

# Sustained Action of the National Federations to Financial Crisis

"Korean CU's Counteract for Financial Crisis"

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from KOREA

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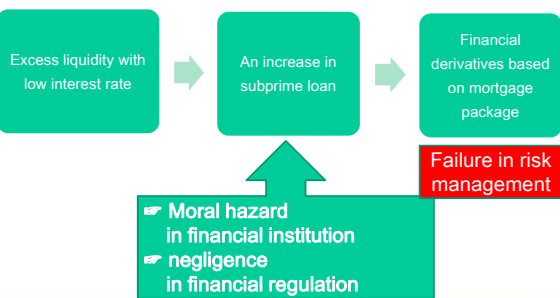
What caused financial crisis?

How we dealt?

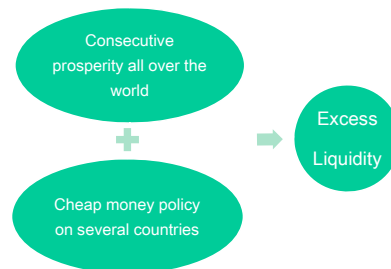
(Gov., Federation and Primary CUs)

And What we have now?

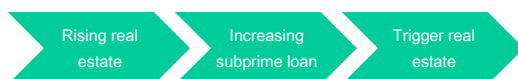
## What caused financial crisis?



## Excess Liquidity



## Sub-prime loan Delinquent



Problems

Sub-Prime Mortgage Loan :

- Prime, Alt-A, Sub-prime(Low credit level)

What Americans have done with it

- Making additional loans on ascending real property for living expenses
- NO buffer zone, when real estate value fall down.
- Bankrupting People increase, House price decrease faster

## Failure in Risk Management

Countless financial derivate transaction based on mortgage

- Unable to measure total transaction before pay off

Excessive control for the information

- Only a few financial specialists accessible for the products

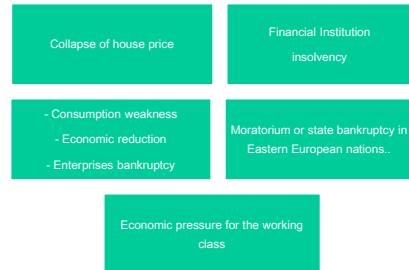
No systematic risk management

- Neglected danger and No masterplan for risk

## Major Reason



## Result of Crisis



Result of crisis

## Delinquent rate of Mortgage Loan(US)



Result of crisis

## Financial institution in hard time

US	Carlyle Capital Bear Stearns, Lehman Bros. Merrill Lynch AIG, Citi Group Chrysler, GM	liquidation Merged into JP Morgan Merged into BOA Relief loan Filed for bankruptcy
England	HBOS B&B	Merged into Lloyds Merged into Abbey
others	BNP Paribas(France) ING(Netherlands), UBS(Swiss) Dexia(Belgium)	Relief loan
	Iceland, Hungary, Ukraine, Latvia, Belorussia, Serbia Armenia	IMF relief loan

Result of crisis

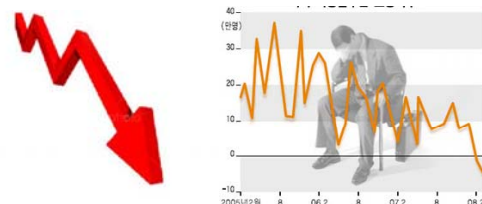
## Global loss in financial sector

Total amount of Loss for Cases			
	Term	Amount of Loss(Bill.)	Portion for GDP(%)
Savings Bank Crisis(US)	1986~95	273	3.2
Bubble Crash (Japan)	1990~99	745	15.0
Financial Crisis (Asia)	1998~99	404	34.0
Sub-prime Crisis(US)	2007~10	2,712	23.6

cf : Asia includes Indonesia, Korea, Philippines, Thailand..  
Source from IMF

Result of crisis

## Depressed Real- Economy



- Decrease of consumption -> stagnation of natural economy-> chain reaction bankruptcies-> mass unemployment -> decrease of consumption

## Pressure on the working class



- Reduction in government subsidies
- Unemployment rate increase
- Decrease in income
- Mainly working people feel harder and colder!

