



2009
Building a Hope

2009 Annual Report

KAMCO

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FINANCIAL HIGHLIGHTS

(In Thousands of U.S. Dollars)

Description	2 0 0 8	2 0 0 7
Balance Sheets		
Total assets	2,217,367	1,429,396
Total liabilities	1,785,418	1,034,226
Total stockholders' equity	431,949	395,170
Statements of Income		
Operating revenue	696,385	533,015
Operating expenses	613,188	468,956
Operating income	83,197	64,059
Other income(expense)	3,309	8,006
Earning before income taxes	86,506	72,065
Income taxes	32,163	21,874
Net earnings	54,343	50,191
Statements of Cash Flows		
Cash flows from operating activities	(652,101)	(269,383)
Cash flows from investing activities	(23,208)	180,739
Cash flows from financing activities	675,418	88,386
Net increase in cash and cash equivalents	109	(258)
Cash and cash equivalents at beginning of year	210	468
Cash and cash equivalents at end of year	319	210

※ U.S. Dollar amounts are translated from Korean Won at the rate of 1,257.5=USD 1 for 2008 and 2007

KAMCO successfully built a Hope in 2008.

The 2008 achievements of KAMCO are even more spectacular considering global financial crisis. In fact, KAMCO has played a significant role in minimizing the financial burden of the Korean people by maximizing its recovery of public funds injected and also enhancing the asset soundness of financial institutions and the national competitiveness of Korea by rapidly disposing of NPLs. Also we significantly have contributed to revitalizing the economy through the Credit Recovery Fund which was created to assist credit defaulters and posted a record net income of KRW 68.3 billion for 2008.

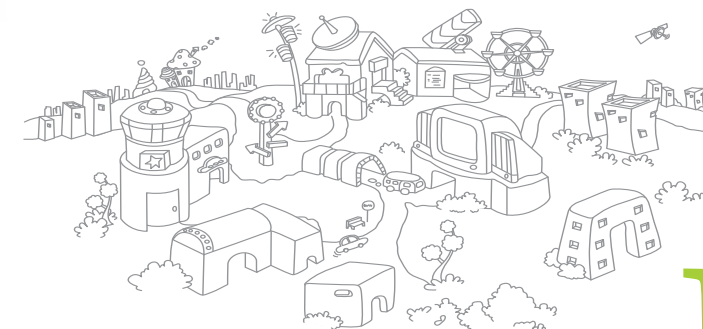


1962~2008

KAMCO

HISTORY

- Apr. 06, 1962 The corporation was established
Aug. 03, 1966 Started defaulted loan collection service on behalf of financial institutions
- Aug. 21, 1970 Began disposition of financial institutions' non-operational assets
- Feb. 01, 1984 Started service for the public sale of confiscated properties on behalf of the NTS
Apr. 02, 1987 Started service for the public sale of confiscated properties on behalf of local governments
- Jun. 15, 1996 Started state-owned properties management and disposition service
Aug. 22, 1997 "Act regarding Efficient Management of Non-performing Loans of Financial Institutions and Establishment of KAMCO" enacted
Nov. 24, 1997 The corporation reorganized into a specialized resolution agency and established the NPA fund
Dec. 31, 1999 Official name changed into KAMCO
- Nov. 09, 2000 1st Asia-Pacific NPL Forum held
Oct. 02, 2002 Opened 'Onbid', the online asset disposal system
May. 20, 2004 Established Badbank Harmony for support of individual credit recovery
Apr. 22, 2005 Established Heemang-moah, a joint collection agency
Jun. 01, 2006 KAMCO 2010 vision announced: "Global Asset Management Company working for Value Recreation"
Apr. 03, 2007 "International Forum on Non-performing Asset Fund: 10-year Management Performance and Future Challenges" held
Dec. 31, 2007 1st overseas NPL investment (China Orient AMC) successfully completed
Jul. 14, 2008 Completed construction of Narakeyum Jeo-dong Building, 1st nationalized real estate property development project
Sep. 02, 2008 Launched Credit Recovery Fund



One **Dream** keeping Half a Century

Since its establishment in 1962, KAMCO has consistently supported the national economy. It has sown the seed of hope to make the flower of the national economy. With this hope, **KAMCO** has led Korean economy for last fifty years and will uphold Korea to be advanced financial power in the world.

2008
KAMCO
TODAY

- Overachievement in recovery of public funds

110%

- Full repayment of NPA Management Fund

KRW **33.3** trillion

- Record high net income

KRW **68.3** trillion

- Support credit recovery programs

940,000 people



Name of **Hope** encouraging all Koreans

The light of KAMCO will never die out. As long as Korean people hope for economic growth, the light of KAMCO will even become brighter. KAMCO has strongly supported the Korean economy with its main roles: disposition of NPLs, support of individual credit recovery, and management of state-owned properties. **KAMCO**, the name of hope, always moves with all Koreans.



2009~
KAMCO
TOMORROW

●
KAMCO 2010 Vision

Global Asset Management Company working for value recreation

●
Mission

Contribution to improving customer values and national economy through resolution of domestic and overseas NPLs and efficient management of government-commissioned businesses

●
2009 Business Targets

Strengthened Efforts to Stabilize the Financial Market

Increase purchase of NPLs
Step up recovery of NPLs

Contribution to Increasing Government Revenues

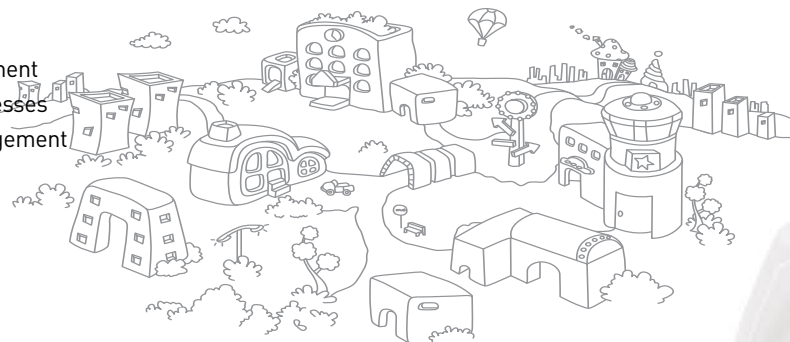
Efficiently dispose assets owned by KAMCO
Increase commission of government assets
Enhance value of commissioned government assets

Value Recreation of Public Services

Help revitalization of the real estate market
Diversify financial services

Strengthening of Internal Values

Implement merit-based business management
Strengthen infrastructure to support businesses
Expand customer-oriented business management
Realize stable financial structure



Dream comes true Hope turns
into **Future**

KAMCO, with its accumulated experience and know-how, has served as a driving force behind the national economy and is now showing the results of its strenuous efforts against the current global financial turmoil. It will proceed to a brighter future based on those results. **KAMCO** promises to give people hope and to help realize a sound national economy.



CEO Message

KAMCO is building a Hope for the Rebound of the National Economy.



- **KAMCO has enabled Koreans to keep hope for the revitalized economy.**

KAMCO played an important role during the 1997-1998 financial crisis in helping Korea overcome the challenges by effectively disposing huge NPLs of financial institutions.

We also have achieved the policy target of 'Maximized Recovery of Public Funds' by recovering 110% of public funds injected in purchasing NPLs and successfully reduced the financial burden of the public by fully paying off the principal and interest of the NPA Fund, valued at KRW 33.3 trillion, in July 2008.

In addition, it posted a record high net income of KRW 68.3 billion for 2008 through the resolution of NPLs, management of government-owned properties, support of credit recovery programs, and investments in overseas NPLs. Last September, KAMCO established the Credit Recovery Fund to help about 720,000 financially underprivileged restore their credit status, which will contribute to revitalizing the economy.

- ● **KAMCO will turn this financial crisis into hope.**

In 2009, the role of KAMCO will come into the spotlight again amid the global financial catastrophe and the downturn of real economy: stabilizing the financial market by enhancing the soundness of financial institutions.

In 2008, KAMCO strengthened its capabilities through continued innovation of business management and streamlining of the organization, and is now ready to resolve any disruption in the financial market as a 'firefighter of the financial industry.' The capital increase made in 2009 and the KRW40 trillion restructuring fund are expected to provide a strong boost for KAMCO to proactively respond to any negative development in the financial market.

In addition, KAMCO declared 2009 the year for 'Emergency Management System for Overcoming Financial Crisis' and will take a full advantage of its expertise and know-how to beat the current economic difficulties.

