

A stepping stone
of *Hope*
toward *Happiness*

KOREA ASSET MANAGEMENT CORPORATION
2013 ANNUAL REPORT

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The happiness of the people grows
and the hope of South Korea glimmers

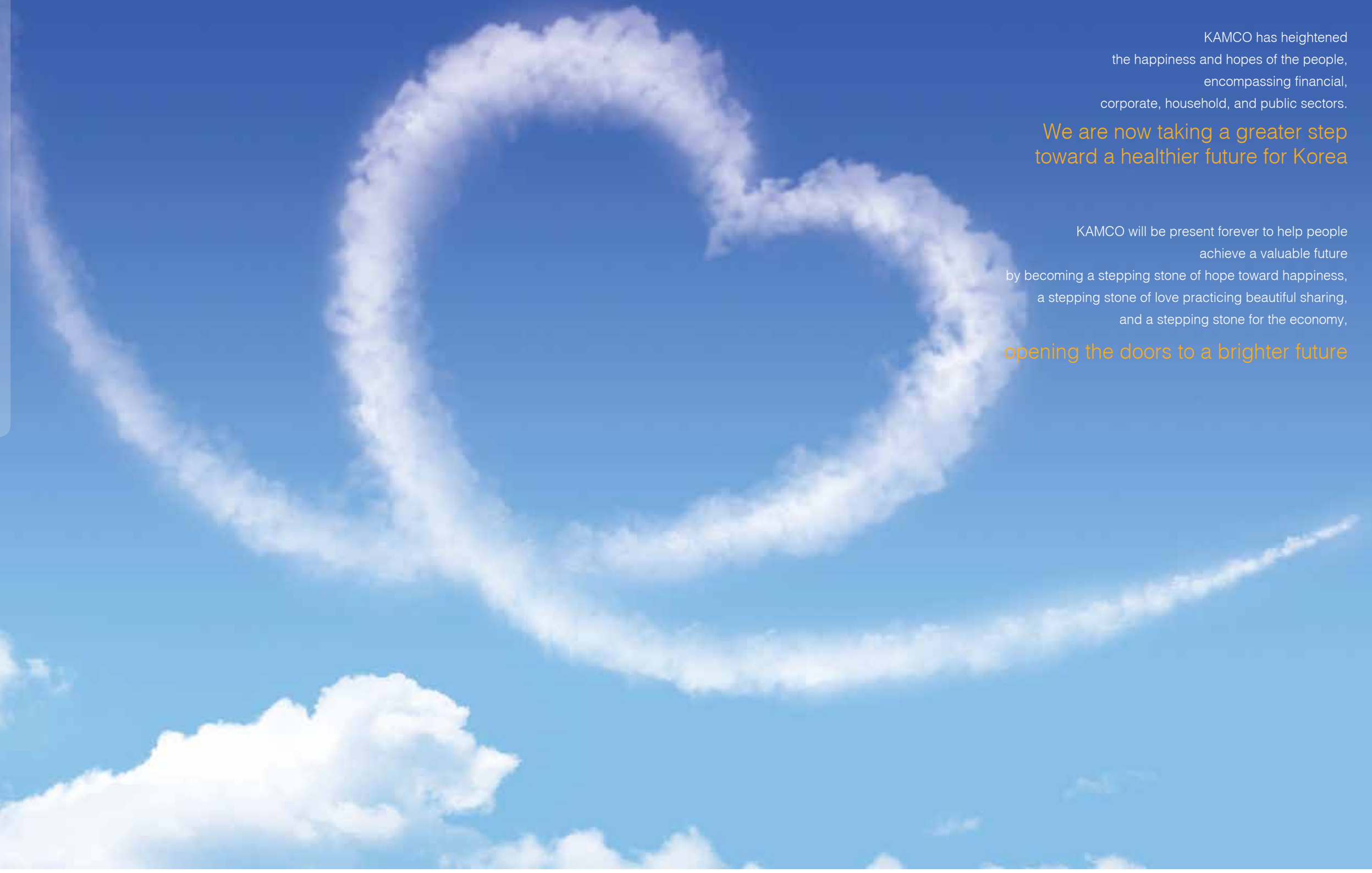
when the national economy
quietly and peacefully prevails

KAMCO has heightened
the happiness and hopes of the people,
encompassing financial,
corporate, household, and public sectors.

We are now taking a greater step
toward a healthier future for Korea

KAMCO will be present forever to help people
achieve a valuable future
by becoming a stepping stone of hope toward happiness,
a stepping stone of love practicing beautiful sharing,
and a stepping stone for the economy,

opening the doors to a brighter future



HISTORY OF KAMCO

The consistent pursuit of one path for the past 51 years History of Korea's economic development represents the path that KAMCO has followed

FOUNDATION 1962-1972



April 6, 1962
Established as Korea Asset Management Corporation



August 3, 1966
Launched overdue receivables collection service for financial institutions

August 21, 1970
Launched non-business purpose asset disposal service for financial institutions

CHANGE 1973-1982



April 1977
Regionally expanded branches to the provinces

April 16, 1982
Launched liquidation service for government-invested corporations

WIN-WIN STRATEGY 1983-1992



February 1, 1984
Launched public auction service for confiscated properties due to failure of payment of national taxes

May 1, 1987
Launched public auction service for confiscated properties due to local tax non-compliance

GROWTH 1993-2002



June 15, 1996
Launched state-owned property management service



November 24, 1997
Reorganized into a specialized resolution agency, and launched NPL resolution Fund



December 31, 1999
Changed company name to Korea Asset Management Corporation, or KAMCO

EXPANSION 2003-2010

October 1, 2002
Launched 'OnBid', the first online asset disposal system in Korea

May 20, 2004
Launched Hanmaeum Badbank service in support of personal credit recovery

April 21, 2005
Launched Heemangmoah, a joint collection agency



September 2, 2008
Launched Credit Recovery Fund, a comprehensive credit recovery support scheme

May 13, 2009
Launched Corporate Restructuring Fund

NATIONAL HAPPINESS 2011-2013



April 1, 2011
Launched National Property Management Fund business (following revisions to State Properties Act)

April 6, 2012
Celebrated 50th anniversary

November 22, 2012
Dissolved NPL Resolution Fund



March 29, 2013
Launched National Happiness Fund

Message from the CEO

**KAMCO is taking a leap forward,
to propel the company further
and to bolster the happiness of the people.**



Since our founding in 1962, we have fulfilled our mandate by defending the national economy - overcoming the Asian financial crisis in 1997, the credit card fiasco in 2003, and the global financial crisis in 2008.

In February 2013, over the course of just 15 years, we succeeded in liquidating the Non-Performing Claim Resolution Fund that we created in 1997 to escape the exchange crisis. We injected public funds of KRW 39.2 trillion, and achieved the unprecedented result of recovering KRW 48.1 trillion, a 123% return on investment. The expertise we developed through our achievement of successful outcomes has become a global standard and best practice for overcoming economic crises.

In addition to effectively relieving bad debts, we took over the arrears of more than 2 million individuals so that they could return to normal economic activities. As a result, we helped approximately 1.65 million people recover financial credit through personal debt rescheduling, Switch-over Double Hope loan (Micro Credit) and microcredits.

In addition, we opened 17 Microfinance Support Centers in metropolitan municipalities across the country, and built the "1397 Microfinance Damoa" integrated call center. We were also awarded a Presidential Citation for our contribution to invigorating microcredits.

At the same time, we energetically carried out corporate social responsibility, reflecting the ideals behind our organization. These included supporting scholarships for low-income children, the underprivileged, and credit defaulters, and promoting a knowledge sharing project for youth. We also shared the love and support we received by giving to our neighbors in need by unfolding the "Hope Replay" together with MBC (Munwha Broadcasting Corp.) and the Korean Red Cross.

In terms of government-commissioned work, KAMCO positioned itself as a de-facto organization for the centralized management of state-owned properties. We also made all preparations to administer the delinquent tax collection program. Thanks to such efforts, we posted a net income of KRW 95.3 billion despite the low-growth caused by difficult financial conditions both at home and abroad.

From here, KAMCO will use its strength and integrity to move forward as a leader, greeting a new era of hope. We will support and empower individuals struggling with delinquent debt who seek to recover their self-sufficiency by lessening their excessive debt liabilities to promote a healthy financial cycle in our communities.

Apart from monetary aids, we will also help those who are financially in need with referrals to employment support and credit education through our Happy Job project.

I thank you for your unwavering support and encouragement as we step into the future to create an era in which happiness prevails. Thank you.

