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KAMCO's Experience:

Mr. Yong-Ho Oh, Executive Director, KAMCO, Korea

KAMCO'S EXPERIENCE

Oh, Yong-Ho
Executive Director

Overview on KAMCO

KAMCO is an agency of the government, dealing with the acquisition, management and disposition of non-performing assets (NPAs).

It was reorganized in November 1977 after the outbreak of the financial turmoil to increase liquidity and restore financial soundness of the financial sector.

KAMCO was mandated to acquire and dispose of non-performing loans of financial institutions and to manage the NPA Management Fund..

In April 1999, the scope of KAMCO's function has been expanded as a BAD BANK and to carry out more services related to corporate restructuring.

The Main Functions of KAMCO

- Management and operation of NPA Fund
- Acquisition and resolution of NPLs
- Workout of distressed companies
- Management and sales of state-owned properties and confiscated properties.

KAMCO has purchased following three different types of NPLs; namely (1) Ordinary Loans (2) Corporate Loans under In-court Restructuring (3) Corporate Loans under Private Restructuring

Resolution Strategies of KAMCO

KAMCO set to resolution principles as "SPEEDY RESOLUTION and RETURN MAXIMIZATION through Transparent Procedure and Fair Transaction"

Resolution strategies are divided into four Criteria;

(1) Simple Disposition, (2) Workouts (3) Corporate Restructuring, and (4) establishing Joint Venture such as JV - AMC, CRC, CRV.

NPL Acquisition

During the period from November 1997 to October 2002, KAMCO has purchased different types of NPLs amounting to US\$ 84.68 billion in face value with the NPA Fund of US\$ 31.52 billion, and has resolved NPLs worth of US\$ 50.04 billion.

[NPL Acquisition as of Oct. 31, 2002]

(unit: US\$ bn)

Classification	Face value (A)	Purchase Price (B)	Ratio (B/A)
Ordinary Loans	24.13	7.39-	30.62 %
Restructured Corp. Loans	32.92	13.58-	41.26 %
Workout Loans	1.77	0.38	21.49 %
Daewoo Loans	25.87	10.17	39.33 %
Total	84.68	31.52	37.23 %

NPL Resolution

For the speedy resolution of NPLs, KAMCO employed various resolution strategies developed through careful researches on other cases such as the RTC case in the United States. Further, KAMCO became a pioneer in the Korean NPL market by inducing foreign investors, who had lost interest in the Korean market after the Asian financial crisis, by holding series of domestic and overseas road shows.

Starting from the first international Bidding in 1998 (KAMCO NPL 98-1), KAMCO resolved NPLs in diversified methods from international bidding, ABS issuance to sales through JV-AMCs, CRCs, M&A, to individual corporate loan sales.

[NPL Resolution by diverse Methods as of Oct. 2002]

(unit : US\$ billion)

Methods	Face Value	Purchase Price	Recovered Value
International Bidding	4.86	1.05	1.28
ABS issuance	6.42	3.37	3.31
Sale to AMC	2.06	0.53	0.74
Sale to CRC	1.48	0.29	0.54
Individual Corporate Loan Sale	1.80	0.45	0.58
Court Auction	6.60	2.07	2.55
Collection by schedule	9.51	3.20	4.48
Payment by W/O plans	1.95	1.38	1.68
Recourse & Cancellation	15.36	8.11	8.11
Total	50.04	20.45	23.26

International Bidding

KAMCO has called for international Bidding 7 times from 1998 and resolved US\$ 4.86 billion.

International Auction No. (1) stand for open and outright sales.

For example, Tender No. KAMCO 98-1, bidding date was Sept.1, 1988 and successful bidder was Goldman Sachs with bidding amount US\$ 166 million.

Tender No. KAMCO 99-1, bidding date was May 27, 1999 and award was given to Goldman Sachs and Morgan Stanley Consortium.

International Auction No. (2) and (3), the selected investors were Lone Star, Goldman, Morgan Stanley, Cerberus, Central Banking and Deutsche Bank..

ABS Issuance

KAMCO has issued 14 times of Korean Won denominated ABS in domestic market and 1 time of US Dollar denominated ABS in European Market.

In particular, KAMCO successfully issued US\$ 395million worth ABS backed by Non-performing Loans for the first time in Asia in July 2000.

At that time, we nominated “Deutsche Bank and UBS Warburg” as joint lead manager and obtained good credit rating “BBB+” for our NPLs from Moodys and Fitch IBCA .

After the KAMCO ABS was introduced in the European market, it was accepted as an innovative event in the international financial community .

and therefore KAMCO has received 10 awards from 7 international financial publications such as “Deal of the year” from EURO MONEY, FIA, IFR-ASIA, etc..

JVC-AMC, CRC, CRV

As one of the resolution method, KAMCO has established Joint Venture AMC, CRC and CRV with foreign investors and called for international bidding;

- There are three JV-AMCs
JV Partners are Deutsche Bank, Samsung Life Insurance, Morgan Stanley, GE Capital and Colony Capital.
- Also there are three JV-CRCs
Investment Partners are Lehman Brothers, Colony Capital and Morgan Stanley.
- One JV-CRV
KAMCO purchased Daewoo related loans.
Among them, KAMCO has sold “Dinners Club Korea” NPL to First CRV so that this CRV can proceed Workout Proceeding and make successful Corporate Restructuring.

Individual Corp. Loan Sales

In early stage of Financial Crisis in 1977 – 2000, KAMCO.s resolution principles is “SPEEDY RESOLUTION “ with market price .

But recently KAMCO is focusing on “RETURN MAXIMIZATION” by diversifying sales

methods and through supporting Workout Plan and Corporate Reorganization Plan. M&A and Individual Loan Sale are become popular nowadays in Korea.

The targeted Companies are quite well known and have sizable sales volume.

As for M&A; New Core Shopping, Korea Express Co.

As for Lone Sale; KIA Electronics, Kumkang Trading, Sungwon Const. Etc.

DAEWOO LOAN

KAMCO has acquired Daewoo related loans amounting US\$ 25.87 billion at face value from 14 Daewoo affiliates.

Of the US\$ 25.87 billion of Daewoo Loans acquired, KAMCO has resolved US\$ 1.95 billion as of Oct. 31, 2002.

RESOLUTION Strategies for each Daewoo Affiliates are;

- Sell after Workout : 5 companies
- Immediate Sales : 4 companies
- Spin-off : 2 companies
- Establish CRV : 2 companies

Part II

Insolvency Law Reform related to Corporate Reorganization (Draft)

In Korea, there are three Formal Corporate Restructuring Laws related to Insolvency

- (1) Company reorganization Act
- (2) Composition Act
- (3) Bankruptcy Act

Korean Government is now preparing New Insolvency Law in order to integrate existing three insolvency laws. The key factors are ;

- Integration of three Insolvency Laws
 - Debtor in Possession
 - Reinforcement of the Role of Creditors' Conference
 - Comprehensive Suspension