Policy Keynote

The Evolution of Asset Management Companies

From NPL Resolution to Early Corporate Restructuring

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Session: The Future Role of Public AMCs

The Starting Question

AMCs Have Continuously Evolved

1990s

Crisis Resolution AMC

Systemic financial crisis

Large-scale NPL acquisition

Rapid bank balance-sheet clean-up

Examples

Danaharta · Securum

2000s

Standing Public AMC

Permanent institutional capacity

Continuous NPL resolution

Financial stability mandate

Example

KAMCO

2010s – 2020s

Market / Hybrid Approaches

Private capital participation

Distressed asset investment

Market-based restructuring

Examples

NAMA · SAREB

Next Evolution?

Early Corporate Restructuring?

Early identification

Restructuring

Financing

Enterprise value preservation

Status

Open policy question

AMCs are not static institutions. Their roles evolve with **financial systems, market maturity and policy needs.**

Different AMC Models for Different Policy Needs

A comparison of design choices — not a ranking of ranking of performance.

Design Dimension	Crisis Resolution AMC	Standing Public AMC	Hybrid / Market-Oriented AMC
Institutional Nature	Temporary	Permanent	Public + Market
Primary Purpose	Crisis resolution	Continuous financial stability	Investment / restructuring
NPL Response	Strong	Strong	Medium–Strong
Private Capital	Limited	Limited–Moderate	Strong
Policy Flexibility	Crisis-focused	Relatively broad	Market-oriented
Examples	Danaharta, Securum	KAMCO	NAMA, SAREB

No single AMC model is universally superior. Institutional design reflects each country's financial system, market maturity and market maturity and policy objectives.

The Policy Question

Why Should Standing Public AMCs Continue to Evolve?

Traditional

NPL Resolution

- Financial distress
- Default
- Non-performing loan
- AMC acquisition
- Asset management / disposal
- Value recovery

Should a Standing Public AMC always wait until an asset becomes **non-performing**?

Potential Evolution

Corporate Distress Resolution

- Financial distress
- Early identification
- Restructuring
- Bridge / turnaround financing
- Enterprise value preservation
- Reduced probability of future NPL

The next evolution may be from resolving existing NPLs to **helping prevent viable firms from becoming future NPLs.**

Corporate Distress Is a Process — and Timing Matters

1 · Corporate Distress Lifecycle

Healthy	Temporary Distress	Liquidity Stress	Rating Downgrade	**Severe Distress**	**Default**	**NPL**	**Liquidation**

Time →

2 · Credit Rating Ladder

Investment Grade	Speculative Grade	High Distress	Failure
AAA – BBB-	**BB+ / BB**	**B – CCC**	**C / D**

BBB- / BB+ — official Investment / Speculative grade boundary

3 · What Deteriorates as Distress Deepens

Indicator	From	To
Market Financing Access	High	**Low**
Enterprise Value	High	**Declining**
Default Risk	Low	**High**
Restructuring Options	Many	**Few**

Corporate failure does not happen overnight. **As distress deepens, financing disappears and restructuring options narrow.**

The Last Window Before Default?

Investment Grade
AAA – BBB-

Speculative Grade
BB+ / BB

B – CCC
Window of Opportunity

C

Default / NPL

Risk is increasing

Market financing becomes scarce

Credit deterioration accelerates

Default probability rises

Recovery may still be possible

Operating business may remain viable

Enterprise value has not necessarily disappeared

Restructuring may still restore financial sustainability

Where risk and remaining viability overlap, **the room for intervention has not yet closed.**

"B–CCC as a Window of Opportunity" is a policy interpretation in this presentation, not an official Fitch classification.

