



KAMCO'S EXPERIENCE

2nd Forum for Asian Insolvency Reform
Bangkok, Thailand 16 – 17 December 2002

PART I

Overview on KAMCO

NPL Acquisition & Resolution



Brief History of KAMCO

- ➔ **Apr 6, 1962**
 - Established as an agency responsible for the disposition of Non-Performing Assets of KDB

- ➔ **Nov 24, 1997**
 - Mandated to acquire and dispose of non-performing loans of financial institutions and to manage the NPA Management Fund

- ➔ **Apr 1999**
 - Further expanded its function as Bad Bank and do carry out more services related to corporate restructuring

Main Functions of KAMCO

- ❖ **Management & operation of NPA Fund**
- ❖ **Acquisition & resolution of NPLs**
- ❖ **Workout of distressed companies**
- ❖ **Management and sales of state-owned properties and confiscated properties for tax-arrears as mandated by the government**

Classification of NPLs

Ordinary Loans

Loans currently in default for 3 months or longer whether they are secured or unsecured

Corporate Loans under In-court Restructuring

Loans to companies under court reorganization or composition proceedings whether they are secured or unsecured

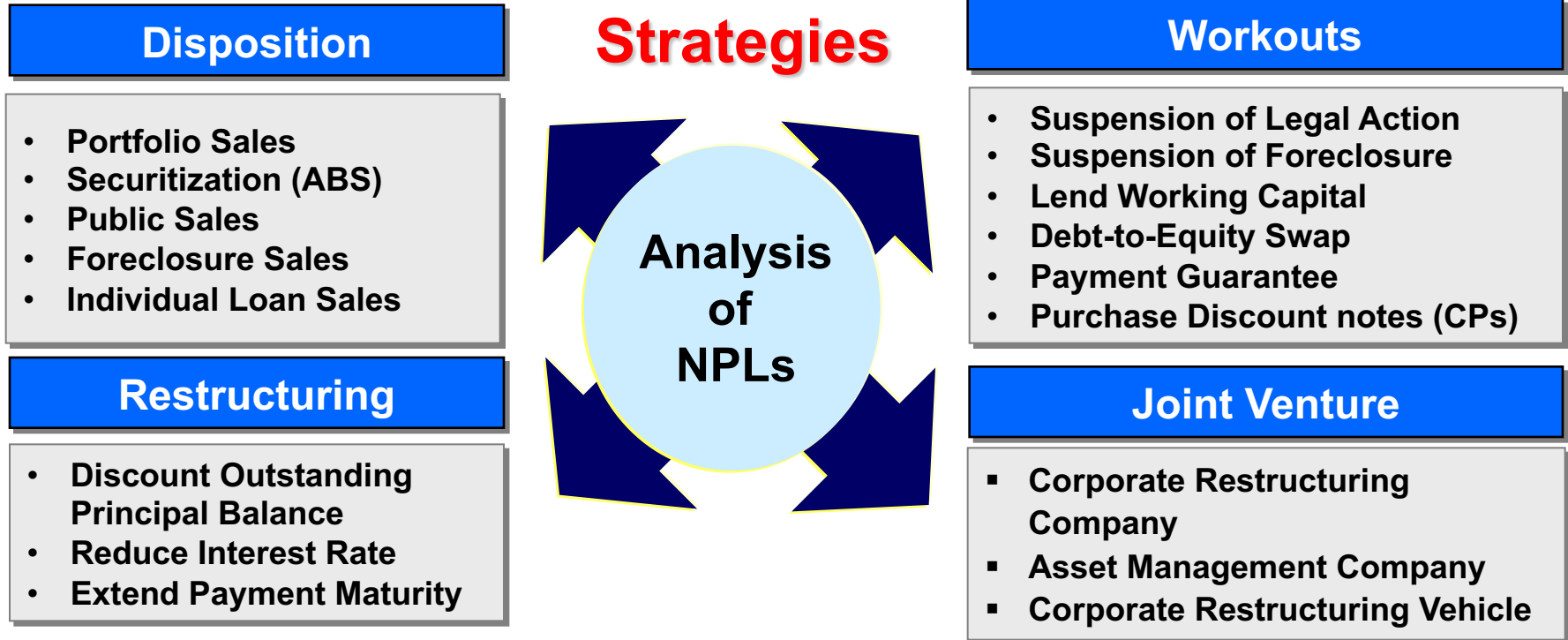
Corporate Loans under Private Restructuring