Korea Asset Management Corporation
Chairman & CEO

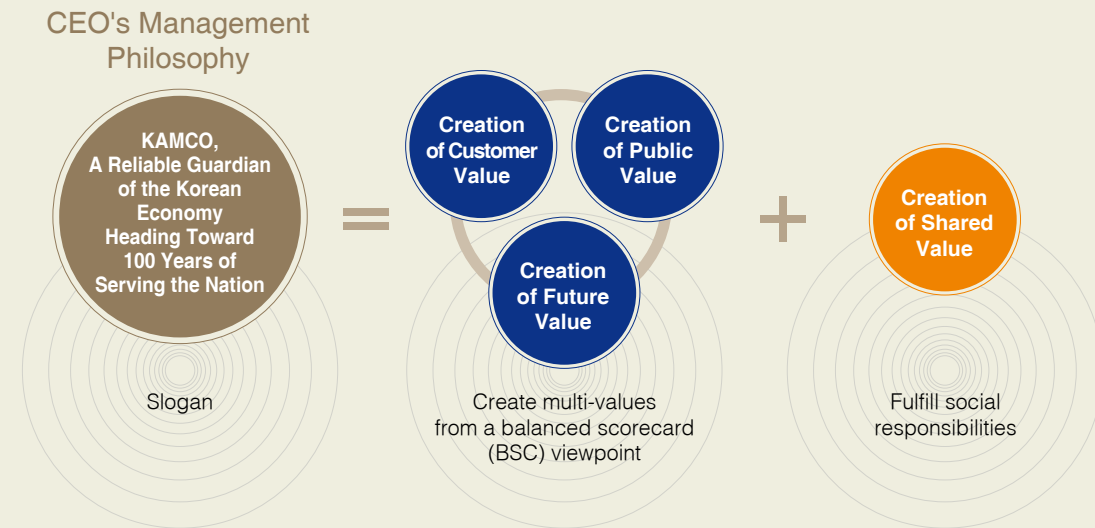
Young Chul Chang

Y. C. Chang

Mission & Vision

Opening the doors to a better future as a stepping stone for the happiness of the people

As a comprehensive asset management company, KAMCO is committed to enhancing the value of the national economy today and into the future by endeavoring towards sustainable growth of the national economy, improving the soundness of weak financial institutions, and providing citizens in need with the tools for self-sufficiency.



Creation of Customer Value

From customer viewpoints

- Improve consumer confidence by doing business based on integrity and ethics
- Maximize brand value by increasing customer satisfaction by upgrading service levels
- Establish desirable role models as a public institution leading the realization of a fair society

Creation of Public Value

From business (financial) viewpoints

- Create public value by successfully administering the state-owned properties management business
- Promote and protect credit assets of the financially underprivileged and ordinary citizens
- Maintain preparations as a financial safeguard to cope with national financial crises at all times

Creation of Future Value

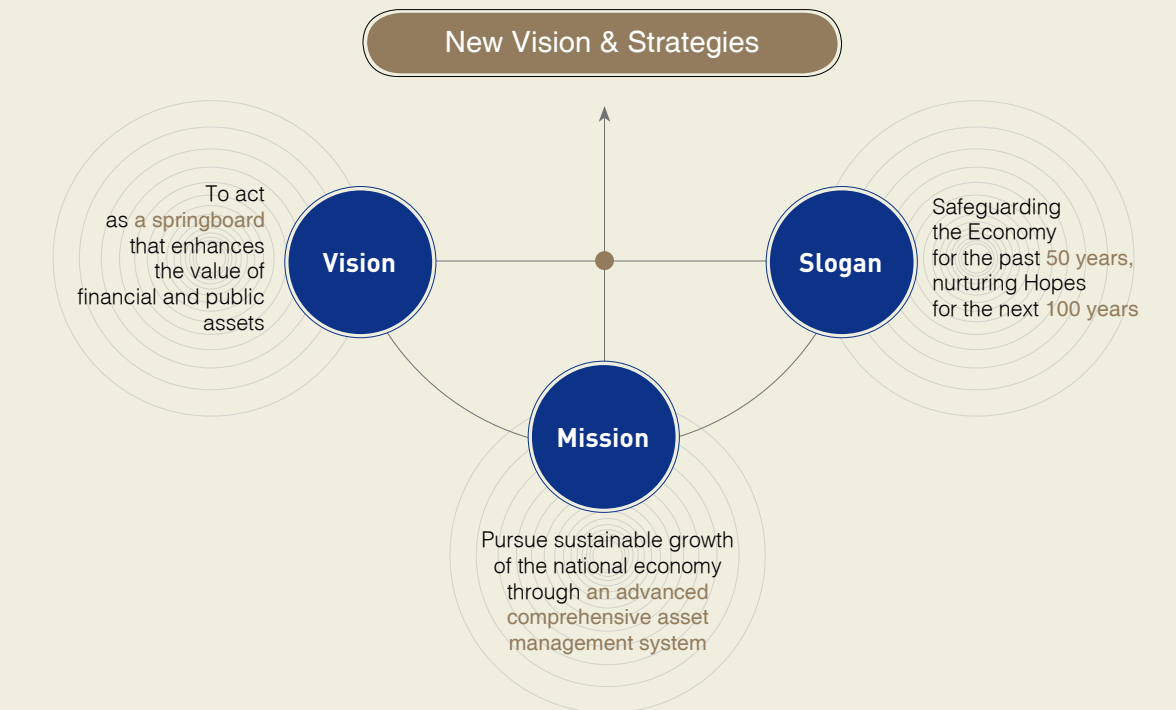
From the internal process, learning, and growth viewpoints

- Promote future-oriented businesses for sustainable development including new growth engines and market advances
- Strengthen consulting capabilities to lead asset management industries in Korea and abroad
- Drive knowledge-based growth by nurturing human resources, encouraging communications, and building a smart working environment

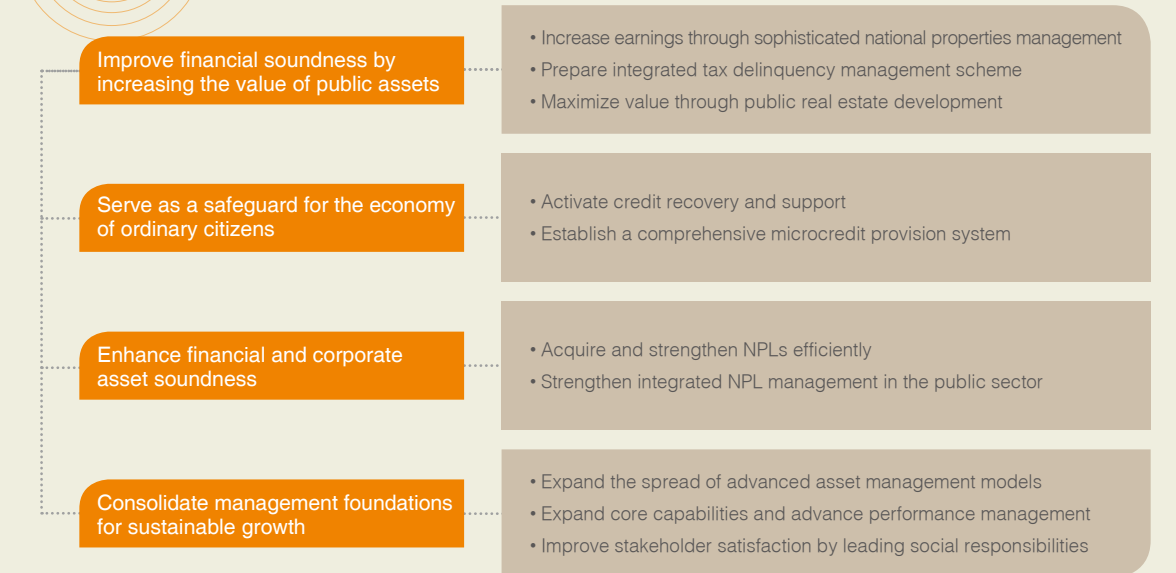
Creation of Shared Value

From CSR viewpoints

- Develop themed tasks by division for business-related CSR activities
- Invigorate local communities and their economies by cultivating self-sufficiency in the financially underprivileged
- Inspire a sense of duty in employees by developing a corporate culture for social contributions



Strategic Goals and Tasks



2012 KAMCO Highlights

Dedicated to enhancing the value of South Korea by creating customer value, public value, future value, and shared value



01 Celebrated 50th anniversary

_ April 6, 2012

KAMCO has grown into a comprehensive state-owned properties management organization while contributing to the defeat of all kinds of national economic crises since its inauguration as Korea's first NPL settlement agency in 1962. Greeting its 50th anniversary in 2012, KAMCO saw an opportunity for momentum toward preparing foundations for the management of the National Happiness Fund. This vision will be secured by strengthening its support for micro finance in an effort to evolve into a company of 100 years that gives hope to the people.

02 Successfully settled NPL Fund

_ November 22, 2012

KAMCO has contributed to overcoming the foreign exchange risk and developing the national economy by improving the asset liquidity and soundness of financial institutions and other companies by managing and operating the NPL Fund for 15 years since the foreign exchange risk in 1997. It successfully settled the NPL Fund by achieving an unprecedented result of injecting public funds and recovering a 122% return on investment (additional return of KRW 9 trillion). This was done by forming a new investment marketplace in Korea called the NPL market, and putting forth efforts toward their sale and liquidation including the introduction of advanced financial techniques.