- ● ● **KAMCO will build a hope to the public by taking its social responsibilities.**

KAMCO will strengthen its community service activities to help the underprivileged. It will also join the government's efforts to reduce the unemployment of young people by increasing job offer for interns and full time applicants.

Even if a lot of people are worried about the current economic slump, KAMCO will turn this crisis into an opportunity with its accumulated capabilities and experience, and become a ray of hope for the Korean economy.

We would like you to provide your continued encouragement and support for our commitment and efforts.

Thank you.

Chol Hwi Lee
Chairman & CEO
Korea Asset Management Corporation

BUSINESS HIGHLIGHTS for 2008



Jan.03 Inauguration of CEO Chol Hwi Lee
Chol Hwi Lee took office as the 21st KAMCO Chairman and CEO. In his inauguration speech, CEO Lee said "We will nurture creative and professional resources, and assign the qualified to key projects to improve the competitiveness of KAMCO and at the same time, streamline the organization to maximize its efficiency."



Jan.15 Seminar on Investment in Securities of Tax in Kind
KAMCO held the "2008 Seminar on Investment in Securities of Tax in Kind" to provide information and help investors' understanding of this investment opportunity. KAMCO has made great contribution to increasing government revenues by raising the values of listed and non-listed stocks of companies commissioned by the government and selling them at higher prices.



Apr.01 Declaration of Community Service Week
In commemoration of its 46th founding anniversary, KAMCO designated the first week of April as the Community Service Week, and performed extensive voluntary activities. During the week, KAMCO employees visited social welfare facilities and carried out a variety of activities such as making and serving food, cleaning, bathing and doing laundry, and promised to participate in the Campaign of 1% Donation of all employees.



Jun.17 KAMCO Public Auction Academy
KAMCO provided free classes on public auction in order to share its know-how with the public. The classes covered the residential/commercial lease protection act, analysis of property rights and transfer of real estate ownership.



Jul.01 Microfinance Business
KAMCO launched the microfinance business with contribution from the Microfinance Fund and the return of KRW 16 billion on the management of Badbank Harmony fund. The business is to extend maximum KRW 5 million in 5-year loan to each of those who have a good track record of repayment, in case of their urgent needs for money such as medical expenses, tuition and key money for house lease.



Jul.14 Completion of Narakeyum Jeo-dong Building
The Ministry of Strategy and Finance (MOSF) and KAMCO held a ceremony for the completion of the Narakeyum Jeo-dong Building, a real estate development project (located in Jeo-dong, Joong-gu Seoul). With this project, KAMCO has increased the value of the state-owned land by turning an old and underutilized state property into a multi-purpose state-of-the-art energy-saving building.



Sep.02 Launch of Credit Recovery Fund
KAMCO held a ceremony for the establishment of the Credit Recovery Fund with the presence of about 200 guests including President Lee Myung-bak and FSC chairman Jeon Gwang-woo at the AT center in Yangjae. The fund will be used to help those who have been disqualified to get access to financial institutions normalize their economic activities. We plan to support the credit recovery of about 720,000 credit delinquents through the fund.



Sep.19 Joint Seminar with ADB
KAMCO and the Asia Development Bank held a joint seminar titled the Development and Future of the Asia Restructuring Market at the ADB building in Manila, the Philippines. The participants discussed how Asian countries can jointly respond to the recent global financial crisis.



Oct.10 Invitation of Tax Officers
KAMCO invited 120 officers of the National Tax Service to find ways of collecting more efficiently delinquent taxes and minimizing inconvenience to the public. The participants of the meeting discussed how to collect delinquent taxes faster, make the tax administration support system more efficient, and resolve main causes of public complaints.



Dec.19 Start of the Credit Recovery Fund Business
KAMCO held an event to celebrate the launch of the Credit Recovery Fund business with the Prime Minister Han Seung-soo and FSC chairman Jeon Gwang-woo at the Credit Recovery Support Center. The fund will start debt restructuring businesses for those who are in the position of financial difficulties, which is an important part of the New Start 2008 Project and the Life Sharing Policy.

- Making the finance industry healthy
- Hoping for the happiness of each Korean
- Creating value for national properties as a reliable government agency
- KAMCO will create and present what cannot be valued in money



BUSINESS PORTFOLIO

KAMCO will never stop in its Endeavors

Making the Finance Industry healthy

- ▶ Minimizing the financial burden of the government through maximizing the recovery of public funds
- ▶ Making the financial market sound through the acquisition of NPLs

KAMCO made a significant contribution to reducing the financial burden of the government by recovering funds from NPL resolution more than initially injected to purchase NPLs originally. It played an important role in stabilizing the financial market through the rapid resolution of NPLs. In 2009, KAMCO will help revitalize the real economy through the restructuring fund.

KRW **43.2** trillion
Public funds recovered



Minimizing the Financial Burden of the Government through the Recovery of Funds more than Invested

Maximum Recovery of Public Funds

KAMCO has been entrusted to manage the Non-performing Asset Management Fund (NPA Fund) since 1997. This Fund, established with KRW 39.2 trillion as a public fund, was used to acquire NPLs totaling KRW 111.3 trillion from financial institutions, thereby improving their liquidity and financial soundness. In 2008, we additionally recovered KRW 0.8 trillion through court auction, debt payoff and debt rescheduling plan. KAMCO has successfully achieved the policy goal of Maximum Recovery of Public Funds by collecting KRW 43.2 trillion, 110% of the public funds injected until 2008.

NPL Resolution

(as of end of 2008, unit: trillion KRW)

Category	NPLs Purchased		NPLs Resolved			NPLs still Held	
	Face Value	Purchase Price	Face Value	Purchase Price	Funds Recovered	Face Value	Purchase Price
Amount	111.3	39.2	78.5	31.4	43.2	32.8	7.8

Removing the Financial Burden of the Public through the Recovery of Public Funds

The recalculation of the NPA Fund, conducted for the first time since the establishment of the public fund repayment plan, shows that KAMCO produced about KRW 9.1 trillion in profit, which was expected to get a loss. As a result of the outperformance, KAMCO brought back KRW 3 trillion to the government in 2008, thus significantly contributing to reducing the financial burden of the government. In addition, we fully repaid total KRW 33.3 trillion in principal and interest owed to the NPA Fund on July 23, 2008, resolving the financial burden of the public since the NPA Fund is the government guaranteed obligation.

Maximization of Corporate Value through Support of Restructuring

Out of 60 distressed companies, of which NPLs KAMCO acquired, 58 have graduated from workout programs or have been liquidated until 2008. With regard to Daewoo affiliates, 11 of the 12 former Daewoo companies successfully completed their workout programs. In 2008, KAMCO recovered early NPLs of Korea Express and Kingtex by supporting a third-party acquisition and increased the values of its equities swapped from debts. In addition, it signed management improvement performance agreements with Daewoo International and Ssangyong Engineering & Construction to let professional managers handle the companies so that the value of the two companies greatly increased.

- **Making the financial industry healthy**
Hoping for the happiness of the Korean people
Korea can rely on KAMCO
Creating lasting impressions on you

KRW 33.3 trillion

Fully repaid the NPA management fund



Effective Management of owned Assets

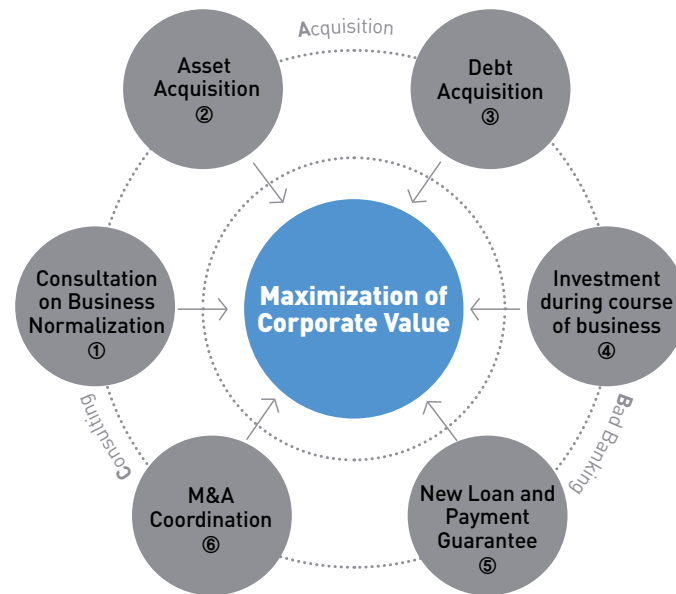
For companies that have been successfully restructured such as Daewoo Shipbuilding & Marine Engineering, Daewoo International and Ssangyong Engineering & Construction, KAMCO will consistently proceed with sales of their shares and maximize the recovery of public funds. This sales initiative will be expedited in consideration of the long-term growth potential of the companies and the national macro-economy, which is in line with the government's policy of privatizing state-owned companies. The sales of these three companies will be implemented after the second half of 2009 based on the stock price trend, status of financial industry and conditions of M&A market, which will be the best timing for the sale.