Fitch Evidence — Risk Rises, but Recovery Remains Possible

Rating Transition (One-Year, Simplified)

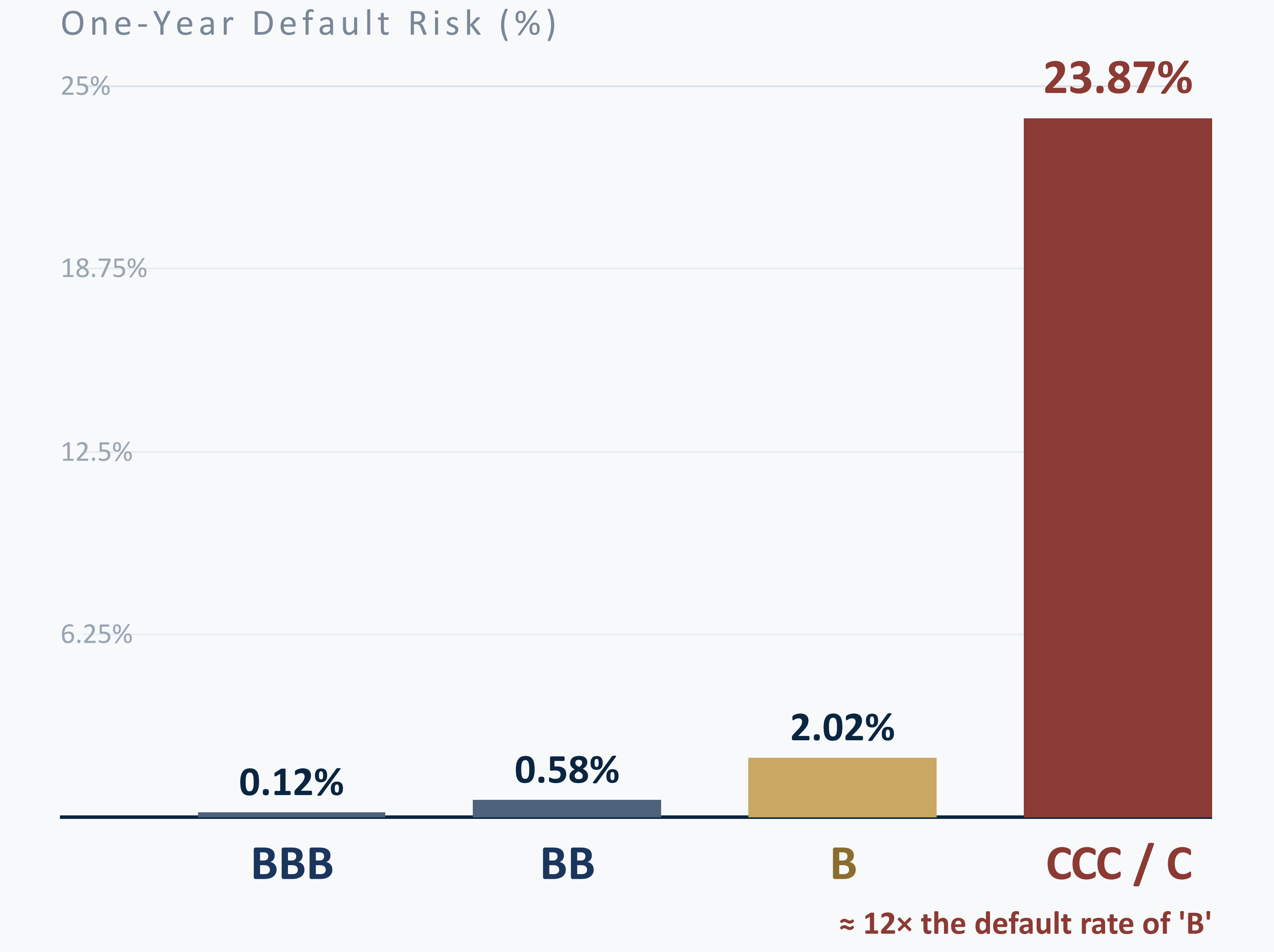
Firms rated 'B'

Remain at B	75.98%	
Upgrade (to A / BBB / BB)	7.16%	
Downgrade to CCC–C	4.57%	
Default	2.02%	
Withdrawn	10.27%	

Firms rated 'CCC to C'

Remain at CCC–C	48.23%	
Upgrade (to B / BBB / A)	15.86%	
Default	23.87%	
Withdrawn	12.04%	

> Lower-rated firms do not necessarily move directly to default.
> Rating recovery is still possible.



