## **SYNERGY**

# **KORAMCO**







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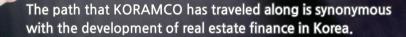
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Management's Discussion & Analysis



Since its inception in 2001, KORAMCO has introduced the sophisticated RELTS of advanced countries into the domestic real estate market. The Company has thus created an all-new paradigm for real estate investment based on innovative investment techniques and scientific decision-making processes.

KORAMCO has broadened its business scope, entering the real estate trust sector in 2006 and real estate fund service in 2010. Armed with astute market insight and the industry's highest-level professionalism, the Company has reaped results well beyond expectations, while leading the development of Korea's real estate financial services.

Today, as a full-fledged real estate financial institution, KORAMCO is now making inroads into overseas markets, buttressed by its impressive achievements in Korea.

In the near future, we intend to be a global top-tier provider of comprehensive real estate financial services that can compete head-to-head with the world's premier asset management firms.

The driving force behind our dream is "synergy." The creation of boundless growth opportunities through creative business convergence is the kind of

**SYNERGY** that **KORAMCO** aspires to realize.

## A Message from the Chairman

I am confident that this year's goals can be fully attained if we manage to upgrade our competitive edge through close partnerships with related business segments and the coordinated efforts of our business units.



## Valued stockholders, customers, and stakeholders:

In 2014, KORAMCO REITS Management & Trust established two REITS: KOCREF The Prime and KOCREF Seomyeon. As for our trust business, we signed new contracts worth KRW35.1billion, the Company's largest-ever volume, laying the groundwork for stable growth. In addition, the Company recorded KRW47.1 billion in operating revenue, KRW17.8 billion in operating profit, and KRW13.2 billion in net profit.

KORAMCO Asset Management, which was established with a 100% investment from KORAMCO REITs Management & Trust, is managing KRW205.0 billion of assets related to five new created funds and one new special asset fund. Operating revenue amounted to KRW6.1

billion, along with a net profit of KRW1.3 billion. Of note, the Company has been in the black for three years running, which has enabled us to eliminate the accumulated deficits.

The leading economic organizations of Korea and the international community have forecast that the global economy is not likely to make a significant turnaround in 2015. And the global financial market's volatility, due to expected interest rate hikes in the United States, is projected to worsen. No significant momentum, which can spur the growth of the domestic real estate market, is on the horizon at this time. Moreover, competition in the collective investment market, including REIT projects and asset management, will tend to intensify.

Although we expect to face daunting challenges this year as well, KORACOM's management and staff have prepared detailed business plans that focus on strengthening the Company's revenue base and securing new growth momentum. Specifically, we intend to establish new REITs worth KRW850 billion and to manage KRW650 billion of new funds, along with signing new trust contracts of KRW35.0 billion. Consolidated before-tax income is projected to reach KRW23.7 billion, up 8.0% from the previous year.

This kind of adversity can hardly be overcome without our concerted efforts, but I am confident that this year's goals can be fully attained if we manage to upgrade the Company's differentiated competitive edge through close partnerships with related business segments and the convergence of our business units.

At this point, I would like to point out several priorities that need to be emphasized this year:

First, maximize synergy effects. The key competitive advantage of KORAMCO is our ability to carry out all major sectors of real estate finance, including the REIT, trust, and fund businesses, in a more sustainable manner. KORAMCO is positioned to create an abundance of new business areas through the convergence of creative business opportunities. This is our differentiated competitive edge that our industry peers can only hope to imitate. KORAMCO is prepared to overcome business barriers within bounds of the law and to strengthen our cooperative relations through effective two-way communication.

Second, upgrade internal capabilities. With competition in the real estate industry being ever-fiercer, it will be important to fully explore new market and business opportunities. But it is even more important to commit all available resources to form a driving force for the Company's sustainable development and build new momentum. Furthermore, while keeping pace with the rapidly changing business environment, KORAMCO intends to serve as a growth engine that can lead the transformation and advancement of Korea's real estate financial industry.

Third, secure growth momentum for the future. In order to become a sustainable enterprise with stable growth, KORAMCO is pushing forward with systematization of deal sourcing, diversification of funding sources, and advancement into overseas markets through the establishment of listed REITs and blind funds as its mid- and long-term goals. Various progress has been made in these pursuits, but there have been drawbacks as well.

KORAMCO will put forth concerted efforts to achieve positive outcomes by fully realizing our 2015 management objectives. The ultimate goal is to build a solid foundation to support our development into a sustainable enterprise.

#### Valued stockholders, customers, and stakeholders:

The year of 2015 will be a crucial time for attaining KORAMCO's mid-term goals ahead of 2020. All of us at KORAMCO are committed to marching forward, firmly united, to achieve these objectives.

I am well aware that the impressive development and success of KORAMCO, which launched operations with a staff of 14 in 2001, would not have been possible without the support of our loyal stockholders, customers, and stakeholders. I solicit your continued support and encouragement so that KORAMCO can continue to develop into a premier global financial institution.

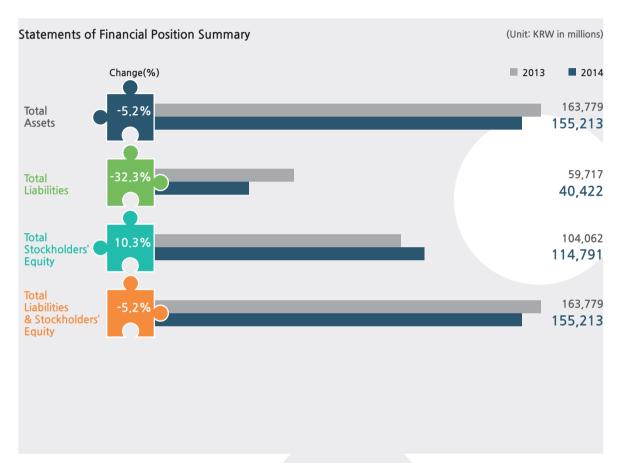
Sincerely

Chairman Woo Cheol Lee

## 2014

# **Financial Summary**

### **KORAMCO REITs Management & Trust**



Statements	of	Income	Summary	(Unit: KRW in	millions.	%
Juicinents	O.	IIICOIIIC	Julillially	(OTHE IXIXAA III	Trillions,	/ (

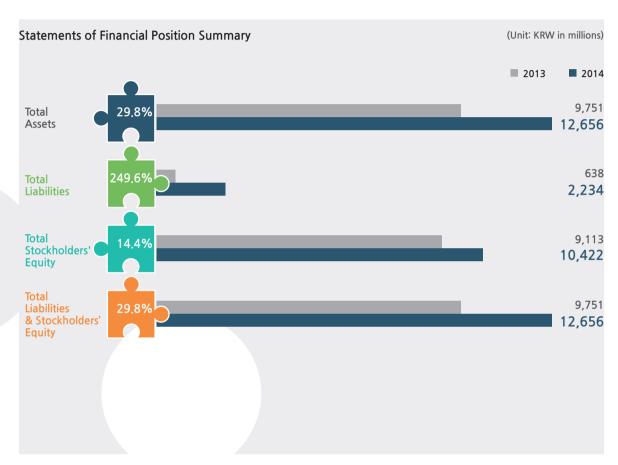
	2014	2013	Change(%)
1. Operating Revenue	47,074	55,128	-14.6
2. Operating Expense	29,242	28,816	1.5
3. Operating Income	17,832	26,313	-32.2
4. Non-Operating Income	-	93	-
5. Non-Operating Expense	485	191	153.9
6. Pre-Tax Net Income	17,347	26,215	-33.8
7. Income Tax Expense	4,152	6,065	-31.5
8. Net Income	13,195	20,150	-34.5

**Key Management Indicators** 

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	2014	2013
Stability Indicators		
Current Ratio	269.3	154.6
Debt-to-Equity Ratio	35.2	57.1
Net Capital Ratio(NCR)	588.3	497.1
Profitability Indicators		
Ratio of Operating Income to Revenues	37.9	47.7
Return on Assets (ROA)	8.3	12.9
Return on Equity(ROE)	12.1	21.1

## **KORAMCO** Asset Management



Statements of Income Summary (Unit: KRW in millions, %)

	2014	2013	Change (%
1. Operating Revenue	6,117	3,674	66.5
2. Operating Expense	4,596	2,727	68.5
3. Operating Income	1,521	947	60.6
4. Non-Operating Income	30	-	-
5. Non-Operating Expense	-	12	-
6. Pre-Tax Net Income	1,551	935	65.9
7. Income Tax Expense	241	-	-
8. Net Income	1,310	935	40.1

Key Management Indicators

/		0/
(U	nit:	%

	2014	2013
Stability Indicators		
Current Ratio	517.2	1,341.3
Debt-to-Equity Ratio	17.6	6.6
Net Capital Ratio(NCR)	561.5	708.5
Profitability Indicators		
Ratio of Operating Income to Revenues	24.9	25.8
Return on Assets (ROA)	10.4	9.6
Return on Equity(ROE)	12.6	10.3

Annual Report 2014

## 2014

# News Highlights



## Two REITs launched to diversify investment products

In 2014, competition in the domestic real estate market became more intensified than ever as several large foreign-funded companies entered the market amidst the slow growth and low interest rate environment. Notwithstanding this challenging business environment, KORAMCO moved forward with the launch of two new REITS in an effort to diversify its investment products. The new KOCREF The Prime was established to purchase a new office development, with a relatively lower-assessed value, in a new business district that is outside the core business area, where office projects have seen rapid price increases. This fund is a high-quality investment product that can yield stable returns through its specialized financing structure and pre-lease marketing efforts. Meanwhile, KOCREF Seomyeon, which involves the securitization of leaseholder interests, represents a new paradigm for indirect investment products that can satisfy the requirements of both real estate owners and investors.

## Green Smart Building Index improves competitiveness of asset management

In 2014, the application of self-developed Green Smart Building Index enabled KORAMCO to improve the competitiveness of its asset management capability, which serves to differentiate the company from its industry peers. In line with this initiative, the company implemented diverse measures on the Golden Tower, one of KOCREF NPS No.1 properties, including the installment of water-saving facilities and systemization of operational manuals and commissioning. The company has acquired the LEED EB (Leadership in Energy and Environmental Design, Existing Building) Gold certification, based on stringent standards for the design, construction, operation, and maintenance of "green smart buildings." As a result, the value of the company's building properties is projected to appreciate steadily, alongside increased satisfaction of its tenants. In addition, there will be a positive impact on energy savings.



## New trust business contracts exceed KRW35 billion, the largest-ever annual volume

The non-leveraged land development trust business returned to growth thanks to a steady recovery of the real estate trust market in 2014. There was also a rise in demand for leveraged land development trust investment, which has benefited from effective management of business risk. The company has maintained a focus on mid- and large-size apartment projects that can ensure safety as well as profitability, and other attractive properties, such as residential developments in areas where units are in short supply and urban-lifestyle housing. New contracts in the real estate trust sector amounted to KRW35.1 billion. As a result, KORAMCO has recorded more than KRW20 billion of new contracts for the past six consecutive years. Of note, new contract volume has now exceeded KRW34 billion for two straight years.

## Stable operating revenue secured with completion of existing projects

In 2014, KORAMCO successfully completed several leveraged land development trust projects, including apartments in Beomcheondong, Busan; urban-lifestyle housing in Choryang-dong, Busan; apartments in Ma-dong, Gwangyang, Jeollanam-do and Hwangjidong, Taebaek, Gangwon-d0; and townhouses in Banwol-dong, Hwaseong, Gyeonggi-do. The Company has managed to generate stable operating revenue. Of particular note, the company has completed these projects without a hitch through pre-design CM services and its engineers' monitoring of the construction processes. As a result, KORAMCO was able to recover the trust loans earlier than scheduled and minimize risk management so that there would be no financial setbacks.



## SYNERGY MOMENTUM

# **Corporate Information & Market**

By capitalizing on our original business designs and innovative strategy, we will go the extra miles to create value, like creating a precious jewel from an unrefined gemstone.

This is the raison d'etre (reason for existence) of KORAMCO.

While facing an uncertain outlook in the future and ever-fiercer competition in the real estate finance sector, it is now time for us to return to the basics and commit all of our resources to the creation of new value based on market insight and investor trust.

KORAMCO is positioned to overcome business barriers and mobilize its available resources to create differentiated synergies that our peers can only hope to imitate.





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## **Corporate Information**

## **Management Philosophy**



#### **Concept & Structure**

KORAMCO's management philosophy emphasizes a sense of values that the management and staff of KORAMCO have cherished since the Company's inception in 2001. This is a distinctive corporate culture that the employees of KORAMCO have practiced over the years. At the same time, it is also a compass to guide KORAMCO along a path to realize its development into a sound and sustainable enterprise.

[KORAMCO Management Philosophy] is composed of Mission, Vision, Core Values and Our Talents.