The stocks of Kyobo Life Insurance, Korea Express and SK Energy held by KAMCO are scheduled to be sold until the end of 2009 considering market status. Other loans will be resolved with appropriate methods such as foreclosure, debt rescheduling and court receivership until the closing date of the NPA Fund management.

Promotion of Corporate Clinic Service

KAMCO has performed its corporate clinic services by acquiring the assets of companies undergoing restructuring or on the verge of bankruptcy and providing financial support and consultation. About 30 companies have applied for these services and a total KRW 60 billion has been funded until 2008. KAMCO will continue to help the normalization of SMEs and large corporations that lack experience of restructuring with accumulated experience and know-how.

Services



KRW 40 trillion

Establishment of restructuring fund



Making the Financial Market Sound through the Acquisition of NPLs

Improvement of Financial Institutions' Soundness through the Acquisition of NPLs

After the acquisition period terminated with the NPA Fund, KAMCO has kept acquiring NPLs of financial institutions, thereby significantly contributing to stabilizing the local financial market. In 2008 when the global financial crisis led to the slowdown of the local economy, KAMCO purchased about KRW1.6 trillion of NPLs from financial organizations.

NPL Acquisition

[Unit: hundred million KRW]

	2003	2004	2005	2006	2007	2008	Total
Face Value	74,864	9,365	4,454	8,140	9,675	16,017	122,515
Purchase Price	13,496	6,383	3,228	4,113	8,440	13,294	48,954

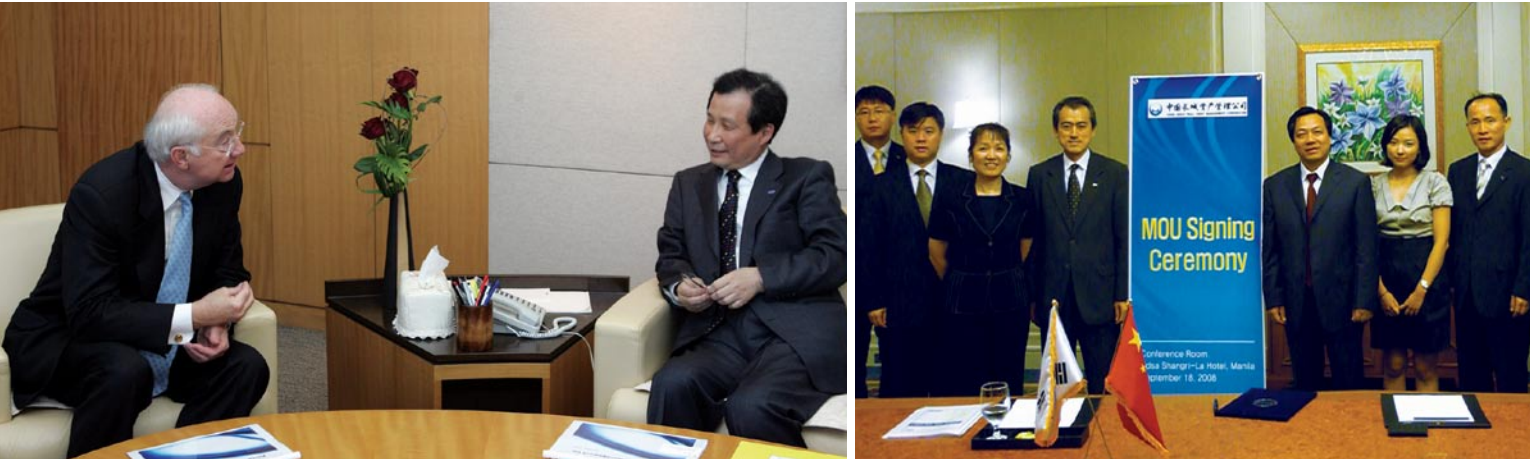
Stabilization of Financial Market through the Acquisition of PF Loans of Savings Banks

As the delinquency of PF loans by savings banks, which the global financial turmoil and the depression of the real estate market caused, is expected to spread to the entire financial sector, KAMCO took a proactive action of purchasing KRW 500 billion of PF loans from savings banks in December 2008. In March 2009, it acquired an additional KRW 1.2 trillion of PF loans. During the first half of 2009, we will even start acquiring PF loans from banks in order to stabilize the financial market as soon as possible.

Revitalization of Real Economy through Restructuring Fund

In a proactive move to stabilize the local financial market, KAMCO will set up the restructuring fund with KRW 40 trillion to purchase NPLs of financial institutions and non-performing assets of corporations, thereby implementing the corporate restructuring. In a separate move, it plans to increase its capital, at present KRW 660 billion, to acquire more NPLs from financial institutions. KAMCO will enhance the stability of the local financial market and promote the restructuring of the industrial structure by preventing the banks and corporations' delinquency through the establishment of the restructuring fund and increase of capital base and will contribute to the development of the national economy.

- **Making the financial industry healthy**
Hoping for the happiness of the Korean people
Korea can rely on KAMCO
Creating lasting impressions on you



- **Building a Base for Future Growth through Investment in Diverse Overseas Markets**

KAMCO started its investment in Chinese NPL market in December 2007 and recovered CNY 126 million in 2008, 31% recovery of the initial investment (CNY 406 million). However, as the uncertainty of the global financial market aggravated, it held back its planned additional investment in China in 2008. The decision was based on its analysis that significant fluctuation in exchange rate and values of real estate and NPLs significantly increased investment risks.

KAMCO believes that the NPL markets of advanced countries like the USA and Japan are good investment opportunities and makes a variety of efforts to enter those markets. As the negative factors of the global financial market linger, it focuses on risk management and keeps a close eye on development in the market to determine the right timing of overseas investment.

Hoping for the Happiness of Each Korean

- ▶ Bringing hope with Credit Recovery Fund
- ▶ Providing customized credit recovery support service

KAMCO supports credit recovery of financially underprivileged people through the Credit Recovery Fund, and helps them stand on their feet through the Saeheemang Network, a customized self-support planning program. It has supported credit recovery of a total of 940,000 people through diverse credit recovery support programs and will continue to expand the coverage to boost the economy.

Bringing Hope with Credit Recovery Fund

720,000 people

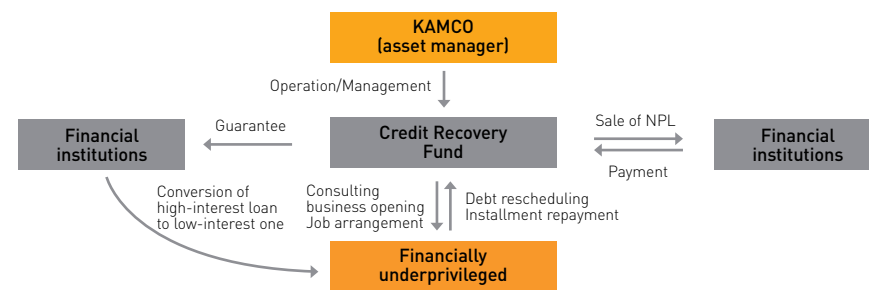
Target of credit recovery fund

KAMCO established the Credit Recovery Fund to support credit recovery and economic activities, which have significantly increased after the 1997-1998 financial crisis.

This Fund is used to carry out debt restructuring through acquisition of delinquent loans and switch high-interest loans to low-interest loans through provision of guarantee. KAMCO also built the Saeheemang Network to collect and provide information on 725 organizations such as debt rescheduling, microfinance, job opportunities, and social welfare services in order to help financially-underprivileged people support themselves.