Loans to companies under private workout programs, which have been agreed by creditors for restructuring distressed assets

Resolution Strategies

■ Principles & Policies

Speedy, Loss Minimizing and Value Upgrading Resolution,
Efficient Management, Transparent Procedure and Fair Transaction



NPL Acquisition

- KAMCO Has Acquired USD 84.68 bn in NPLs since November 1997.

(USD 1 = KRW 1,250)

(As of October 31, 2002, in billion U.S. Dollars)

Classification	Purchased		
	Face Value	Purchase Price	Purchase Price Ratio
Ordinary Loans	24.13	7.39	30.62%
Restructured Corporate 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%

Purchase of NPLs by Type of Institutions

■ KAMCO Has Purchased NPLs from Various Financial Institutions

(USD 1 = KRW 1,250)

(As of October 31, 2002, in billion U.S. Dollars)

Types of Institutions	Loan Amount	Purchase Price	Purchase Price Ratio
Commercial Banks	49.15	19.65	39.98%
Merchant Banks	2.77	1.30	46.83%
Insurance Companies	5.89	1.45	24.64%
Investment Trust Companies	17.23	6.58	38.18%
Foreign Financial Institutions	3.98	1.67	42.10%
Others	5.67	0.87	15.39%
Total	84.68	31.52	37.23%

NPL Resolution By Diverse Methods

- KAMCO Has Acquired USD 84.68 bn in NPLs and Has Resolved USD 50.04 bn Since November 1997.

(USD 1 = KRW 1,250)

(As of October 31, 2002, in billion U.S. Dollars)

Resolution Methods	Accumulated Resolution			Ratio
	Face Value	Purchase Value	Recovery Value	
International Bidding	4.86	1.05	1.28	9.71%
ABS Issuance	6.42	3.37	3.31	12.82%
Sale to AMC	2.06	0.53	0.74	4.13%
Sale to CRC	1.48	0.29	0.54	2.96%
Individual Loan Sales	1.80	0.45	0.58	3.60%
Court Auction, Public Sales	6.60	2.07	2.55	13.19%
Collection	9.51	3.20	4.48	19.00%
Daewoo	1.95	1.38	1.68	3.90%
Sub Total	34.68	12.34	15.15	69.30%
Recourse & Cancellation	15.36	8.11	8.11	30.70%
Total	50.04	20.45	23.26	100.00%

* Non-Cash Resolution (Debt-equity swap) : USD 1.57 billion

International Bidding (I)

■ International Auction(1) - *Transactions of Restructured Corporate Loans*

KAMCO 98-1		Investor : Goldman Sachs	
Bid Date	9/1/98	Size	KRW 207.5 Billion (USD 166 Million)
Sales Method	Int'l Auction	Structure	Profit Sharing, Distribute Residual Interest
Asset Manager	Purchaser	Upside Profit Sharing	KAMCO : 60%, Goldman Sachs : 40%

KAMCO 99-1		Investor : Goldman Sachs Consortium Morgan Stanley Consortium	
Bid Date	5/27/99	Size	KRW 772.4 Billion (USD 617.9 Million)
Sales Method	Int'l Auction	Structure	Outright sales

International Bidding (II)

■ International Auction(2) - *Transactions of Restructured Corporate Loans*

KAMCO 99-2		Investor : Goldman Sachs Consortium Morgan Stanley Consortium Central Banking Corporation	
Bid Date	11/10/99	Size	KRW 811 Billion (USD 648.8 Million)
Sales Method	Int'l Auction	Structure	Outright sales

