of his/her duties annually. A report including the details of the auditor's work was presented to the Minister of Economy and Finance in March 2020, to be assessed by an evaluation group. The 2019 Evaluation of the Standing Auditors' Performance of Duties, as announced in June 2020, rated the KDIC with the grade of "B (Great)" which places it in the top-tier among public organizations.

In addition, the Board of Audit and Inspection (BAI) can examine the actual operational status of organizations that engage in self-audits to see whether auditing standards and the code of audit practice are observed, under Article 39 of the Act on Public Sector Audits. The KDIC submitted its report on self-audit activities to the BAI in January 2020 and received an on-site inspection from an evaluation group which

included employees of other organizations conducting self-audits. The 2019 evaluation results on self-audit activities, as announced in June 2020, rated the KDIC with the grade of “B (Great).”

### 3. Summary of Major Events in 2020

Date	Major Events
Feb. 5	Launch of the KDIC Research and Analysis Information webpage
Feb. 14	Initiated KDIC debt inquiry service using ‘Government 24,’ operated by the Ministry of the Interior and Safety
Feb. 27	Final win in a court case regarding CamKo City (for the return of stock ownership in the real estate developer)
Mar. 6	Certification of Deposit Insurance Fund Special Account Bonds as a Social Bond
Mar. 23	Pursued deferment of debt repayment for financially vulnerable debtors
Apr. 8	Conducted a thesis contest for university and graduate students
May 26	Received highest level “superior” rating for fund management (for the ninth consecutive year)
May 27	Launched an Information System Master Plan (ISMP) Project to build an IT system to support the implementation of the digital New Deal
Jun. 9	Webinar hosted by the KDIC, World Bank and Malaysia Deposit Insurance Corporation (PIDM) on the theme of “Preparing Our Path to the New Normal”
Jun.–Sept.	Proposed amendment to the Depositor Protection Act related to the scheme to support the return of misdirected money transfers (National Assembly Members: Kim Byungwook, Sung Iljong, Yang Kyungsook, etc.) Proposed amendment to the Act on the Structural Improvement of the Financial Industry related to recovery and resolution planning (RRP) (National Assembly Member: Yoo Dongsoo)
Jun. 19	Achieved Grade A in the government’s Management Evaluation of Public Institutions (for 2019 performance evaluation)
Jun. 23	Revised Enforcement Decree of the Depositor Protection Act (Article 16 (3), Article 16-4 (3))
Jun. 23	Achieved ISO 37001 (Anti-Corruption Management System) certification
Jun. 30	Published Volume 21 Issue 1 of the Financial Stability Studies
Jul. 1	Signed an Agreement for Social Progress Credit (SPC) with social enterprises
Jul. 7	Set up the taskforce to support the protection of financial consumers
Aug. 11	Platinum Award in the sustainable management category of the “Vision Awards”
Sept. 17	Conducted non-person-to-person and contactless sale of PF assets
Sept. 22	Major legal amendments (regarding the scheme on misdirected money transfers and RRP) submitted to the first subcommittee of the Political Affairs Committee of the National Assembly
Sept. 25	Completed the Knowledge Sharing Program (KSP) Policy Consultation for the Kyrgyz Republic