03 Hosted KAMCO-ADB International Conference

_ April 23, 2012

KAMCO co-hosted an international conference with Asia Development Bank and the Ministry of Finance of Vietnam. Through this, KAMCO shared, with ADB and various Asian countries, its roles and achievements as a national economic safeguard during the Asian financial crisis in 1997 and the global financial crisis in 2008. KAMCO also actively publicized the importance of preemptive countermeasures against economic crises by asset management companies (AMCs), and further, suggested the need for cooperation among AMCs in the Asian region.

04 Received presidential citation for providing microcredit

_ December 12, 2012

KAMCO received a presidential citation at a conference on the achievement of micro finance, organized by the FSC and held at the Cheong Wa Dae, the Korean presidential residence. This was the result of winning great recognition for its endeavors to expand infrastructures for microcredits. Undertakings included giving comprehensive assistance toward the self-sufficiency of low-wage earners and others in need, and building cooperative networks with metropolitan municipalities.

05 Switch-over Double Hope loan (Micro Credit) named model for consumer convenience

_ February 27, 2012

KAMCO's Switch-over Double Hope loan (Micro Credit) was the only microcredit to be named as a model for consumer convenience by the Board of Audit and Inspection of Korea. This recognized KAMCO's efforts to introduce the loan system efficiently. They included increasing target beneficiaries by continuously improving the system, actively utilizing local welfare administration networks by signing MOUs with metropolitan municipalities for providing microcredits, and carrying out visiting consultations and classes on microcredits for the vulnerable populations.

06 Opened Hope Net and 1397 Microfinance Damoa call center

_ June 14, 2012 / September 24, 2012

KAMCO established Hope Net (www.hopenet.or.kr) by reorganizing its Saeheemang Network, a comprehensive website for self-support. In addition, it is enhancing synergies through the integrated management of online and offline microcredit providing systems, by establishing the "1397 Microfinance Damoa" integrated call center for one-stop guidance on microcredit products and support schemes.

07 Signed agreement on sharing social contribution program with MBC

_ March 8, 2012

KAMCO signed an agreement for the "2012 Hope Replay" program with Munwha Broadcasting Corporation to support the welfare, cultural, and credit education projects for low income and other vulnerable populations. KAMCO aimed to fulfill its CSR as a public enterprise by operating social contribution programs that helped those in need. These included joint weddings for couples with disabilities, hope camps for university students, and invitations to parents of immigrant wives in multicultural families. MBC made efforts to spread the culture of sharing in Korea by broadcasting social contribution programs.

08 Signed MOU for settlement of public bonds with KOTEC

_ April 30, 2012

KAMCO and KOTEC (Korea Technology Finance Corporation) signed an MOU as a follow-up measure to improve the joint surety and recovery support system, announced by the Financial Services Commission (FSC) in February 2012. Accordingly, the two companies continued to reinforce their business cooperation. For example, KOTEC sold bonds to KAMCO, and KAMCO supported the recovery of small and medium-sized companies through debt relief and job placements.

SOLIDLY SUPPORTING THE PUBLIC MARCH
TOWARD TOMORROW,

KAMCO WILL SERVE AS A STEPPING STONE FOR HOPE HEADING TOWARD HAPPINESS

KAMCO is pursuing efforts to become the launching pad for the national economy. Our goal is to stabilize the financial market of Korea, and enhance the value of financial and public assets. We will increase the stability of the national economy by proactively responding to economic crisis, support credit recovery to awaken the deserving dreams of the financially underprivileged, and support the country's future visions by raising the value of national properties.



01 Non-performing loans of financial companies

SOUND NATIONAL ECONOMY LEADS TO A BETTER FUTURE

KAMCO is contributing to creating a sound national economy by swiftly clearing non-performing debts of financial companies and thus stabilizing the financial market. As the economic safety net of the country supporting the development of the financial industry and the stabilization of the national economy, KAMCO will strengthen the national economy and map out a reliable future for generations ahead.



Enhancing the soundness of financial companies by maximizing the recovery of public funds

• NPL fund management

Credit amount
KRW **111.6** trillion

Purchase amount
KRW **39.2** trillion

Recovered amount
KRW **48.1** trillion

Excess Recovered
KRW **8.9** trillion

Recovery Ratio
123%

Returned vs. Investment
304%

Maximizing the recovery of public funds

While managing the NPL fund after the currency crisis in 1997, KAMCO enhanced the liquidity and soundness of financial institutions and contributed to overcoming the currency crisis by acquiring non-performing loans worth KRW 111.6 trillion with KRW 39.2 trillion of public funds.

From the establishment of the fund to its liquidation in February 2013, we recovered KRW 48.1 trillion by using advanced financial techniques such as ABS, international bidding and M&A. We recovered KRW 8.9 trillion more than the total acquisition cost of KRW 39.2 billion.

Reducing the burden of citizens by redeeming the public fund

By efficiently liquidating the acquired loans, in July 2008 KAMCO redeemed KRW 33.3 trillion, the principal and interest the public fund had to redeem, and returned the fund surplus to investment organizations according to investment ratios earlier than planned to reduce the burden of citizens. We returned KRW 10,645.6 billion to the Government and KRW 1,741.3 billion to financial companies until the liquidation of the fund in 2013, returning KRW 12.4 trillion (304%) as compared to the initial investment of KRW 4.1 trillion.

Efficient sale and liquidation of owned enterprises

KAMCO maximized the recovery of the public fund by supporting the normalization of management and quick sale of successfully restructured enterprises, which swapped debt with equity.

• Sale of key owned enterprises

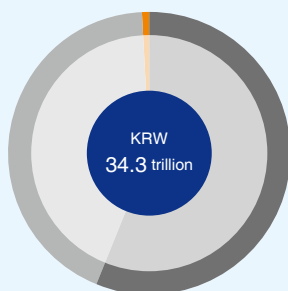
	OWNERSHIP PERCENTAGE	SALE DATE
Kyobo Life Insurance	9.9%	June 21, 2012
Daewoo Electronics	57.4%	February 15, 2013
Ssangyong Cement Industrial	9.3%	July 30, 2012

Successful liquidation of the NPL fund

As the legal deadline for NPL fund management (November 22, 2012) expired, the residual properties were returned as a precaution according to investment ratio, and non-cash residual properties were returned according to a rational and transparent procedure, e.g. in kind or securities.

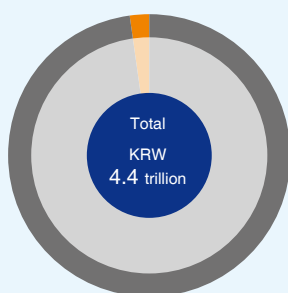
Contributing to the stabilization and development of the financial market as the safety valve of the market economy

Acquiring non-performing loans



- General loans (secured and unsecured) KRW 23.1 trillion
- PF loans KRW 10.8 trillion
- Workout loans etc. KRW 0.4 trillion

Restructuring fund management



- Non-performing loans of financial companies KRW 4.3 trillion
- Ships, restructuring properties KRW 0.1 trillion

Supporting the stabilization of financial companies by the timely acquisition of non-performing loans

After the deadline for acquiring the NPL fund expired in November 2002, KAMCO acquired KRW 34.3 trillion of non-performing loans from financial companies and supported the soundness and liquidity of financial companies, thereby greatly contributing to the stabilization of the domestic financial market and the development of the national economy.

Cushioning the landing of savings bank failure

To support the government policy for "promoting savings banks' self-efforts and reducing anxiety about the financial market", and supporting savings banks, KAMCO acquired non-performing PF loans worth KRW 8.3 trillion from 2010. We enhanced the managerial soundness of savings banks by selling non-performing loans and saving the reserves for expected losses on installments, and as a result of a systematic effort to stabilize PF businesses, KAMCO could collect back KRW 372.9 billion by disposing PF loans and collateralized loans.

Restructuring fund contributing to the stabilization of the national economy

To proactively respond to the instability of the financial market, which emerged due to the global financial crisis in 2008, KAMCO established a "restructuring fund" worth KRW 40 trillion in May 2009, and has since served as a financial safety net.

As the acquisition of NPLs through the restructuring fund was finalized at the end of 2011, we concentrated on the liquidation of the NPLs we acquired starting in 2012, and recovered KRW 4,437.2 billion.

Restoring the financial restructuring function by revising the Korea Asset Management Corporation Act

As the acquisition of NPLs with the restructuring fund ended, we revised the Korea Asset Management Corporation Act in 2012 so that we could acquire corporate NPLs with KAMCO's own account. KAMCO is now able to continually carry out financial restructuring.

Unifying management of non-performing loans in the public sector

KAMCO reduced social expenses by managing non-performing loans in the public sector (including government and public corporations) efficiently, intensively and integratively, and contributed to enhancing the financial soundness of the country by streamlining the management of loans. Until now, we laid the foundation for integrated management of non-performing loans in the public sector by acquiring non-performing loans from the Korea Technology Finance Corporation and the Small and Medium Business Corporation (KRW 5,620.8 billion).