Management of Credit Recovery Fund



KAMCO plans to support the credit recovery of 720,000 people through the Credit Recovery Fund. If the global financial crisis and the economic downturn deteriorate further, it will expand its coverage to help more people independently survive.

| What is the Credit Recovery Fund? |

A credit recovery support organization that provides services such as debt rescheduling, conversion of high-interest loans to low-interest ones and self-support program to help those who are not eligible to access financial institutions financially stand on their own feet

| Conditions & contents of Support |

Key Task	Description of Supporting Program
Debt Rescheduling	Purchase NPLs to allow borrowers to repay over a longer term Interest reduction, maximum 8-year repayment period for principal
Loan Conversion	Switch high-interest loans from 2nd tier financial institutions and lending companies to low-interest loans by providing credit guarantee • Conversion of loans with 30% or over interest rate to 19%-21% interest loans of banks • Equal installment repayment of principal plus interest over a maximum of 3 years
Saeheemang Network	First local website to provide concentrated information on 725 organizations to support financially underprivileged people (www.hopenet.or.kr) • Information on debt restructuring and credit management information • Information on recruiting and starting business • Information on microfinance

Providing Customized Credit Recovery Support Service

940,000 people

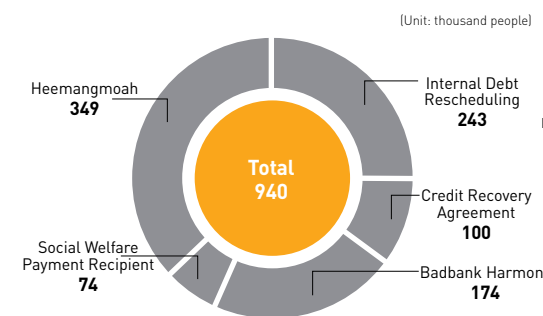
Benefited from credit recovery support programs

KAMCO has been helping debtors with multiple obligations and social welfare payment recipients to recover their credit status through its own debt rescheduling program or the Badbank Harmony and Heemangmoah programs. These credit recovery programs have enabled around 940,000 people to get off the credit blacklist.

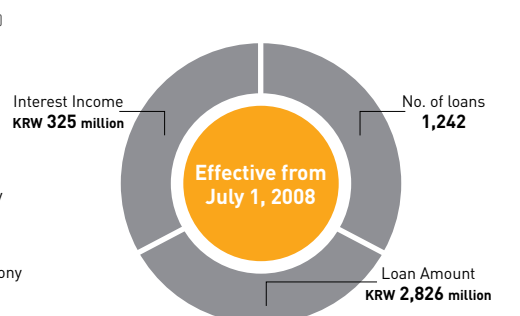
The microfinance program, a small-money lending program, is specially devised to practically help those who experience financial difficulties self-support themselves.



Credit Recovery Support Programs (as of end of Dec. 2008)



Microfinance Program (as of end of Dec. 2008)



KAMCO will strengthen its credit recovery support activities by improving the efficiency of credit recovery support programs and carrying out more customer-oriented support activities.

| What are bad bank programs (i.e., Badbank Harmony, Heemangmoah)? |

Bad bank programs provide low-interest and long-term loans to debtors with multiple obligations so that they pay back previous loans with banks and those banks will delete the debtors from the credit blacklist, which will allow them to recover their credit status.

| What is microfinance program? |

KAMCO provides a maximum of KRW 5 million in 5-year loans with each of those who have good track record of repayment in the KAMCO credit recovery program, in case of urgent needs for money such as medical expenses, tuition, and key money for house lease.

Creating Value for National Properties as a Reliable Government Agency

- ▶ Management service to increase values of state properties
- ▶ Improved efficiency of taxation system
- ▶ Promotion of customized OnBid services

KAMCO, as the best state-owned property manager, has been entrusted to manage a total of 9 development projects of state lands including Narakeyum Jeo-dong Building. It has recently expanded its business to develop and manage properties owned by local governments. KAMCO also provides one-stop service of online auctions through the first public online auction system in Korea, OnBid, which allows online bidding and electronic contracts.



KRW **131** billion

Property value increased



- Before development
 - Size: 3F & 1B
 - Gross floor area: 2,495m²
 - Property value: KRW 32 billion

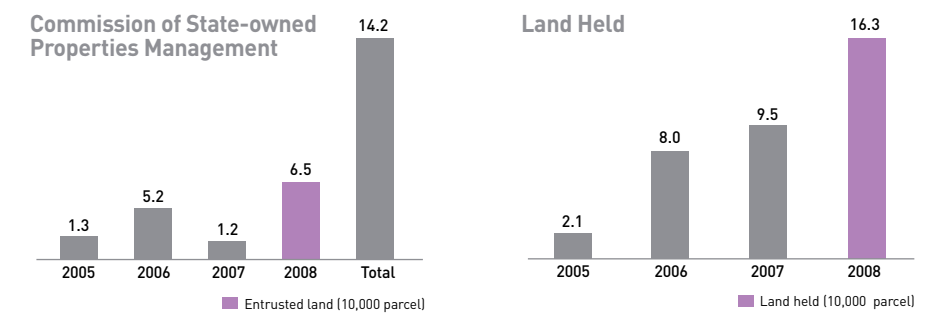


- After development
 - Size: 15F & 4B
 - Gross floor area: 26,937.81m²
 - Property value: KRW 163 billion

Management Service to increase Values of State Properties

Expanded Commission of State-owned Properties

As the government expanded the commission of management of state-owned properties, KAMCO has been in charge of about 142,000 parcels of idle or illegally-used lands owned by local governments. Thus, it has been the largest state-owned property management agency that manages state-owned lands and securities (listed and non-listed), which account for about 25% of miscellaneous government properties belonging to the Ministry of Strategy and Finance.



Specialized State-owned Land Development Agency

As the largest state-owned land management agency, KAMCO has undertaken a total of 9 land development projects including the Narakeyum Jeo-dong Building. Total expense for the 9 projects is KRW 142.2 billion and the gross floor area is 72,755m². The 4 projects, including the Narakeyum Building and rental houses, were completed in 2008, making it a total of 8 projects completed and relevant buildings rented.

The project, which is under progress in Weolpyeong-dong, Daejeon and will be completed by Sep. 2009, is to construct multi-purpose government buildings in a land that has not been used for a long period of time. It will save the government budget and allow local governments to provide better services. KAMCO will actively pursue the pilot projects of state lands for lease and the development of state lands belonging to national land management agencies. As a result, it will strengthen its position as a specialized state-owned property management agency and enhance its capabilities as a public developer.

Management and Development of Public Properties

KAMCO will expand its management service to properties owned by local governments to provide more efficient management of government-owned assets and increase their values. It will also help local governments that cannot develop necessary properties due to the lack of financial resources by developing the properties on their behalf, thereby generating their revenue sources and facilitating local economies.

| How are state-owned properties different from public properties? |
 State-owned properties refer to all properties that the government owns but public properties only refer to those owned by local governments.

Improved Efficiency of Taxation System

KRW **2.3** trillion

Delinquent taxes collected for last 6 years



Increasing Government Revenues

KAMCO has been entrusted to auction assets confiscated from long-term tax delinquents and has collected KRW 2.3 trillion in the last 6 years, thereby contributing to the increase of government revenues and stable supply of tax income.

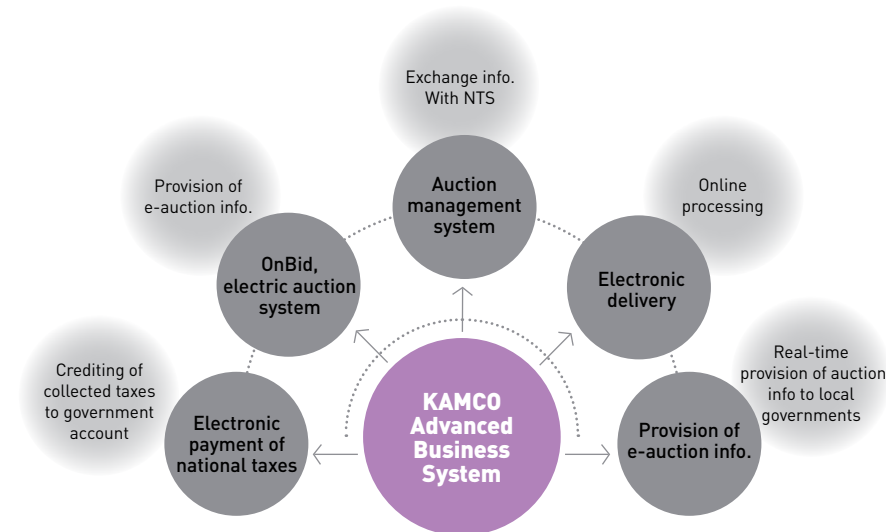
Improving Efficiency of Government Administration

KAMCO provides a one-stop payment service of national taxes through interfaces with banks and the National Tax Service to improve the efficiency of government services and provide better public services.