Date	Major Events
Nov. 6	Hosted the IADI APRC Webinar (Theme: "A Deep Dive into the Differential Premium System")
Nov. 6	Achieved ISO 45001 (Safety and Health Management System) certification
Nov. 11	Hosted the Haengbok Yegam Farmers' Market (with cooperation from the labor union) to support recovery from COVID-19
Nov. 18	Donation of fire safety facilities such as fire alarms in Jjokbang areas in cooperation with the labor union
Nov. 24	Amendment relating to the scheme on misdirected money transfers submitted to the second subcommittee of the Political Affairs Committee Amendment relating to RRP passed by the second subcommittee of the Political Affairs Committee
Nov. 24-26	Hosted the KDIC Global Training Program
Nov. 26	A Joint Policy Symposium between the KDIC and Korea Money and Finance Association (online) (Theme: "Financial Environment Changes and Financial Stability in the Post-COVID Era")
Nov. 27	Amendment relating to RRP passed by the Political Affairs Committee
Nov. 30	Selected as "Organization of the Year for Contribution to Local Communities" by the Ministry of Health and Welfare
Nov. 31	Completed Deposit Insurance Payment System Consulting for the Albania Deposit Insurance Agency
Dec. 1	Reinforced recovery support for the underprivileged through additional improvement of the debt restructuring system
Dec. 2	Amendment relating to the scheme on misdirected money transfers passed by the third subcommittee of the Political Affairs Committee Amendment relating to RRP passed by the Legislation and Judiciary Committee and a plenary session of the National Assembly
Dec. 3	Held an online workshop for risk management of savings banks (Theme: "Challenges and Response for Savings Banks in the Post-COVID Era")
Dec. 7	Amendment relating to the scheme on misdirected money transfers passed by the Political Affairs Committee
Dec. 8	Held a User-created content (UCC) contest for university students and youth on the Korean New Deal
Dec. 9	Elected as Chair of the IFIGS Management Committee
Dec. 9	Amendment relating to the scheme on misdirected money transfers passed by the Legislation and Judiciary Committee and a plenary session of the National Assembly
Dec. 18	Received the Minister of Employment and Labor Award in the 2020 Labor-Management Grand Awards
Dec. 21	Launching of the joint taskforce to restore the CamKo City development project
Dec. 23	Received the 2020 Vice Commissioner Commendation from the Presidential Committee on Jobs
Dec. 29	Public announcement of amendments to the Depositor Protection Act (relating to fund transfers of the DIF Redemption Fund)
Dec. 31	Published Volume 21 Issue 2 of the Financial Stability Studies

## 4. Statistics

### Insured Financial Institutions<sup>1)</sup>

(As of Dec.31, 2020, Unit: No. of financial institutions)

Financial Sector	2016	2017	2018	2019	2020
Banks	60	56	56	54	54
Domestic	17	18	18	18	18
Foreign	43	38	38	36	36
Investment Companies <sup>2)</sup>	104	110	124	141	105
Insurance Companies	47	47	44	45	45
Life	25	25	24	24	24
Non-life	22	22	20	21	21
Merchant Banks	1	1	1	1	1
MSBs <sup>3)</sup>	80	80	80	80	80
<b>Total</b>	<b>292</b>	<b>294</b>	<b>305</b>	<b>321</b>	<b>285</b>

\* 1) The number of insured financial institutions is tallied based on the business opening date and the date of license revocation or business dissolution/bankruptcy.

2) Financial investment traders/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<sup>1)</sup>

(As of Sep. 30 2020, Unit: KRW 1 billion)

Financial Sector	Dec. 31, 2019 (A)	Sep. 30, 2020 (B)	Change (B-A)
Banks	1,353,481.2	1,496,001.8	142,520.6
Investment Companies	31,686.3	62,503.4	30,817.1
Insurance Companies	804,104.6	829,484.1	25,379.5
Life	604,151.3	620,433.7	16,282.4
Non-life	199,953.3	209,050.4	9,097.1
Merchant Banks	1,453.1	1,885.7	432.6
MSBs	61,575.0	67,008.3	5,433.3
<b>Total</b>	<b>2,252,300.1</b>	<b>2,456,883.3</b>	<b>204,583.2</b>

\* 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, 2020, Unit: KRW 1 billion)

