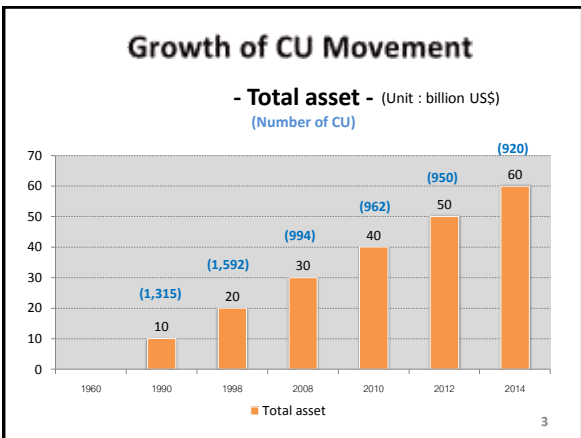
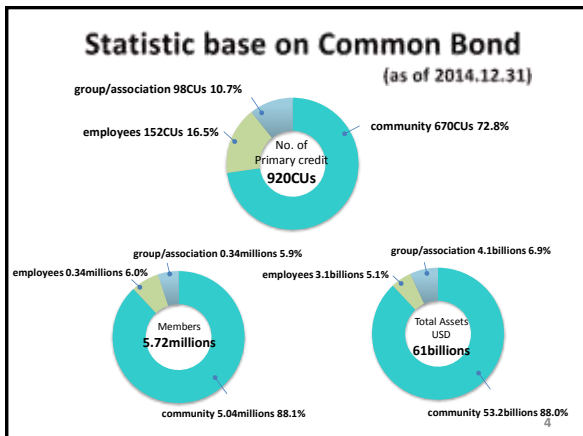




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 - 1) Structure of Federation
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- V . Facts impacted for Korean CU development**





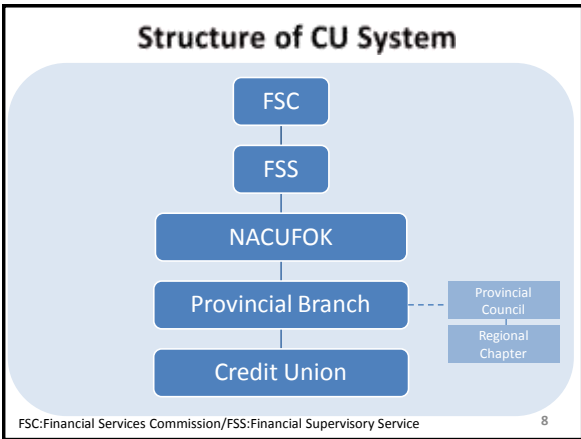
Brief history of Korea CU Movement

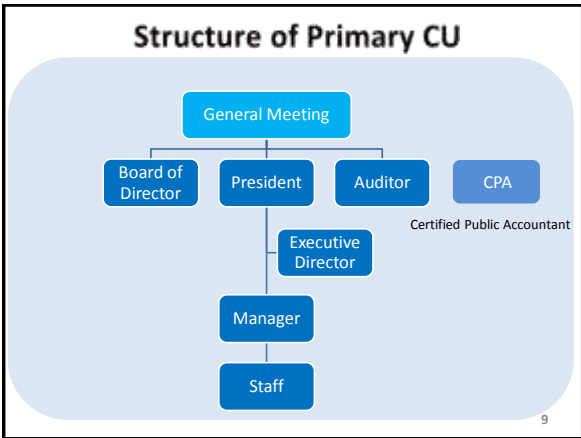
| | | |
|--------------|------|--|
| 1960~ | | |
| May | 1960 | "Holy family credit union" was established by Sr. Mary Gabriella |
| Jun. | 1960 | "Catholic central credit union" was established by Father Chang, Dae-ik |
| Feb. | 1962 | "Credit Union Training Society" founded for CU establishment |
| Apr. | 1964 | The Korea Credit Union League, a trade association was founded |
| Aug. | 1972 | The Korea Credit Union Act was promulgated |
| Mar. | 1973 | NACUFOK, former KCUL was organized according to the Act |
| 1980~ | | |
| Jun. | 1981 | NACUFOK Training Center was built |
| Dec. | 1988 | CU Structure was changed into a three-tier system from two-tier system(CU-Provincial-League-National Federation) |
| 1990~ | | |
| Oct. | 1994 | Reached USD 10 billion total assets |
| Dec. | 1997 | Structure was reshuffled into two tier; (Credit Union and NACUFOK) |