### Structure of KORACOM's Management Philosophy

Mission	Creating new values for customers with knowledge and customer trust				
Vision	A sustainable company that anyone aspires to work for; a preeminent global real estate financial institution				
	Mid-term goals for 2020REITs Entrusted prop- erties KRW10 trillionTrust Trust contracts KRW100 billion per yearManagement Assets under man- agement KRW 5 trillionLong-term goalsAn investment bank that embraces a full range of asset management and investment business				
Core Values	Open Communication Orientation Orientation & Follow-up Cooperation				
Our Talents	We should be honest and frugal  We should not follow the old ways, but instead work creatively  We should fulfill our duties with great zest  We should fulfill our duties with great zest  We should fulfill our duties with great zest				

## **Company Overview**



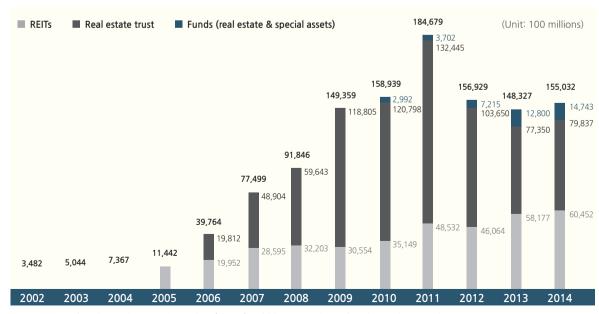
#### **Company Data**

KORAMCO Asset Managemer	KORAMCO REITs Management and Trust	Company name
January 20, 201	t October 24, 2001	Date of establishmen
25(including 3 outside director	154 (including 4 outside directors)	No. of employees
Real estate fund establishment & operatic Special asset fund establishment & operatic	REITs establishment and asset management Real estate trust and project management service Renewal project operation & service business	Business area
Asset under management: KRW1,474.3 billio	ged assets in REITs business: KRW6,045.2 billion sted assets in trust business: KRW7,983.7 billion	and the second s
Golden Tower 15F, 511, Samseong-n Gangnam-gu, Seoul, Kore	Golden Tower 1F/15F/19F, 511 Samseong-no, Gangnam-gu, Seoul, Korea	Location
Company telephone: 82-2-787-010 Fax: 82-2-787-014	ephone: 82-2-787-0000 / REITs: 82-2-787-0082 Trust: 82-2-787-0206 / Fax:82-2-2088-6622-3	Company tel
www.koramcofund.co.	www.koramco.co.kr	Website
*As of December 31, 201		

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#### **Assets Under Management**

Assets under management of KORAMCO, which exceeded KRW10 trillion in 2009, grew to KRW15.5 trillion at the end of 2014. Managed assets in REITs business totaled KRW6 trillion, while entrusted assets in the trust business reached KRW7.9 trillion. Managed assets of funds (real estate funds & special asset management funds) aggregated to KRW1.5 trillion.



 $Note \ 1: REITs \ was \ based \ on \ total \ amounts \ invested \ as \ of \ date \ of \ establishment. \ Funds \ were \ based \ on \ total \ assets \ under \ management.$ 

Note 2: Real estate trust business was launched in 2006, while the real estate fund business became operational 2010.

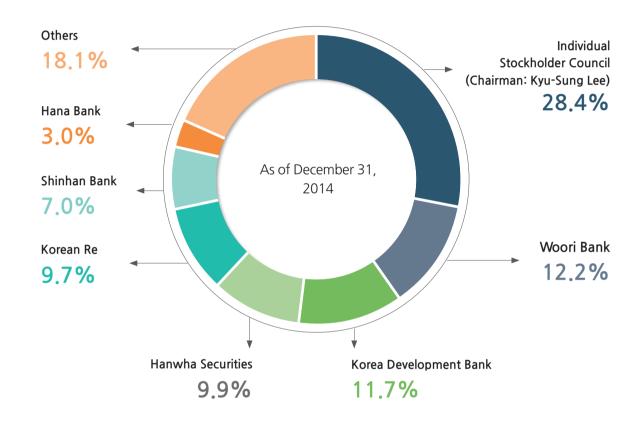
Note 3: Entrusted properties in real estate trust business have dropped since 2010, due to a decline in acquisition of new contracts,

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## **Corporate Information**

## **Company Overview**

## Shareholder Ownership



### Financial Information (Recent 3 years)

KORAMCO REITS Management and Trust (Unit: KRW in 100 millions)

	2014	2013	2012
Operating Revenue	471	551	409
Net Income	132	202	51
Total Assets	1,552	1,638	1,486
Total Stockholders' Equity	1,148	1,041	874

KORAMCO
Asset Management (Unit: KRW in 100 millions)

	2014	2013	2012
Operating Revenue	61.2	36.7	33.4
Net Income	13.1	9.4	7.5
Total Assets	126.6	97.5	83.4
Total Stockholders' Equity	104.2	91.1	81.8

FY2012 (2012. 4. 1. ~ 2013. 3. 31) FY2013 (2013. 4. 1. ~ 2013. 12. 31) FY2014 (2014. 1. 1. ~ 2014. 12. 31)



#### **Company History**

#### **KORAMCO REITs Management and Trust**

Year	Features	Year	Features
2001	Establishment with paid-in capital of KRW7 billion     Ministry of Construction and Transportation granted approval to operate as AMC	2008	KOCREF No.3 liquidated     Entrusted trust assets: KRW6.03 trillion
2002	<ul> <li>Capital increase: KRW7 billion → KRW8.55 billion</li> <li>KOCREF No.1 established</li> <li>KOCREF No.2 established</li> </ul>	2009	KOCREF No.4 liquidated     KOCREF No.5 liquidated     KOCREF No.15 established
2003	· KOCREF No.3 established		· Entrusted trust assets: KRW12.02 trillion
2004	· KOCREF No.4 established · KOCREF No.5 established		KOCREF G Square PFV established     KORAMCO Asset Management (subsidiary) established
2005	· KOCREF No.6 established · KOCREF No.7 established	2010	· KOCREF No.17 established · KOCREF No.7 liquidated
	· Capital increase: KRW8.55 billion → KRW10 billion		· Entrusted trust assets: KRW12.99 trillion
	<ul> <li>Head office relocated to Yeoksam-dong, Gangnam-gu</li> <li>Trust business approved and opened/Real estate trust business entered</li> <li>Company name changed: KORAMCO → KORAMCO</li> </ul>	2011	KOCREF Cheongjin No.18 established     KOCREF Cheongjin No.19 established     Entrusted trust assets: KRW13.24 trillion
2006	REITs & Trust · KOCREF No.8 established	2012	· KOCREF Byukeun Hotel PFV established · Entrusted trust assets: KRW10.37 trillion
	KOCREF NPS No.1 established     KOCREF NPS No.2 established     Entrusted trust assets: KRW2 trillion	2013	· KOCREF Gwanggyo established · KOCREF Yangjae established
	KOCREF No.11 established     KOCREF No.1 & No.2 liquidated		KOCREF Fine Avenue established     Entrusted trust assets: KRW7.73 trillion
2007	· Pangyo SD-2 PEV established		KOCREF The Prime established     KOCREF Seomyeon established     KOCREF ARIEF Korea No.1 liquidated     Entrusted trust assets: KRW7.98 trillion

#### **KORAMCO** Asset Management

Year	Features	Year	Features	
2010	KORAMCO Asset Management established (paid-in capital: KRW10 billion)     Financial investment license granted by the Financial Services Commission     Company name changed: KORAMCO → KORAMCO Asset Management     Initial funds established(KORAMCO Yeongjong Xi Private Placement Real Estate Investment Trust No.1 and No.2)     KORAMCO Seocho Xi Private Placement Real Estate Investment Trust No.3 established     Assets under management: KRW299.2 billion	2013	KORAMCO FIRSTEP Iksan Golf Resort Private Placement Real Estate Investment Trust No.11 established     KORAMCO FIRSTEP Private Placement Real Estate Investment Trust No.13 established     KORAMCO FIRSTEP Private Placement Real Estate Investment Trust No.14 established     KORAMCO FIRSTEP Private Placement Real Estate Investment Trust No.16 established     The accounting period changed (March 31 → December 31)     Asset under management: KRW1.28 trillion	
2011	KORAMCO Bupyeong Private Placement Real Estate Investment Trust No.4 established     KORAMCO FIRSTEP Private Placement Real Estate Investment Trust No.5 established     KORAMCO FIRSTEP Private Placement Real Estate Investment Trust No.6 established     Assets under management: KRW370.2 billion		KORAMCO FIRSTEP Private Placement Real Estate Investment Trust No.2 established     KORAMCO FIRSTEP Private Placement Real Estate Investment Trust No.18 established     KORAMCO FIRSTEP Private Placement Real Estate	
2012	KORAMCO FIRSTEP Private Placement Real Estate     Investment Trust No.7     KORAMCO FIRSTEP Songdo Retail Real Estate Investment     Trust No.8 established     KORAMCO Hyundai Group Building Private Placement     Real Estate Investment Trust No.9 established     KOKORAMCO FIRSTEP Yongsan Hotel Private Placement     Real Estate Investment Trust No.10 established     KORAMCO FIRSTEP Private Placement Real Estate     Investment Trust No.12 established     Assets under management: KRW721.5 billion	2014	Investment Trust No.20 established  KORAMCO FIRSTEP Private Placement Real Estate Investment Trust No.22 established  KORAMCO FIRSTEP Private Placement Real Estate Investment Trust No.23 established  KORAMCO FIRSTEP Private Placement Real Estate Investment Trust No.24 established  KORAMCO FIRSTEP Private Placement Real Estate Investment Trust No.24 established  KORAMCO FIRSTEP Private Placement Real Estate Investment Trust No.12 liquidated  Foreign exchange service license acquired  Assets under management: KRW1.47 trillion	

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## **Corporate Information**

# Company Overview



#### Consultative Board for a Prosperous KORAMCO

KORAMCO established a "Consultative Board for a Prosperous KORAMCO," as of February 2014, to coordinate the Company's endeavors to realize sustainable growth. Senior-level managers, including Kyu-Sung Lee, Chairman of the Consultative Board for a Prosperous KORAMCO, the BOD Chairman, CEO & President, and Vice Presidents, hold regular monthly meetings to discuss key management issues and to present opinions on the Company's future direction.

The Consultative Board for a Prosperous KORAMCO will focus its attention on the following matters:

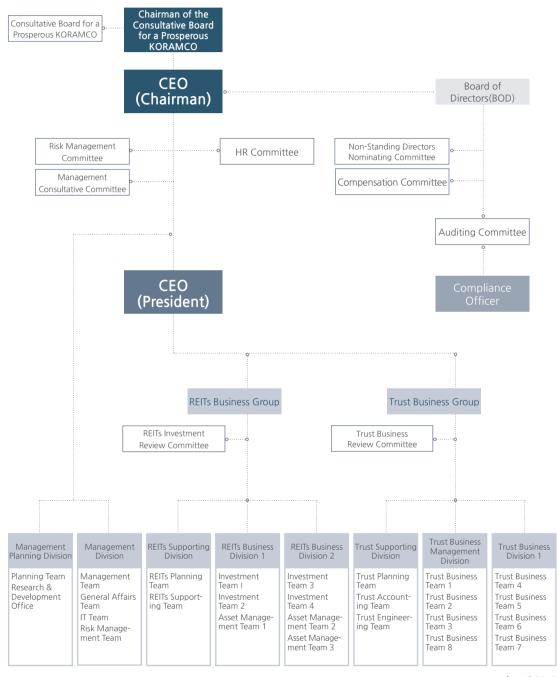
Coordinate viewpoints on the Company's key tasks and priorities, including the exploration of new business opportunities. The Board members will encourage the management and staff of KORAMCO to reach consensus on pending issues and to efficiently perform their duties through closely coordinated efforts.

Regularly evaluate the performance results of KORAMCO. This evaluation is designed to determine whether the Company's operations are on the right track.

Oversee the Company's performance of social contribution activities in keeping with its corporate social responsibility (CSR) to the community. Together with management staff, the Board will develop differential social contribution initiatives and thoroughly assesses the plans and execution of CSR activities so that KORAMCO can be recognized as a responsible corporate citizen that grows together with society.



#### Organization



\* As of April 2015

## **Corporate Information**

## **Board of Directors**





#### Woo Cheol Lee

BOD Chairman, CEO & Chairman

Bachelor's degree, law, Seoul National University (SNU) Master's degree, Harvard Kennedy School of Administration

·Supervisor, Financial Supervisory Commission ·Senior deputy governor, Financial Supervisory Service (FSS)

·Chairman, Korea Life Insurance Association

## Yong Sun Chung

**CEO & President** 

Bachelor's degree, law, Korea University

·Assistant deputy governor, FSS ·Advisor, Hwawoo law firm



#### Jung Kie Hahn

Bachelor's degree, business administration, SNU civil engineering, SNU Master's degree, Vanderbilt Owen Graduate School of Management

·CEO, KOSCOM

·CEO, Kyeongsu Highway ·President, Korea Expressway ·Commissioner, Board of Corp.

Chull Ho Lieu

Bachelor's degree,

·Commissioner, Tax Tribunal ·Vice President, Daewoo E&C ·Seoul High Court judge ·Supreme Court trial researcher Bank Audit and Inspection ·Senior lawyer, DW Partners (ongoing)

In Seok Yang

Soon Woo Lee

Bachelor's degree, law, SNU Bachelor's degree, law, Sungkyunkwan University

> ·Senior Vice President, Woori ·President & CEO, Woori Bank ·Chairman, Woori Financial Group

# **Social Responsibility**

#### A warmhearted enterprise that fulfills its social responsibilities.

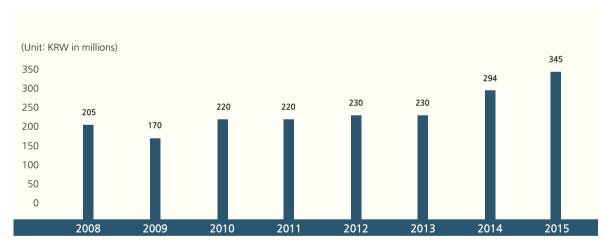
Being a warmhearted enterprise that fully satisfies its social responsibilities is one of the core values maintained by KORAMCO.