Default risk rises sharply as credit quality deteriorates.

Waiting too long dramatically reduces the room for intervention.

Source: Fitch Ratings, *Transition and Default Studies Overview and Methodology*, 25 September 2025, p.3 (Global Corporate Finance, 1990–2024).

The Cost of Waiting

Can We Wait Until Default?

Before Default

Viable but Distressed

- Operating business remains
- Customer base may remain
- Product / technology remains
- Enterprise value remains
- Financing gap may be temporary
- **Multiple restructuring options remain**

Time →

Value Destruction

After Default

Deep Financial Distress

- Financing channels collapse
- Customer / supplier confidence deteriorates
- Employees may leave
- Operating assets may lose value
- Restructuring options narrow
- **Recovery value may fall**

> If a firm remains economically viable, **should restructuring wait until default?**

International Policy Evidence Supports Earlier Action for Viable Firms

IMF

Policy rationale (paraphrased)

Liquidity and solvency support may be appropriate for firms assessed as viable

Debt restructuring is central to restoring financial sustainability

Appropriately designed bridge financing can sustain operations during restructuring

IMF, *Policy Options for Supporting and Restructuring Firms Hit by the COVID-19 Crisis*, 2022, p.23.

WORLD BANK GROUP

Policy rationale (paraphrased)

Support should be targeted to viable firms facing financial distress or insolvency

Addressing problems early improves the likelihood of recovery

Institutional design should match the restructuring capacity available in the market

World Bank, *Supporting Firms in Restructuring and Recovery*, 2021.
World Bank, *Public Asset Management Companies: A Toolkit*, 2016.

Common Policy Direction

Viable but Distressed Firm → Early Intervention → Debt / Operational Restructuring → Bridge Financing → Enterprise Value Preservation

Guiding Principle

Market First — Public Intervention Where Markets Cannot Fully Respond

Market First. Public AMCs should complement — not replace — the market.

Step 1

Market-Based Corporate Restructuring

Actors

Banks | Private AMCs | Private Equity | Private Credit | Distressed Debt Investors | Capital Markets

Market Strengths

- Price discovery
- Market discipline
- Private capital
- Efficient risk allocation

→

Step 2

However, Gaps May Arise

- Multiple creditor coordination problems
- Information asymmetry
- Financing gaps
- First-mover disadvantage
- High perceived risk
- Externalities from corporate failure

→

Step 3 — Only Where Gaps Persist

Selective Public Intervention

Possible Standing Public AMC functions

- Creditor coordination
- Bridge / turnaround financing
- Restructuring support
- Asset-based solutions
- Catalytic investment
- **Private capital mobilization**

Institutional Transformation

The Potential Next Role of a Standing Public AMC

Traditional

NPL Resolution Platform

- Acquire NPLs
- Manage / restructure assets
- Dispose
- Recover value

From

Resolve NPLs

Toward

Resolve Distress Earlier

A complement to NPL resolution, resolution,
not a substitute for it.