Brief history of Korea CU Movement

| | | |
|------------------|------|---|
| 2000~2005 | | |
| Oct. | 2000 | Started on-line system connecting all CUs |
| Jul. | 2002 | Launched on-line banking services |
| Jan. | 2003 | Initiated tele-banking services |
| Sept. | 2003 | Business alliance with Hyundai card |
| Jan. | 2004 | Launched the Credit Union Depositor Protection Fund |
| Jan. | 2005 | Established the Credit Union Shopping Mall(CU Mall) |
| 2006~2010 | | |
| May | 2006 | Moved NACUFOK head office to Daejeon |
| Jan. | 2010 | Reached KRW40 trillion total assets |
| Jun. | 2010 | Issued credit union's own check card |
| 2011~2015 | | |
| Jul. | 2011 | Launched Phone Banking service |
| Jan. | 2012 | Total Asset size reached USD 50 billion |
| Dec. | 2014 | Social Cooperative, the Credit Union Social Contribution Foundation was established |
| Dec. | 2014 | Total asset size has exceeded USD 60 billion |







Roles of Organ

General Meeting

- Composed of the union members (Could be held with more than 251 members in the case the CU's individual member is more than 500)
- Amendments of the Articles of Bylaws
- Election of president/directors
- Approval of the annual report
- Approval business plans & annual budget

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Roles of Organ

Board of Directors

- Elected in General Meeting, 4 years term
- Five to nine directors (the specific number resolved in General Meeting, written in articles of Bylaws)
- Decisions on important matters not covered by the General Meeting
- Enactments or amendment of regulations
- Setting up of guidelines for business execution

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Roles of Organ

President or Chairman

- Be responsible for running of CU and representing CU
- Elected by members in General Meeting
- Chairperson in General Meeting & Board Meeting
- Takes charge of general matters pertaining to CU's general activities
- Term of 4 years
- Re-elected consecutively only 3 times (after 3 terms no qualification)

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Roles of Organ

Executive Director,
Supervisory Director

1. Standing director for financial business (banking business & insurance business)
 - 4years term
 - Be elected in General Meeting through the recommendation of the Board
- Qualification
 - Working career in CU, NACUFOK, Government financial agency or financial research institution
2. Standing supervisory director
 - Qualification is same to financial service director

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Criteria on the position of the Director

| Total Asset | President & Chairperson | Standing Director |
|------------------------|--|-------------------|
| Less than 30 billion | Voluntary | No |
| 30 billion~150 billion | Standing President or Executive Director | |
| More than 150 billion | Standing President or Executive Director Standing President and Executive Director | |
| More than 200 billion | Standing President or Executive Director Standing President and Executive Director Standing Supervisory Director | |

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Roles of Organ

Auditor

- Elected by members in General Meeting
- 2~3person. 4years term
- In charge of ensuring risk-free operations of a credit union
- Carrying out supervision of business operations, financial status, accounting books and documents
- Audit CU quarterly basis

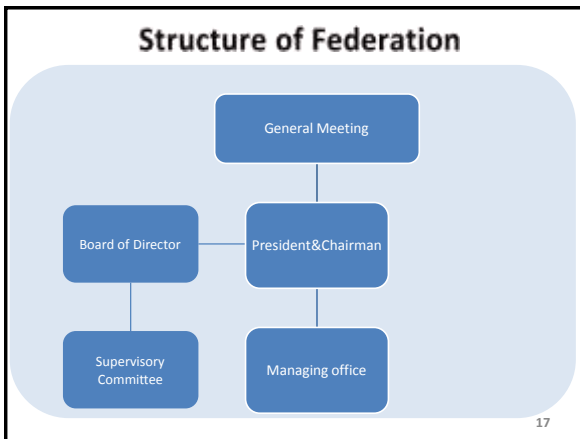
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Roles of Organ

External Auditor

- CU which the total assets more than 30million(US\$) should get the External Auditor service(CPA)
- CPA(certified public accountant)
- Estimate the annual financial report & statement every year
- This report should be presented to Board meeting & General meeting

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Management of Federation

- Every CUs join federation compulsory
- No join No Qualification
- Membership Fee
(Approx. 0.1% of total Assets. Annually)
- Collect money from CUs and invest in financial market
- Service for Member CUs
 - inspection, research, educating, extension...
 - fund management, mutual insurance...
 - social welfare program
 - PR and advertising, maintain computerizing system..