Under a belief that our business principles are only meaningful when we properly conduct ourselves as an earnest member of society and endeavor to grow together with our community based on customer trust and satisfaction, we consistently carry out social contribution activities every year.

The management and staff of KORAMCO donate 1% of their monthly salaries, to which the company also donates a matching amount to boost the company's charitable funds. KORAMCO is deeply involved in corporate social responsibility (CSR) activities, especially in support of those members of society who are in need of assistance.

KORAMCO intends to steadily increase its assistance to charitable groups and facilities, while striving to develop new types of social contribution activities. To back up its volunteer projects, KORAMCO continues to raise its budget support for CSR activities

#### **Yearly Social Contribution Fund**



#### **Highlights of 2014 Social Contribution Activities**

#### Social contribution activities: five priorities



#### Reach out to people in need.

We carry out a wide range of activities to help the underprivileged, including disabled persons, elderly people living alone, and foreign workers. In 2014, KORAMCO donated KRW114 million to the Community Chest of Korea, ChildFund Korea, Raphael Clinic, and a center for North Korean defectors.



#### Educational and academic assistance.

We offer a variety of programs to provide educational and academic assistance. In 2014, we provided KRW76 million for scholarship aid to college students, improvement of school facilities in the provinces, and support of KAIST research.



#### Support for model Korean and U.S. troops.

KORAMCO maintains a program to show our support for Korea's military service members and U.S. troops stationed in Korea. A total of 40 model soldiers of the two ally countries toured a number of historic sites in Korea, which contributed to the development of personal friendships. KORAMCO extended KRW44 million of support in the past year for the only annual friendship promotion program for the military troops of Korea and the United States.



#### Employee volunteers.

Employee volunteer activities included visits to orphanage centers and senior welfare facilities. A number of employees participated in volunteer activities for Raphael Clinic and a disabled children's welfare facility in 2014.



#### Environmental preservation.

We support activities that help to protect our environment for future generations in order to build a foundation for sustainable growth and development. KORAMCO gathered opinions from its employees and environment specialists outside the company on how to create differentiated preservation initiatives. Based on this effort, we will actively implement innovative environmental protection projects in 2015.



A tour program for Korean and U.S. soldiers

Volunteering for children with disabilities

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## Market Office

#### Supply

Commercial office space, available in Seoul and nearby Bundang, stood at roughly 1.2 million sq. meters in 2014, down 30% from the previous year, During the past three years (2011-2013), an annual average of 800,000 to 900,000 sg, meters of office space has been available in major areas of Seoul. In 2014, however, this annual volume was slashed by one-half. Significant quantities of office space were concentrated in the new business districts of Seoul and Gyeonggi-do, including Sangam DMC. Gangdong High-Technology Business Area, and Pangyo New City.

#### **Transaction**

Sales of office projects in 2014 amounted to KRW7 trillion, an increase of KRW1 trillion over a year earlier. In large part, transactions centered on large-scale office buildings in the Central Business District (CBD) and Gangnam Business District (GBD). Office prices rose 10% on average from the previous year. Of note, a growing number of foreign-funded firms purchased office buildings with a floor space of over 10,000 sq. meters. And several businesses continued to dispose of their office properties to raise funds to bolster their financial structure. It is remarkable that investment fund-related transactions accounted for about 80% of total sales in 2014.

# (Unit: 1,000m³) 3,000

Office Supply (Seoul and Bundang)



#### Office Sales Volume and Price



(Source: ShinYoung Asset)

#### **Rental Market**

In 2014, the average annual office rental rates edged up a nominal 1%, the smallest increase since 2010. By contrast, vacancy rates rose by the highest margin in recent years, reflecting the softness of the office rental market. While rental buildings have been on the rise, due primarily to a massive supply of new projects in recent years, demand for rental office space has declined, impacted by the slow-paced economic recovery. As a result, office rental rates are being increasingly frozen. Rental concessions like "rent free" periods are more readily available as well,

#### Outlook

In 2015, the office supply volume is expected to shrink even further than that of the previous year. This decrease is forecast to be more evident in major areas of Seoul. The supply of new large-scale office buildings will likely experience a downturn overall. There is also a possibility that the glut of vacant office space in Seoul's primary districts, which has been accumulating since 2013, and the supply of projects in the city's new business districts will continue to plague the office rental market. As a consequence, it is projected that competition for office developments with solid investment potential will intensify noticeably, while a polarization between blue-chip properties and poorly performing projects, in terms of market valuation and investor preferences, can be expected to further worsen.

#### Office Rents and Vacancy Rates (Seoul)



(Source: ShinYoung Asset)

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## Market Housing

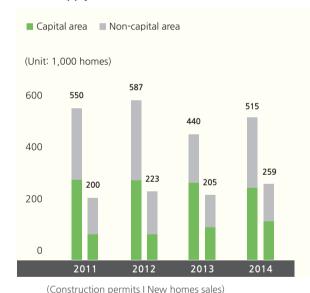
#### Supply

In 2014, the supply of residential developments increased, primarily attributable to the previous increase in construction permit approvals, the number of newly built projects and those under construction, and a rebound in the volume of sales, Construction permits were issued mainly in the capital area, while sales of homes were concentrated on the provinces outside of Seoul. The number of unsold homes stood at 40.000 units in 2014, a notable reduction of 20.000 units from a year earlier. Of particular note, unsold units enjoyed robust sales in the capital area, with the new apartment subscription rate averaging 7.5 to 1 nationwide, marking the highest level since the global financial crisis.

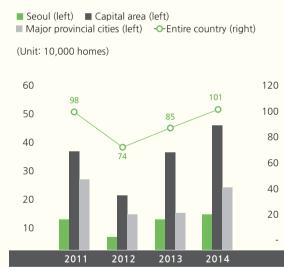
#### Sales

The increased volume of home sales, which was triggered by a rebound of housing prices in 2013, continued into 2014, with the number of homes sold reaching some 1 million units. Home sales spiked 33% in Seoul, compared to an increase of 13% for large provincial cities.

#### **Home Supply**



#### Home Sales Volume



(Source: Onnara Real Estate Information)

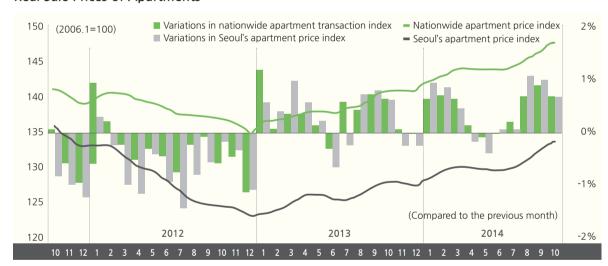
#### **Price Trends**

Apartment prices, which experienced a recovery in 2013, increased by a solid 4%, on average, throughout 2014, except for the off-season periods. While stagnant prices in the capital area showed a positive uptrend, the pace of increase declined somewhat in the provinces. Jeonse rental rates, which hovered below the average increase rate of the past five years, remained stable in 2014.

#### Outlook

Various factors, such as the rise in jeonse rental rates, downward pressure on interest rates, easing of the LTV/DTI loan regulations, and the government's commitment to revive the residential market, all contributed to revitalizing the supply of new housing projects. A large number of consumers, who lived in rental units, began to purchase homes of their own. The residential market is forecast to maintain its upward momentum for the time being. The jeonse rental rates continued to rise, due mainly to a persistent shortage of new supply on offer. The home rental market is projected to undergo a restructuring with growing popularity of the woelse (monthly rent) system being the central factor. A growing number of those who live in rented units will choose to buy their own homes, which will spur a realignment of the residential rental market.

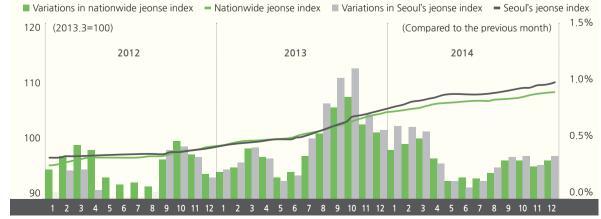
#### Real Sale Prices of Apartments



#### **House Jeonse Price**

(Source: Onnara Real Estate Information)

(Source: KB Kookmin Bank)



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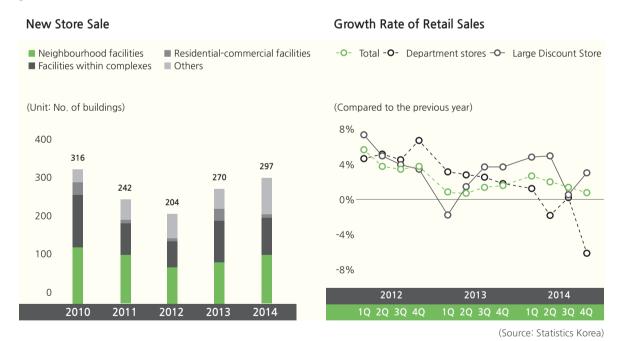
## Market Retail

#### Supply

The supply of commercial facilities increased for two consecutive years as a result of an expanded supply of commercial projects in newly developed districts. By region, the supply of commercial facilities was concentrated on the Sejong Innovation City and other regional housing development districts as well as the Magok and Wire districts in the capital city. By type, there was an increase in the supply of commercial space, which is typically built on the lower levels of commercial buildings. like officetels and tech-industry centers.

#### **Distribution Market**

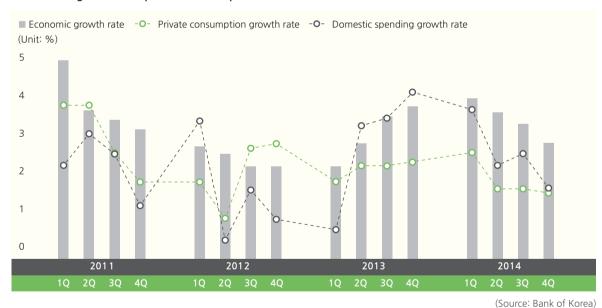
Contrary to expectations that the retail distribution market would show signs of full-fledged recovery, the market remained stagnant throughout 2014, primarily due to weakened consumer sentiments and the enforcement of distribution-related regulations. Consumer sentiments, which showed signs of a recovery, shriveled up in the aftermath of a series of large-scale incidents that struck Korea from the early part of 2014. The situation was worsened by restrictions that required large-size retailers to remain closed for additional days each month in order to help out small business retailers. The introduction of a license system for entry into distribution facilities was also considered a hindrance to the distribution market's potential growth.



#### Outlook

In 2015, the distribution market is forecast to record only moderate growth, while being adversely impacted by the still-sluggish economy due to lowered expectations for economic recovery and the continued poor performance of the retail distribution industry. However, there are predictions that investment will continue as a result of retailers' long-term survival strategy, related to expansion of sales space in multi-purpose shopping malls and outlets, advance into overseas markets, and M&A transactions.

#### Economic growth and private consumption trends



(30urce: Barik Or Korea)



### 2014 Review

## **REITs Business**

#### Maintaining stable growth and AUM exceeding KRW5 trillion

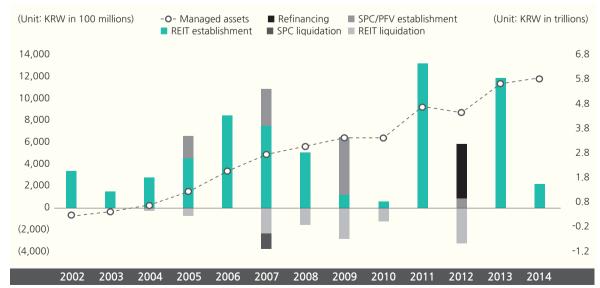
In 2014, KORAMCO pushed for the diversification of its investment products in response to the industry's intensified competition and the rapidly changing real estate market environment. The Company established KOCREF Seomyeon by capitalizing on the securitization of leaseholder rights instead of a direct real estate transaction. Moreover, the company took pains to explore newly built office projects, with a relatively lower market valuation, to implement its differentiated pre-lease marketing and to customize the financial structure. As a result, KORAMCO established two new REITs, including KOCREF The Prime in 2014. During the past five years, assets under management have grown 12.2% per annum, on average, along with topping the KRW5-trillion mark for the first time in 2014. KORAMCO maintained an unrivaled No.1 industry ranking during the past year, with a commanding market share of 34.2%.

#### Managed Assets and Market Share Trends (Recent 5 years)



\* Based on total assets (Self-managed REITs excluded, PFVs included)

#### KOCREF Establishment, Liquidation, Operation



\* Based on total amounts invested (as of date of establishment)



#### **KOCREF The Prime: Entrusted Management Real Estate Company**

This high-quality indirect investment product is designed to assure stability by hedging the risk of underperforming properties through pre-completion lease agreements and third-party guarantees of occupancy levels.

