

National Agricultural Cooperative Federation

U.S. 165(d) Reduced Resolution Plan Public Section December 2018

This document contains forward-looking statements. Statements that are not historical facts, including statements about National Agricultural Cooperative Federation's beliefs and expectations, are forward-looking statements. These statements are based on current plans, estimates and projections, and therefore undue reliance should not be placed on them. The forward-looking information contained in this document is presented for the purpose of interpreting the information contained herein and may not be appropriate for other purposes. Forward-looking statements speak only as of the date they are made, and National Agricultural Cooperative Federation undertakes no obligation to update publicly any of them in light of new information or future events.

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(a) Public Section

1. Introduction

The Reduced Plan of National Agricultural Cooperative Federation ('NACF') is being filed pursuant to Section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the 'Dodd-Frank Act') and to implement regulations (the 'Regulation') issued by the Board of Governors of the Federal Reserve System ('FRB') (12 CFR Part 243) and the Federal Deposit Insurance Corporation ('FDIC') (12 CFR Part 381).

Any foreign bank or company that is treated as a bank holding company under Section 8(a) of the International Banking Act of 1978 (the 'IBA') and has \$50 billion or more in global total consolidated assets is a 'Covered Company' for purposes of Section 165(d) and the Final Rule. A Covered Company is required to periodically submit to both the FRB and FDIC a plan discussing the rapid and orderly resolution of its U.S. operations in the event of material financial distress or failure.

NACF is the top-tier parent company of all subsidiaries of NH group including NongHyup Financial Group ('NHFG') and NongHyup Agribusiness Group ('NHAG'). NHFG is the third largest financial groups in Korea which provides a wide range of financial services to its customers through its subsidiaries, including the NongHyup Bank, NongHyup Life Insurance, NongHyup Property & Casualty Insurance, NH Investment & Securities, NH-Amundi Asset Management, NH Capital, NH REITs Management, and NH Savings Bank.

Also, NHAG is the parent company of 19 subsidiaries that provide services related to marketing and supply of agricultural and livestock products. Among the 19 subsidiaries are Nongwoo Bio, NongHyup Feed and NH Trading which operates subsidiaries in the U.S.

In a multi-tiered holding company structure, the covered company is the top-tier of the multi-tiered holding company. NACF is defined as a 'Covered Company' under the Regulation since the global total consolidated assets of NACF, including its U.S. operations, exceeded \$50 billion as of December 31, 2017.

The FRB and the FDIC reviewed the 2015 Resolution Plan of NACF and jointly determined

to reduce the information content that the Covered Company will be required to provide in its resolution plan submission due by Dec 31 of 2016, 2017 and 2018 (“Reduced Plans”), subject to the “conditions for Reduced Plans” specified by their letter on Jun 10, 2016 and as authorized under section 4(k) of the Resolution Plan Rule.

NACF incorporated information about NHAG’s three U.S. operations in the 2018 Resolution Plan, in order to incorporate all assets of the Covered Company in the Resolution Plan as to thoroughly follow the requirements of the Resolution Plan Rule.

2. Overview of the National Agricultural Cooperative Federation

NACF was established out of a merger of agricultural cooperatives and the agricultural bank in 1961, in an attempt to construct a national cooperative system for Korean farmers suffering from poor production capacity and insufficient financial resources. In the decades since, NACF has played a crucial role in the growth of the Korean economy, developing into one of the most successful cooperatives in the world.

NACF is the apex organization of 1,123 primary member cooperatives representing more than 2.5 million member farmers in Korea. Member farmers are the owners, users, and controllers of the agricultural cooperatives. Similarly, 1,123 primary cooperatives are the owners of the federation, NACF.

The member cooperatives are democratically controlled, autonomous business groups, funded by member subscriptions rather than government financial investment. They, in turn, raise capitals to fund NACF through institutional subscriptions. Cooperatives are governed by directly elected presidents, who, in turn, elect a chairman of the federation.

Over the past five decades, financial operations (bank, insurance, securities and et.c) of NACF have enjoyed substantial growth, leading it to become one of the largest financial institutions in Korea. On March 2, 2012, NACF physically separated its operations, establishing the two holding companies under the revised National Agricultural Cooperative Act and a resolution by the Board of Directors: the financial holding company (NongHyup Financial Group) and the agricultural holding company (NongHyup Agribusiness Group).

NHFG is a financial holding company established and organized under the Financial Holding

Companies Act of Korea with its head office in Seoul, Korea. NHFG has been poised to flexibly respond to the ever-changing social, economic, and financial environments, while providing high-quality financial services to its customers through its subsidiaries, including the NongHyup Bank, NongHyup Life Insurance, NongHyup Property & Casualty Insurance, NH Investment & Securities, NH-Amundi Asset Management, NH Capital, NH REITs Management, and NH Savings Bank.