KAMCO 2000-1		Investor : Goldman Sachs / Morgan Stanley / Cerberus	
Bid Date	7/26/2000	Size	KRW1,098 Billion (USD 878.4 Million)
Sales Method	Int'l Auction	Structure	Outright sales

International Bidding (III)

■ International Auction(3) - *Transactions of Ordinary Loans*

KAMCO Secured NPL 98-1		Investor : Lone Star Fund II	
Bid Date	12/9/98	Size	KRW 564.6 Billion (USD 451.7 Million)
Sales Method	Int'l Auction	Structure	Equity Partnership, Distribute Residual Interest
Asset Manager	J.V. AMC	Upside Profit Sharing	KAMCO : 40%, Lone Star Fund II : 60%
KAMCO Secured NPL 99-1		Investor : Lone Star Fund II	
Bid Date	6/22/99	Size	KRW 1,038.8 Billion (USD 831 Million)
Sales Method	Int'l Auction	Structure	Outright sales
KAMCO Secured NPL 99-2		Investor : Goldman Sachs (2) Lone Star (1) Morgan Stanley (5) Deutsche Bank(1)	
Bid Date	12/8/99	Size	KRW 1,022.6 Billion (USD 818.1 Million)
Sales Method	Int'l Auction	Structure	Outright sales

ABS Issuance

■ Domestic & Foreign Asset Backed Securities(ABS) Issuance

(USD 1 = KRW 1,250)

(As of October 31, 2002 in million U.S. Dollars)

Description	Face Value	Sales price	Type
Mirae 99-1	244.0	236.0	Domestic
Mirae 99-2	308.0	260.0	Domestic
Mirae 99-3	190.4	164.0	Domestic
Mirae 99-4	232.8	181.6	Domestic
Mirae 2000-1	292.8	248.0	Domestic
Mirae 2000-2	256.8	236.0	Domestic
Mirae 2000-3	331.2	276.0	Domestic
Mirae 2000-4	396.0	160.0	Domestic
Mirae 2000-5	289.6	252.0	Domestic
Korea Asset Funding 2000-1	395.0	367.0	Foreign
Mirae 2000-6	321.6	270.4	Domestic
Mirae 2000-7	177.6	144.0	Domestic
Mirae 2000-8	316.0	232.0	Domestic
Mirae 2001-1	170.4	128.0	Domestic
Mirae 2001-2	227.2	160.0	Domestic
Total	4,149.4	3,315.0	

* Based on par value of contract signing date

ABS Issuance (International)

■ International Asset Backed Securities(ABS) Issuance

<i>Issuance Date</i>	7/28/2000	<i>Product</i>	Korea Asset Funding 2000-1
<i>Face Value</i>	USD 395 Million	<i>The amount issued</i>	USD 420 Million

- *Joint Lead Managers* : **Deutsche Bank & UBS Warburg**

- *Type of Loan* : **Restructured Corporate Loans with Put Options**

- *Major Investors*:
Norinchukin Bank (Asian)
Nomura Principal Finance (European)
Western Asset Management (American)