Expansion of Services

KAMCO is currently in charge of collecting delinquent taxes on behalf of central and local tax offices. It will increase its coverage of services to customs and fines from the National Police Service.

Building Infrastructure for Public Auction



8,288

No. of organizations using OnBid service increased 17.7%

Promotion of Customized OnBid Services



Sales and Rental of Government Properties

In October 2002, KAMCO started an auction service, OnBid, the first public online auction system in Korea. Since the government designated OnBid as an official auction system in 2002, OnBid is used by as many as 8,000 public organizations for selling and leasing government properties.

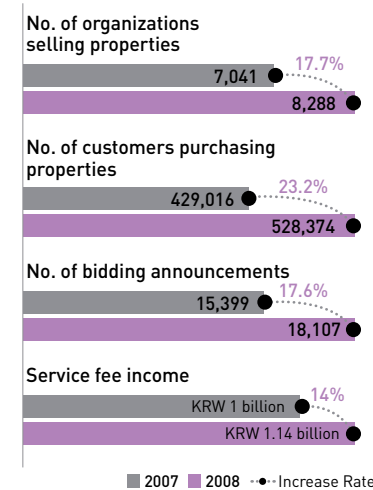
Increasing Utilization of Customized Online Services

KAMCO applied its own developed system of selecting lease and sales among applicants to the Busan Cemetery construction project in 2008. It also built a state-of-the-art IT system with interfaces with government systems to allow real-time retrieval of information such as announcements, offerings and biddings. These efforts increased the number of organizations using OnBid service 17.7% from that of 2007 to 8,288 and the fee income of OnBid services also rose 14% from that of 2007 to KRW 1.14 billion.

Implementation of One-stop Service

In addition to online bidding and electronic contracting services, OnBid even started allowing online application for ownership transfer of properties including real estate successfully sold in biddings in 2008. In 2009, KAMCO plans to renovate the OnBid system to provide differentiated high-quality services.

OnBid Transactions



KAMCO will create and present what cannot be valued in money

KAMCO is introducing an advanced business management system to secure sustainable development of the corporation. It has satisfied customer by making every one of the staff follow the customer-oriented management philosophy for the last four years. KAMCO also applies the knowledge management system to improve the capabilities of the organization and thus provide better services to the public. At the same time, we will take full social responsibilities by continuously involving itself in extensive community service activities to help under-privileged people.



- ▶ Customer-oriented management to increase customers' values
- ▶ Creative knowledge management to enhance business capabilities
- ▶ Sharing management to take social responsibilities

Customer-oriented Management to increase Customers' Values

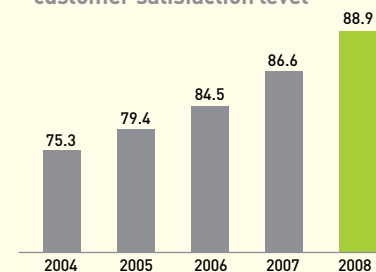


All KAMCO staff, from management to junior staff, has carried out 'Customer-oriented Management' activities.

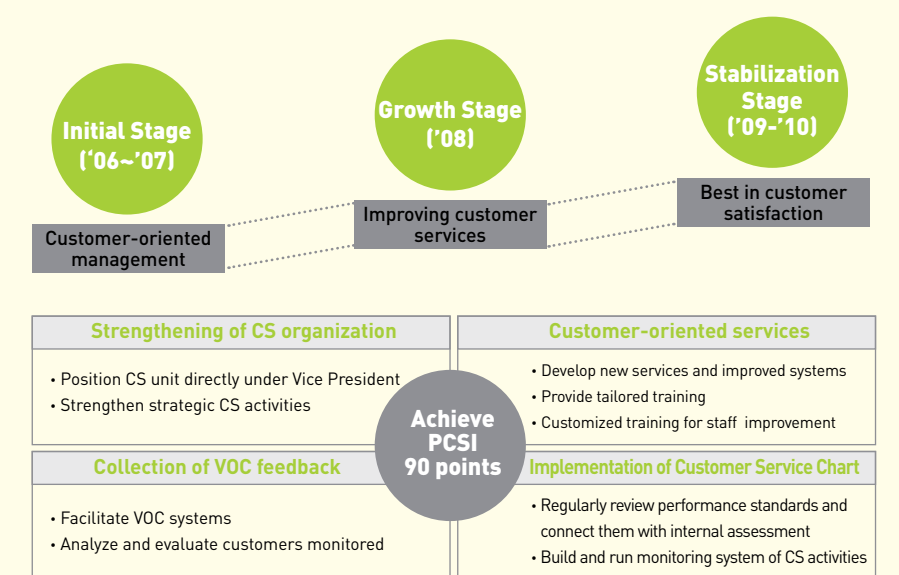
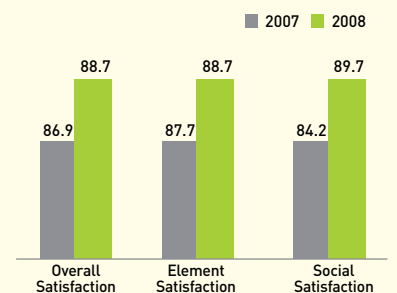
KAMCO has also re-established the role of public organization and run diverse VOC channels to listen to customers' opinions, through which customers can directly get involved in the management of the corporation.

As a result, the level of customer satisfaction has continued to increase in the last four years in a customer satisfaction survey of public organizations conducted by the MOSF. In the 2008 survey, KAMCO topped the survey with a score of 88.9 among 14 organizations in the pension fund to which it belonged.

Surveys on public institutions for customer satisfaction level



PCSI Detailed Results

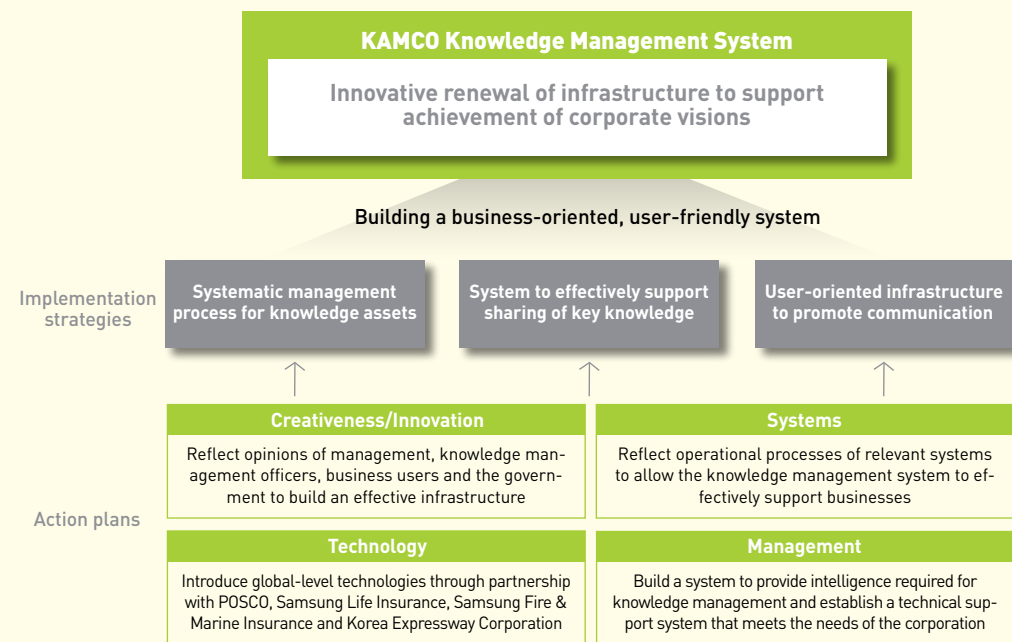


Creative Knowledge Management to enhance Business Capabilities

KAMCO has developed a knowledge management system since 2000, by which it has strengthened the capabilities of the organization through active communication among the members.

The knowledge management system has enabled all staff to share individual business know-how and expertise for their development. KAMCO has also promoted learning units, CoPs, to exchange knowledge between different units and different positions. In addition, it has developed an electronic proposal system to allow employees to register creative ideas into the system so that they can be reflected fast in management.