Financial Sector	Insurance Premium Revenue Prior to Creation of DIF Bond Redemption Fund <sup>2)</sup>			Special Assessments Paid by Insured FIs to the DIF Bond Redemption Fund								
	Before 1998 <sup>1)</sup>	1999-2002	Total	2003-2013	2014	2015	2016	2017	2018	2019	2020	Total
Banks	161.3	1,310.5	<b>1,471.8</b>	6,764.8	959.0	978.6	1,066.4	1,134.4	1,201.1	1,256.6	1,410.0	<b>14,770.9</b>
Investment Companies	-	68.7	<b>68.7</b>	199.9	20.0	17.9	24.0	27.2	30.0	30.7	30.5	<b>380.3</b>
Insurance Companies	232.2	823.7	<b>1,055.9</b>	1,938.1	317.6	351.3	383.6	417.1	433.0	450.9	474.5	<b>4,766.0</b>
Life	180.0	664.6	<b>844.6</b>	1,539.5	238.6	261.7	283.5	306.7	313.3	322.8	338.4	<b>3,604.6</b>
Non-life	52.2	159.1	<b>211.3</b>	396.8	79.0	89.6	100.1	110.3	119.7	128.1	136.1	<b>1,161.4</b>
Merchant Banks	98.0	83.8	<b>181.8</b>	11.2	0.7	0.7	0.8	1.0	1.1	1.2	1.4	<b>18.2</b>
MSBs	240.7	183.3	<b>424.0</b>	503.8	32.3	30.8	34.8	40.3	46.9	53.9	58.5	<b>801.1</b>
Credit Unions	40.2	149.1	<b>189.3</b>	144.9	26.3	27.5	29.9	33.2	-	-	-	<b>261.7</b>
<b>Total</b>	<b>772.4</b>	<b>2,619.1</b>	<b>3,391.5</b>	<b>9,562.7</b>	<b>1,356.0</b>	<b>1,406.8</b>	<b>1,539.4</b>	<b>1,653.1</b>	<b>1,712.1</b>	<b>1,793.3</b>	<b>1,974.8</b>	<b>20,998.1</b>

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

2) It was transferred to the DIF Bond Redemption Fund after the revision of related laws in 2002.

## DIF Premium Revenues

(As of Dec. 31, 2020, Unit: KRW 1 billion)

Financial Sector	2003-2011 <sup>1)</sup>	2012 <sup>5)</sup>	2013 <sup>5)</sup>	2014 <sup>5)</sup>	2015 <sup>5)</sup>	2016 <sup>5)</sup>	2017 <sup>5)</sup>	2018 <sup>5)</sup>	2019 <sup>5)</sup>	2020 <sup>5)</sup>	Total
Banks	4,496.3	374.8	394.8	419.7	436.9	467.5	500.5	525.0	534.2	594.2	<b>8,743.8</b>
Investment Companies	265.5	0.2	0	0	0	0	0	0	3.9	0	<b>269.7</b>
Insurance Companies	3,510.3	8.6	70.9	125.6	199.0	266.2	323.3	343.9	344.4	313.9	<b>5,505.9</b>
Life	2,853.9	-1.4 <sup>3)</sup>	22.1	81.1	128.0	185.7	234.9	246.6	242.6	210.9	<b>4,204.3</b>
Non-life	656.4	10.0	48.8	44.5	71.0	80.6	88.3	97.3	101.8	103.0	<b>1,301.6</b>
Merchant Banks	25.1	0.8	0.8	0.6	0.4	0.7	0.9	0.9	1.0	1.1	<b>32.2</b>
MSBs	1,293.1	134.5	25.3	25.6	6.4	29.6	28.6	13.9	24.8	21.6	<b>1,603.5</b>
Special Account <sup>2)</sup>	174.2	581.6	667.2	615.8	712.0	682.3	824.2	910.2	936.0	1,025.9	<b>7,129.6</b>
<b>Total<sup>4)</sup></b>	<b>9,764.5</b>	<b>1,100.4</b>	<b>1,159.0</b>	<b>1,187.2</b>	<b>1,354.7</b>	<b>1,446.3</b>	<b>1,677.4</b>	<b>1,794.0</b>	<b>1,844.3</b>	<b>1,956.7</b>	<b>23,284.7</b>

\* 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;

## DIF Bonds Issued (Old DIF Bonds Issued in 2002)

(As of Dec. 31, 2020, 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	<b>45,376.5</b>
Investment Companies	16.0	0.3	-	3,218.5	-	<b>3,234.8</b>
Insurance Companies	1,153.4	4,210.0	1,000.0	9,208.9	-	<b>15,572.3</b>
Life	1,153.4	4,142.2	-	2,412.0	-	<b>7,707.6</b>
Non-life	-	67.8	1,000.0	6,796.9	-	<b>7,864.7</b>
Merchant Banks	6,512.0	-	1,260.0	7,334.4	-	<b>15,106.4</b>
MSBs	991.7	1,597.7	650.0	3,333.1	-	<b>6,572.5</b>
Credit Unions	276.9	817.8	-	202.7	-	<b>1,297.4</b>
<b>Total</b>	<b>21,015.0</b>	<b>22,484.9</b>	<b>8,940.7</b>	<b>31,059.3</b>	<b>3,660.0</b>	<b>87,159.9<sup>1)</sup></b>