Joint Venture AMC

1st AMC

Bid Date

Dec 21, 1999

Face Value

KRW 484 billion

2nd,3rd AMC

Bid Date

May 9, 2000

Face Value

KRW 978 billion

4th AMC

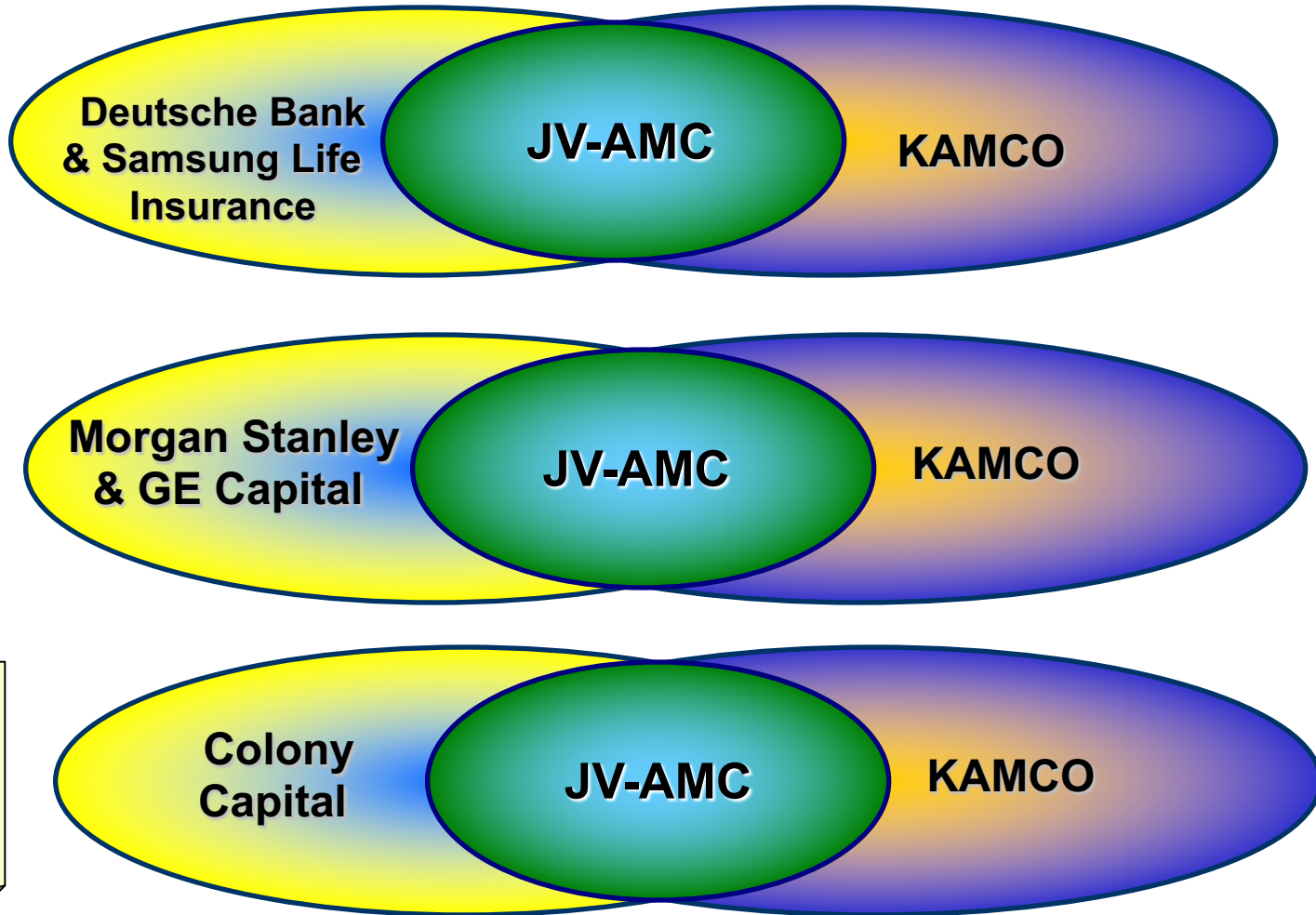
Bid Date

June 20, 2001

Face Value

KRW 531 billion

Joint Venture AMCs



Joint Venture CRC

■ Joint Venture CRCs

1st CRC

Bid Date

May 23, 2000

Face Value

USD 488 million



2nd CRC

Bid Date

Sept 27, 2000

Face Value

USD 525.6 million



3rd CRC

Bid Date

Sept 27, 2000

Face Value

USD 124 million



(USD 1 = KRW 1,250)