In 2009, KAMCO will reform the current knowledge management system to make it better support daily businesses. Through this renovation effort, KAMCO will provide better high-quality services to the public.



Sharing Management to take Social Responsibilities

KAMCO believes that the 'sharing' culture is a base for its sustainable growth. Through Hanmaum Community Service Corps all staff of KAMCO carries out a variety of social activities including scholarship programs for low-income families and rural areas support programs and KAMCO endeavors to take social responsibility as a public organization.

'Community Service Week' to become a Good Corporation

KAMCO held an event to declare the Community Service Week on its founding date instead of holding a ceremony and conducted diverse community services during one week from Mar. 31 to Apr. 6: 1% donation campaign of all employees, a lecture session by the Beautiful Foundation, voluntary activities in 18 social welfare facilities, donation of 460 packs of rice to partner village and an event with children from partner social welfare facilities.

"Happy Tomorrow Hope with Neighbors"

KAMCO conducted the "Happy Tomorrow Hope with Neighbors" campaign from Dec. 15 to Dec. 31 instead of holding a year-end party. It used the budget for a year-end party to buy and deliver rice, briquettes, and other supplies to social welfare facilities throughout the nation and participated in the distribution of food and delivery of briquettes. It also donated KRW 100 million of the community service fund raised to the Community Chest of Korea.

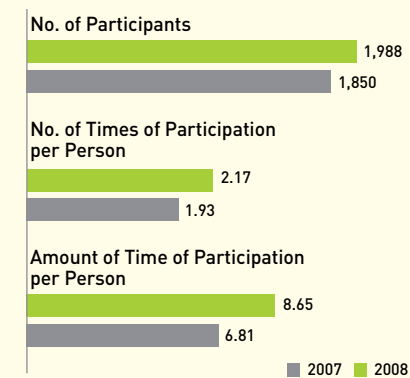
In addition, for each valid bid from the OnBid site KAMCO raised OnBid donation mileages and 1% contribution of all employees and donated them to Good Neighbors, a contribution website, to support the development of drinking water system and the revitalization of villages for third-world countries.

Scholarship Programs and Rural Area Support

KAMCO raised KRW 212 million of scholarship fund to support children of those using the credit recovery programs of the corporation, delivered it to 424 young people and supported education programs of local children centers targeting children of low-income families.

KAMCO has participated in "one company and one village program" and supported environment-friendly agriculture of the partner village. Even the amount of direct transaction of agricultural products with the village exceeded KRW 100 million. It also paid for the expenses of purchase of farm machines, rural area experience programs and renovation of town hall.

Community Service Activities



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FINANCIAL STATEMENTS

All the year in 2008, KAMCO continued itself to increase Values of Assets

Balance Sheets

(In Thousands of U.S. Dollars)

Description	2008	2007
Current Assets	1,764,102	1,007,382
Cash and Cash equivalents	319	210
Short-term financial instruments	28,927	39,632
Accounts receivable, less allowance for doubtful accounts	31,230	28,612
Deferred income tax assets	57,009	45,272
Other current assets, less allowance for doubtful accounts	142,921	30,393
Successfully bid and purchased assets, less accumulated depreciation	131,326	102,334
Non-performing assets, less allowances for doubtful accounts	1,372,370	760,929
Fixed Assets	453,265	422,014
Investment securities	248,780	-
Other Investments	23,715	271,547
Property and equipment, less accumulated depreciation	70,246	57,899
Intangible assets	34,919	1,178
Guarantee deposits	52,662	48,293
Deferred income tax assets	22,943	43,097
Total Assets	2,217,367	1,429,396
Current Liabilities	672,635	737,960
Accounts payable	36,389	42,563
Short-term borrowings	469,185	201,193
Current portion of long-term borrowings	50,000	37,304
Current portion of debentures	-	381,710
Other current liabilities	117,061	75,190
Long-term Liabilities	1,112,783	296,266
Long-term borrowings	243,881	193,600
Debentures	806,044	-
Retirement and severance benefits, net	6,711	5,999
Provision for warranties	50,124	48,593
Provision for guarantees	-	7,825
Derivative instruments liabilities	6,023	40,249
Total Liabilities	1,785,418	1,034,226
Common Stock	206,759	206,759
Retained Earnings	231,997	189,234
Accumulated Other Comprehensive Income	(6,807)	(823)
Total Stockholders' Equity	431,949	395,170
Total Liabilities and Stockholders' Equity	2,217,367	1,429,396

* U.S. Dollar amounts are translated from Korean Won at the rate of 1,257.5=USD 1 for 2008 and 2007

Statements of Income

(In Thousands of U.S. Dollars)

Description	2008	2007
Operating Revenue	696,385	533,015
Commissions	35,489	36,529
Fund management fee	11,611	16,031
Sale of successfully bid and purchased assets	-	32,803
Management of successfully bid and purchased assets	14,015	14,643
Sales of non-performing assets	633,652	414,030
Other	1,618	18,979
Operating Expenses	613,188	468,956
Administrative and management expenses	88,934	89,892
Cost of successfully bid and purchased assets	-	15,272
Cost of non-performing assets	479,473	292,592
Other	44,781	71,200
Operating Income	83,197	64,059
Other Income (expense)	3,309	8,006
Interest income	13,978	18,383
Interest expense	43,787	35,935
Dividend income	4,121	6,112
Gain on foreign currency transaction, net	(10,585)	400
Gain on foreign currency translation, net	(49,847)	(1,713)
Loss on valuation of derivatives, net	45,822	1,881
Gain on valuation using the equity method	21,674	15,164
Loss on derivative transactions	18,117	(403)
Gain on sale of investment securities	1,612	24,903
Provision for warranties	(1,532)	(23,757)
Others, net	(83,838)	(68,899)
Earning Before Income Taxes	86,506	72,065
Income Taxes	32,163	21,874
Net Earnings	54,343	50,191

* U.S. Dollar amounts are translated from Korean Won at the rate of 1,257.5=USD 1 for 2008 and 2007

Statements of Cash Flows

(In Thousands of U.S. Dollars)

Description	2008	2007
Cash flows from operating activities	(652,101)	(269,383)
Net earnings	54,343	50,191
Adjustments to reconcile net income to net cash provided by operating activities	-	-
Provision for retirement and severance benefits	4,293	4,015
Provision for allowance for doubtful accounts	39,219	65,776
Depreciation	8,149	8,830
Loss(Gain) on foreign currency translation, net	49,847	1,713
Loss(gain) on valuation using the equity method	(21,674)	(15,164)
Loss on valuation of derivatives	(63,939)	(1,478)
Decrease(increase) in accounts receivable	(8,773)	(11,768)
Increase in accrued income receivable	(1,525)	(435)
Increase(decrease) in accounts payable	(549)	(12,286)
Decrease in successfully bid and purchased assets	(31,156)	15,272
Decrease(increase) in non-performing assets	(640,137)	(336,664)
Payment of retirement and severance benefits	(2,374)	(5,840)
Others, net	(37,825)	(31,545)
Cash flows from investing activities	(23,208)	180,739
Proceeds from sale of short-term financial instruments	2,117,231	15,359
Purchase of short-term financial instruments	(2,106,764)	-
Proceeds from sale of investment securities	100,812	201,313
Purchase of investment securities	(59,877)	(1,618)
Decrease in leasehold deposits received	(4,368)	(2,100)
Increase(Decrease) in other assets	(70,242)	(32,215)

* U.S. Dollar amounts are translated from Korean Won at the rate of 1,257.5=USD 1 for 2008 and 2007

Statements of Cash Flows

(In Thousands of U.S. Dollars)

Description	2008	2007
Cash flows from financing activities	675,418	88,386
Proceeds from long-term borrowings	279,119	18,190
Proceeds from short-term borrowings	32,884,294	201,193
Repayment of long-term borrowings	(187,508)	(330)
Repayment of short-term borrowings	(32,713,243)	(116,525)
Proceeds from bonds payable	806,044	-
Redemption of bonds	(381,710)	(7,939)
Dividends paid	(11,578)	(6,203)
Net increase in cash and cash equivalents	109	(258)
Cash and cash equivalents at beginning of year	210	468
Cash and cash equivalents at end of year	319	210

* U.S. Dollar amounts are translated from Korean Won at the rate of 1,257.5=USD 1 for 2008 and 2007

Statements of Appropriation of Retained Earnings

(In Thousands of U.S. Dollars)