\* 1) Cumulative issue amount that includes conversion issuance

## Financial Assistance from the DIF Bond Redemption Fund

(As of Dec. 31, 2020, Unit: KRW 1 billion)

Financial Sector	Equity Investment	Contributions	Deposit Payoffs <sup>1)</sup>	Asset Purchase <sup>1)</sup>	Loans	Total
Banks	22,203.9	13,918.9	-	8,106.4	-	<b>44,229.2</b>
Investment Companies	9,976.9	414.3	11.3	2,123.9	-	<b>12,526.4</b>
Insurance Companies	15,919.8	3,119.2	-	349.5	-	<b>19,388.5</b>
Life	5,669.7	2,751.9	-	349.5	-	<b>8,771.1</b>
Non-life	10,250.1	367.3	-	-	-	<b>10,617.4</b>
Merchant Banks	2,693.1	743.1	18,271.8	-	-	<b>21,708.0</b>
MSBs	0.1	416.1	7,289.2	-	596.9	<b>8,302.3</b>
Credit Unions	-	-	4,740.2	-	-	<b>4,740.2</b>
<b>Total</b>	<b>50,793.7</b>	<b>18,611.7</b>	<b>30,312.4</b>	<b>10,579.9</b>	<b>596.9</b>	<b>110,894.6</b>

\* 1) Including financial assistance provided through resolution financial institutions

## Details of Financial Assistance from the DIF Bond Redemption Fund

(As of Dec. 31, 2020, 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

		Injection Type & Recipient Institutions	Amount Provided
Equity Investment		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, Taepyeongyang, 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	0.1
		Hyundai Investment & Securities	1,911.6
		Sub-total	50,793.7
Contribution		Kookmin, Housing & Commercial, Shinhan, Hana, Koram Bank (five acquiring banks)	9,711.3
		Harvit, Kyungnam, Gwangju, Peace, Seoul, Jeju Bank	2,967.7
		National Agricultural Cooperative Federation	87.0
		Samsung, Heungkuk, Kyobo, Allianz Life (four acquiring insurance companies)	1,164.1
		Korea First Bank (KFB)	1,152.8
		Korea, Hyundai, Kumho, Tongyang, SK Life	1,422.0
		Financial companies including Boomin MSB	416.1
		Daehan Fire	50.9
		Woori (Former Hanaro Merchant Bank) Merchant Bank	743.1
		Kookje Fire	73.9
		Tongyang, Samsung, Hyundai, LG, Dongbu Fire	242.5
		Green Cross (Daishin) Life	139.3
		KB (Hanil) Life	26.6
		Korea Investment Trust Management & Securities	78.4
		Daehan Investment Trust Securities	63.0
		Hyundai Investment & Securities	273.0
		Sub-total	18,611.7
	Deposit Payoffs	Deposit Payoffs	Credit Unions
Financial Investment Companies (4 companies)			11.3
MSBs			1,233.5
Youngnam, Hansol, Korea Merchant Bank			0.1

Injection Type & Recipient Institutions			Amount Provided
Deposit Payoffs	Payment through Resolution Financial Institutions	Hanareum Banking Corporation (in resolving 18 merchant banks)	18,271.7
		Hanareum MSB (in resolving 59 MSBs)	6,055.7
	Sub-total		30,312.4
Asset Purchase	Direct Purchase	Korea First Bank (BW)	24.9
		Korea First Bank (Shares of KFB's Vietnam and New York subsidiaries)	16.5
		Hyundai Investment & Securities (Shares of Hyundai Autonet, etc.)	857.0
	Indirect Purchase by Lending Money to the RFC	Five acquiring banks including Kookmin Bank (KB)	158.8
		Korea First Bank	7,906.3
		Dong-A, Kookmin, Taepyeongyang, 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
<b>Aggregate Total</b>			<b>110,894.6</b>

## Financial Assistance from the DIF

(As of Dec. 31, 2020, Unit: KRW 1 billion)