Exhibit 1: NACF Organization



Exhibit 2.1: NHFG Organizational Structure

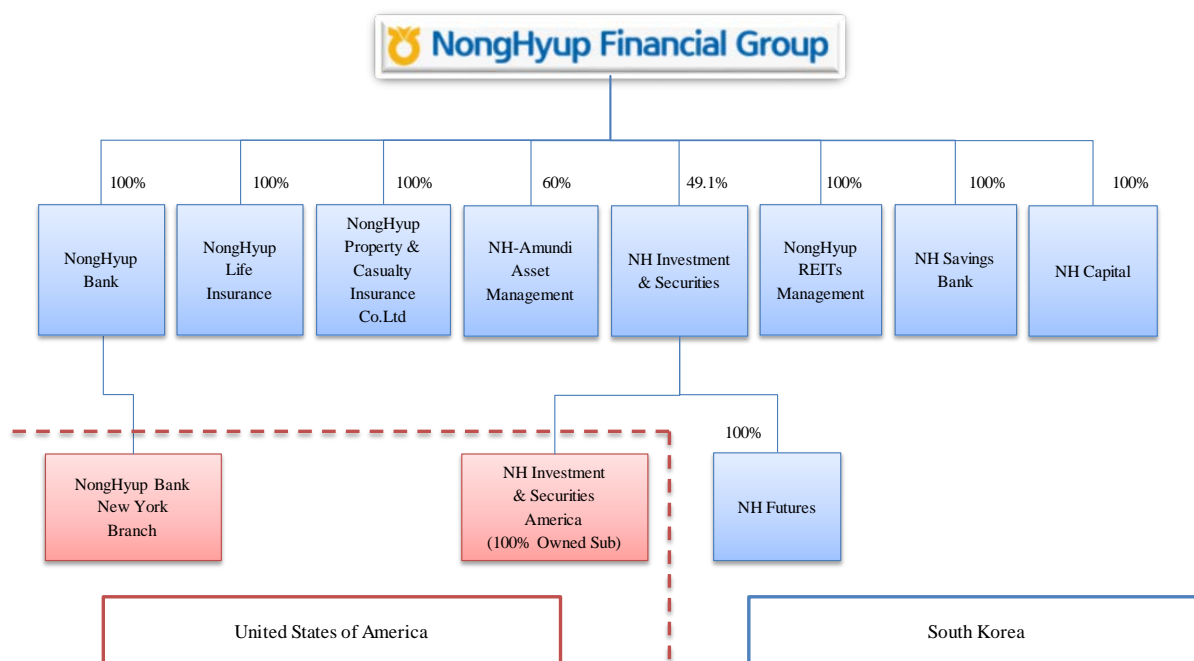
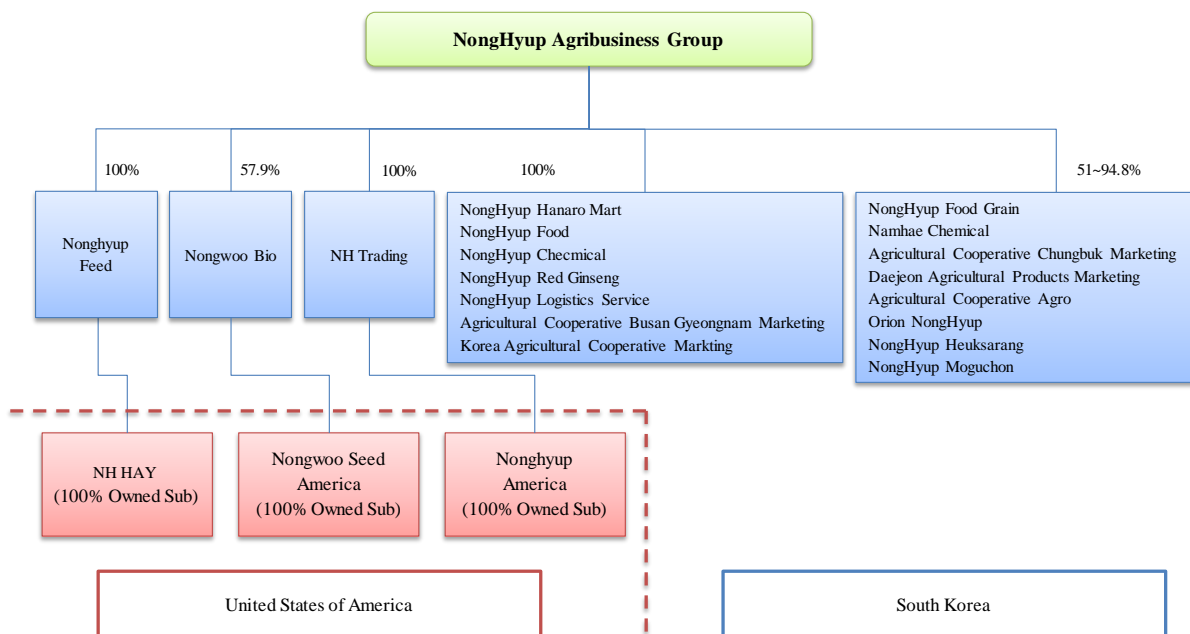


Exhibit 2.2: NHAG Organizational Structure



3. Core Business Line, Critical Operation & Material Entity

3.1. Core Business Lines

Core Business Lines are defined as the business lines of the Covered Company which are conducted in whole or material part in the U.S., and the failure of which would result in a material loss of revenue, profit, or franchise value to the Covered Company.