Description	2008	2007
Unappropriated retained earnings before appropriation	143,803	133,177
Balance at beginning of year	89,461	-
Adjustments associated with the previous settlement	-	82,986
Net earnings	54,342	50,191
Transfer from Reserves	-	663
Reserve for research and human development	-	663
Appropriation of Retained Earnings	143,803	44,379
Legal reserve	15,905	11,928
Voluntary reserve	127,898	20,872
Dividends	-	11,579
Unappropriated Retained Earnings to be Carried over to Subsequent Year	-	89,461

※ U.S. Dollar amounts are translated from Korean Won at the rate of 1,257.5=USD 1 for 2008 and 2007

Independent Auditors' Report

To the Stockholders and Board of Directors of Korea Asset Management Corporation:

We have audited the accompanying balance sheet of the Korea Asset Management Corporation (the "Company") as of December 31, 2008, and the related statements of income, appropriation of retained earnings, changes in stockholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of the Company for the year ended December 31, 2008, presented for comparative purposes, were audited by other auditors in Daejoo Accounting Corporation whose report dated January 23, 2008, expressed an unqualified opinion on those financial statements. Also, the comparative financial statements as of December 31, 2008 and 2007 reflect the adjustment described in note 20, which was not made in the report of January 23, 2008.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Korea Asset Management Corporation as of December 31, 2008, and the results of its operations, appropriations of retained earnings, changes in shareholders' equity and cash flows for the year then ended in conformity with accounting principles generally accepted in the Republic of Korea and the accounting standards for Public company and Government invested institutions.

Without qualifying our opinion, we draw attention to the followings:

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying financial statements are for use by those who are knowledgeable about Korean accounting principles and auditing standards and their application in practice.

January 16, 2009

This audit report is effective as of January 16, 2009, the auditors' report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the auditors' report date to the time this audit report is used. Such events and circumstances could significantly affect the accompanying financial statements and may result in modifications to this report.

Balance Sheets

Non-Performing Asset Fund

[In thousands of U.S. Dollars]

Description	2008	2007
Current Assets	1,288,639	5,083,690
Cash and bank deposits	956,460	4,207,178
Other current assets	279,605	847,851
(Allowance for doubtful accounts)	(189,506)	(257,415)
Inventories	242,080	286,076
Ordinary loans	188,813	184,356
Restructured corporate loans	26,529	35,120
Work-out corporate loans	3,974,189	3,688,289
Real estate owned	-	15,805
(Allowance for doubtful accounts)	(3,947,451)	(3,637,494)
Long-term Assets	1,312,773	2,208,234
Investment securities	1,312,773	1,394,954
Long-term deposits	-	813,280
Total Assets	2,601,412	7,291,924
Current Liabilities	311,441	2,461,602
Short-term NPA Fund Bonds	-	1,829,026
Advance from customers	50,189	40,327
Accrued expenses	433	19,558
Account payable	3,828	59,195
Other current liabilities	256,991	513,496
Long-term Liabilities	-	-
Long-term NPA Fund Bonds	-	-
Total Liabilities	311,441	2,461,602
Contributed Funds	455,968	858,088
Retained Earnings	1,832,306	3,861,109
Capital Adjustments	1,697	111,125
Total Shareholders' Equity	2,289,971	4,830,322
Total Liabilities and Shareholders' Equity	2,601,412	7,291,924

* U.S. Dollar amounts are translated from Korean Won at the rate of 1257.5=USD 1 for 2008 and 2007

Statements of Income

Non-Performing Asset Fund

[In thousands of U.S. Dollars]

Description	2008	2007
Operating Revenues	905,836	933,754
Sales of non-performing assets	167,982	247,427
Sales of work-out assets	101,985	167,253
Sales of successfully bid and purchased assets	21,151	1,497
Interest income	201,943	254,171
Other operating revenues	412,775	263,406
Operating Expenses	432,828	264,859
Cost of non-performing assets	11,955	33,181
Cost of work-out assets	37,079	95,686
Cost of successfully bid and purchased assets	15,805	1,910
Interest expense	41,830	86,336
Administrative expenses	11,611	16,031
Selling expenses	2,417	3,158
Other operating expenses	312,131	28,557
Operating Income	473,008	668,895
Non-operating Income	410,729	268,445
Equity income on investment	74,978	109,743
Gain on disposition of investment securities	108,726	103,803
Provision for estimated liabilities	199,940	25,646
Miscellaneous income	27,085	29,253
Non-operating Expense	13,614	17,154
Equity losses on investment	13,318	-
Loss on disposition of investment securities	-	11,516
Loss on impairment of investment securities	-	1,879
Miscellaneous expenses	296	3,759
Income Before Income Tax Expense	870,123	920,186
Income Tax Expense	139,015	-
Net Income	731,108	920,186

* U.S. Dollar amounts are translated from Korean Won at the rate of 1257.5=USD 1 for 2008 and 2007

Statements of Cash Flows

Non-Performing Asset Fund

(In Thousands of U.S. Dollars)

Description	2008	2007
Cash flows from operating activities	480,417	353,677
Net earnings	731,108	920,186
Addition of expenses not involving cash outflows	325,225	41,313
Unrealized loss on foreign currency translation	95	2
Bad debt expense	309,957	27,862
Unrealized loss on valuation of trading securities	-	54
Loss on disposition of investment securities	-	11,516
Impairment loss on investment securities	-	1,879
Loss on valuation of investments using equity method	13,318	-
Loss on disposition of trading securities	1,854	-
Deduction of revenues not involving cash inflows	(786,424)	(496,269)
Unrealized gain on valuation of trading securities	-	4,900
Gain on disposition of trading securities	353	5,854
Unrealized gain on foreign currency translation	331,776	20,098
Reversal of provision for bad debts	67,910	225,834
Gain on valuation of investments using equity method	74,978	109,743
Gain on disposition of investment securities	108,726	103,803
Reversal of impairment loss on investment securities	2,741	-
Reversal of allowance for valuation of successfully bid and purchased assets	-	390
Reversal of liability allowances	199,940	25,646
Changes in assets and liabilities resulting from operating activities	210,508	(111,553)
Decrease of non-performing assets	12,835	53,794
Decrease of work-out assets	37,079	75,952
Decrease of successfully bid and purchased assets	15,805	1,910
Decrease of other receivables	66,914	55,402
Decrease(increase) of unearned revenue	198,403	(194,461)
Decrease of advance payments	667	1,916
Decrease of prepaid expenses	-	1
Decrease of accrued expenses	(19,126)	(3,837)
Decrease of other payables	(55,366)	(28,900)
Increase of advanced receipts	9,862	12,519
Decrease of liability allowances	(97)	(9,777)
Decrease of withholdings	(125,096)	(76,071)
Increase of income tax payable	68,628	-

※ U.S. Dollar amounts are translated from Korean Won at the rate of 1,257.5=USD 1 for 2008 and 2007

Statements of Cash Flows

Non-Performing Asset Fund

(In Thousands of U.S. Dollars)

Description	2008	2007
Cash flows from investing activities	1,264,015	569,113
Cash inflows from investing activities	1,264,015	314,440
Disposal of trading securities	300,761	-
Disposal of investment securities	149,974	313,919
Collection of loans	-	521
Disposal of long-term deposits	813,280	-
Cash outflows from investing activities	-	(883,553)
Acquisition of trading securities	-	70,273
Acquisition of investment securities	-	-
Acquisition of long-term deposits	-	813,280
Cash flows from financing activities	(4,995,150)	(2,385,686)
Cash inflows from financing activities	-	-
Cash outflows from financing activities	(4,995,150)	(2,385,686)
Redemption of non-performing asset fund bonds	1,829,026	-
Decrease of contributed funds	402,120	2,385,686
Interim dividend	2,764,003	-
Decrease of deposit	1	-
Net increase in cash and bank deposits	(3,250,718)	(2,601,123)
Cash and bank deposits at the beginning of the period	4,207,178	6,808,301
Cash and bank deposits at the end of the Period	956,460	4,207,178

※ U.S. Dollar amounts are translated from Korean Won at the rate of 1257.5=USD 1 for 2008 and 2007

Non-Performing Asset Fund

(In Thousands of U.S. Dollars)

Description	2008	2007
Unappropriated retained earnings before appropriation		
Balance at beginning of year	3,861,109	2,942,764
Valuation of investment securities using the equity method	4,092	(1,840)
Net income	731,108	920,185
Interim dividend	(2,764,003)	-
Balance at end of year before appropriation	1,832,306	3,861,109
Unappropriated retained earnings after appropriation	1,832,306	3,861,109

※ U.S. Dollar amounts are translated from Korean Won at the rate of 1,257.5=USD 1 for 2008 and 2007

Statements of Appropriation of Retained Earnings

Independent Auditors' Report

(Based on a report originally issued in Korean)

Non-Performing Asset Fund

The Contributors of the Non-Performing Asset Fund and Board of Directors of Korea Asset Management Corporation:

We have audited the accompanying balance sheet of the Non-Performing Asset Fund (the "Fund") as of December 31, 2008, and the related statements of earnings, appropriation of retained earnings and cash flows for the year then ended and the statement of changes in equity for the year ended December 31, 2008. These financial statements are the responsibility of the management of Korea Asset Management Corporation ("KAMC"). Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Fund for the year ended December 31, 2007, presented herein for comparative purpose, were audited by Daejoo Accounting Corporation. In their report dated January 23, 2008, they expressed an unqualified opinion thereon.