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NACUFOK's Authority by CU Act

- Demand to submit business report
 - to research and inspect soundness in financial structure
- Administrative disposition (penalty)
 - in case of an director
 - Re-election, suspension of performance of duties or censure
 - in case of an employee
 - Disciplinary dismissal, suspension from office, salary reduction, censure,
 - in case of both
 - Caution or warning,

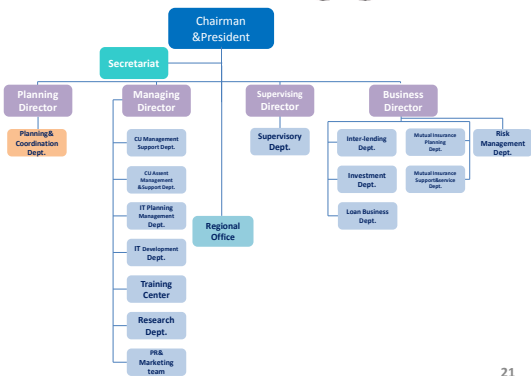
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NACUFOK's Authority by CU Act

- Inspection for CUs business affair
- After analyzing financial state, Recommend the union
 - to merge with another union
 - take a proper measure to improve financial state for example, disposition of assets, downsizing of its organization...

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Structure of Managing office



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Roles of Organ

General Meeting

- Enact & Amend Byelaw
- Establish Agreement on election management etc.
- Approval of Annual Work-plan & Budget
- Approval of Annual Report & Audit Report
- Election of Officers (composition)
 - 200 representatives of all CUS
 - Selected among Chairpersons with 4years' term

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Roles of Organ

Officer

- 15-25 Board members including below 3 standing directors(1 president & chairperson, 1 Financial service director ,1 Supervisory director)
- Number of Professional director having a specific qualification should be more than 1/3 of total board members (at present 7 professional directors including Financial & supervisory)
- 4years' term
- President& Chairperson Allowed only 2 consecutive terms
- Other board member- no limit

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Roles of Organ

Officer

- Qualification for professional director
 - working career as standing position at National bank, Financial supervisory service, General bank & Cooperative bank
 - Financial institution more than 10 years
 - Lawyer, CPA with more than 5 years' Career

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Roles of Organ

Roles of Board Meeting

- Enact and amendment of Regulation of NACUFOK
- Enact and amendment of the model of the Regulations of primary CU (Obligatory & optional)
- Achievement & Disposal of Basic Asset
- Decision of the limitation amount of borrowing from outside
- Composition of the special committed as needed

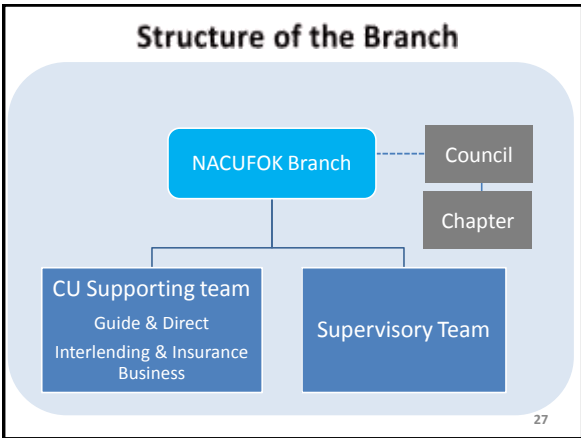
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Roles of Organ

Audit Committee

- Composed of more than 3 board members and 2/3 of the total should be out of professional members
- Supervise of the all NACUFOK's Work & financial states etc. more than one time per a quarter

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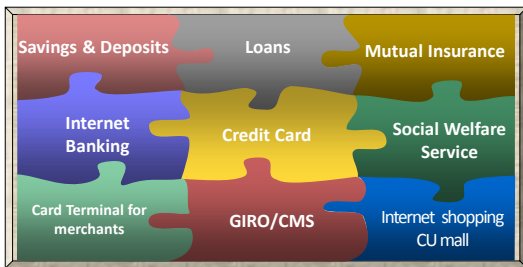
Roles of Organ