As of March 2014, KORAMCO concluded the ownership transfer of Wonhyoro The Prime Tower in Yongsan-gu, Seoul. The development was purchased from An Mode House (project developer) and Dong-Ah Construction (contractor). The project, which has a relatively lower market valuation, includes 39,000 sq. meters of floor area, with four stories below and 30 stories above ground. The project's construction faced completion risks due to the contractor's weak creditworthiness and its multi-party ownership structure. It was also situated in a non-prime business area. KORAMCO searched for tenants prior to the building's completion in an effort to enhance the project's ultimate value. The Company wound up with sales contracts before the completion of The Prime Tower, thereby hedging against the risks of the project's construction and its complex structure.

If the projected occupancy rates are not realized during the first three years of operation, a contingency reserve of the purchase price will be allocated to make up such revenue shortfalls. Therefore, the terms of the purchase transaction has assured a stable cash flow from the project.

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### 2014 Review

## **REITs Business**





#### KOCREF Seomyeon: Real Estate Entrusted Management Investment Company

An indirect investment product that satisfies the needs of sellers and investors through a securitization of leaseholder rights

In January 2014, KORAMCO completed the securitization of the leaseholder rights related to Busan's D-City (previously the Millennium) building that is owned by Daewoo Engineering and Construction. Daewoo was required to pay out KRW3 billion to KRW5 billion a year to make up the project's operating shortfalls, because of the D-City's building mismanagement and inability to generate a sufficient revenue stream since its completion in 2000. Daewoo had few options except to sell the building, even at a price lower than its stated book value. KORAMCO paid about KRW100 billion to Daewoo to take over the lease agreements, while seeking to enhance the project's future market value. Daewoo managed to improve its financial structure and curtail its operating losses without selling the D-City building outright. D-City is on track to become a leading shopping mall in Busan's Seomyeon area now that E-Land has signed a 10-year lease with Daewoo Engineering & Construction.

#### **KOCREF No.8 Liquidation (Central Tower Disposal)**

In 2012, the Company sold the KORAMCO No.8 property located in Suseong-dong, Jongno-gu, Seoul, in 2012 after acquiring a huge investment gain. In December 2014, the KOCREF No.8 was liquidated along with the sale of the Central Tower near Seohyeon subway station in Bundang. The Company generated an annual investment gain of 7.7%, on average, from KOCREF No.8, which for eight years had been managing a mid-rank office building in a non-core business area. The Central Tower once faced a serious risk due to massive vacancies after the principal tenant, who accounted for 50% of the leasable space, went bankrupt. KORAMCO overcame the crisis in a short period of time by attracting the head office of a mid-sized enterprise as well as local businesses to lease space in the Central Tower. This notable recovery was also attributed to the Company's in-depth knowledge of the rental market and targeted marketing efforts. The liquidation of KOCREF No.8, which was carried out with the sale of the Central Tower, is all the more impressive since a majority of office buildings around Seohyeon subway station has suffered from long-term vacancies or delayed sales.

#### Green Smart Building Index Improves the Competitiveness of Asset Management

KORAMCO has applied its self-developed Green Smart Building Index in order to bolster the competitiveness of its asset management capability, which serves to differentiate the Company from its industry peers. For more effective asset management, the Green Smart Building Index enable the Company to upgrade the efficiency of building management and optimize property values. KORAMCO reflects the assessment results of the Index in its asset management plans, thereby setting up a virtuous cycle for its asset management.

#### **LEED Certification for Golden Tower**



KORAMCO was awarded LEED (Leadership in Energy and Environmental Design, Existing Building) Gold certification for the Golden Tower, one of KOCREF NPS No.1 properties. The building is located in Samseong-dong, Gangnam-gu, Seoul. The Company adopted various measures, such as the installment of water-saving facilities and systemization of operational manuals and Cx(Commissioning) in order to acquire the certification, a set of stringent standards related to the design, construction, operation, and maintenance of green building. As a consequence, the value of the property is expected to appreciate steadily, alongside increased satisfaction of its tenants and energy savings.

#### Improvement of Energy Efficiency

In a proactive response to climate change and energy conservation concerns, which are serious global issues, KORAMCO has installed energy-saving facilities at its properties under management. The Company consistently considers reducing energy consumption and GHG emission.

#### Replacement of cooling system



#### **Golden Tower**

KORAMCO completed the renovation of the cooling system of Golden Tower, one of the KOCREF NPS No.1 properties. The Company replaced worn-out system (chillers and icestorage system) with new system, which is expected to result in a 50% reduction of cooling energy expenses.

#### Replacement of lighting fixtures



#### NH Nonghyup Capital Building

KORAMCO conducted a lighting system improvement project for the common areas (elevator hall, underground parking lot, and restrooms) of Nonghyup Capital Building, a KOCREF No.17 property. As a result of this project, the building is forecast to save more than 70% on its annual lighting energy usage.



#### G Square

The Company replaced the lighting system of G Square building in Pyeongcheon, Gyeonggido, with LED lighting system. The project that was installed in elevator hall and lobby is expected to save 30% of lighting energy usage.

## 2014 Review

## **REITs Business**

#### [Reference Data] REIT Market Trends

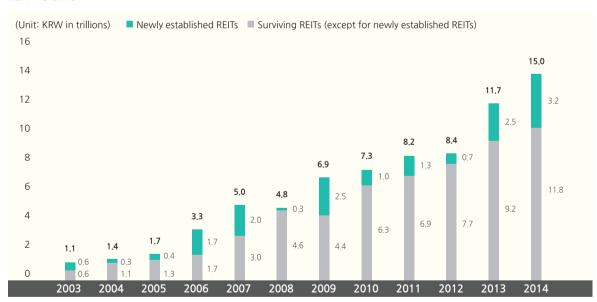
#### **REIT Assets in 2014 Reach KRW15 Trillion**

As of the end of 2014, KORAMCO was managing 98 Real Estate Investment Trusts, or REITs (56 externally managed REITs, 31 CR REITs and 11 internally managed REITs) and posted KRW 15 trillion in total assets.

In 2014 there were 27 new REITs established, an increase from 20 REITs in 2013, thereby stimulating the market more than the previous year.

In 2014, the REIT market featured an increase in REITs that invested in residential real estate, such as apartment development, leases and operations. The percentage of offices and retail facilities declined. The percentage accounts for more than half of new REITs every year. However, rental housing REITs grew substantially.

#### **REIT Volume**



<sup>\*</sup> Based on total assets in investment reports since 2010

(Source: Ministry of Land, Infrastructure and Transport)

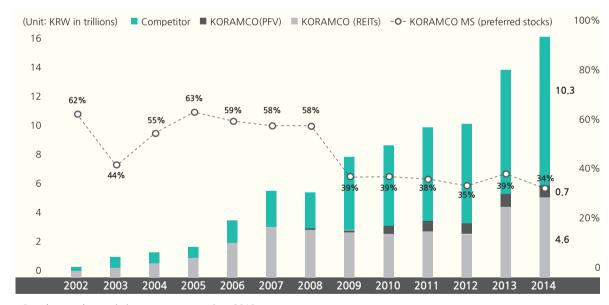
#### [Reference Data] Market Share

#### Assets of KRW5,360.4 Billion Under Management and Market Share of 34%

In 2014, a total of 27 new REITs, valued at KRW2.3 trillion (excluding internally managed REITs), helped the REIT market grow to KRW15,682.6 billion (including PFVs of AMC).

KORAMCO established two new REITs in 2014, maintaining its No.1 market position with a market share of 34% in terms of assets under management.

## Market Share in Terms of Assets under Management (Including PFV of AMC / Excluding Self-managed REITs)



 $\ast$  Based on total assets in investment reports since 2010

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# 2015 Plan REITs Business



## Goals: To Establish New Funds totaling KRW850 Billion, Along with KRW18.3 Billion in Operating Income

• Our REIT Division will maintain its strong growth trend in 2015. Our goals include creation of new REITs worth KRW850 billion and posting KRW18.3 billion in operating income. To this end, we will focus on our company strengths that include off-market deals and project development. At the same time we will maintain qualitative growth via portfolio diversification by steady pursuit of publicly traded REITs and rental housing REITs.

#### Securing Lucrative Deals through Reinforced Target Marketing

- KORAMCO will identify excellent liquidation investment targets by teaming with companies that need restructuring. We will set up REITs based on these targets.
- Moreover, the Company will reinforce CRM marketing for potentially lucrative partnerships, laying the foundation for stable mid- to long-term deal sourcing. To bolster these relationships, we will obtain research data as early as possible and be proactive in these projects from the earliest stages.

#### Securing Capabilities for Differentiated Rental Marketing

• KORAMCO will build a lessee network by utilizing major building rental databases and by implementing specialized marketing for core potential lessees. This strategy will enable the company to generate stable profits and establish REITs when buying new properties.

#### Reinforcing Asset Management by Developing and Using Green Smart Building Index

- KORAMCO will enhance the efficiency and asset value of its building operation via systematic strengthening of asset management. Specifically, we will map out asset management plans and allocate budgets based on green-smart building Index.
- Equally important, we will carry out due diligence by evaluating the value of buildings. In addition, we will gauge the possibility of enhancing energy efficiency, using feasibility studies and standards.

#### Reinforcing Basic Growth Trend by Discovering New Growth Engines

- KORAMCO plans to diversify its portfolio by actively promoting new product development. This process will include a shift in focus from office investment.
- The government's rental housing promotion policy is enabling our rental housing REIT business to develop a wide array of business models. Accordingly, KORAMCO plans to establish not only purchase-type rental housing REITs but also development-type rental housing REITs.
- Moreover, we will research and explore various real estate investments in the office, retail and hotel markets. We also will seek to discover new growth engines in service stations, theaters and shops.

#### 2014 Review

## **Trust Business**



#### Operation Income Grows 6.8% (Average annual growth rate since 2009: 23.2%)

In 2014, the Trust Division posted KRW 25.7 billion in operating income, up 6.8% from the previous year. Land development trusts and consulting accounted for 85.3% of the sales. Collateral trust sales grew 36.2% year on year. The Trust Division continued to grow, posting KRW25.7 billion in 2014 after surpassing KRW 10 billion in 2010 and KRW20 billion in 2012. Annual operating income has grown 23.2% annually on average since 2009, when KORAMCO began its land development trust business. By product type, thorough pre- and post-trust risk management precluded poorly performing business sites. Land development trusts that generate stable annual profit are leading growth in the entire Trust Division.

#### 2014 Operating Income

(Unit: KRW in millions, %)

	20	13	20	County onto	
	Amount	Ratio	Amount	Ratio	Growth rate
Land development trust	d development trust 18,644 77.4		18,410	71.5	- 1.3
Management trust	105	0.4	7	-	- 93.3
Disposal trust	175	0.7	195	0.8	11.4
Collateral trust	1,717	7.1	2,339	9.1	36.2
Sale management trust	371	1.6	95	0.4	- 90.2
Project management service	1,148	4.8	1,135	4.4	- 1.1
Others	1,937	8.0	3,549	13.8	83.2
Total	24,096	100	25,731	100	6.8

### 2014 Review

## **Trust Business**



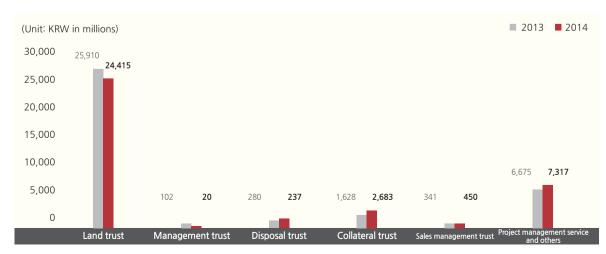
#### Won New Contract Totaling KRW35.1 billion, the Largest in History

The Trust Division of the Company recorded the highest performance since its launch in October 2001 by winning a new contract in the amount of KRW35.1 billion in 2014. The Trust Division is also leading the Company's continuing growth, as it made a remarkable achievement by winning contracts of over KRW20 billion for six years in a row. As for leveraged land trusts that officially began signing contracts in 2011, most workplaces were completed successfully. And business for newly-signed workplaces is running stably. Thus it is projected that medium and long-term profit can be maintained.

Thorough business analysis, such as sales evaluation and risk management, give KORAMCO a competitive edge that is different from other trust firms. This advantage stems in part from the consolidation of legal and technical work. It reflects KORAMCO's management philosophy, which promotes sustainable growth by strengthening practical training to create new added value for customers.

#### New Contracts in 2014 (Unit: KRW in millions, %)

	20	13	20	Courth out	
	Amount	Ratio	Amount	Ratio	Growth rate
Land trust	25,910	74.2	24,415	69.5	- 5.8
Management trust	102	0.3	20	-	- 80.4
Disposal trust	280	0.8	237	0.7	- 15.4
Collateral trust	1,628	4.6	2,683	7.6	64.8
Sales management trust	341	1.0	450	1.3	32.0
Project management service	1,470	4.2	1,222	3.5	- 16.9
Others	5,205	14.9	6,095	17.4	17.1
Total	34,936	100	35,122	100	0.5



#### **Upward Leveling of Performance among Sales Teams**

Although there was some deviation of performance among sales teams in 2014, all sales teams won new contracts that were 90% higher than their goals. Also, the monetary difference between teams with the highest performance and those with the lowest was only KRW1.5 billion.

This result shows the upward leveling of the sales teams' ability to win contracts, and the company is expected to achieve its goals and grow without any concentration or dependence on a specific team.