We conducted our audits in accordance with auditing standards generally accepted in Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles and significant estimates used by management, as well as evaluating the overall financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of December 31, 2008 and the result of its operation, the change in its retained earnings and its cash flows for the years then ended, and the changes in equity for the year ended December 31, 2008 in conformity with accounting principles generally accepted in the Republic of Korea and the accounting standards for Public company and Government invested institutions.

Without qualifying our opinion, we draw attention to the following:

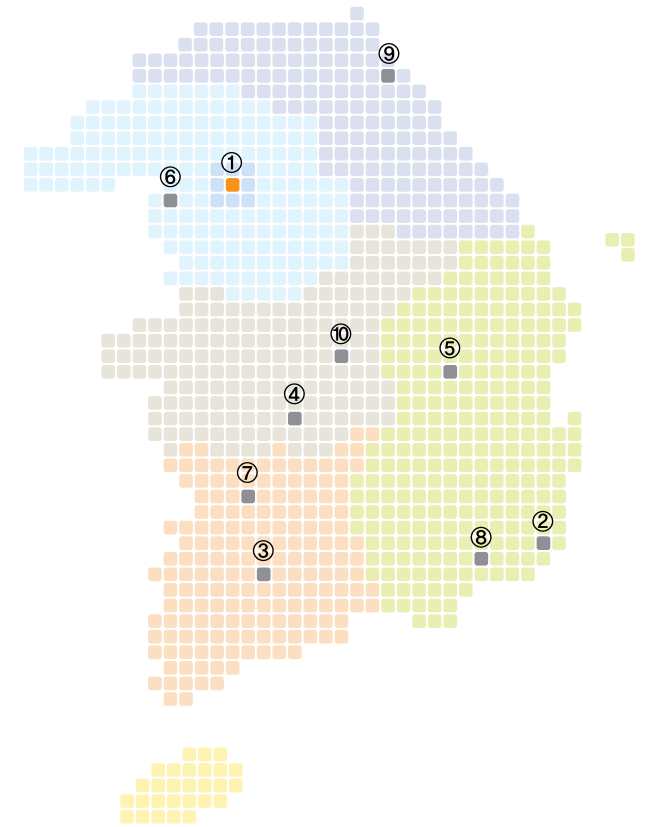
As discussed in note 2(a) to the financial statements, accounting principles and auditing standards and their application in practice vary among countries. The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying financial statements are for use by those knowledgeable about Korean accounting procedures and auditing standards and their application in practice.

January 21st, 2009

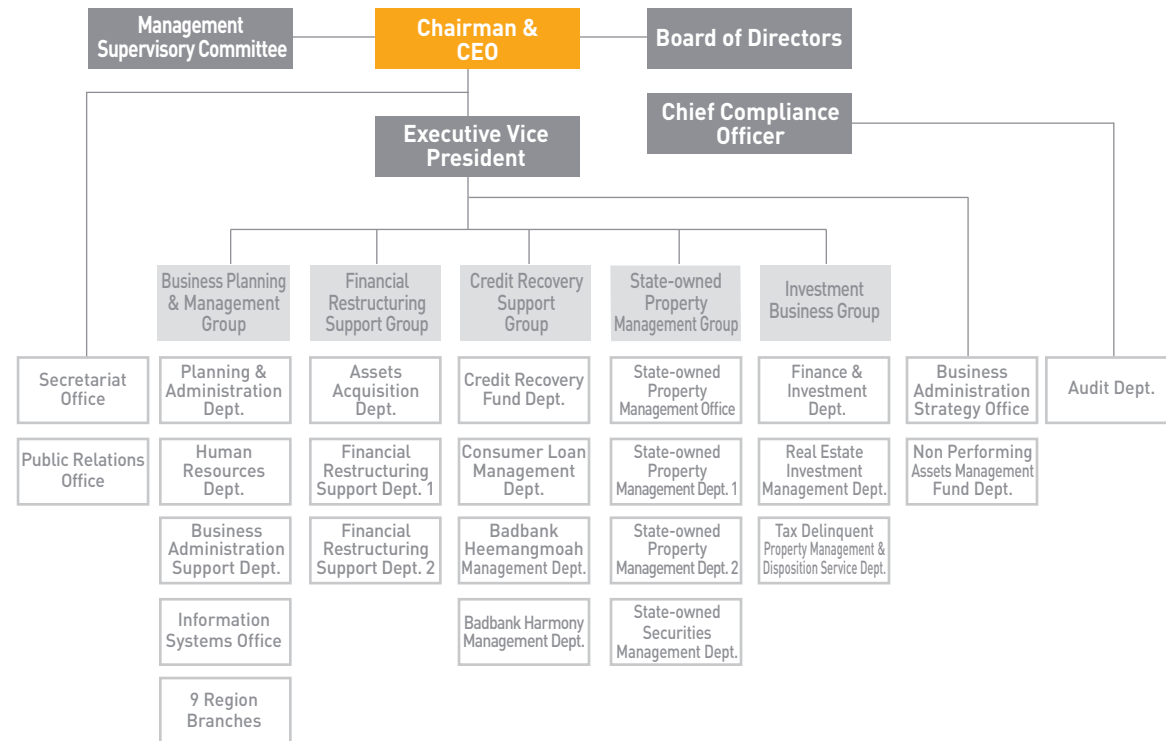
This audit report is effective as of January 21st, 2009, the independent accountants' audit report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the independent accountants' audit report date to the time this audit report is used. Such events and circumstances could significantly affect the accompanying financial statements and may result in modifications to this report.

Management

Chairman & CEO of KAMCO	Chol-Hwi Lee
Chief Audit Officer	Ui-Myung Park
Executive Vice President	Kyong-Dong Min
Executive Director	Kyung-Sung Kwon Young-Hoi Kim Youn-Wook Kang Ju-Hyok Roh Sang-Pil Lee
Outside Director	Jang-Roh Lee Myung-Jin Kim Kem-Sug Yang Yong-Suk Oh Chung-Jung Lee Chan-Woo Jeong Beom-Sik Hong Gang-Sik Lee



Organization



Network

●	Head Office		
①	Head Office	413, Gangnamdaero, Gangnam-gu, Seoul	82-(0)2-3420-5000
	Annex	ASEM Tower. 159-1, Samsung-dong, Gangnam-gu, Seoul	82-(0)2-2103-6000
●	Branches		
②	Busan	268, Geojero, Yeonje-gu, Busan	82-(0)51-860-8000
③	Gwangju	171, Guseongno, Dong-gu, Gwangju	82-(0)62-231-3000
④	Daejeon	33, Cheongsaseoro, Seo-gu, Daejeon	82-(0)42-601-5000
⑤	Daegu	246, Jungdongno, Suseong-gu, Daegu	82-(0)53-760-5000
⑥	Incheon	246, Bupyeongno, Bupyeong-gu, Incheon	82-(0)32-509-1500
⑦	Jeonbuk	118, Nokdu-gil, Deokjin-gu, Jeonju-si, Jeollabuk-do	82-(0)63-230-1700
⑧	Kyungnam	112, Buk 15-ro, Chanwon-si, Gyeongsangnam-do	82-(0)55-269-8000
⑨	Gangwon	70, Juanangno, Gangneung-si, Gangwon-do	82-(0)33-640-3400
⑩	Choonbuk	124, Sajikno, Heungdeok-gu, Cheongju-si, Chungcheongbuk-do	82-(0)43-279-2400

2009 Building a Hope

2009 **KAMCO** Annual Report



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