Joint Venture CRV

■ Joint Venture CRV

1st CRV

Bid Date

Aug 21, 2001

Face Value

USD 798.1 million

(USD 1 = KRW 1,250)



Individual Corp. Loan Sales - Methods

■ *Methods of Sales*

M&A

Investor takes over the managerial right of the company by revising the reorganization plans

New Core Co.,Ltd, The Korea Express Co.,Ltd
Ssangbangwool Development Co.,Ltd
WooBang Co.,Ltd

Loan Sale

Investor takes over KAMCO's position

KIA Electronics Co.,Ltd, Debec Construction,
Kumkang Trading co.,Ltd, Seoul Cast-Iron Corp.
Sungwon Construction Corp.

Daewoo Loans - Acquisition

■ KAMCO Has Acquired Daewoo Loans from 14 Daewoo Affiliates

(USD 1 = KRW 1,250)

(As of October 31, 2002 in billion U.S. Dollars)

Loan Type	Face Value (a)	Purchase Price (b)	Ratio (b/a,%)
Total	25.87	10.17	39.33

■ Of the USD 25.87 bn of Daewoo Loans Acquired, KAMCO Has Resolved USD 1.95 bn as of October 31, 2002

(USD 1 = KRW 1,250)

(As of October 31, 2002 in billion U.S. Dollars)

Acquisition	Resolution	
25.87	CRV	0.41
	Payment by Schedule	1.54
	Work-out	0.00
	Total	1.95

Daewoo Loans - Resolution Strategies

■ Resolution Strategies for Each of Daewoo Affiliates

Resolution Strategies	Companies
<p>Sell After Work-out</p>	<ul style="list-style-type: none"> -Daewoo Shipbuilding & Marine Engineering Co.,Ltd. -Daewoo Heavy Industries & Machinery Ltd. -Daewoo Engineering & Construction Co., Ltd. -Daewoo International Co., Ltd. -Kyung Nam Enterprises Ltd.
<p>Immediate Sales</p>	<ul style="list-style-type: none"> -Daewoo Motors -Ssangyong Motor -Daewoo Motor Sales -Daewoo Electronics Components Co., Ltd.
<p>Spin-Offs (Divestitures, Split-Ups)</p>	<ul style="list-style-type: none"> -Daewoo Electronics -Daewoo Telecom Co.,Ltd
<p>CRV</p>	<ul style="list-style-type: none"> -Orion Electronics -Daewoo Capital Co., Ltd.

PART II

Insolvency Law Reform related to Corporate Reorganization (Draft)



Integration of Three Insolvency Laws

- **Currently existing Three Laws related to Insolvency,**
 - **Company Reorganization Act**
 - **Composition Act**
 - **Bankruptcy Act**

- **New Insolvency Law to be effective early 2003**
 - **Abolish composition proceedings**
 - **Integrate company reorganization proceedings with the bankruptcy proceedings after adding some improvements.**

Debtor In Possession

- **Basically, the former CEO will maintain managerial power as a Receiver appointed by the Court**
- **Whereas Managerial power will be given to the third person as a Receiver for following cases**
 - **Debtor responsible for financial distress**
 - **The volume of Debt is notably higher than that of asset**
 - **Reasonable request from creditors' conference**
 - **Rehabilitation of debtor company is necessary**

Reinforcement of The Role of Creditors' Conference

- **Mandatory formation of the creditors' conference**
- **Power of the creditors' conference**
 - **Present opinions on the appointment of the auditor**
 - **May request due diligence on the company's operation and management after the approval of the reorganization program**
 - **May request appointment of the third person as a receiver**

Comprehensive Suspension

- Under the existing Law, “Corporate Reorganization Act” a debtor has to apply for suspension of any individual compulsory execution, upon application of commencement of corporate reorganization proceedings, in case a creditor exercises foreclosure or compulsory execution
- According to the New Insolvency Law, The Court may order comprehensive suspension to the debtor’s asset