

September 14, 2009 (Monday) 18:00-19:30

Reception Speech: Crisis Response of Korea and the Role of KAMCO

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Beginning from my days as an overseas student at Hitotsubashi University to my work experience at Japan's Ministry of Finance, Nomura Research Institute and the Korean Embassy in Japan, for 10 years or so I have in my own modest way been constantly thinking about and striving to work for the mutual prosperity of Japan and Korea.

Currently, I am part of the Korea Asset Management Corporation (KAMCO), which was established to deal with the financial crisis in Korea. Today, against a backdrop of a rapidly changing operational environment on a global scale, I would like to talk about KAMCO, which has gained increasing attention especially for its work in Europe and the US, its role in the financial crisis and its future direction.

KAMCO purchased a large number of nonperforming loans that surfaced with the 1997 Asian financial crisis and in a short period of time, sold them overseas (total amount: 110 trillion Won of nonperforming loans were purchased at 40 trillion Won, of which 80 trillion Won of nonperforming loans have been sold for 43 trillion Won).

With Korea paying off its debt to the IMF, many felt that KAMCO's mission was fulfilled and should be dissolved. However, it remained as a permanent organization with the aim to prepare for crises and played a significant role in last year's financial crisis. Specifically, KAMCO aggressively bought up project finance credited loans from savings banks (equivalent to credit unions in Japan), which were suffering from credit uncertainty after the financial crisis. This played a decisive role in easing credit fears.

KAMCO has been designated by the Korean Government as a 40 trillion Won restructuring fund management and operating company and has been a central force in dealing with financial crises. KAMCO has not only resolved nonperforming loans of financial institutions, it has also invested in

companies that need funds and acquired real estate and other assets. While in the second quarter of this year, Korea's economy suffered a downturn, thanks to permanent institutions like KAMCO, we were able to respond quickly and serve as a driving force for economic recovery.

Since being appointed CEO in January last year (2008), in addition to supporting financial institutions, KAMCO has also begun consumer credit recovery efforts. This activity involves purchasing and adjusting debt, such as refinancing them from high to low interest loans. These efforts have won us high regard. In addition, KAMCO has been commissioned by the Korean Government to manage delinquent state-owned properties. This segment now comprises one-third of our workforce. By temporarily absorbing the market failures of corporations, consumers, the government and other economic entities, KAMCO serves as an "economic safety net." The vision KAMCO has created since I became CEO is something that can also be adopted by developing countries. Both the World Bank and the Asia Development Bank have expressed interest in our work.

For our future, we would like to utilize our experience and expand overseas as a buyer of debt. While Japan is a difficult market to enter, it is also appealing in many ways. Other activities we may explore are the selling of shares of Korean major corporations that we acquired in the process of structural adjustments. This year and next, we plan to sell off shares of Daewoo International, an educational insurance company, Seoul Construction and others and are hoping for equity participation from Japanese companies.

Next year marks the 100th anniversary of Japan's annexation of Korea in 1910, which has been a thorn in our two countries' long history. Since the restoration of diplomatic ties in 1965, despite the efforts of many people, it seems that old wounds have yet to heal. Personally, I am alarmed that many young people who normally would not be bound by past history have adopted an antagonistic attitude because of education and other factors. For both our countries, I would like to propose that we work together to create a monumental program for a bright future.

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