Pushing harder with overseas business as a global financial public corporation



Enhancing customer satisfaction by improving the non-performing loans acquisition system

KAMCO reflected the changes in the financial environment and the requirements of financial companies, introduced many acquisition products, expanded the scope of loans to be acquired, and improved acquisition conditions such as the sharing of residual earnings. As a result, KAMCO was ranked No. 1 in the pension and funds section in the 2012 Public Institution Customer Satisfaction Survey for five consecutive years, and we will continuously reinforce this win-win relationship and pursue sustainable shared growth.

Teaching KAMCO's business know-how overseas

KAMCO has been providing job training for the employees of overseas financial companies since 2001, and in 2012 we taught NPL liquidation know-how to the employees of Thai Central Bank, SAM, and CHAMC, one of the top four asset management corporations of China. In 2012 we took advantage of KSP to provide consulting for Vietnam's DATC (Debt and Asset Trading Corporation).

Entering into an MOU with overseas institutions to expand the network for business cooperation

KAMCO entered into an MOU for cooperation with Mongolia's Central Bank (February 17, 2012), Germany's DBV Bank (May 30, 2012), and Taiwan's CDIC (Central Deposit Insurance Corporation, August 22, 2012), and reinforced external cooperation.

Playing a leading role in laying the foundation for becoming a financial power by launching the IPAF

In celebration of our 50th anniversary in April 2012, KAMCO hosted an international conference in Hanoi, Vietnam in collaboration with the Asian Development Bank (ADB) and Vietnam's Ministry of Finance, and officially proposed the establishment of a global consultative body in which the public AMC and central bank of each Asian country participate.

To jointly respond to economic crisis and reinforce the Asian economic safety net, KAMCO joined forces with ADB in May 28, 2013 to establish the International Public AMC Forum (IPAF), in which 9 institutions from 7 countries participate as members.

KAMCO will induce member countries to voluntarily participate and collaborate by continuously and actively operating IPAF, build a platform for international exchange and cooperation, share expertise in liquidating non-performing loans, and create a knowledge ecosystem and new values.

02 Management and sale of properties entrusted by the Government

MOVING FORWARD TOWARDS A SOLID FUTURE FOR NATIONAL PROPERTIES WITH THE PUBLIC

As an agency dedicated to the management of national properties, KAMCO is centrally active in its efficient facilitation in Korea, and is creating new values for national properties by operating "OnBid," an online venue for public notifications regarding the management or disposition of national / public assets or properties.



KAMCO,
the best national and public
property management
corporation in Korea

Ensuring management efficiency by centralizing the managing agencies of general national properties

As of the end of 2012, KAMCO was the largest national property management agency, managing the 545,000 parcels owned by the Ministry of Strategy and Finance (89% of all general national properties) and marketable securities (356 listed and unlisted issues). In June of 2013, 65,000 parcels (11%) of residual properties were transferred to KAMCO, which join all the general national properties owned by the Ministry of Strategy and Finance. In addition, we utilized our expertise in national property management to successfully carry out the pilot project for managing the public properties (99 parcels) of Seoul in 2010, and took charge of 2 buildings in 2011 and 1,647 parcels in 2012.

• National properties owned and share (610,000 parcels in total) (Unit: 10,000 parcels)

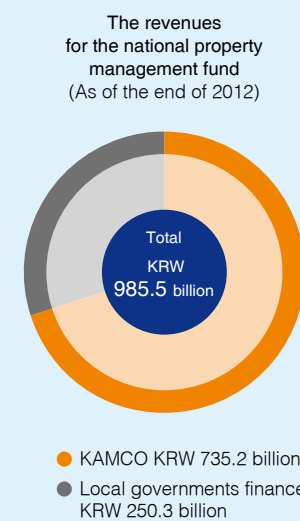
	2005	2006	2007	2008	2009	2010	2011	2012
Ownership	2.1	8.1	9.5	16.2	22.4	22.2	44.6	54.5
Share	3%	13%	16%	27%	37%	36%	73%	89%

Increasing national revenues by invigorating sales and loans

KAMCO increased the indemnity collection rate by building, systematically managing key loaned properties and differentially managing illegally occupied properties by type. In addition, we improved our business processes, e.g. overall improvement of the national properties management system (BPM) and upgrading the GIS system, and have generated approximately KRW 4.5 trillion in revenue since we began to manage national properties in 1997, thereby contributing to increasing national revenues.

• National revenues (Unit: KRW 100 million)

	'97-'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	Total
Amount	2,159	384	664	3,108	3,558	5,104	7,931	6,925	6,687	8,160	44,680



Reinforcing the infrastructure by setting up the national property management fund

As the National Property Act was revised (April 2011) to increase the utility of national properties by streamlining the supply and demand of, and developing national properties, KAMCO has been in charge of managing national properties since 2012. With the launch of the national property management fund, KAMCO laid the foundation for becoming an authority in national property management through its efficiency.





Transforming
from a specialist
in public auction disposition
to a specialist
in the management of
seized delinquent properties

Creating value by developing national and public real estate

KAMCO has supported increasing the national and provincial revenues and contributed to revitalization of local economies and increasing the benefits to residents by developing surplus state-owned and public land in a community-friendly way, increasing the value of properties, and increasing opportunities for residents to use such properties. We carried out a total of 9 state-owned land commissioned projects, including the Narakiwoom Jeo-dong Building, and increased the annual rent revenues by 27 times. We are also conducting 6 cases of commissioned development, such as the leased government-invested building in Sejong City and the Daegu Civic Center in 2013.

Commissioned sale of the idle properties of public institutions

The "Enforcement Decree of the Act on the Management of Public Institutions" was revised (July 2011) according to the Government's public institution advancement policy, and on the grounds for commissioning KAMCO to sell the idle properties of public institutions. Since then, we have been trying to carry out the commissioned sale of the shares in the companies' public institutions' invested in and idle properties. As a result, we completed the sale of 6 idle properties including the former Daejeon Business Office of the Korea Development Bank, and we are currently trying to sell 8 parcels including the idle forest land of the Korean Red Cross, which was additionally commissioned in March 2012.

Supporting the relocation of public institutions to provinces and preparing the relocation of KAMCO to Busan

In July 2011 the Enforcement Decree of the "Special Act on Innovation Cities" was revised, and KAMCO was designated as the dedicated agency for purchasing the real estate owned by public institutions, which are being relocated to provinces, and whose sale is delayed. Accordingly, we purchased seven pieces of real estate (KRW 329.3 billion) and are supporting the public institutions' relocation to provinces. KAMCO is also planning to move its head office to Busan along with eight public institutions in 2014, and contribute to the balanced development of national land.

Contributing to the increase of national and local government financial revenue

Entrusted with the seized properties of defaulters by the National Tax Service, local governments and public institutions, KAMCO induced the delinquent payers to voluntarily pay taxes or sold the seized properties by public auction through OnBid. In 2012, we increased the national financial revenues by KRW 377.6 billion, and contributed to realizing fair taxation.

(KRW 100 million)

YEAR	NATIONAL TAX	LOCAL TAX, ETC.	TOTAL
2012	2,087	1,689	3,776

An efficient and
convenient
online public
auction system

OnBid



Improving the public auction system to protect the rights of the people and increase tax revenues

Since 2012, we have been making efforts to secure the transparency of public auction articles, invigorate sales, and protect the rights of stakeholders by registering the initiation of public auctions on the registry, and by posting the current statuses of investigations and the details of public auction articles.

Commissioned collection of delinquent national taxes

As the "National Tax Collection Act" was revised (December 2011), and KAMCO was put in charge of collecting delinquent taxes, e.g. investigating the properties of defaulters, we implemented a comprehensive online public auction system by connecting the OnBid public auction system to the National Tax Service, the Ministry of Security and Public Administration, the "seizure and public auction management system," and four major social insurance schemes. As a result, we are providing efficient administrative service, and reduced administrative costs such as those related to delinquent tax disposition and labor.

An advanced service for disposing of properties owned by public institutions

OnBid, the Online Bidding system based on KAMCO's public auction know-how and public confidence, is a national information processing system that provides information on the property disposition of all public institutions in real time, and the online procedures for bidding and contracting. OnBid is increasing the fairness, transparency and efficiency of bidding, and financial revenues by reducing the cost of asset disposition, thereby contributing to the advancement of disposition and management of public properties.

• Key performance

	2010	2011	2012
Users	650,000	760,000	840,000
Institutional users	10,357	11,551	12,715
Notification of asset sale	22,673	25,868	27,356
Amount	KRW 2.6 trillion	KRW 3.5 trillion	KRW 4.2 trillion

Diversification of articles auctioned off in OnBid

As it became possible to sell non-performing loans (NPL) on OnBid, and the "Act on Security over Movable Property, Claims, etc." for invigoration of financial support for SMEs was enforced in 2012, OnBid was designated as a tool exclusively for the disposition of movable securities. Thus, more diverse articles can now be auctioned off.

Public auction service in your hand, "Smart OnBid App"

KAMCO is providing the mobile one-stop public auction service, capable of searching public auction information and bidding, through the "Smart OnBid App" service launched in December 2011. Additionally, as the service expanded, e.g. input keypad security and use of universal certificates, the reinforced security system increased the stability of bidding as well.