## Future outlook

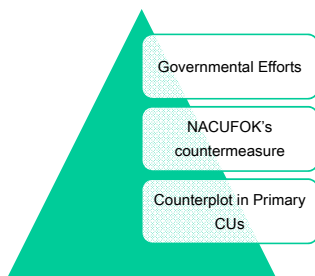
### Who Guess?

- Nobody knows!
- Half and Half
- Hope getting better
- Some Countries - getting better(Kor.US)
- Some Countries - Still hard time(Japan)
- 6~12 months later than macro-economy
- Focus on economic trend and market situation

### Global

### Credit Union

## Korea's counteract for crisis



## Governmental Efforts

Support for the working class

Promotion for consumption

Stabilization for house price

Enterprises restructuring

## Governmental Efforts I

### Support for the working class

- Emergency loan for the poor(Gov. Collateral)
- Extend unemployment benefit from 6 month to 8
- Job sharing (encourage companies to recruit new intern staff)

### Promotion for consumption

- Income tax rate cut down
- Fuel consumption tax refund(240\$ per each)
- Expand extra government expenditure
- Car Acquisition & registration tax exemption

## Governmental Efforts II

### Stabilization for house price

- Low interest rate policy(BOK call-rate)
  - → prevent steep house price fall down & promote consumption (to relieve interest burden)
- Tax cut benefit on buying or selling house
  - → promoting for house sales

### Enterprises restructuring

- Lowering Regulatory standard: BIS rate (12% → 10%)
- Valuating Asset & Liability (stress test)
- Selecting companies to be liquidated
- Promotion for mergers

## NACUFOK's countermeasure



## Extending Market Share

Widen Public Relations & Advertisement

Emphasize Public & common benefit

Boost Enterprising Spirit

## PR & Advertisement

- TV Commercial
- Newspaper Advertising & Articles
- PR manual & Introduction Book
- Sports Team Support Marketing
- TV News Interview & Report
- Stadium Signboard, Subway Train, Bus, Taxi Bulletin Board

## TV Commercial



## Newspaper Advertisement



## Newspaper Articles



## PR Manual & Introduction Book



## Sports Support Marketing



## TV Interview & News Report



## Stadium bulletin Board &...



## Extending Market Share

Widen Public Relations & Advertisement

Emphasize Public & common benefit

Boost Enterprising Spirit

## Emphasize Public & common benefit

### Cooperation with government

- Job sharing(wage cut)
- Recruits new intern staff
- Newly Treat and Expand government policy fund
- Various Agreement with the governmental policy

### Governmental policy fund

- Emergency loan for the poor(non-profit, Gov. request)
- Lending seed money for stall-keeper or no-registration
- No profits but governmental program
- → emphasize CU do with Gov. and CU is public institution



## Governmental Relationship



## Extending Market Share

Widen Public Relations & Advertisement

Emphasize Public & common benefit

Boost Enterprising Spirit

## Boost Enterprising Spirit

Grand Ceremony of awarding prizes

- Awarding ceremony for mutual insurance
- Awards for distinguished primaries (by Regional branch)

Events for CU staff

- The athletic meeting on Korean CU day
- Field day for NACUFOK staff

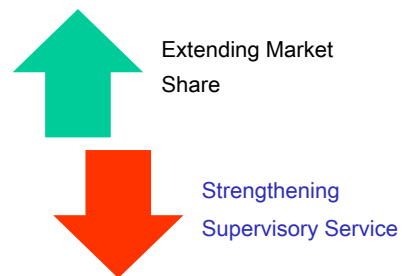
## Award Festival



## The feeling of solidarity



## NACUFOK's countermeasure



## Strengthening Supervisory Service

- Strengthen Supervision
- Rebuild Financial Crisis Prevention Program
- Encourage Sound Management
- Depositor's protection fund

## supervision

- Build Off-site surveillance monitoring system
- On-spot Examination
- Monthly Report Analysis
- Sharing information on management statistics
- Prevent illegal Action or Financial Crime
- Encourage Sound management

## Prevent Internal Crime

- Ethical management**
  - Basic management Guidance
  - A Declaration of conscience
  - Orient Impartial management
  - Prevention on bribe/unlawfulness
- Staff Educational Program**
  - Internal Control program by primaries
  - Disclose Cases and sharing Risk
  - Showing how to be punished and prosecuted
  - Warning It's CU's loss not personnel