Based on analysis performed on a quantitative, as well as, a qualitative basis, failure of NACF’s U.S. operations would not have a material effect on the overall value of the covered company.

As such, for the purpose of this U.S. Resolution Plan, NACF has determined that it had no core business lines, banking and nonbanking that were conducted in the U.S. as of December 31, 2017.

3.2. Critical Operations

Critical Operations are defined in the Regulation as those operations of a Covered Company which are conducted in whole or material part in the U.S., including associated services, functions and support, the failure or discontinuance of which, would pose a threat to the

stability of the U.S. financial system.

After a thorough review of its U.S. operations, NACF has determined that none of the operations, being insignificant to the U.S. financial market and easily substitutable, if discontinued, would pose a threat to the financial stability of the U.S. As such, for the purpose of this U.S. Resolution Plan, NACF has determined that it not have any Critical Operations.

3.3. Material Entities

Material Entities are defined as a subsidiary or foreign office of the Covered Company that is significant to the activities of a Critical Operation or Core Business Line. None of the business lines of NACF conducted in the United States have been determined to be a “Core Business Line” or a “Critical Operation”. Therefore, for the purposes of this Resolution Plan, NHFG has no material entities.

3.4. U.S. operations of NHAG

NACF does not have material entities, critical operations and core business lines even when the three U.S. operations of NHAG are considered. Moreover, all financial operations of NACF are under the control of NHFG, and NHAG and its subsidiaries are independent of the U.S. financial system as they do not carry out any finance related business.

4. Summary of Financial Information Regarding Assets, Liabilities, Capital and Major Funding Sources

4.1. Financial Statements of NACF, NHFG and NHAG

NHFG and NHAG came into existence because of a split-off from NACF on March 2, 2012, for the purpose of controlling and managing companies that conduct financial business and to support funding.

In accordance with the provisions of the NACF Act 134-3, NongHyup Bank, NongHyup Life Insurance, NongHyup Property & Casualty Insurance, NH Investment & Securities, NH-Amundi Asset Management, NH Capital, NH Futures, and NH Savings Bank became subsidiaries of the NHFG. NHAG is the parent company of 19 subsidiaries that provide

services related to marketing and supply of agricultural and livestock products. Among the 19 subsidiaries are Nongwoo Bio, NongHyup Feed and NH Trading which operates subsidiaries in the U.S.

The entity's headquarter is located at 16 Saemoonan-ro (Chungjeong-ro 1 street) Joong-gu in Seoul. As of December 31, 2017, and the NACF owned 100% shares of NHFG and NHAG's capital stock.

Exhibit 3: Non- consolidated balance sheet of NACF as of December 31, 2017

(Units: ₩ Korean million, \$ U.S. million)

Description	2017(KRW)	2017(USD)
Assets		
Assets of General Business Sector	24,231,703	22,617
Assets of Administrative Sector	24,231,703	22,617
Current Assets	219,280	205
Quick Assets	219,280	205
Cash & Cash Equivalents	5,684	5
Accounts Receivable, net	1,012	1
Accrued income	14,658	14
Prepaid Expense	9,865	9
Others	188,061	176
Non-current Assets	24,012,423	22,412
Investment Assets	23,362,270	21,805
Tangible Assets	512,823	479
Intangible Assets	122,494	114
Others	14,836	14
Assets of Special Business Sector	97,446,376	90,952
Extension & Support Service	5,402,374	5,042
Mutual Credit Business	92,044,002	85,910
Total Assets	121,678,079	113,569
Liabilities		
Liabilities of General Business Sector	11,059,034	10,322
Liabilities of Administrative Sector	11,059,034	10,322
Current Liabilities	1,983,160	1,851
Accounts Payable	66,075	62
Accrued Expenses	73,089	68