#### Land Trust Orders and Management System without Poorly Performing Projects

With its differentiated order and management system, KORAMCO has not had a single poorly performing project since its land trust division began in 2008. KORAMCO terminates a business only after a thorough profitability analysis, in management of land trusts and leveraged land trusts.

#### **Business Sites of Land Development Trusts since 2008**

(Unit:%)

	Number	Ratio
Business sites of trusts canceled after completion of construction	33	34.7
Business sites of trusts canceled before completion of construction	6	6.3
Business sites of trusts where construction was completed	20	21.1
Business sites of trusts under construction	29	30.5
Business sites of trusts canceled before start of construction	7	7.4
Total	95	100

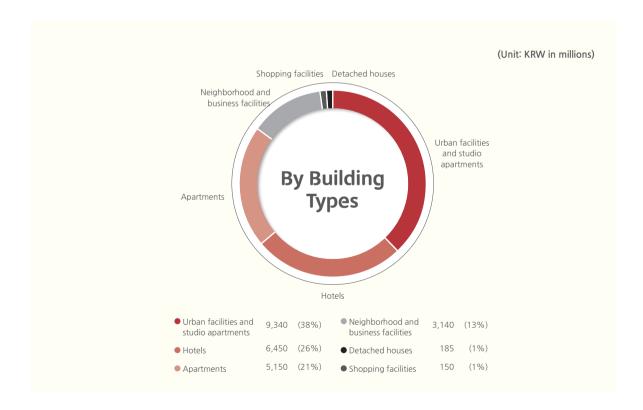
#### 2014 Review

## **Trust Business**

#### Land Development Trust Order Portfolio

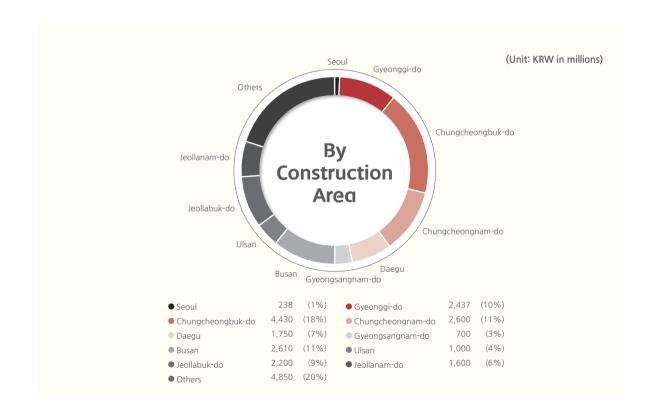
#### Diversification of Profitable Real Estate Portfolio (By Construction Type)

When looking at the sales-type land trust ordered in 2014, here is a breakdown by construction type: 38% is made up of urban lifestyle houses/studio apartments (Gimnyangjang-dong, Yongin; Bokdae-dong, Cheongju; Jochiwon, Sejong City; 1-4 living zone, Sejong City; Neungpo-dong, Geoje; Gwaebeop-dong; Busan, Samsan-dong; Ulsan and more); 26% is made up of hotels (Seogwi-dong/Yeon-dong, Jeju, Songwol-dong, Jeonnam), 21% is made up of apartments (Hongseongeup, Chungcheong-nam-do; Wollak-dong, Namwon, Jeolla-buk-do), and 13% is made up of neighborhood living/business facilities (Daegu Technopolis, Station in Busan and more). Compared to 2013, the ratio of urban lifestyle house/studio apartment declined by 21%, while hotel increased by 25%. Furthermore, neighborhood living facilities/studio apartment increased by 13% where the portfolio of profitable real estate has become diversified. This seems to be the results of market flow reflected in seeking earnings from leasing in the current environment of low interest rates despite concerns about a glut of urban lifestyle houses and studio apartments.



#### Construction Area Diversification (By Area)

When looking at sales-type land trusts ordered in 2014 by construction area, 29% is made up of Chungcheong-area, including Sejong City (1-4 living zone, urban lifestyle house, Jochiwon urban lifestyle house) and Chungcheongbuk-do (urban lifestyle houses in Bokdae-dong, Cheongju; apartments in Shinjeong-ri, Jincheon-gun) as well as Chungcheongnam-do; (apartments in Hongseong-eup, Hongseong-gun), 20% consists of Jeju Special Self-Governing Province (Seogwidong, Yeon-dong Hotels); 18% is made up of Gyeongnam area, including Gyeongsangnam-do (studio apartments in Neungpo-dong, Geoje city), Ulsan Metropolitan City (urban lifestyle houses/studio apartments in Samsan-dong), and Busan Metropolitan city (urban lifestyle houses/studio apartments in Gwebeop-dong; neighborhood living facilities in Sasang Station); 15% is made up of the Jeonnam area, including Jeollabuk-do (Wollak-dong Apartments in Namwon City) and Jeollanam-do (Songwol-dong Hotel in Naju); and 11% is made up of the capital area including Seoul (Susong-dong work facilities and others in Jongno-gu) and Gyeonggi-do (urban lifestyle house and others in Gimnyangjang-dong). They were evenly distributed compared to the portfolio by construction area of 2013. This can be attributable to the fact that we pushed ahead with profitable projects in any areas by placing our top priority on the marketability of buildings and stability of the trust business.



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#### 2014 Review

## **Trust Business**



#### Completion of Land Trust Worksites and Loan Collection

#### 13 Completed Worksites in 2014

KORAMCO collected all loans to trust and completed construction for apartments (Beomcheon-dong, Busanjin-gi, Busan; Ma-dong, Gwangyang, Jeonnam; Hwangji-dong, Taebaek) in provincial areas from leveraged land trusts, profitable urban lifestyle houses and studio apartments (Choryang-dong, Dong-gu, Busan; Oryu-dong, Guro-gu, Seoul; Seongsan-dong, Mapo-gu, Seoul; Sinjeong-dong/Yaeum-dong, Nam-gu, Ulsan), and town houses (Bansong-dong, Hwaseong, Gyeonggi) with no noise complaint issues. Also, management-type land trust businesses, including apartments (Han River New Town, Gimpo, Gyeonggi; Chojang District, Jinju, Gyeongnam) as well as a complex facility (Seocho-dong, Seoul) were completed.

#### 29 Workplaces in Progress and 7 Workplaces Scheduled for Construction

29 land trust businesses, including apartments (Woogok-ri, Youngdeok, Gyeongbuk; Wollak-dong, Namwon, Jeonbuk; Banwol-dong, Hwaseong), multipurpose buildings (Sinjeong-dong, Ulsan; Mujeon-dong, Tongyeong), urban lifestyle houses (Seoul, Ulsan, Busan), and studio apartments (Ulsan, Busan, Gyeongnam, Geoje) are currently under construction. Seven land trust businesses, including hotels and neighborhood living facilities, were scheduled to begin construction in the latter half of 2014.



A bird's-eye view of apartment buildings in Beomcheon-dong, Busan

A bird's-eye view of a studio apartment building in Oryu-dong, Seoul

### 2015 Plan

## **Trust Business**



#### Targeting KRW35 Billion in New Contracts, KRW28 Billion in Operating Profit

- The trust division aims to rank fourth or higher in the trust business in terms of market shares by achieving more than an 8.5% market share and KRW35 billion in new contracts in 2015. Also, the division will continue to grow by realizing KRW28 billion in operating income, which is 8.9% growth compared to the previous year.
- For this, the division plans to continuously receive orders for borrowing-type land trusts to acquire a mid-to-long term profit-making footing. We also plan to execute business for winning orders according to the plan. In particular, in contrast to the decline of profitable real estate's earnings rate depending on a glut, the division will stably manage its land trust business portfolio by receiving one apartment development project (including a multipurpose building project) per quarter
- Furthermore, the focus will be on preoccupying city renewal markets to respond to a sluggish new sale market and pioneer an alternative market. Through this kind of effort, we will secure our position as a front runner in the business by executing a pilot project when conditions for trust companies' participation in renewal projects are provided.

#### Minimizing Risks in Lawsuits in Progress

• While responding to all major lawsuits in progress, the Company will minimize loss and carefully review preparatory documents composed by an attorney to prevent risks such as criminal charges about executed trust work. Moreover, opinions will be proposed to deal with lawsuits.

#### Striving to Develop Markets and External Systems

- In respect of expanding our profit-making foundation and taking business opportunities, the Company will make efforts for continuously developing new products and entering new business areas. Furthermore, we will steadily strive to improve irrational regulations that impede our business activities including receiving orders.
- The Company will carry out activities to win more orders through new systems through the revision of the Trust Act and the Capital Market Act. We will take the lead in improving regulations and systems by cooperating with the industry like the Korea Financial Investment Association.



# 2014 Review Asset Management



#### Continuing to Make Profits for Three Consecutive Years

In 2014, KORAMCO Asset Management established five new real estate funds amounting to KRW205 billion and one special asset fund of KRW2.1 billion. The new real estate funds invested in offices, commercial facilities, hotel development PF loan securitization, and REITs (common stocks), and also secured diversity in terms of investment portfolios. Additional real estate funds were set up, increasing the number of managed real estate funds to 19. Furthermore, a total of 20 funds are managed with the establishment of the first special asset fund after the approval of a special asset collective investment organization. Our managed assets also rose to a total of KRW1,474.3 billion. KORAMCO Asset Management succeeded in generating profits for three consecutive years after a turnaround in 2012 and steadily strengthened its foundation to resolve accumulated deficits and for the stable growth in the future.

#### Summary of Real Estate Funds Established in 2014

(Unit: KRW in 100 millions)

	Asset Purchased	Туре	Asset under Management	Month of Establishment
KORAMCO FIRSTEP Private Equity Special Asset Investment Trust No.2	Business right	Special asset	21	Nov., 2014
KORAMCO FIRSTEP Private Equity Real Estate Investment Trust No.18	Commercial complex at Asan Bus Terminal	Lease	971	Nov., 2014
KORAMCO FIRSTEP Private Equity Real Estate Investment Trust Happy No.20	Bauhouse Jangan	Lease	929	Nov., 2014
KORAMCO FIRSTEP Private Equity Real Estate Investment Trust No.22	Parnas Hotel in Cho-dong (PF loan)	Loan	60	Dec., 2014
KORAMCO FIRSTEP Private Equity Real Estate Investment Trust Nos.23 and 24	Housing development REIT in Okjeong District in Yangju (investment in common stocks)	REIT	90	Dec., 2014

<sup>\*</sup> As of the end of December, 2014

# 2015 Plan Asset Management



#### Setting Goal for KRW 650 Billion New Funds and ROE of 10%

• KORAMCO Asset Management aims to establish new funds amounting to KRW650 billion and achieve ROE of 10% or more in 2015. By types, the Company will set up real estate funds amounting to KRW450 and billion special asset funds amounting to KRW100 billion, and overseas funds of KRW100 billion. KORAMCO Asset Management will achieve KRW6.3 billion in operating income and KRW1 billion in net income after tax. KORAMCO Asset Management aspires to become a premier global alternative investment firm by generating profits for four consecutive years.

#### **Entering New Product Market to Diversify Earnings Model**

- KORAMCO Asset Management is planning to diversify profit-making models by entering new markets in 2015. The Company will specialize in private contracts on non-business real estate including real estate in retail and logistics to differentiate KORAMCO Asset Management. Also, we will attract overseas in-bound investors to discover and maintain various funding sources while breaking away from existing funding methods that relied on Korean institutional investors.
- In the sector of special asset funds, the company will preoccupy new areas of the SOC financial market such as the BTL proposal business and harbor restructuring in addition to an ABS fund newly set up in 2014. Moreover, the company will do everything in its power to make profits by actively using systems to be changed such as the Private Investment Act.

#### **Advancing into Overseas Markets**

• In 2014, KORAMCO Asset Management formed an overseas team for foreign investment funds. Also, the Company secured a professional foreign exchange work force and registered itself as an organization which engages in foreign exchange service, laying the foundation for active overseas expansion. KORAMCO plans to establish its first foreign investment fund to make forays into the global market in 2015.





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## **Product & Business REITS**



#### Concept

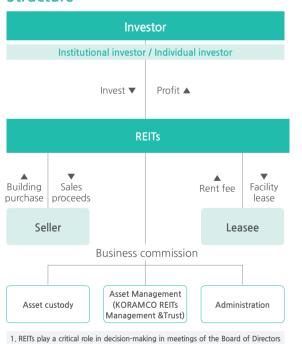
REIT is a real estate company that offers an indirect method of investing in real estates. Funds from multiple investors are invested in real estate or related securities, and generated profits are distributed to investors as dividends.

#### Type of REITs

2 I						
lyne		Investment Target	Description			
Self-managed Real Company Real estate		Real estate	REITs whereby overall asset management such as asset Investment & management is conducted by a specialized asset management workforce			
Externally-managed	Paper Company	Real estate	REITs whereby overall asset management such as asset investment & management is entrusted to an external company specialized in asset management			
Corporate Restructuring (CR-REITs)	Paper Company	Real estate for corporate restructuring	REITs established for real estate to be sold for redemption of corporate debt whose asset management is entrusted to an external company specialized in asset management			
Development	Paper Company	Real estate subject to development	REITs invested in the real estate development business and whose asset investment and managements is directly handled or entrusted to an external company specialized in asset management (*Development-oriented REITs are, in theory, available in the Self-managed REITs for companies in actual operation and externally-managed REITs and CR REITs for nominal companies. However, in practice, It is difficult to establish development REITs whereby real estate assets are established in compliance with the CR REITs conditions during the operational period.)			