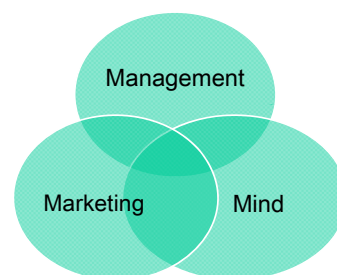
## Encourage Merge

- 356 primary CUs liquidated in 1997~2005
  - Serious struggle for sound management since 1997 financial crisis
  - The hardest time in 1997~2002 : about 300 CUs bankrupt
- Liquidation Policy change into merger since 2006
- 19 CUs merged since 2006
- Subsidize \$ 137 billions from depositors' protection Fund

## Depositors' protection fund

- 50,000\$ per each
  - The same amount of protection as the commercial banks
- Fund allotting from primary Cus annually: 3/1,000 on total deposit
- NACUFOK guarantees the payment in case of default
- Prompt payment to members in case of bankruptcy
  - Reduce Risk to stop member's financial transaction
  - Give members trust and certainty to join any of CUs

## Counterplot in Primary CUs



## Management

### Conservative operation on loan

- Lowered mortgage portion
- Strict Loan Review

### Dealing government loan

- Recommend to the people with bad credit rate
- unprofitable, but for public trust in credit union

### Improvement in financial standing

- Retrenchment / Postpone purchasing of fixed Asset
- Increase in the reserve rate to level up soundness

Long Term Strategy

## Marketing

Develop Brand-new products

Enlarge Social contribution

PR

Member-oriented Management

Invest Potential members

## Develop Brand-new products

### Optimized products for its own members

- diet deposit(giving extra interest rate when lose weight)
- Spike deposit(adjustable to CU volleyball team records)
- Junior Scholarship deposit(incentive for good grade))

### Blue-chip members

- More interest rate and benefits to wage account users
- Recommend Automatically loan interest transfer
- More incentives according to use CU's business
- → More Use, more benefits

## Social Contribution I (Needy neighbors)



## Social Contribution II (environment conservation campaign )



## Social Contribution III (cultural activities backup)





## Member-oriented Management

### Sponsorship for sports game

- gateball/soccer/badminton... match

### Sponsorship for community Clubs

- calligraphy, choir, mountain climbing...

### Call Member meeting

- (Non)Periodical member meeting
- Educational supplement & community social meeting

## Sponsorship for sports



## Sponsorship for community clubs



## Field trip for members



## Invest to Potential members

### Economic class in Elementary school

- Introduce Credit union's philosophy, organization and system etc
- Offer field visit chance to experience financial institution
- Educate How to write down personal expenses note & how to save up

### Field trip for children

- Give them various cultural programs
- Chance to challenge Volunteer activities

With these programs CUs guide their parents to join as members and position students as future potential members

## Invest Potential members



## Other challenges

### Periodical Service Training & CS education

- Awards to exemplary CUs by regional branch
- Internal Service evaluation and regular monitoring

### For a better service in unity

- United CU symbol in signboard and uniform
- Management standardization for solidarity
- Make member to feel CUs are a big Group

## Improvement in services



## Other PR Activities



## And What we have now?

항목	2007.12	2009.6	Growth rate (%)
Primary CUs	1,007	989	-1.8
Members	4,797	5,080	5.6
Assets	274,392	362,461	24.3
Deposits	233,048	319,423	27.0
Loans	175,762	208,837	15.8
Shares	22,888	23,818	3.9
Earnings	1,408	442	-

## What we need to do is...

### Building CU-friendly business environment

- Enlarging high-loyalty members with positive attitude
- Introducing diverse member management program

### To overcome small scale CU's weaknesses

- Signboard, uniform, bankbook in unity would help to compete against banks
- Giving solidarity to members with events such as field day

### Improvement in services

- The same quality of service as the commercial banks
- re-educating staffs as specialist on their job

### Winning public confidence

- Harmony with Government Policy & role as agency (in term of economy)
- Diverse social contribution programs

감사합니다



Thank You