Description	2017(KRW)	2017(USD)
Others	1,843,996	1,721
Non-Current Liabilities	9,075,874	8,471
Bonds payable	8,570,000	7,999
Discount on bonds payable	(596)	(1)
Accrued Severance Benefit	155,341	145
Pension Assets for severance benefit	(149,658)	(140)
Others	500,787	467
Liabilities of Special Business Sector	94,018,885	87,753
Extension & Support Service	372,562	348
Mutual Credit Business	93,646,323	87,406
Total Liabilities	105,077,919	98,075
Equity		
Capital Stock	8,441,214	7,879
Capital Surplus	150,370	140
Capital adjustment	(59,547)	(56)
Accumulated Other Comprehensive Income	(236,285)	(221)
Retained Earning	8,304,408	7,751
Legal Reserve	4,149,193	3,873
Voluntary Reserve	3,581,910	3,343
Retained Earning	573,305	535
Total Equity	16,600,160	15,494
Total Liabilities & Equity	121,678,079	113,569

(USD 1\$ = KRW 1,071.4 won)

Exhibit 4-1: Consolidated balance sheet of NHFG as of December 31, 2017

(Units: ₩ Korean million, \$ U.S. million)

Description	2017(KRW)	2017(USD)
Assets		
Cash and due from banks	13,716,039	12,802
Trading financial assets	31,232,489	29,151
Financial assets at fair value through profit or loss (FVTPL)	1,201,273	1,121
Derivative assets	2,432,355	2,270
Available-for-sale (AFS) financial assets	42,889,771	40,032
Held-to-maturity (HTM) financial assets	46,767,505	43,651

Description	2017(KRW)	2017(USD)
Loans and receivables	243,309,585	227,095
Investments in associates and joint ventures	242,063	226
Tangible assets	3,304,521	3,084
Investment properties	878,397	820
Intangible assets	525,379	490
Current income tax assets	4,161	4
Current income tax assets	641,230	598
Other assets	1,596,915	1,490
Assets classified as held for sale	15	0
Total assets	388,741,698	362,835
Liabilities		
Deposits	209,328,015	195,378
Trading financial liabilities	962,144	898
Financial liabilities at fair value through profit or loss	12,642,298	11,800
Derivative liabilities	2,196,840	2,050
Borrowings	27,751,286	25,902
Debentures	29,483,147	27,518
Provisions	488,332	456
Retirement benefit obligations	375,614	351
Insurance contract liabilities	67,548,940	63,047
Current income tax liabilities	84,552	79
Deferred tax liabilities	811	1
Other liabilities	16,760,546	15,644
Total liabilities	367,622,525	343,124
Equity		
Equity attributable to equity holders of the parent	18,173,603	16,962
Capital stock	1,414,095	1,320
Other paid-in capital	14,149,916	13,207
Retained earnings	3,121,822	2,914
Other component of equity	(512,230)	(478)
Non-controlling shareholder's equity	2,945,570	2,749
Total equity	21,119,173	19,712
Total liabilities and equity	388,741,698	362,835

(USD 1\$ = KRW 1,071.4 won)

Exhibit 4-2: Consolidated balance sheet of NHAG as of December 31, 2017

(Units: ₩ Korean million, \$ U.S. million)

Description	2017(KRW)	2017(USD)
Assets		
Current Assets	7,961,458	7,431
Cash and due from banks	1,282,546	1,197
Trading financial assets	147,475	138
Financial assets at fair value through profit or loss (FVTPL)	31,732	30
Account receivable	2,839,536	2,650
Available-for-sale (AFS) financial assets	302	0
Held-to-maturity (HTM) financial assets	90	0
Inventory	859,656	802
Biological asset	28,490	27
Current income tax assets	3,471	3
Other current financial assets	1,359,982	1,269
Other current assets	1,408,178	1,314
Assets classified as held for sale	-	-
Non-Current Assets	5,092,436	4,753
Long-term financial asset	7,514	7
Long-term Account receivable	435,569	407
Available-for-sale (AFS) financial assets	89,836	84
Held-to-maturity (HTM) financial assets	604	1
Deferred income tax assets	43,223	40
Investments in associates and joint ventures	111,854	104
Tangible assets	2,444,940	2,282
Investment properties	639,748	597
Intangible assets	359,470	336
Biological asset	2,981	3
Other non-current financial assets	955,144	891
Other non-current assets	1,553	1
Total assets	13,053,894	12,184
Liabilities		
Current Liabilities	5,528,035	5,160
Financial liabilities at fair value through profit or loss	4,002	4
Account payable	1,254,874	1,171

Description	2017(KRW)	2017(USD)
Borrowings	3,345,974	3,123
Current income tax liabilities	15,019	14
Provisions	4,406	4
Deferred income	6,361	6
Other current financial liabilities	20,908	20
Other current liabilities	876,491	818
Non-Current liabilities	1,789,280	1,670
Long-term account payable	24,454	23
Borrowings	1,457,950	1,361
Retirement benefit obligations	183,056	171
Deferred tax liabilities	65,086	61
Provisions	37,652	35
Other non-current financial liabilities	19,268	18
Other non-current liabilities	1,814	2
Total liabilities	7,317,315	6,830
Equity		
Equity attributable to equity holders of the parent	5,352,088	4,995
Capital stock	3,657,440	3,414
Other paid-in capital	1,415,485	1,321
Retained earnings	357,382	334
Other component of equity	(78,219)	(73)
Non-controlling shareholder's equity	384,491	359
Total equity	5,736,579	5,354
Total liabilities and equity	13,053,894	12,184