<sup>\*</sup> Development REITs will be abolished when the National Assembly passes a law governing real estate management pending at the Assembly (as of the end of December 2014), which aims to strengthen REITs' autonomy in making investment in development projects.

#### Structure



- and shareholders as a limited company pursuant to the business law. 2. Assets held under REITs (e.g. cash, real estate) are to be taken in custody by a
- trust company or a financial institution to secure transparency.
- 3. Externally-managed REITs are managed whereby investment and management of assets are entrusted to an asset management company, and stock issuance and general affairs are commissioned to an administration company.

#### Strengths of REITs Investment

Stronger Profitability: A higher yield vis-a-vis investment risks is expected, driven by real estate investment based on precise market reviews and analyses. An additional vield is possible with higher values in real estate through professional and systematic asset management such as



**Solid Stability:** As investments are in the form of real estate, risks of investment value are minimized even amid inflation. In the worst case scenario, the loss of investment principal can be minimized by disposing of real estate holdings, and a stable shareholder return is possible through rational investment analyses on lease fees, vacancy rates and maintenance fees.



Convenient Liquidity: As for listed REITs, stocks held can be converted into cash, if necessary



Expansion of Investment Opportunities: Investment opportunities in large-scale real estate projects are available even with smallscale funds including those of personal investors.

Tax Relief: Upon the purchase of real estate, 30% of acquisition taxes and registration taxes are exempted (Tax Exemption Act Article 119 and 120) Income tax is almost nil once over 90% of the income available for dividends are distributed (Article 51-2 of the Income Tax Act). Progressive taxation (the maximum tax rate of 0.7%) is applied for property taxes and comprehensive real estate taxes for land upon direct investment. However, the land property tax of 0.2% is singularly applied upon REITsbased investments, and excluded from the list of investments subject to comprehensive real estate taxation (Local Tax Article 182 and Enforcement Ordinance Article 132).

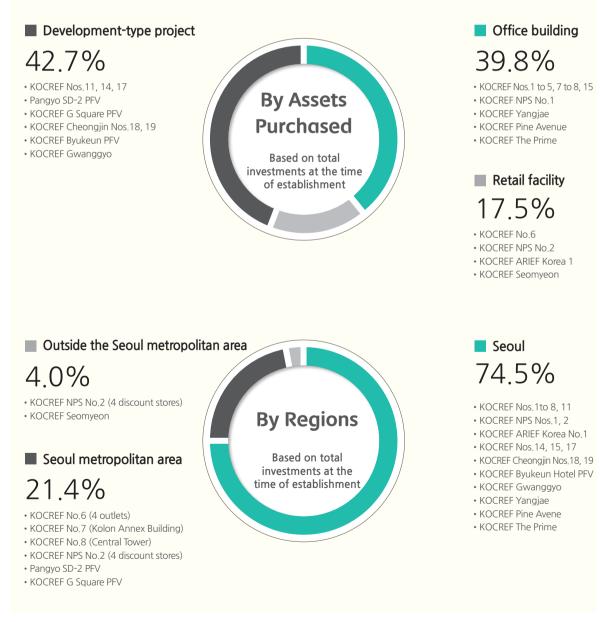
## **Product & Business KOCREF**



#### **KOCREF.** Korea's Best REITs Brand

KOCREF is a brand name given to REITs established and managed by KORAMCO. Up to the present, 25 KOCREF funds have been established. As of December 2014, a total of 18 were under management.

Small-sized properties have risks such as relatively low profitability, lessees' default and sharp depreciation. KOCREF funds pursue profitability and stability by investing in big office buildings (more than KRW100 billion) and retail facilities of master lease structures.



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# Product & Business KOCREF

#### **KOCREF Fund Investments**

Fund Name	No	Asset Purchased	Type	Location	Total Floor Area(㎡)
	1	Hanwha Jangkyo Building	Office	CBD	74,375
KOCREF No.1	2	Daehan Building	Office	YBD	14,623
	3	Dae-A Building	Office	Маро	14,014
VOCDET N	4	Myeongdong Tower	Office	CBD	27,823
KOCREF No.2	5	Trees Tower	Office	GBD	13,000
VOCDET N. O	6	Hanwha Securities Building	Office	YBD	59,641
KOCREF No.3	7	I-vill Hill Town	Office	GBD	5,013
VOCDET N. 4	8	YTN Tower	Office	CBD	42,322
KOCREF No.4	9	Platinum Tower	Office	GBD	26,007
KOCREF No.5	10	Dacom Building	Office	GBD	34,461
KOCREF No.6	11	4 Newcore outlet stores	Outlet	Seoul Metropolitan Area	263,742
VOCDET N. 7	15	DSME Building	Office	CBD	24,854
KOCREF No.7	16	Kolon Annes Building	Office	Gwacheon	26,861
	17	G Tower	Office	CBD	16,523
KOCREF No.8	18	Central Tower	Office	BBD	23,824
	19	Sigma Tower	Office	Songpa	27,814
KO CDEE NDC 4	20	Seoul City Tower	Office	CBD	60,011
KOCREF NPS 1	21	Grace Tower	Office	GBD	24,530
	22	Golden Tower	Office	GBD	40,480
KOCREF NPS 2	23	10 Homeplus discount stores	Discount Stores	Nationwide	475,228
KOCREF No.11	33	STX Namsan Tower	Office	CBD	65,196
Pangyo SD-2 PFV	34	H Square A&B buildings	Office	Pangyo	138,644
KOCREF ARIEF Korea No.1	36	Noon Square	Retail	CBD	23,836
KOCREF No.14	37	Times Square A&B buildings	Office	Yeongdeungpo	39,008
KOCREF No.15	39	Insong Building	Office	CDB	31,284
KOCREF G Square PFV	40	Lotte Pyeongchon & business facilities	Office + Retail	Pyeongchon	236,688
KOCREF No.17	41	NH Capital Building	Office	YBD	18,122
KOCREF Cheongjin Nos.18, 19	42	Cheongjin Gran Seoul	Office	CBD	173,247
KOCREF Byeokeun Hotel PFV	44	Stay Business Hotel Shilla	Hotel	GBD	16,359
KOCREF Gwanggyo	45	Complex development within Gwanggyo Development District	Office + Retail	Gwangkyo	198,692
KOCREF Yangjae	46	P Gangnam Tower	Office	GBD	44,093
KOCREF Pine Avenue	47	Pine Avenue Building B	Office	CDB	64,225
KOCREF The Prime	48	The Prime Tower	Office	Yongsan	11,800
KOCREF Seomyeon	49	Busan Seomyeon D-City	Retail	Busan	82,600
Total					2,438,940

# Target Payout Ratio and Performance of KOCREF Funds

(As of January, 2015, Unit: KRW in 100 millions)

	Year of Establishment	Investment	Target Payout Ratio *	Status	Note	
KOCREF No.1	2002	2,366	10.06%	Liquidation completed	Annual average payout ratio 43.5%, IRR 28.4%	
KOCREF No.2	2002	1,116	10.39%	Liquidation completed	Annual average payout ratio 12.1%, IRR 11.2%	
KOCREF No.3	2003	1,562	10.19%	Liquidation completed	Annual average payout ratio 51.3%, IRR 31.1%	
KOCREF No.4	2004	1,810	10.24%	Liquidation completed	Annual average payout ratio 31.4%, IRR23.0%	
KOCREF No.5	2005	1,063	8.71%	Liquidation completed	Annual average payout ratio 42.5%, IRR 28.9%	
KOCREF No.6 (Preferred stocks)(**)	2005	2,734	9.20%	20th term of operation	Under lease	
KOCREF No.7	2005	1,360	8.00%	Liquidation completed	Annual average payout ratio 10.7%, IRR 10.6%	
KOCREF No.8	2006	1,224	8.57%	Dissolved	Under liquidation	
KOCREF NPS No.1	2006	8,178	7.99%	17th term of operation		
KOCREF NPS No.2	2007	6,407	12.18%	16th term of operation	Under lease	
KOCREF No.11	2007	2,185	16.27%	16th term of operation		
Pangyo SD-2 PFV	2007	3,400	12.26%	9th term of operation	Under lease (completed in March, 2011)	
KOCREF ARIEF Korea 1	2007	2,135	10.88%	Liquidation completed	Annual average payout ratio 2.3%, IRR 0.4%	
KOCREF No.14	2008	1,152	11.57%	15th term of operation	Under lease	
KOCREF No.15	2009	1,224	14.23%	9th term of operation	To be remodeled	
KOCREF G Square PFV	2009	5,320	9.58%	6th term of operation	Under lease (completed in March, 2012)	
KOCREF No.17	2010	635	15.03%	9th term of operation	Under lease (completed remodel in November, 2011)	
KOCREF Cheongjin No.18	2011	7,361	7.74%	6th term of operation	Under lease (completed in Apri,l 2014)	
KOCREF Cheongjin No.19	2011	6,022	9.73%	6th term of operation	опает теазе (сотпртегей пт Арп,т 2014)	
KOCREF Byukeun Hotel PFV(Preferred stocks)	2012	832	5.68%	5th term of operation	Under construction (Construction began in December, 2014)	
KOCREF Gwanggyo	2013	4,276	9.22%	4th term of operation	Under construction (to be completed in August 2015)	
KOCREF Yangjae (Preferred stocks)	2013	2,711	7.87%	4th term of operation		
KOCREF Pine Avenue (Preferred stocks)(**)	2013	5,126	6.97%	3rd term of operation	Under lease	
KOCREF The Prime	2014	1,335	9.18%	3rd term of operation		
KOCREF Seomyeon	2014	940	6.95%	3rd term of operation	Under construction (to be completed in April 2015)	
Total		72,474				

<sup>\*</sup> Target Payout Ratios are Equity IRRs \*\* The Target Payout Ratios of the funds are based on the second kinds of stocks

# Product & Business

## **KOCREF Fund**



#### KOCREF No.1

**Type** Corporate restructuring real estate

company (CR REIT)

Date of Establishment May 4, 2002

Status

Liquidation completed (May 4, 2007)

Promoter Hanhwa Chemical Corporation, Korea Development Bank, Woori Bank, (former) Cho Hung Bank, Hana Bank,

(former) Cho Hung Bank, Hana Bank, Kyungnam Bank, Dongyang Fire & Marine Insurance Company, LG Fire &

Hanwha Janggyo Building

Assets

purchased

Marine Insurance Company, Kumho Life Insurance Company and more

Hanwha Janggyo Building

(363, Samil-dae-ro, Jung-gu, Seoul) Daehan Building (17, International Finance Road 2 Gil, Yeongdeungpogu, Seoul 17)

Dae-ah Building (162, Yanghwa-ro, Mapo, Seoul)

Daehan Building Dae-ah Building



## **KOCREF No.2**

Type Corporate restructuring real estate

company (CR REIT)

Date of

Establishment Oct. 17, 2002

Status Liquidation completed (Sep. 7, 2005)

Promoter Korea Development Bank, Woori Bank, (former) Cho Hung Bank, Hana Bank,

LG Fire & Marine Insurance Company, Samsung Fire & Marine Insurance

Company and more

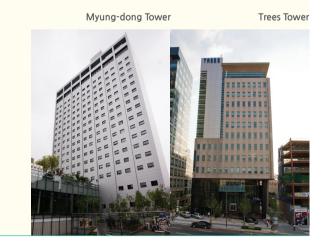
Assets purchased

Myung-dong Tower (27, Myeong-dong

8 Gil, Jung-gu, Seoul)

Trees Tower (Eonju-ro, Gangnam-gu,

Seoul



#### KOCREF No.3

**Type** Corporate restructuring real estate

company (CR REIT)

Date of

Establishment Aug. 5, 2003

Status Liquidation completed (Aug. 5, 2008)

Promoter

Korea Development Bank, Woori Bank,
(former) Cho Hung Bank, Public Official
Benefit Association(POBA), Kumho
Life Insurance, Samsung Life Insurance,

Samsung Fire & Marine Insurance, First Fire & Marine Insurance, Hana Bank

Assets

purchased Hanwha Securities Building (56, Yeoidae-ro,

Yeongdeungpo-gu, Seoul)

I-vill Hill Town (641, Nonhyeon-ro,

Gangnam-gu, Seoul)



#### KOCREF No.4

**Type** Corporate restructuring real estate

company (CR REIT)

Date of

Establishment Apr. 2, 2004

Status Liquidation completed (Apr. 2, 2009)

**Promoter** YTN, Korea Teacher's Credit

Union(KTCU), Samsung Life Insurance, Daehan Life Insurance, Kyobo Life Insurance, Kumho Life Insurance, Samsung Life Public Welfare Foundation,

Woori Bank and more

Assets

purchased YTN Tower (98, Huam-ro, Jung-gu,

Seoul)

Platinum Tower (398, Seocho-dae-ro,

Seocho-gu, Seoul)



## **Product & Business**

## **KOCREF Fund**



#### KOCREF No.5

**Type** Corporate restructuring real estate

company (CR REIT)

Date of

Establishment Dec. 13, 2004

Status Liquidation completed (Sep. 18, 2009)

Promoter National Pension Service, Kyobo Life Insurance, Samsung Life Insurance,

Daehan Life Insurance

Assets

purchased Dacom Building (306, Teheran-ro,

Gangnam-gu, Seoul)



Dacom Building

#### **KOCREF No.6**

**Type** Corporate restructuring real estate

company (CR REIT)

Date of

Establishment July 26, 2005

Status Under management

**Promoter** Nonghyup Bank, Korea Federation of

Community Credit Cooperatives(KFCC), Korea Development Bank, ING Life Insurance, E-Land E&C, Local Finance Association, Hyundai Marine & Fire Insurance, Shinhan Life Insurance, Seoul National University

development fund, etc.