Potential Expanded Role

Corporate Distress Resolution Platform

- Identify viable distress
- Coordinate creditors
- Provide / mobilize temporary financing
- Restructure debt and assets
- Preserve operating capacity
- Mobilize private capital
- Return company to normal market financing

The objective is not to rescue failing companies, but to **preserve economically viable firms when temporary financial distress threatens enterprise value.**

KAMCO's Evolution — From Crisis Resolution to Corporate Support

1997 — **NPL Resolution Fund** **KRW 39.2 trillion**
Systemic financial crisis response

2009 — **Restructuring Fund** **KRW 6.2 trillion**
Global Financial Crisis response

2015–2016 — **Corporate Asset & Rehabilitation Support**
- Shipping Fund — KRW 2 trillion
- Sale & Leaseback — KRW 1.2 trillion
- Rehabilitation Claim Acquisition — KRW 0.6 trillion

2019 → — **Corporate Finance & Capital Market Support**
- Corporate Support Fund — KRW 4.15 trillion mobilized through PEFs & PDFs
- DIP Financing — KRW 0.2 trillion

2020s — **Integrated Corporate Support**
- Corporate Asset Support
- Corporate Restructuring Innovation Fund — KRW 1 trillion / year (≈ KRW 4 trillion, 2023–2027)
- PF Normalization Fund — ≈ KRW 1.1 trillion
- Turnaround programs

Functional Evolution

Crisis Resolution → NPL Management → Corporate Restructuring → Corporate Finance → Capital Market Collaboration

KAMCO's experience illustrates how the mandate and instruments of a Standing Public AMC **can gradually expand as policy needs evolve.**

Instruments in Practice

KAMCO Corporate Support Ecosystem

① Corporate Finance
Liquidity / Debt Restructuring

- DIP Financing
- Corporate Turnaround Program
- Rehabilitation Claim Acquisition
- Secured Bond Guarantee

② Capital Market Support
Private Capital Mobilization

- Corporate Restructuring Innovation Fund
- Corporate Support Fund
- PF Normalization Fund

③ Asset Acquisition
Operating Asset Preservation

- Real Estate Sale & Leaseback
- Movable Asset S&LB
- Asset Securitization
- Business Restructuring Asset Support
- Shipping Fund

Finance + Restructuring + Assets + Private Capital → Corporate Recovery

Scale of Support — Verified Figures by Pillar

① Corporate Finance
Liquidity / Debt Restructuring

DIP Financing	**KRW 0.2 tn**
Rehabilitation Claim Acquisition	**KRW 0.6 tn**
Secured Bond Guarantee	**≈ KRW 80 bn / yr**

② Capital Market Support
Private Capital Mobilization

Corporate Support Fund — PEF
KAMCO **KRW 417.1 bn** → 16 PEFs totalling KRW 2.77 tn → 49 companies companies supported (KRW 1.92 tn)

Corporate Support Fund — PDF
KAMCO **KRW 491.1 bn** → 7 PDFs totalling KRW 1.38 tn → 79 companies companies supported (KRW 1.34 tn)

Corporate Restructuring Innovation Fund	**≈ KRW 1 tn / yr** KRW 4 tn planned, 2023–2027
PF Normalization Support Fund	**≈ KRW 1.1 tn**

③ Asset Acquisition
Operating Asset Preservation

Real Estate — **S&LB KRW 1.2 tn**
Real Estate S&LB (total since 2015), etc.

Movable Assets — **KRW 0.05 tn**
Movable Asset S&LB (launched February 2020) · Movable Asset Collateral Recovery Support

Shipping — **KRW 2 tn**
Shipping Fund

How the Instruments Work — Stabilize, Restructure, Reconnect

Step 1 — Stabilize
DIP Financing / Turnaround Financing

The problem

A viable firm enters rehabilitation or workout and loses access to normal financing.

KAMCO tools

- Working capital financing
- Facility financing
- Refinancing
- Consulting / CRO support
- Turnaround support

→

Step 2 — Restructure
Rehabilitation Claim Acquisition

Sequence

KAMCO acquires rehabilitation claims

▼

Debt restructuring

- Interest reduction
- Longer repayment period
- Deferred disposal of operating assets

▼

Business continuity

→

Step 3 — Reconnect
Secured Bond Guarantee

Path back to the market

Recovering company

▼

KAMCO credit enhancement

▼

Corporate bond issuance

▼

Normal financial market access

Public support should create **a bridge back to the market** — not permanent dependence on public financing.