(USD 1\$ = KRW 1,071.4 won)

4.2. Capital Adequacy

NHFG is required to maintain its capital adequacy ratio against risk-weighted assets in accordance with the criteria set by the Bank of International Settlements (the 'BIS capital adequacy ratio'), and it must be 8/100 or more according to the Financial Holding Companies Act. The Bank for International Settlements' Basel Committee for International Banking Supervision has drawn up global standards for capital adequacy determining how much capital financial institutions should set aside as a proportion of risky assets. BIS capital adequacy ratio is calculated as the sum of the basic and supplementary capital reflecting

items deducted from capital, which is divided by risk-weighted assets.

The basic capital consists of paid-up capital, statutory reserves and retained earnings for permanent capital; and supplementary capital consists of the items of capital contribution containing liability characteristics that meet the criteria as determined and announced by the Financial Services Commission with the limit of 100% of basic capital. Deduction items are deducted from basic and supplementary capital for the purpose of capital management, which has no capital characteristics, such as deferred tax assets.

Details of the NHFG's BIS capital adequacy ratio as of December 31, 2017 and 2016 are as follow.

Exhibit 5: Capital Adequacy of NHFG

Classification	Year ended December 31	
	2017	2016
Equity capital ratio	13.47	13.49
Basic capital ratio	11.49	11.24
Common Equity capital ratio	10.49	10.02

Total Equity=Basic capital+Supplementary capital,
Basic capital=Common Equity capital+other basic capital

5. A Description of Derivative activities an Hedging activity

5.1. NHFG

NHFG enters into a variety of derivative contracts to manage its exposure to interest rate and foreign exchange rate risk associated with financials instruments, including currency forward contracts, interest rate swaps and cross-currency swaps.

Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. Derivatives used for trading purposes are recognized as financial assets and liabilities at FVTPL (Fair Value Through Profit and Loss) and derivatives for hedging purposes are recognized as hedging-purpose derivative assets and liabilities on the consolidated financial statements at fair value.

The resulting gain or loss is recognized in net income immediately, unless the derivative is designated and effective as a hedging instrument, in such case the timing of the recognition in net income depends on the nature of the hedge relationship. Fair value hedge accounting or cash flow hedge accounting is applied to the derivatives, when the derivatives meet the certain requirements for hedging.

A derivative instrument with a positive fair value is recognized as a financial asset; and a derivative with a negative fair value is recognized as a financial liability.

5.2. U.S. operations

NongHyup Bank New York branch (‘NHBNY’) is not a party dealing with any swaps, repurchase agreement, or derivative transactions, and therefore, NongHyup Bank does not have any exposure related to such activities in connection with its U.S. operations.

NH Investment & Securities America, Inc (‘NHISA’) acts as an agent for institutional clients for the purchase and sale of Korean and U.S. Securities. However, NHISA does not perform any trading or derivative transactions on its own behalf.

This section is not applicable to the U.S. Operations of NHAG as they carry out non-financial businesses.

6. A List of Memberships in Material payment, Clearing and Settlement systems

Each of U.S. operations holds memberships in financial market utilities (‘FMUs’) for payment, clearing, and settlement services, in order to conduct essential financial transactions.

The following Exhibit 6 is the list of NHBNY and NHISA’s memberships in material payment, clearing, and settlement systems:

Exhibit 6: Memberships in Payment, Clearing, and Settlement Systems

Entity Holding Membership	Name	Description
NHBNY	Fedwire	U.S. Dollar payment system
	FEDLine Advantage Services	Access to FRB-provided advanced payment service, Fedwire Funds Service

	SWIFT	Society for Worldwide Interbank Financial Telecommunication
NHISA	APEX Clearing	U.S. Clearing / Settlement Systems, U.S. Dollar Payment System, Securities System

This section is not applicable to the U.S. Operations of NHAG as they carry out non-financial businesses.

7. A Description of Foreign operation

7.1. U.S. Operations

In the United States, NHFG operates a branch of NongHyup Bank, Korea, and a registered broker-dealer, NH Investment & Securities America, Inc., which is a wholly-owned subsidiary of NH Investment & Securities, Korea. NHBNY and NHISA were opened in 2013 and 1992 respectively and both have located in New York. NHBNY is engaged in corporate banking operations such as remittance/money transmittal services; trade finance services, such as letters of credit and bankers acceptances; financing for Korean and other companies with subsidiaries or branches in the United States; and funding activities, such as borrowings in the U.S., Korea or other countries' money market and issuing Yankee Certificate of Deposit. NHISA acts as an agency for institutional clients for the purchase and sale of Korean and U.S. Securities.