03 Supporting individuals' credit recovery

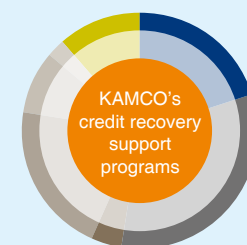
GIVING HOPE TO THE FINANCIALLY UNDERPRIVILEGED

The National Happiness Fund (state-run credit amnesty program), which was launched in March 2013, will give hope to people who seek to redeem financial debts and become economically self-sufficient despite economic hardships. The National Happiness Fund will actively support the self-reliance and rebound of KRW 3.45 million defaulters in Korea through debt restructuring and credit recovery. As a result, we anticipate an increase in more economically active individuals that will invigorate the national economy.



Giving hopes to the financially-underprivileged and ordinary citizens

Consistent improvement of system and development of new project items to activate micro loans



- KAMCO 320,000(20.0%)
- Heemangmoah 520,000 (32.5%)
- Welfare receipt 70,000 (4.4%)
- Credit Recovery Fund 330,000 (20.6%)
- Switch-over Dream Loan 140,000(8.8%)
- KAMCO Double Hope Loan 40,000(2.5%)
- Hanmaeum Finance 180,000(11.3%)

Credit Recovery Fund giving hope to the community

Since KAMCO introduced the first public credit recovery support program in Korea during the currency crisis in 1997, it has supported the economic recovery of people with multiple debts by providing customized debt restructuring services like "Hanmaum Badbank" and "Heemangmoah," and became established as a model for credit recovery support.

The "KAMCO Credit Recovery Fund," established during the global financial crisis (September 2008) based on our experience and expertise, has evolved from simple debt restructuring into a comprehensive financial support system for citizens, including the Switch-over Double Hope loan (Micro Credit) for switching high-interest loans into low-interest loans, emergency fund support and job search assistance for economic recovery. So far, we have supported 1.6 million financially underprivileged with their credit recovery and comprehensive self-support.

Continuously improving the system for revitalizing micro credit and discovering new businesses

To provide customized support for the financially underprivileged who are experiencing difficulties due to the economic recession, we established the "Switch-over Dream Loan for self-employed small business owners" and "moratorium on college students and unemployed youths' loans." We have also continuously improved the system by expanding the debt restructuring reduction rate for SME debtors, and alleviating requirements so that people benefiting from personal rehabilitation can receive small loans. In addition, we induced the establishment of a sound credit society by providing credit management education for people from all walks of life.

• Key improvements of the Credit Recovery Support program in 2012

February 1, 2012	Additional support when the KAMCO Switch-over Dream Loan is faithfully redeemed The original application allowed for only a one-time use, but we alleviated this requirement, and gave people who are faithfully redeeming their debts an opportunity to take advantage of the Switch-over Dream Loan a second time.
February 22, 2012	Moratorium on college students and unemployed youths' loans College students: Up to two years while in school and after graduation Unemployed youths: Enables them to concentrate on studies and supports their startup and employment by imposing a moratorium on their loans up to two years until 29 years of age
May 24, 2012	Increased the "debt reduction rate" for small and medium-sized business owners (30%→51%) To help small and medium-sized business owners who failed to recover economically, it increases debt reduction for loans to business owners among the unsecured bonds owned by KAMCO.
September 3, 2012	Expanded the targets of the KAMCO Double Hope Loan Adds people benefiting from personal rehabilitation to the list of targets, and increases their micro credit limit to KRW 10 million
November 12, 2012	Began to provide the "Switch-over Dream Loan for self-employed small business owners" Supports the economic recovery and self-reliance of self-employed small business owners who are suffering from high-interest loans
Throughout 2012	Provided various "credit management education" by class and region Induced the establishment of a sound credit society by fostering professional in-house instructors and developing various education programs and contents, and provided knowledge on finance and credit for the financially underprivileged

Reinforcing the synergies by strengthening the infrastructure for micro credit and through integrated management

Revitalization of micro credit network with local government

KAMCO is supporting the financial independence of the financially underprivileged and the revitalization of local economy by linking to the welfare programs of local government. In 2011 we entered into an MOU for micro credit support with fifteen local governments across the country, and opened a total of seventeen "comprehensive micro credit support centers" in 16 cities in 2012.

Managing the online and offline micro credit infrastructures

We changed the "Saeheemang Network," a comprehensive self-reliance support system into the "Micro Credit site," a portal site for micro credit, and the KAMCO call center into the "1397 Microfinance Damoah call center," an integrated call center for micro credit institutions. These changes transformed KAMCO into a central agency in micro credit managing the online and offline micro credit infrastructures.



Emphasis on comprehensive settlement of low income debtors' household debts

The National Happiness Fund was established in March 2013 with a focus on comprehensively resolving the household debts of people with multiple long-term delinquencies, believing that those defaulters are willing to try their best to repay the debts despite difficulties. We expanded the existing "Credit Recovery Fund" with the aim of providing support so that defaulters can repay household debts while creating income through links to employment services rather than simple support.

In a virtuous circle, debtors will have an opportunity to reduce the burden of debts and have a chance at rehabilitation, and the soundness of financial companies will be enhanced. Both debtors and financial companies will benefit. In terms of national economy, both households and financial companies will be stabilized and consumption will be promoted to support the recovery of the economy.

The National Happiness Fund is supporting the financially underprivileged through debt restructuring, e.g. reduction of debts and extension of the redemption period after purchase of the long-term NPL of financial companies, and through the Switch-over Dream Loan, which switches the high-interest loans (20% or higher interest rate) from the non-banking sector and money lenders to low-interest loans (10.5% interest a year). In addition, we linked various micro credit services and employment and startup services, and prepared a comprehensive self-reliance support system.

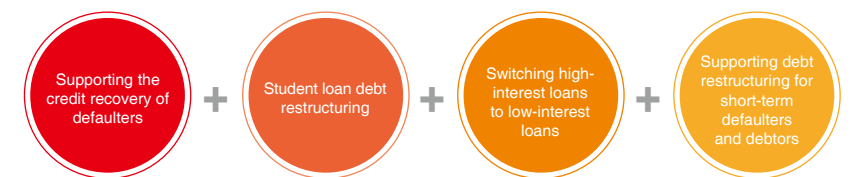
We will serve as the stepping stone for hope-National Happiness Fund




Key businesses of the National Happiness Fund

	KEY BUSINESS	DESCRIPTION
Debt restructuring	• Purchasing the debts of "long-term debtors," who are defaulting large amounts of debts, from financial companies and money lenders, reducing debts and extending the redemption period	• Reducing debts by up to 50% of the principal (up to 70% for welfare recipients) • Redemption by installment for up to 10 years
Switch-over Dream Loan	• Switching high-interest loans to low-interest loans for debtors who are promptly repaying their debts	• The application requirements were alleviated 6 months after the launch of the fund. • Targeted toward people with an annual income of KRW 40 million or less regardless of credit rating • Credit limit is KRW 40 million
Micro credit	• Supporting micro credit for debtors who are repaying their debts promptly as emergency funds (KAMCO Double Hope Loan)	• Up to KRW 10 million • Interest rate of 4% a year, and the loan period is up to 5 years.
Employment support	• Job placement to support the credit recovery and economic rehabilitation of defaulters • Inducing employment by providing employment subsidies and fidelity insurance for employers	• Providing employment subsidies for employers (up to KRW 2.7 million a year) and fidelity insurance (up to KRW 20 million per person)
Comprehensive self-reliance support	• Integrating the programs for the financially underprivileged (banking, employment, welfare, etc.) and providing self-sufficiency counseling based on individual characteristics	• Employment and debt clinic counseling and consulting • Debt restructuring and provision of credit management information • Providing information on micro credit support

The comprehensive self-reliance support system of the National Happiness Fund






KAMCO

Ordinary People's Finances Vitalization Contribution


President's Commendation



Switch-Over Dream Loan

Board of Audit and Inspection Field of National Convenience Model Case Selection

Chairman of the Board of Audit and Inspection's Commendation Award



Happy Job Employment Support

Support for the creation of jobs for financially vulnerable citizens

Premier Commendation Award



KAMCO WILL BECOME THE STEPPING STONE FOR LOVE

**THROUGH ITS COMMITMENT TO CUSTOMERS,
NEIGHBOR INVOLVEMENT AND TAKING THE LEAD IN SHARING**

KAMCO is giving hope to the financially underprivileged and ordinary citizens and playing a central role in stabilizing the economy by providing micro credit and engaging in various social contribution activities. Fulfilling our social responsibilities while faithfully conducting our mandate, including the stabilization of the national economy and provision of micro credit, we will continue toward even more contributions to the development of our society, lead the spread of a culture of sharing, and lay the foundation for a warm and healthy society.

With Nanum(sharing) Management building hopes, KAMCO will become a beautiful company giving hope to neighbors and society.

"Hope Replay," the social contribution brand of shared growth and Nanum

With a focus on "Hope Replay," the social contribution brand, KAMCO developed the social contribution program utilizing its business competency. Also, through the "Pro-Bono Volunteer Corps," a talent donation volunteer corps consisting of KAMCO employees, we are taking advantage of our skills and talents to conduct volunteer work in areas such as credit, economy and culture.