Assets

**purchased** New Core Outlet Yatap

(11, 81st Yatap Road, Bundang-gu,

Seongnam, Gyeonggi-do) New Core Outlet Ilsan

(1206, Jungang-ro, Ilsan-gu, Goyang,

Gyeonggi-do)

New Core Outlet Incheon

(485, Inha-ro, Namdong-gu, Incheon) New Core Outlet Pyeongchon (119, Dongan-ro, Dongan-gu, Anyang,

Gyeonggi-do)





New Core Outlet Incheon New Core Outlet Pyeongchon



#### **KOCREF No.7**

**Type** Corporate restructuring real estate

company ( REIT under management on

commission)

Date of

Establishment May 25, 2005

Status Liquidation completed (Dec. 28, 2010)

Promoter Woori Bank, Public Official Benefit Association(POBA), Samsung Life

Insurance, Daehan Life Insurance, Samsung Fire & Marine Insurance, LIG Fire & Marine Insurance, Dahaam E-tec

and more

Assets

purchased DSME Building (125, Namdaemun-ro,

Jung-gu, Seoul)

Kolon Building Annex (13, Kolon-ro,

Gwacheon, Gyeonggi-do)

DSME Building Kolon Building Annex



#### **KOCREF No.8**

**Type** Corporate restructuring real estate

company (REIT under management on

commission)

Date of

Establishment May 18. 2006
Status Under liquidation

**Promoter** Woori Bank, Samsung Life Insurance,

Kyobo Life Insurance, Daehan Life Insurance, LIG Fire & Marine Insurance, Shinhan Life Insurance, ING Life

Insurance and more

Assets

**purchased** G Tower (63, 4-gil, Yulgok-ro, Jongro-

gu, Seoul)

: Sale completed (July 3, 2012) Central Tower (26, 312nd Road, Hwangsaeul-ro, Bundang-gu, Seongnam, Gyeonggi-do)

: Sale completed (Dec. 29, 2014)



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## **Product & Business**

## **KOCREF Fund**



#### **KOCREF NPS No.1**

Corporate restructuring real estate company Type (REIT under management on commission)

Date of

Establishment Sep. 20, 2006 Under management Status Promoter National Pension Service

Assets purchased

Sigma Tower

(289, Olympic Road, Songpa-gu, Seoul) Seoul City Tower

(110, Huam-ro, Jung-gu, Seoul) **Grace Tower** 

(127, Teheran Road, Gangnam-gu, Seoul)

Golden Tower

(511, Samseong-ro, Gangnam-gu, Seoul)



**Grace Tower** 



(64-1275. Jungang-ro Ilsan-gu, Gyeonggi-do)

(437, Jungbu-dae-ro, Yeongtong-gu, Suwon,

(175, Gwangdeok-dae-ro, Danwon-gu,

(225, Dadae-ro, Saha-gu, Busan)

(26, Sindap-ro, Buk-gu, Ulsan)

(127, Dongchon-ro, Dong-gu, Daegu)

Homeplus Ilsan

Gyeonggi-do)

Homeplus Ansan

Ansan, Gyeonggi-do)

Homeplus Dongchon

Homeplus Janglim

Homeplus Ulsan

Homeplus Cheonan

Chungcheong-nam-do)

Homeplus Woncheon



Type Corporate restructuring real estate

company (REIT under management on

commission)

Date of

Establishment Dec. 22, 2006 Status Under management

Promoter National Pension Service, Woori Bank

Assets purchased

Homeplus Gayang

(431, Yangcheon-ro, Gangseo-gu, Seoul)

Homeplus Shiheung

(201, Siheung-dae-ro, Geumcheon-gu,

Seoul)

Homeplus Gyesan

(14, Ojosan Gongwon-ro, Gyeyang-gu,

Incheon)

54

(23, Sinchon-1-gil, Dongnam-gu, Cheonan,



#### KOCREF No.11

Corporate restructuring real estate

company (CR REIT)

Date of

Establishment Apr. 24, 2007

Status Under management Promoter

STX, Woori Bank, Daehan Life Insurance, KDB Life Insurance, Hyundai Marine & Fire Insurance, LIG Fire & Marine Insurance, Tong Yang Life Insurance,

Shinhan Life Insurance and more

Assets purchased

STX Namsan Tower

(98, Huam-ro, Jung-gu, Seoul)



STX Namsan Towe

### Pangyo SD-2 PFV

Type

Date of

Establishment Aug. 16, 2007

Status Under management Promoter

Woori Bank, Daehan Life Insurance,

Hanwha General Insurance, Public Official Benefit Association (POBA),

Korea Post and more

Assets purchased

A and B Buildings of H Square (231 and 235, Pangyo-yeok-ro, Bundang-gu, Seongnam, Gyeonggi-do)



A and B Buildings of H Square

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# Product & Business KOCREF Fund

#### **KOCREF ARIEF Korea No.1**

**Type** Corporate restructuring real estate

company (CR REIT)

Date of

Establishment Oct. 25, 2007

Status Liquidation completed (Aug. 25, 2014)

Promoter ARIEF Korea, Woori Bank and more

Assets

purchased Noon Square(14, Myeongdong-gil,

Jung-gu, Seoul)



Noon Squar

#### KOCREF No.14

Type Corporate restructuring real estate

company (REIT under management on

commission)

Date of

Establishment Dec. 13, 2007

**Status** Under management

Promoter Nonghyup, Kumho Life Insurance, Woori Bank, Kyobo Life Insurance, Shinhan

Life Insurance, Samsung Life Insurance

and more

Assets purchased

A and B Buildings of Times Square (15, Yeongjung-ro, Yeongdeungpo-gu,

Seoul)



A and B Buildings of Times Square

#### **KOCREF No.15**

**Type** Corporate restructuring real estate

company (CR REIT)

Date of

Establishment Nov. 12, 2009

Status Under management

Promoter Hungkuk Life Insurance, Korea
Development Bank, Woori Bank and

more

Assets

gu, Seoul)



Insong Building

### **KOCREF G Square PFV**

Type PI

Date of

Establishment Jan. 7, 2010

Status Under management

**Promoter** Kookmin Bank, Industrial Bank of Korea,

Korea Development Bank, Korea Federation of Community Credit Cooperatives(KFCC)

and more

Assets purchased

G.Square

(180, Simindae-ro, Dongan-gu, Anyang City,

Gyeonggi-do)



G. Square

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# Product & Business KOCREF Fund

#### KOCREF No.17

Type Externally managed REIT (REIT under

management on commission)

Date of

Establishment Nov. 3, 2010
Status Under management

Promoter Korea Teacher's Pension(KTP),

Hanwha Investment Trust Management,

KT&G and more

Assets

purchased NH Capital Building (27-8, 8th

International Finance Road, Yeongdeungpo-gu, Seoul)



NH Capital Building

## KOCREF Cheongjin No.18

Type Externally managed REIT (REIT under management on commission)

Date of

Establishment Nov. 9, 2011

Status Under management

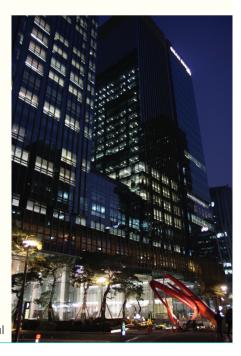
**Promoter** National Pension Service, KORAMCO

REITs Management &Trust

Assets purchased

S Building of Grand Seoul (33, Jongro,

Jongro-gu, Seoul)



S Building of Grand Seoul

#### **KOCREF Cheongjin No.19**

Type Externally managed REIT (REIT under

management on commission)

Date of

Promoter

Establishment Nov. 9, 2011
Status Under management

National Pension Service, KORAMCO

REITs&Trust

Assets

purchased N Building of Grand Seoul (33, Jongro,

Jongno-gu, Seoul)



N Building of Grand Seoul

## KOCREF Byuckeun Hotel PFV

Type PFV

Date of

Establishment Dec. 24, 2012

**Status** Preparing construction

**Promoter** Byuckeun Industry, KORAMCO REITs

Management &Trust

Assets purchased

Shilla Stay Business Hotel (427,

Hyoryong-ro, Seocho-gu, Seoul)



Shilla Stay Business Hotel

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## **Product & Business KOCREF Fund**

#### **KOCREF Gwanggyo**

Development Entrusted Management Type

Real Estate Company

Date of

Establishment Feb. 13, 2013

Under construction Status

Promoter Kookmin Bank, GS Retail, Samsung Securities Private PB, KT Capital, Shinhan Life Insurance, Seongdam and

Assets

purchased Complex development of central commercial land in Ganggyo

Development District



Complex in Ganggyo Development District

## **KOCREF** Yangjae

Type Externally managed REITs (REIT under

management on commission)

Date of

Establishment Mar. 28, 2013 Status Under management Promoter Korea Teacher's Credit

Union(KTCU), Public Official Benefit Association (POBA), Korea Scientists & Engineers Mutual-aid Association(SEMA), Korean RE and

Assets purchased

Gangnam P Tower (2620, Nambu Sunhwan-ro, Seocho-gu, Seoul)



Gangnam P Tower

#### **KOCREF Pine Avenue**

Externally managed REITs (REIT under

management on commission)

Date of

Establishment July 29, 2013

Status Under management

Promoter Korea Teacher's Pension(KTP), Korea Securities Finance, ING Life Insurance, Korea Federation of Community Credit

Cooperatives(KFCC) and more

Assets

B Building of Pine Avenue (100, Euljiro, purchased

Jung-gu, Seoul)



Externally managed REIT (REIT under

Korea Teacher's Credit Union(KTCU).

(92, Dongcheon-ro, Jin-gu, Busan)

management on commission)

Under management

Daewoo E&C and more

D-City in Seomyeon, Busan

B Building of Pine Aven

Date of

Status

Assets

Promoter

purchased

**KOCREF** Seomyeon

Establishment Jan. 23, 2014

#### **KOCREF The Prime**

Externally managed REIT (REIT under

management on commission)

Date of

Establishment Feb. 2, 2014

Status Under management

Korea Teacher's Credit Union(KTCU), Promoter

Shinhan Life Insurance, Korea Scientists & Engineers Mutualaid Association(SEMA), Dong Ah

Construction and more

Assets purchased

The Prime Tower in Wonhyo-ro (11, Wonhyo-ro-gil 90, Yongsan-gu, Seoul)





### **Product & Business**

## **Real Estate Trust**



#### Concept

#### Trust

The act of creating a trust is the consigning of property (entrusted property) by those who hold the property rights (consigners) such as cash or real estate to consignees, and at the same time, to manage and dispose of the property for themselves or others (beneficiaries) according to specific purposes (trust purposes).

#### Features of Trust

The biggest feature is the transfer of property rights (complete ownership transfer both internally and officially) from consignors to consignees. The property, in fact, is consigned to beneficiaries in economic terms although it remains internally and officially consigned to the consignees. Entrusted property stands independent from consignors and consignees.

#### Real Estate Trust

A real estate trust is different from a cash trust in that the entrusted property is real estate or real estate-related rights. Trust products include land development trusts, management trusts, disposal trusts, collateral trusts, sales management trusts and project management services, and other related businesses including realtor services and real estate consulting services.

#### **Land Development Trust**

#### Maximizing Profits with Optimal Land Development

Profits are maximized with the combination of landowner's opinion, expertise of trust company and business knowhow.

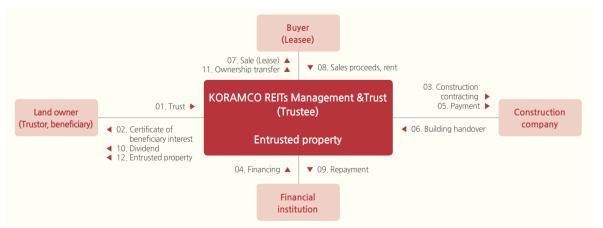
A product entrusted by landowners lacking in development know-how or financial capacity to a trust company to gain profits through efficient utilization of the land.

A trust company procures land and builds buildings on it bearing in mind the landowners' ideas as well as expert knowledge, and raising the funds for construction. Then it returns a portion of the yield to the landowner after the sale or lease of the land.

#### Strengths of a Land Development Trust

- 01. Land development can be optimized with the help of specialists, even if customers have no funds or experience in construction.
- 02. There are no worries about the financial burdens of business operation and procedural challenges.
- 03. A land development trust optimizes the revenue for landowners while reducing difficulties involved in the process.
- 04. Furthermore, experienced business operators conduct the business of direct sales or leasing, so sales possibilities
- 05. No Acquisition/Registration Tax for Trustees

#### Structure



#### Management-type Land Development Trust

#### Maximizing Stability of Project Execution and Sales

Development projects are conducted with greater stability and fewer sales-related disturbances as it effectively hedges default/bankruptcy risks.