NHISA executes and clears Korean securities trades through its parent company, NH Investment & Securities, while it clears U.S. securities trades through third-party vendors. However, NHISA does not perform any trading or derivative transactions on its own behalf.

NHAG's U.S. operations include NH-HAY('NHHAY'), Nongwoo Seed America('NWSA') and Nonghyup America('NHA'), whose parent companies are Nonghyup Feed, Nongwoobio and NH Trading, respectively. NHAG is the major shareholder of the three parent companies.

NHAG's U.S. subsidiaries were incorporated for agricultural business, including sales of agricultural products. Nongwoo Bio is a seed provider involved in R&D, production and sales of seeds and plant genetics which incorporated Nongwoo seed America in April 1994 for R&D in American produces. Nonghyup Feed produces animal feeds and incorporated NH HAY in August 2008 for the purpose of research and manufacturing of animal feeds. Nonghyup America is the subsidiary of NH Trading and serves the role of Overseas operation frontline of NHAG.

7.2. Other Foreign Operations

As of December 31, 2017 NongHyup Bank operates 1 subsidiary, 2 branches and 2 representative offices in 5 countries around the world, and NH Investment & Securities

operates 6 subsidiaries and 2 representative office in 6 other countries around the world.

NHAG operates 3 branches in the U.S. and 7 branches or representative offices in 6 other countries around the world.

Exhibit 7: Financial information of Foreign Operations

(Units: \$ U.S. million)

Geographic Area	NHFG			NHAG		
	Domestic	U.S.	Other Countries	Domestic	U.S.	Other Countries
Total Asset	363,368	404	48	12,135	24	58
Revenue	11,289	15	1	10,910	33	68
Net Income	994	(8)	(1)	45	1	8

(USD 1 = KRW 1,071.4)

8. Material Supervisory Authority

NHBNY is licensed by the state banking authority of the State of New York and is therefore subject to regulation and examination by the New York State Department of Financial Services ('NYSDFS') and Federal Reserve Bank of New York ('FRBNY'). NHISA is regulated primarily by Financial Industry Regulatory Authority ('FINRA') and the Securities and Exchange Commission ('SEC'). In addition to these regulators, NHISA is also subject to regulation by the New York Stock Exchange ('NYSE'), the U.S. Department of Treasury, the Federal Reserve and the Commodities Futures Trading Commission ('CFTC').

NHBNY and NHISA are subsidiaries of NHFG which is a financial holding company under the Financial Holding Companies Act of Korea. Hence, NHBNY and NHISA are subject to regulation, supervision, and enforcement by the home country regulators.

Exhibit 8: Identities of Material Supervisory Authority

Legal Entity	Primary Regulator
NHBNY	New York State Department of Financial Services(NYSDFS) Federal Reserve Bank of New York(FRBNY)
NHISA	Financial Industry Regulatory Authority (FINRA) Securities and Exchange Commission (SEC) U.S. Department of Treasury New York Stock Exchange (NYSE)

	Federal Reserve and the Commodities Futures Trading Commission (CFTC)
NHHAY	Not Applicable
NWSA	Not Applicable
NHA	Not Applicable

9. The Identities of the Principal Officers

The Exhibit 9 and 10 below list Directors and Senior Management of NACF, NHFG and NHAG.

Exhibit 9: NACF Board Member

Name	Title
KIM BYEONG-WON	Chairman
HEO SIK	Vice Chairman / President & CEO, Planning & Extension
SO SEONG-MO	President & CEO, Cooperative Bank
NA YONG-SEOK	Director
SHIN KWAN-WOO	Director
LEE JONG-KEUN	Director
KANG HO-DONG	Director
AHN HYEON-GOO	Director
LEE JOO-SEON	Director
KOO HEE-WOO	Director
PARK TAE-JOON	Director
YANG YONG-CHANG	Director
KIM BYEONG-KOOK	Director
SEO JIN-KON	Director
YEO WON-KOO	Director
KIM BONG-HAK	Director
SON KYU-SAM	Director
KIM WON-CHEOL	Director
SON YEON-SIK	Director
LEE SEONG-HO	Director
KANG HYE-JUNG	Outside Director

Name	Title
KIM BYEONG-HWA	Outside Director
LEE JOON-WON	Outside Director
LEE MAN-WOO	Outside Director
LEE BYEONG-KYU	Outside Director
KIM JA-HYE	Outside Director
KWON HYE-OK	Outside Director

Exhibit 10-1: NHFG Board Member

Name	Title
KIM YONG-HWAN	Chairman
OH BYEONG-KWAN	Vice Chairman / President & CEO, Planning & Extension
YOO NAM-YEONG	Director
SON SANG-HO	Outside Director
MIN SANG-KI	Outside Director
JEON HONG-RYEOL	Outside Director
JEONG BYEONG-WOOK	Outside Director