In 2012, we utilized the knowledge and experience of our employees to conduct pro-bono activities to help our neighbors. This included credit management education for the financially underprivileged, supporting the self-reliance of the financially underprivileged, and making and donating a website to each of the 1-company 1-village sister villages.



KAMCO
1-Company 1-Village Customized Village Support System
President's Commendation Award

KAMCO Gyeongnam Region Head Office
Social Contribution Activities Superior Agency Administration
Provincial Governor's Commendation Award

KAMCO - Songha-ri Township
Urban Rural Exchange Program Rural Sarang Movement Diffusion
1- Company 1- Village Award

KAMCO - Bangshin Traditional Market
KAMCO Worldwide Gift Certificate Superb Model of Utilization Selection
Excellent Market Work Award



Sharing with welfare recipients

For the purpose of serving as a community safety net, we provide support with daily necessities for those in need, pay medical expenses for households with long-term patients, and deliver scholarships and school supplies to the children of the financially underprivileged.

Sharing credit knowledge

With the aim of bridging the gap in financial knowledge by providing financial know-how for ordinary citizens and the financially underprivileged, we provide customized education helpful to credit management and daily life, and support credit recovery. Meanwhile, we also provide credit management education for teenagers and college students, and asset management education and presentations for ordinary citizens.

Sharing self-reliance opportunities

In order to induce fundamental changes in daily life by laying the foundation for sustainable self-reliance and self-support among the financially underprivileged, we assist them not only through direct hiring (youth interns and the disabled), but also by providing credit recovery customers and the financially underprivileged with job information and job placement services.

Sharing cultural competency

We are carrying out a variety of cultural programs so that the financially underprivileged can have opportunities to enjoy travel, music and exhibitions, improve their quality of life, and feel the joy of living within a broader community.

KAMCO Will Reinforce the synergies by strengthening the infrastructure for micro credit and through integrated management

Practicing Nanum Management with local communities

KAMCO entered into a sisterhood relationship with four rural villages, and cooperated with their effort to develop sales channels by developing brands of specialty products and donating a website. We also provided transition assistance for employees who wanted to retire to rural villages to help them successfully assimilate into their new environment. We provided practical and differentiated support that truly makes a difference. Our contribution to the invigoration of the urban-rural exchange was recognized, and we received the Presidential Award in the Urban-Rural Exchange Awards ceremony in the corporate sector.

KAMCO entered into a sisterhood relationship with traditional markets like the Bangsin Traditional Market and supported their revitalization. We are also trying to expand our support for the disabled, women, social enterprises and SMEs.

Spreading the Nanum Culture through social contribution partnership

KAMCO is creating a society of sharing by supporting the financially and socially underprivileged, and conducting numerous social contribution activities for customers of the credit recovery support programs and people in the low-income bracket to diffuse Nanum Culture into society.

KAMCO carries out the Hope Replay project jointly with Korean Red Cross, Miral Organization, and the Community Chest of Korea so that the underprivileged can receive more benefits. In particular, in celebration of our 50th anniversary, we entered into a social contribution MOU with MBC, and provided support for the socially underprivileged on three occasions.

- KAMCO-Miral Organization matching grant MOU
- KAMCO-Korean Red Cross Hope Replay family tour
- KAMCO-Korean Red Cross Hope Replay Wintering
- KAMCO-Community Chest of Korea special activities to help the underprivileged in winter
- KAMCO-MBC creating a social culture to be close to our neighbors
- KAMCO-Seoul National University Sharing Knowledge for teenagers



Marriage of disabled couples
50 disabled couples who benefited from the credit recovery program
Hosted the wedding ceremony
2-night 3-day honeymoon

Providing scholarships of hope
105 college students from low-income families
KRW 3 million each,
2-night 3-day Hope Camp

Supporting multi-cultural families
20th anniversary of the establishment of diplomatic relations between Korea & Vietnam
133 Vietnamese females living in Korea Sponsoring their visit to Vietnam and winter travel



KAMCO will become a corporation dedicated to customers and trusted by the community through their superior customer service.



Best service "from the viewpoint of customers, and caring for the mind of customers"

Under its CS-Management vision of "Best Client-serving company by Value Creation," KAMCO has engaged in various CS activities, such as reinforcing the efficiency of CS Management, and making efforts to improve the quality of customer service. As a result, we scored 97 points in the public institution customer satisfaction survey conducted by the Ministry of Strategy and Finance in 2012, achieving an excellent grade (above 90 points) for four consecutive years, firmly establishing ourself as the best client-serving company.

Expanding the integrated call center into the customer support center

The KAMCO call center with 194 full-time staff members was expanded into a customer support center – a comprehensive control center – not a simple counseling center, and greatly contributes to providing higher quality customer service, and to the accomplishment of the management performance of KAMCO. In particular, in September 2012, we launched the integrated micro credit call center with a single representative number (1397 Microfinance Damoah). We are now able to provide comprehensive micro credit information service. Additionally, the integrated call center is also serving as a call center regarding national properties around the country.



Won the Presidential Award for 2 years in a row
National Quality Management Competition.



The Call Center service acquired KS certification
In 2011 and 2012



The best call center for 4 years in a row
The Korea Management Association



Enjoyable and smart! A great work place, KAMCO

KAMCO was ranked No. 1 for 2 years in a row in the "Great Work Place" Awards hosted by KMAC in the pension and fund sector. Under the strategic goal of "Making KAMCO a great work place," we are conducting various programs, including the "Quit smoking program" to promote a healthy workplace, the "Nice Lunch" program for free socialization among employees, the "KAMCO employee of the Month" program for encouraging employees to compliment each other and feel proud as KAMCO employees, and the "Thank-you Card" program for creating a culture of gratitude and consideration. Through this enjoyable and smart corporate culture of KAMCO, we are transforming our company into a great work place.



Awards hosted by KMAC
Great Work Place
 No. 1 for 2 years in a row



The Anti-Corruption and Civil Rights Commission
Transparency & Corruption Prevention Evaluation
 An Excellent Grade

A comprehensive national property management agency trusted by citizens

Under the ethical management vision of the "Highly Trusted Asset Management Company," KAMCO prevents corruption through the Integrity Pacts system and its full-time monitoring system, and reinforced ethical management through evaluation of the code of conduct and ethical level assessment. In addition, the counseling and monitoring provided by the Integrity Ombudsman helps secure integrity and transparency in our business, and our efforts to diffuse ethical management enabled us to obtain an excellent grade in the 2012 Transparency and Corruption Prevention Evaluation by the Anti-Corruption and Civil Rights Commission.

HR management fostering global experts based on creativity and equity

Scholarships of hope



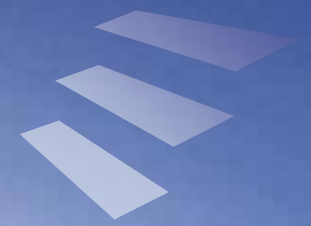
Regional talent recruitment



KAMCO is pressing to realize a society where all people are respected, not just people with high educational backgrounds and supposed qualifications through open recruitment, which excluded such discriminatory factors as educational background, major and age. In 2012, in consideration of social equity, we developed jobs for high school graduates, revised regulations, and hired seventeen high school graduates.

Since 2009, we have conducted the youth intern program for the purpose of identifying outstanding talents and developing the careers of job seekers, and thus hired 56 interns in 2012. KAMCO provides youth interns with practical on-the-job training to help them develop their careers. We are actively supporting job seekers through our mentoring system, language and working-level license training courses. We also offer special treatment to those who finish the internship program in the selection of candidates by examining their personal histories and through their written examinations.

As our expertise in successfully overcoming economic crisis is widely known, there is an increasing demand for learning at KAMCO. Accordingly, KAMCO carried out the global internship program and hired foreign students studying in the international studies graduate program, and provided KAMCO employees with an opportunity to develop a more open perspective.

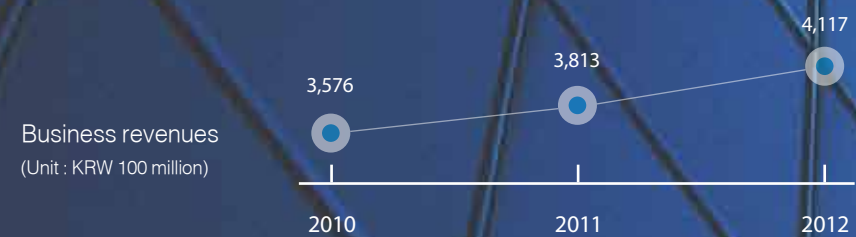


MAKING THE NATIONAL ECONOMY
AND PROPERTIES HEALTHIER

KAMCO WILL BECOME THE ECONOMIC STEPPING STONE FOR OPENING DOORS TO A BRIGHT FUTURE

2012 Financial Highlights

(Unit : KRW 100 million)



As the safeguard of the Korean economy, KAMCO has been putting forth efforts to lead the sustainable growth of the national economy through comprehensive asset management. Now we will take a step further to serve as the stepping stone for our economic takeoff, with a focus on maintaining the happiness of citizens by protecting national properties, generating hope, developing the economy and adding to the satisfaction of the general public.