Financial Sector	Equity Investment	Contributions	Deposit Payoffs	Loans	Provisional Deposit Payment	Total <sup>1)</sup>
Banks	-	-	-	-	-	-
Investment Companies	-	-	-	-	-	-
Insurance Companies	-	22.6	-	-	-	22.6
Life	-	-	-	-	-	-
Non-life	-	22.6	-	-	-	22.6
Merchant Banks	-	-	-	-	-	-
MSBs	121.1	2,454.2	1,441.2	489.1	21.9	4,527.5
Special Account	365.5	22,987.3	3,627.8	113.6	77.5	27,171.7
<b>Total</b>	<b>486.6</b>	<b>25,464.2</b>	<b>5,069.0</b>	<b>602.7</b>	<b>99.4</b>	<b>31,721.9</b>

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

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

(As of Dec. 31, 2020, 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
<b>Total<sup>1)</sup></b>	<b>60,146.4</b>

\* 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, 2020, Unit: KRW 1 billion)

Financial Sector	Recovery of Equity Investment	Settlement of Contributions, etc.	Dividends from Bankruptcy Estates <sup>1)</sup>	Asset Sales <sup>1)</sup>	Collection of Loans	Total
Banks	21,970.7	70.2	1,847.2	6,666.7	-	<b>30,554.9</b>
Investment Companies	1,212.1	337.5	7.8	1,801.3	-	<b>3,358.7</b>
Insurance Companies	6,566.0	88.8	431.0	245.3	-	<b>7,331.1</b>
Life	2,531.2	84.8	366.2	245.3	-	<b>3,227.6</b>
Non-life	4,034.7	4.0	64.8	-	-	<b>4,103.5</b>
Merchant Banks	273.9	5.9	9,331.5	-	-	<b>9,611.3</b>
MSBs	-	34.3	5,236.0	-	596.9	<b>5,867.2</b>
Credit Unions	-	0.4	3,422.9	-	-	<b>3,423.3</b>
<b>Total</b>	<b>30,022.8</b>	<b>537.1</b>	<b>20,276.4</b>	<b>8,713.3</b>	<b>596.9</b>	<b>60,146.4</b>

\* 1) Including financial assistance provided through resolution financial institutions

## Progress in Financial Restructuring

(As of Dec. 31, 2020, 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	3	19
Non-Banks	2,062	205	291	625	1,121	54.4	481	1,422
• Merchant Banks	30	22	8	-	30	100.0	1	1
• Investment Companies	36	6	14	6	26	72.2	46	56
• Insurance Companies	50	11	8	12	31	62.0	36	55
• Asset Management Companies	24	9	12	3	24	100.0	326	326
• MSBs	231	144	38	1	183	79.2	31	79
• Credit Unions	1,666	3	196	603	802	48.1	15	879
• Lease Companies	25	10	15	-	25	100.0	26	26
<b>Total</b>	<b>2,095</b>	<b>210</b>	<b>303</b>	<b>625</b>	<b>1,138</b>	<b>54.3</b>	<b>484</b>	<b>1,441</b>

\* Source: Financial Services Commission

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

(from Nov. 1997 to Dec. 31, 2020, Unit: KRW 1 trillion)

Financial Sector		Equity Investment	Contributions	Deposit Payoffs	Asset Purchase	Non-performing Loan Purchase	Total
Banks		34.0	13.9	-	14.4	24.6	<b>86.9</b>
Non-Banks	Merchant Banks	2.7	0.7	18.3	-	1.0	<b>22.8</b>
	Investment Companies	10.9	0.4	0.01	2.1	8.5	<b>21.9</b>
	Insurance Companies	15.9	3.1	-	0.3	1.8	<b>21.2</b>
	Credit Unions	-	-	4.7	0.3	-	<b>5.0</b>
	MSBs	-	0.4	7.3	0.6	0.2	<b>8.5</b>
	Sub-total	29.5	4.7	30.3	3.3	11.5	<b>79.4</b>
Foreign Financial Institutions, etc.		-	-	-	-	2.4	<b>2.4</b>
<b>Total</b>		<b>63.5</b>	<b>18.6</b>	<b>30.3</b>	<b>17.8</b>	<b>38.5</b>	<b>168.7</b>

\* Source: Financial Services Commission



Korea Deposit Insurance Corporation

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