Council & Chapter

- Consist of the CUs belong to the specific area
- Exchange of the information on CU running and recommendation to NACUFOK
 - Joint-training for individual members, officials and staffs
 - Joint- welfare service for the community
 - Joint-CU promotion activity

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What Korean CUs do for members



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What NACUFOK does for credit unions

Association

- Guidance, Consulting, Research & Marketing
- Educations for **board** & staff, members from primary CUs
- United IT system for CU internet banking /management

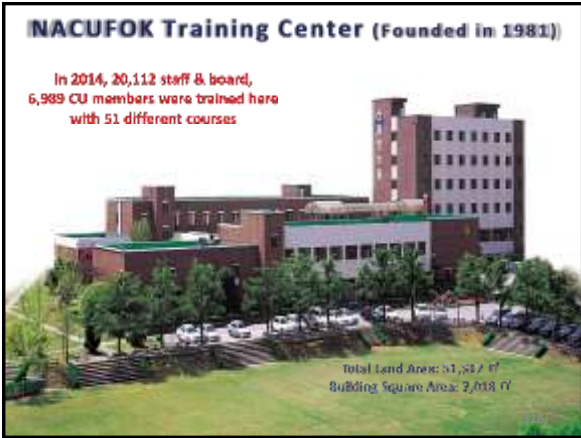
Business

- Deposit & reserve fund management from CUs, Loans to CUs
- Domestic exchange for CUs and CU members
- The agency business for nation/Government/financial institution
- Inter-lending Business Total Assets: USD 11.8 Billions
- Mutual Insurance Business Total Assets: USD 2.24 Billions

Supervision

- Regulatory power, Off-site surveillance(real time monitoring)
- Deposit Insurance program and its management
- Credit union financial structure improvement

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NACUFOK Training Center

The Board : Volunteerism & Leadership

Management

- Understanding of CU management & management ability
- Chairman, newly elected board of directors

Competency

- Leadership works for credit union principle & philosophy

Staff : Sense of Responsibility & Professionalism

Management

- Basic knowledge through professionalized areas
- Rookies, CEOs, Fund management, Loan evaluation, Analysis

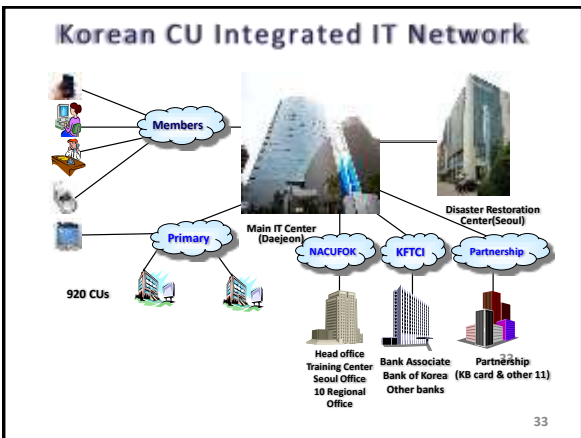
Competency

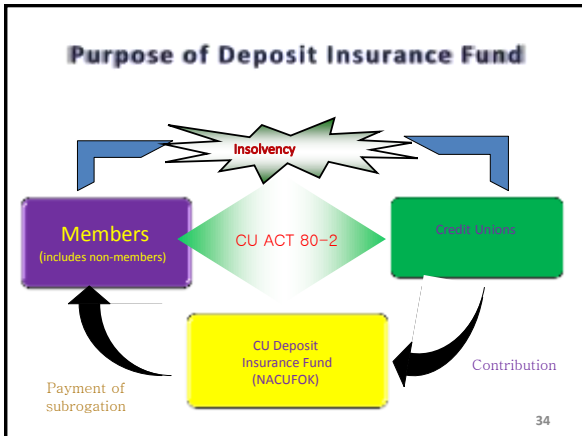
- CU management & HRD management
- Leadership, performance management

Cyber Education

- On-line education for CU operation
- Accounting, deposits & loans, admin, tax, CS, laws

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- ### Deposit Insurance Fund
- Deposit Insurance Fund balance : USD 590 mil(Dec. 2014)
 - Contribution Formula : $30/10,000 \times \text{insured deposit average balance of end of accounting year}$
 - Guarantee limits : Maximum amount of payment in subrogation for a person shall be USD 50,000
 - Fund Support for merger :
 - o target: under -7% of net capital unable to be normalized by itself when merger is effective than management control
 - o support : 90% Loss of amalgamated CU
- 35