FINANCIAL STATEMENTS

STATEMENTS OF FINANCIAL POSITION

KAMCO

As of December 31, 2012 and 2011

KRW(in millions)

	2012	2011
Assets		
Current assets:		
Short-term financial instruments	₩ 587,199	₩ 707,715
Non-performing assets, less allowance for doubtful accounts	815,800	1,643,073
Successfully bid and purchased assets, less accumulated depreciation	121,871	164,443
Other current asset, less allowance for doubtful accounts	439,846	332,862
Total current assets and non-performing assets	1,964,716	2,848,093
Non-current assets:		
Investments		
Long-term investments securities	111,711	64,817
Long-term loans	689,285	661,907
Other investments	3,044	7,409
Total Investments	804,040	734,133
Property and equipment, less accumulated depreciation	130,445	76,669
Intangible assets	108,493	112,882
Other non-current assets	96,248	86,312
Total non-current assets	1,139,226	1,009,996
Total assets	₩ 3,103,942	₩ 3,858,089
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term borrowings	₩ -	₩ 10,000
Accounts payable	65,289	78,300
Accrued expenses	28,953	61,380
Advance from customers	33,223	33,610
Current portion of long-term borrowings	26,778	57,665
Current portion of debentures	124,036	162,834
Guarantee deposits received	17,804	18,268
Other current liabilities	4,984	47,787
Total current liabilities	301,067	469,844
Non-current liabilities:		
Long-term borrowings	678,576	702,186
Debentures	645,182	1,248,652
Other non-current liabilities	5,442	9,860
Total non-current liabilities	1,329,200	1,960,698
Total liabilities	₩ 1,630,267	₩ 2,430,542
Stockholders' equity:		
Capital stock	₩ 860,000	₩ 860,000
Common stock of ₩5,000 par value		
Authorized - 200,000,000 shares		
Issued - 172,000,000 shares		
Capital Adjustments	-	-
Accumulated other comprehensive income	(326)	(1,454)
Retained earnings:	614,001	569,001
Total stockholders' equity	1,473,675	1,427,547
Total liabilities and stockholders' equity	₩ 3,103,942	₩ 3,858,089

STATEMENTS OF INCOME

KAMCO

For the Years ended December 31, 2012 and 2011

KRW(in millions)

	2012	2011
Business revenues:		
Financial revenues	₩ 176,928	₩ 263,054
Gains on disposition of non-performing assets	89,635	136,076
Others	87,293	126,978
Other business incidental revenues	234,859	118,251
Commissions	74,377	77,071
Fund management fees	20,805	19,530
Management of successfully bid and purchased assets	17,397	16,012
Others	122,280	5,638
	411,787	381,305
Business expenses:		
Business direct costs	218,603	185,326
Financial costs	85,811	147,294
Others	132,792	38,032
Personnel expenses	65,085	61,397
Overhead expenses	45,228	35,933
	328,916	282,656
Business income	82,871	98,649
Non business revenues (expenses):		
Interest income (expense)	38,017	43,192
Gain(loss) on foreign currency transactions, net	1,659	1,401
Gain(loss) on foreign currency translation, net	1,600	(545)
Gain(loss) on valuation of derivative instruments, net	(2,055)	94
Gain(loss) on valuation using the equity method, net	3,699	(5,023)
Gain(loss) on the settlement of derivative instruments, net	(126)	(1,711)
Gain(loss) on sale of investment securities, net	1,882	233
Others, net	(2,325)	9,248
	42,351	46,889
Income before income taxes	125,222	145,538
Income taxes	29,884	39,492
Net income	₩ 95,338	₩ 106,046
Earnings per share (in units)	₩ 554	₩ 617

STATEMENTS OF APPROPRIATIONS OF RETAINED EARNINGS

KAMCO

For the Years ended December 31, 2012 and 2011

KRW(in millions)

	2012	2011
Retained earnings before appropriations:		
Unappropriated retained earning carried forward from the prior year	₩ -	₩ -
Changes in accounting method	-	89,821
Net income for the year	95,338	106,046
	95,338	195,867
Transfer from reserves		
Reserve for research and human resources development	-	880
Appropriations of retained earnings		
Legal reserve	30,000	60,000
Reserve for Business expansion	39,615	86,329
Cash dividends	25,723	50,338
	95,338	196,667
Unappropriated retained earnings to be carried forward to next year	₩ -	₩ -

STATEMENTS OF CHANGES IN EQUITY

KAMCO

For the Years ended December 31, 2012 and 2011

KRW(in millions)

	Capital stock	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total
As of January 1, 2011	₩ 860,000	(2,887)	2,290	397,403	1,256,806
Changes in accounting method				89,266	89,266
Dividends				(21,383)	(21,383)
Amortization of discounts on stock issuance		2,887		(2,887)	-
Retained earnings after appropriation				462,399	1,324,689
Net income for the year				106,046	106,046
Loss on valuation available-for-sale securities			(79)		(79)
Changes in equity of equity method investments			(1,862)		(1,862)
Loss on valuation of derivative instruments			(1,803)		(1,803)
Others				556	556
As of December 31, 2011	₩ 860,000	-	(1,454)	569,001	1,427,547
As of January 1, 2012	₩ 860,000	-	(1,454)	569,001	1,427,547
Dividends				(50,338)	(50,338)
Retained earnings after appropriation				518,663	1,377,209
Net income for the year				95,338	95,338
Changes in equity of equity method investments			5		5
Gain on valuation of derivative instruments			1,123		1,123
As of December 31, 2012	₩ 860,000	-	(326)	614,001	1,473,675

STATEMENTS OF CASH FLOWS

KAMCO

For the Years ended December 31, 2012 and 2011

KRW(in millions)

	2012	2011
Cash flows from operating activities:		
Net income	₩ 95,338	₩ 106,046
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for allowance for doubtful accounts	9,695	13,352
Depreciation	8,421	5,400
Loss(Gain) on sale of investment securities, net	(1,876)	(233)
Loss(Gain) on valuation of equity method instruments, net	(3,699)	(3,463)
Others, net	(27,998)	5,437
	(15,457)	20,493
Changes in operating assets and liabilities		
Decrease(Increase) in current assets	751,240	312,823
Increase(Decrease) in current liabilities	(89,828)	(122,479)
	661,412	190,344
Net cash provided by(used in) operating activities	741,293	316,883
Cash flows from investing activities:		
Decrease of short-term financial instruments	143,705	313,414
Increase of short-term financial instruments	-	-
Proceeds from sale of investments securities	74,509	62,413
Acquisition of investments securities	(100,061)	-
Others, net	(103,889)	(45,203)
Net cash provided by (used in) investing activities	₩ 14,264	₩ 330,624
Cash flows from financing activities:		
Proceeds from long-term borrowings	₩ 19,000	₩ 105,534
Proceeds from short-term borrowings	20,000	84,369
Repayment of long-term borrowings	(13,778)	(36,346)
Repayment of short-term borrowings	(30,000)	(94,385)
Proceeds from bonds payable	99,955	226,281
Repayment of bonds payable	(742,250)	(787,206)
Payment of dividends	(50,338)	(21,383)
Others, net	(58,129)	(124,414)
Net cash provided by (used by) financing activities	(755,540)	(647,550)
Net increase(decrease) in cash and cash equivalents	17	(43)
Cash and cash equivalents at beginning of year	47	90
Cash and cash equivalents at end of year	₩ 64	₩ 47

INDEPENDENT AUDITORS' REPORT

(Based on an audit report issued in Korean Language)

**The Board of Directors and Stockholders of
Korea Asset Management Corporation**

We have audited the accompanying statements of financial position of Korea Asset Management Corporation (the "Company") as of December 31, 2012 and 2011, and the related statements of income, changes in stockholders' equity, and cash flows for the year then ended, all expressed in Korean won. 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.

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 Korea Asset Management Corporation as of December 31, 2012 and 2011, and the financial performances, and cash flows for the years then ended in conformity with Accounting Standards for Non-Public Entities in the Republic of Korea and the accounting standards for Public Company and Government Invested Institutions.

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, the financial performances 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.

BDO Daejeon LLC
Seoul, Korea
January 22, 2013


STATEMENT OF FINANCIAL POSITION**NON-PERFORMING ASSET FUND**

As of December 31, 2012 and 2011

KRW(in millions)

	2012	2011
Assets		
Current assets		
Cash and cash equivalents	₩ 557,969	₩ 601,981
Short-term financial instruments	-	75,500
Short-term investments	-	5,682
Receivables	21,386	2,910
Inventories	2,946	236,454
Advance payments	-	22,170
Investments		
Long-term investments	1,175,183	1,454,089
Total assets	₩ 1,757,484	₩ 2,398,786
Liabilities and net assets		
Current Liabilities		
Other current liabilities	₩ 220,124	₩ 402,278
Long-term provisions		
Other long-term provisions	118,327	219,777
Total liabilities	338,451	622,055
General net assets	573,380	573,380
Retained earnings	229,704	745,367
Net asset adjustments	615,949	457,984
Total net assets	1,419,033	1,776,731
Total liabilities and net assets	₩ 1,757,484	₩ 2,398,786

This audit report is effective as of January 22, 2013, 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.