Exhibit 10-2: NHAG Board Member

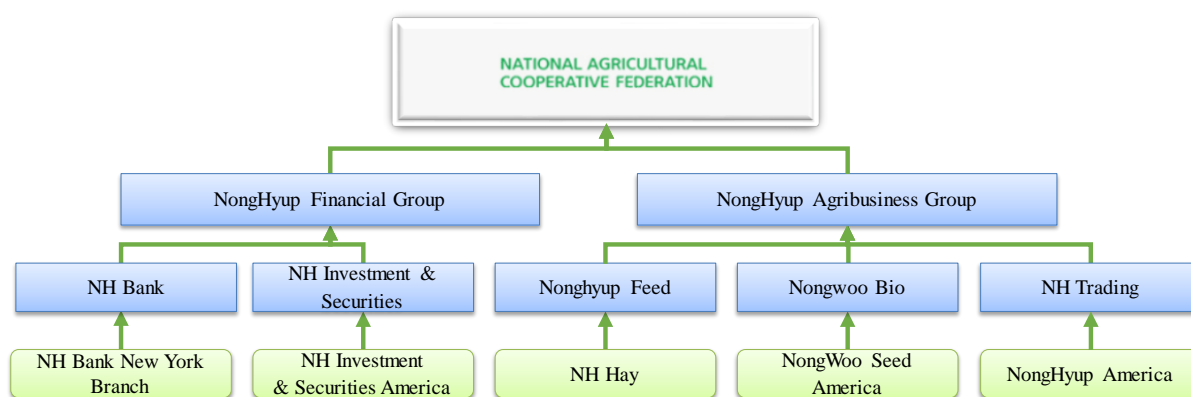
Name	Title
KIM WON-SEOK	President & CEO, Marketing & Supply
KIM TAE-HWAN	President & CEO, Livestock
GOO HEE-WOO	Director
KIM WON-CHEOL	Director
PARK TAE-JOON	Director
SHON GYU-SAM	Director
SHIN GWAN-WOO	Director
LEE JOO-SEON	Director
KIM BYEONG-RYUL	Outside Director
KIM JI-SIK	Outside Director
PARK CHI-BONG	Outside Director

LEE SANG-GUIL	Outside Director
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10. A Description of the Corporate Governance Structure and Processes related to Resolution Planning

As indicated in the exhibit below, the following key departments were established or given the responsibilities for resolution planning:

Exhibit 11: NACF Resolution Planning Governance Structure



10.1. NACF

NACF’s Board of Directors (‘BOD’) is the top-tier governance body of NACF. It is ultimately responsible for the safety and soundness of NACF’s daily operations on a global basis. The BOD provides high-level guidance, approves and evaluates NACF’s U.S. Resolution Plan. Moreover, NACF’s NH Future Management Research Institute and Global Strategy Office works closely with NHFG’s Global Strategy Department to periodically reviews the resolution plan and provide specific feedback.

10.2. NHFG

NHFG is the financial holding company engaged in managing its subsidiaries and business affairs incidental to managing its subsidiaries. NHFG formulated the specifics of the resolution strategies by supporting department, such as information technology, accounting and legal.

10.3. NHAG

NHAG is the agribusiness holding company engaged in managing its subsidiaries and