Mobilize Capital and Preserve Productive Assets

Mobilize Private Capital

Corporate Restructuring Innovation Fund

KAMCO / Policy Capital → Private Fund Managers → Private Capital → Restructuring Companies

Approx. KRW 1 trillion annually | KRW 4 trillion planned, 2023–2027

Corporate Support Fund

KAMCO as Anchor LP → PEF / PDF → Private Investment → Corporate Restructuring

PEF — KAMCO KRW 417.1 bn → total KRW 2.77 trillion (16 PEFs) → 49 companies (KRW 1.92 trillion)

PDF — KAMCO KRW 491.1 bn → total KRW 1.38 trillion (7 PDFs) → 79 companies (KRW 1.34 trillion)

Preserve Productive Assets

Sale & Leaseback — How It Works

1 · Distressed company
2 · Sells real estate, machinery, ship
3 · Receives liquidity
4 · Leases the asset back
5 · Continues operations
6 · Improves financial structure

Related Instruments

- Real Estate Sale & Leaseback – Since 2015
- Movable Asset S&LB – Since 2020
- Asset Securitization – Since 2023
- Shipping Fund – Since 2015

The objective is to mobilize capital while **preserving productive capacity whenever continued operation creates more value than liquidation.**

From Distress to Recovery — The Integrated KAMCO Model

An illustrative sequence for a generic firm — not a specific case.

STAGE 1
Financial Distress
- Liquidity shortage
- Rating deterioration

STAGE 2
Stabilization
- DIP Financing
- Turnaround Financing

STAGE 3
Balance Sheet Restructuring
- Rehabilitation Claim Acquisition
- Debt Restructuring

STAGE 4
Preserve Operating Capacity
- Sale & Leaseback
- Corporate Asset Support

STAGE 5
Mobilize Private Capital
- Corporate Restructuring Funds
- PEF / PDF

STAGE 6
Market Re-entry
- Secured Bond Guarantee
- Bank / capital market financing

Recovery

What the Sequence Is Designed to Achieve

Liquidity restored first

Stabilization buys the time in which any restructuring can realistically be negotiated.

Balance sheet then repaired

Debt terms and asset structure are adjusted so operations can continue.

Private capital takes over

Public capital is catalytic; private funds carry the restructuring forward.

Public role then ends

Market re-entry is the exit condition — the measure of success, and of restraint.

The distinctive value may not lie in any single program, but in **the ability to connect multiple restructuring tools across the corporate distress lifecycle.**

Closing

What Could the Next Generation of Standing Public AMCs Look Like?

Yesterday	Today	Tomorrow?
Resolve Financial Crisis	**Resolve NPLs**	**Resolve Corporate Distress Earlier**

Potential Capabilities

Early Identification

Financial data · Early-warning systems · Digital monitoring

Restructuring Capacity

Debt restructuring · Asset restructuring · Creditor coordination

Flexible Financing

Bridge financing · Turnaround financing · Credit enhancement

Public–Private Cooperation

Catalytic public capital · Private fund managers · Institutional investors

Market Re-entry

Public support should ultimately reconnect firms to private financial markets.

The future of Standing Public AMCs may lie

not only in resolving non-performing loans,

but also in preserving viable businesses before they become non-performing.

Questions for IPAF Members

1. Where does the private restructuring market market already work effectively?
2. Where do financing / coordination gaps remain?
3. Could a Standing Public AMC selectively fill these gaps without crowding out the market?

Key Takeaways

1. **AMCs continue to evolve.** Their roles change with with financial systems, markets and policy needs.
2. **Timing matters.** Intervention before default may preserve preserve substantially more enterprise value.
3. **Market first.** Public AMCs should intervene selectively where genuine market or coordination gaps exist.
4. **KAMCO provides one practical example.** Its evolution provides useful lessons, but not a universal blueprint.

THANK YOU

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