STATEMENT OF FINANCIAL OPERATIONS

NON-PERFORMING ASSET FUND

For the Years ended December 31, 2012 and 2011

KRW(in millions)

	2012			2011		
	Total cost	Revenue	Net cost	Total cost	Revenue	Net cost
Net program costs (I)	₩ -	-	-	₩ -	-	-
Management expenses (II)	-	-	17,188	-	-	10,697
Service fees	-	-	14,125	-	-	7,782
Amount paid to subcontractor	-	-	1,338	-	-	2,915
Tax and dues	-	-	1,725	-	-	-
Non-distribution expenses (III)	-	-	567,048	-	-	168,603
Expenses of goods and services	-	-	68,056	-	-	18,579
Loss on disposition of assets	-	-	82,608	-	-	-
Loss on valuation	-	-	53,215	-	-	1,103
Bad debt expenses	-	-	293,917	-	-	48,378
Other expenses	-	-	69,252	-	-	100,543
Non-distribution revenues (IV)	-	-	1,068,338	-	-	289,403
Revenues of goods and services	-	-	398,948	-	-	55,299
Interest revenues	-	-	20,342	-	-	33,824
Gain on disposition of assets	-	-	259,268	-	-	43,332
Gain on valuation	-	-	-	-	-	20,581
Other revenues	-	-	389,780	-	-	136,367
Net operating costs (I + II + III - IV)	-	-	(-484,102)	-	-	(-110,103)
Non-exchange revenues	-	-	-	-	-	-
Fiscal operating results	₩ -	-	(-484,102)	₩ -	-	(-110,103)

STATEMENT OF CHANGES IN NET ASSETS

NON-PERFORMING ASSET FUND

For the Years ended December 31, 2012 and 2011

KRW(in millions)

2011	General net assets	Retained earnings	Net asset adjustments	Total
Net assets carried over from prior year (I)	₩ 573,380	1,507,966	921,673	3,003,019
Reported amount	573,380	1,507,966	921,673	3,003,019
Fiscal operating results (II)	-	(-110,103)	-	(-110,103)
Adjustments (III)	-	(-872,702)	(-463,689)	(-1,336,391)
Gain(loss) on valuation of investments	-	-	(-463,689)	(-463,689)
Other increase(decrease) in net assets	-	(-872,702)	-	(-872,702)
Net assets carried forward to next year (I - II + III)	₩ 573,380	745,367	457,984	1,776,731

KRW(in millions)

2012	General net assets	Retained earnings	Net asset adjustments	Total
Net assets carried over from prior year (IV)	₩ 573,380	745,367	457,984	1,776,731
Reported amount	573,380	696,641	457,984	1,728,005
Gain/Loss on prior period error corrections	-	48,726	-	48,726
Fiscal operating results (V)	-	(-484,102)	-	(-484,102)
Adjustments (VI)	-	(-999,765)	157,965	(-841,800)
Gain(loss) on valuation of investments	-	-	157,965	157,965
Other increase(decrease) in net assets	-	(-999,765)	-	(-999,765)
Net assets carried forward to next year (IV - V + VI)	₩ 573,380	229,704	615,949	1,419,033

INDEPENDENT AUDITORS' REPORT
(English Translation of a Report Originally Issued in Korean)

To the Contributors of the NON-PERFORMING ASSET FUND and
Board of Directors of KOREA ASSET MANAGEMENT CORPORATION :

We have audited the accompanying statements of financial position of NON-PERFORMING ASSET FUND(the "Fund") as of December 31, 2012 and 2011, and the related statements of financial operations and changes in net assets for the years then ended, all expressed in Korean Won. These financial statements are the responsibility of the management of KOREA ASSET MANAGEMENT CORPORATION("KAMCO"). Our responsibility is to express an opinion on these financial statements based on our audits.

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 Fund as of December 31, 2012 and 2011, and the results of its operations and changes in net assets for the years then ended, in conformity with the National Accounting Principles and the National Accounting Standards in the Republic of Korea.

As discussed in Note 1, the operating period of the Fund has expired on November 22, 2012 in accordance with "The Efficient Management of Non-performing Assets of Financial Institutions and Establishment of KAMCO ACT"(the "ACT"). Therefore, the Fund established a task force team to make a comprehensive plan for the prompt and efficient liquidation. The Fund is under progress of liquidation according to the plan. The Act stipulates that the Fund has to return its residual property to the contributors within three months(February 22, 2013) after expiration of operation period of the Fund. The residual property of the Fund has to be returned not only in cash based on contribution ratio, but in kind according to the method which the Management Supervisory Committee of KAMCO determine, only if there is a mutual agreement with the contributors.

As discussed in Note 12, the Fund has been accused of 12 lawsuits, such as repayment of dispossessed guaranty money and so on. The outcome of the pending lawsuits are not predictable currently, and some of transpirable liabilities in relation to such results of lawsuits defeated have not been accounted in the accompanying financial statements.

NEXIA SAMDUK
January 18, 2013



This report is effective as of January 18, 2013, the independent auditors' report date. Accordingly, certain subsequent events or circumstances may have occurred between the independent auditors' report date and the time the independent auditors' report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the independent auditors' report.

STATEMENTS OF FINANCIAL POSITION
RESTRUCTURING FUND
As of December 31, 2012 and 2011

	KRW(in millions)	
	2012	2011
Assets		
Current assets:		
Cash and cash equivalents	₩ 5,014	₩ 1,848
Short-term financial instruments	238,000	341,000
Short-term investments	71,399	155,431
Account receivable	180,669	220,625
Short-term loans receivable	-	154,326
Other current assets	1,822,845	3,734,488
Total current assets	2,317,927	4,607,718
Non-current assets:		
Long-term financial instruments	194,000	-
Long-term loans receivable	138,281	39,365
Long-term investments	591,198	782,070
Other non-current assets	24,122	3,499
Total non-current assets	947,601	824,934
Total assets	₩ 3,265,528	₩ 5,432,652
Liabilities and net assets		
Current liabilities:		
Short-term fund debentures	₩ 1,286,186	₩ 504,476
Accounts payable	1,725	1,799
Deposits	1,425	426
Advanced received	22,570	20,685
Accrued expenses	99,175	11,189
Total current liabilities	1,411,081	538,575
Long-term liabilities:		
Long-term fund debentures	1,686,085	4,647,488
Other current liability	34,628	143,677
Total long-term liabilities	1,720,713	4,791,165
Total liabilities	3,131,794	5,329,740
Net Assets:		
Basic net assets:		
Reserve and surplus	-	-
KAMCO contribution	61,700	61,700
Beginning retained earnings	33,782	(612)
Financial operating results	33,853	34,394
Net assets adjustment	4,399	7,430
Total net assets	133,734	102,912
Total liabilities and net assets	₩ 3,265,528	₩ 5,432,652

**STATEMENTS OF OPERATING
RESTRUCTURING FUND**
As of December 31, 2012 and 2011

KRW(in millions)

	2012	2011
Program cost, net		
Financial policy supporting program	₩ 168,270	₩ 193,447
Restructuring supporting program	(123,877)	(157,342)
Total program cost	44,393	36,105
Administration and operating expenses		
Miscellaneous commissions	1,739	1,809
Service fees	103	233
Insurance Premium	6	10
Tax and dues	6	2
Total administration and operating expenses	1,854	2,054
Non-distribution expenses:		
Interest expense	488	750
Loss on valuation of securities	2,103	-
Other expenses	283	651
Bad debt expense	4,580	1,197
Total non-distribution expenses	7,454	2,598
Non-distribution income:		
Interest income	44,426	44,910
Gain on disposition of assets	9,711	-
Gain on valuation of securities	-	65
Other income	33,417	30,176
Total non-distribution income	87,554	75,151
Financial operating cost, net	(33,853)	(34,394)
Non-transaction income	-	-
Financial operating results	₩ (33,853)	₩ (34,394)

**STATEMENTS OF CHANGES IN NET ASSETS
RESTRUCTURING FUND**

KRW(in millions)

	Net assets	Reserve and surplus	Net assets adjustment	Total
December 31, 2010	₩ -	₩ 1,942	₩ 4,137	₩ 6,079
Cumulative effect of accounting changes	-	59,145	-	59,145
Financial operating results	-	(34,394)	-	(34,394)
Adjustment				
Gain on valuation of long-term investment	-	-	3,924	3,924
December 31, 2011	₩ -	₩ 95,482	₩ 7,430	₩ 102,912
Financial operating results	-	(33,853)	-	(33,853)
Adjustment				
Loss on valuation of long-term investment	-	-	(3,031)	(3,031)
December 31, 2012	₩ -	₩ 129,335	₩ 4,399	₩ 133,734

KAMCO NETWORK



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Improving the national economy,
 promoting the growth of enterprises,
 and maintaining people's happiness,
 KAMCO will always be there
 for the people as a stepping stone
 for a brighter future.



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