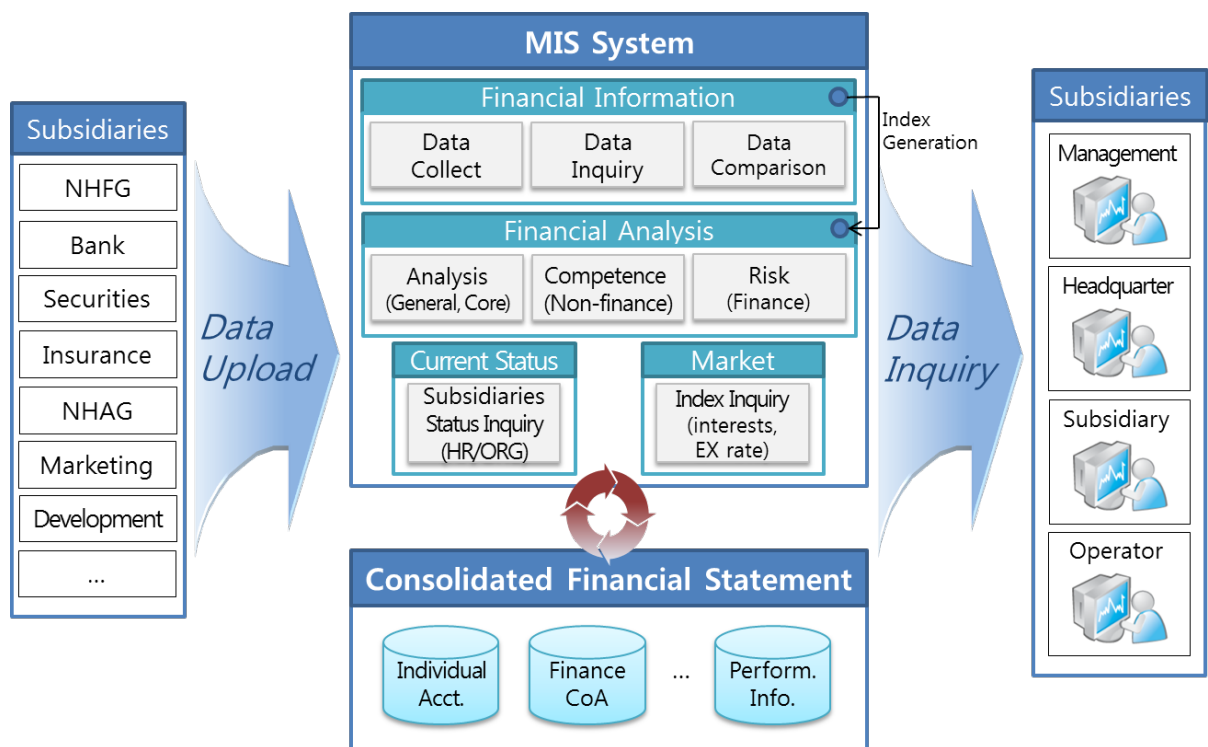
business affairs incidental to managing its subsidiaries. NACF and NHFG requested NHAG to provide management and financial information regarding the U.S. operation of NHAG subsidiaries that are necessary for the preparation of the Resolution Plan.

11. A Description of Material Management Information Systems

As the Covered Company of NHBNY, NHISA, NHHAY, NWSA, and NHA, NACF has established its own management information system to provide comprehensive management support across its subsidiaries. In this system, the management information associated with NACF’s subsidiaries is categorized mainly into the three sections: general status, financial report, and non-financial report.

Specifically, the general status section contains 18 sub-items outlining each subsidiary, and the financial report section contains 15 financial items (i.e., key performance index) used to analyze financial conditions of NACF’s subsidiaries. Moreover, the non-financial report section contains 15 managerial items associated with non-financial business issues, such as reporting to regulators.

Exhibit 12: Task Process of Management Information System for NACF



12. A Description of the Covered Company's Resolution Strategy

NACF has determined that it has no Material Entities, Critical Operations, or Core Business Lines within the U.S. operations. However, NACF has performed a limited analysis of resolution strategies for each of its U.S. operations in the event of material financial distress or failure as described below.

12.1. NHBNY

NHBNY is licensed by the state banking authority of the State of New York and is therefore subject to regulation and examination by the New York State Department of Financial Services ('NYSDFS'). In addition, the Board of Governors of the Federal Reserve Bank of New York, ('FRBNY') has supervisory and regulatory authority over NHBNY.

The U.S. Resolution Plan contemplates that NHBNY would be subject to New York bank insolvency law rather than the U.S. Bankruptcy Code, in the event of the insolvency. The law generally includes a ring-fencing insolvency regime that effectively draws a fence around the NHBNY and treats it as a separate entity from NongHyup Bank. Assets of the NHBNY may be seized and liquidated by the receiver to pay off the claims of creditors of the NHBNY.

12.2. NHISA

Although NHISA is a registered broker-dealer and a member of the Securities Investor Protection Corporation ('SIPC'), NHISA would only be eligible for resolution under the Securities Investor Protection Act ('SIPA'), if it has "customers" as defined under SIPA upon its entry into resolution. Generally, SIPA is applicable only when the customers entrust assets to the broker-dealer. As an Introducing Broker-Dealer, NHISA does not hold any customer assets in the ordinary course of business.

Therefore, NACF assumes that NHISA would be resolved through reorganization under Chapter 11 of Bankruptcy Code and wound down in an orderly manner. The primary objective of the Chapter 11 proceedings would be to maximize the value realized from the assets and businesses of NHISA. If NHISA's financial distress has passed the stage of reorganization and must sell off its assets, it will be resolved through liquidation under the Chapter 7 of Bankruptcy Code.

12.3. U.S. Operation of NHAG

U.S. operations of NHAG comprises of subsidiaries incorporated for the purpose of providing support for NHAG's trading business and to increase market share, which are independent of the U.S. financial system. Also, Head office in Korea provides 100% of capital to its subsidiaries, which means that there will be no financial impact on investors in the U.S. in case of failure of operation. In the event of a U.S. business with NHAG, an orderly process will be implemented in accordance with the laws on bankruptcy and resolution related to each company.