Similar to a general land development trust, it differs in the funding mechanism: a consignor directly finances the required business costs from a financial institution and a developer and pays the cost. Therefore, development projects can be carried out with enhanced stability and sales-related disturbances can be prevented.

#### Strengths of Land Development Trust

#### 01. A Trustor (Original Contractor) Default-Risk Hedge

Upon the default or bankruptcy of a trustor, the entrusted property remains an independent property to be managed se-parately. Since a trust company is the developer, the business can be stably managed.

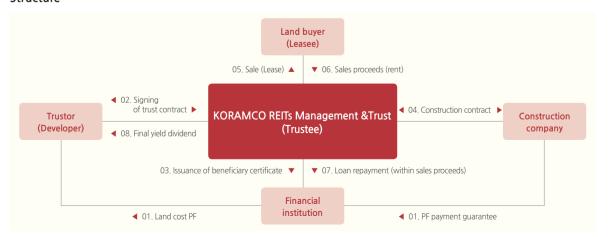
#### 02. Prevention Sales-related Disturbances

Sales-related disturbances such as redundant contracting or the embezzlement of sale proceeds are prevented as the sales (lease) contract is singed in the name of a trust company.

#### 03. Prevention of Project Delay

Land development trusts prevent delays in the completion of construction and move-ins due to unexpected disputes between contractors and developers including agreement violations and the prevention of misconducts and let interested parties practically enjoy their rights.

#### Structure



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## **Product & Business**

## **Real Estate Trust**



#### **Management Trust**

#### Optimal Tool for Efficient Real Estate Management

Professional real estate management can reduce costs and raise real estate values

A trust product wherein a trust company takes charge of the real estate ownership, lease management, facility maintenance, legal affairs, tax and income management, and the return of income to its owners.

A trust company categorizes management trusts into two categories depending on the management scope: Class A management trusts and Class B management trusts.

- \* Type A Management Trust (comprehensive management): Management of the ownership, lease, facility maintenance, legal affairs and taxation of the entrusted real estate
- \* Type B Management Trust (ownership management): Management of only the ownership for the entrusted property

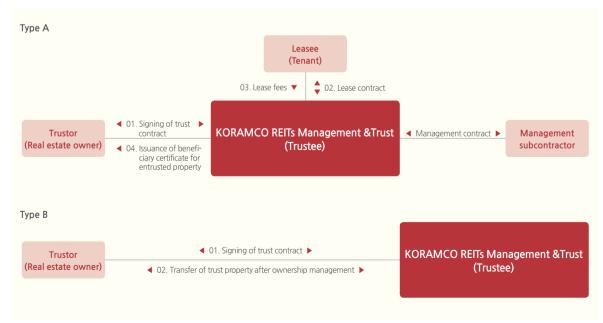
#### Strengths of a Management Trust

- 01. The value and yield of customers' real estate is enhanced based on the public trust and sales network of a trust company.
- 02. Real estate management can be accomplished more efficiently and professionally, and real estate management costs can be dramatically cut.

#### When It Is Need

- 01. When real estate cannot be directly managed as its owner stays abroad for a long period, is an elderly citizen or a juvenile.
- 02. When the owner hopes to consign the comprehensive and complicated real estate management to specialists, e.g. taxation in real estate and lease management.
- 03. When trustworthy asset management is necessary for the livelihood of surviving family members in the event of an owner's death.

#### Structure



#### **Disposal Trust**

#### Creating Optimal Outcomes with Various Sales Techniques and Information Networks

For real estate that cannot be easily disposed of, the appropriate buyers are found and the real estate is disposed of at an optimal price in a short period to cater to customer needs.

A trust product whereby appropriate buyers are found for real estate that is challenging to dispose of in terms Of due methods or procedures, or large-sized and high-priced real estate so that the real estate can be safely disposed of and the proceeds transferred to the beneficiaries.

A unique brokering method in that a trust company is entrusted with the real estate and holds the right and entitlement as a seller, so that buyers can safely buy the real estate.

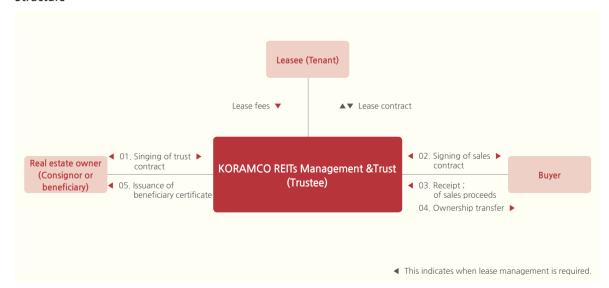
#### Strengths of a Disposal Trust

- 01. Techniques and information network enable disposal in a short period of time at a high transaction price.
- 02. Safe preservation of ownership is possible without separate procedures for real estate transactions which require considerable time from the signing of a sale agreement to full pavement settlement.

#### When It Is Needed

- 01. When real estate is difficult to be disposed of via agent as it requires stability and reliability.
- 02. When the owner hopes to consign the comprehensive and complicated real estate management to specialists, e.g. taxation in real estate and lease management.
- 03. When one seeks to secure stability in land trading within the area permitted for land transaction.
- 04. When real estate cannot be directly disposed of as its owner stays abroad for too long or has emigrated abroad.
- 05. When real estate cannot be disposed of ordinarily, as it is large-sized and high-priced real estate, or the one with complicated rights relations.
- 06. For development projects and others, when the land and buildings cannot be purchased currently but can be secured in the near future.
- 07. When one wants to prevent the disclosure of identity of the real estate owner, whether it is the individual or the company.

#### Structure



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### **Product & Business**

## **Real Estate Trust**



#### **Collateral Trust**

#### **Economical and Convenient Advanced Collateral Scheme**

Collateral trust that is low-priced and convenient raises the convenience in accessing a financial institution and applying for loans.

This trust product is less costly than a mortgage product, and with its advanced collateral scheme, one can conveniently apply for a loan with the real estate as collateral. A real estate trust company executes the loan business by being entrusted with the real estate from the real estate owner according to a trust contract. The debt is paid upon the maturity of the loan period, and the entrusted real estate is returned to trustor. However, upon a payment default, the entrusted real estate is converted into market value, the debt is repaid with the disposal proceeds and the remaining disposal proceeds are transferred to the beneficiaries.

#### Strengths of a Collateral Trust

#### 01. For Debtor

Necessary costs including registration taxes are lower compared to the settlement of a mortgage.

One can be protected from a third-party financing institution during the trust contract period (Article 21 of the Trust Act). In case of a default, the collateral real estate is promptly converted into cash via public auction so that losses as a result of pro-longed auctions or low public auction prices can be prevented.

For additional loan applications, required costs can be reduced and the procedure is simple.

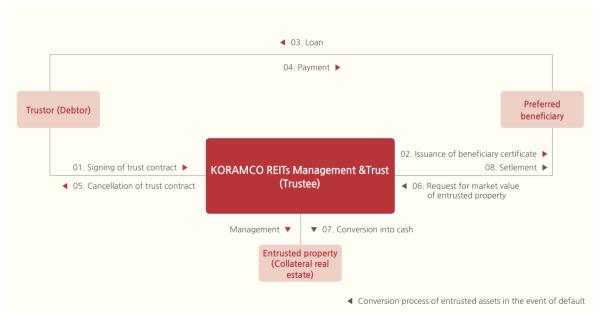
#### 02. For Creditor (Financial Institution)

Management and workforce costs at the financial institution can be saved.

The collection period is shortened and the costs are reduced due to public auction.

Trust property does not become divisible for distribution amongst creditors nor belong to consignors' inherited property (Article 22 and 25 of the Trust Act), which implies that the trust property is guaranteed with independency, so its safety can be secured even upon the bankruptcy or reorganization procedure of borrowers or of a trust company.

#### Structure



#### Sales Management Trust

#### Triggering Sales through Higher Transparency and Safety

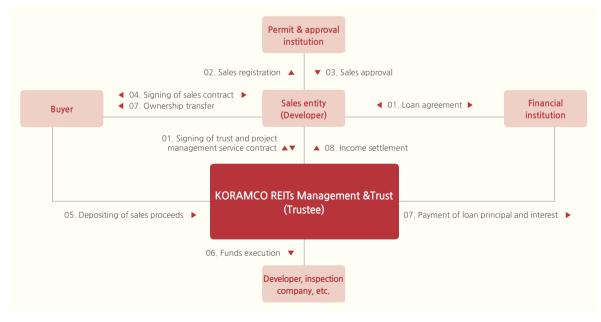
Successful sales are guaranteed by minimizing the burdens of business operators and strengthening the rights of developers.

According to the Act on the Sale of Buildings, developers of sales projects allow a trust company to preserve and manage the real estate ownership and sales proceeds of the investors and business participants for the purpose of pre-construction sales. This is a trust product to ensure that sales projects are conducted successfully and the ownership is safely transferred to the buyers after the usage approval.

#### Strengths of Sales Management Trust

- 01. This trust minimizes the initial burden for developers due to pre-build & post ?sale model and guarantees stability thanks to the early collection of proceeds.
- 02. Through contract management and safe management of sale proceeds, purchaser's rights are fully guaranteed.
- 03. Transparency in the sales process and safety in transactions are guaranteed, and purchasers are fully protected, which would trigger greater sales.

#### Structure



### **Product & Business**

## **Real Estate Trust**

#### **Project Management Service**

#### Catering to Customer Needs through Professional Consulting

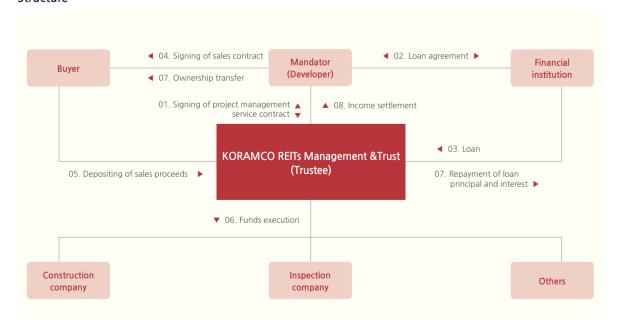
Real estate-related tasks are promptly and accurately handled based on expertise and trust by providing project management services.

The trust company provides secure and swift handling of various services related to approval procedures, research, sale proceeds, loan repayment, execution of project costs and other matters related to the acquisition or disposal of real estate on behalf of the client.

#### Strengths of Project Management Service

- 01. KORAMCO REITs Management &Trust enhances the possibilities of success for various types of transactions based on its public confidence.
- 02. Leveraging on its expertise and information capabilities as a trust company, optimal business plan can be set up and the most suitable construction companies can be found while minimizing the permit and approval period.
- 03. If a trust company manages the sales income under its project management service, the trustworthiness of the company gets rid of any buyer concerns and triggers greater sales, and makes financing from financial institutions.

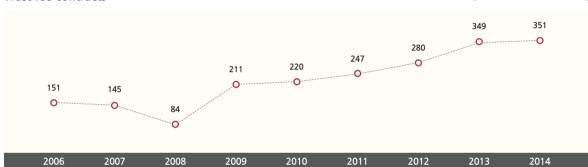
#### Structure

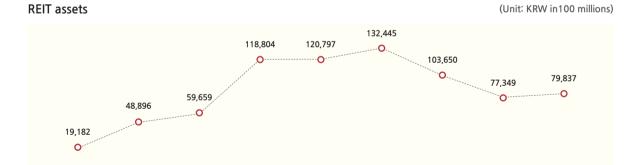


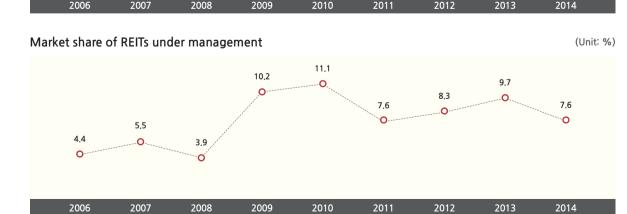
Despite being a latecomer in the real estate trust business, KORAMCO has grown into a mid-sized trust company by launching differentiated new products and suggesting a new business paradigm based on its specialties. In addition, the Company signed new contracts amounting to KRW 35.1 billion, the highest since its establishment, gaining a foothold to advance to the top level in the industry.

When our competing late-coming trust companies were focusing on non-borrowing trusts, we prepared borrowing-type land trust. In-depth feasibility studies and thorough risk management has empowered to carry out the land trust business without non-performing business sites. This is an element of differentiated competitiveness that only KORAMCO has and a perfect example in the real estate trust industry. Based on steady progress in the land trust business, KORAMCO laid the strong foundation for mid- to long-term profits and is steadily growing.

Trust fee contracts (Unit: KRW in 100 millions)







# **Major Trust Projects**



#### 2006

## **R** Korea's Beverly Hills S-Town



#### Anseong Townhouse

Community village of successful people

Sale management trust November 2006

Contractor Rijeong Tech Construction

Households

2007

### Comfortable apartment house in Banpo of Seocho



Apartment house in Banpo-dong, Seocho-gu, Seoul
Apartment house with excellent educational environment

Collateral Trust

January 2007

**Building scale** 2 underground floors,

7 floors above ground

## Landmark in Jeongja-dong, Bundang



the # Star Park in Jeongja-dong

Landmark on gateway to Seoul with excellent access

Disposal Trust Contractor

**Building scale** 3 underground floors,

36 floors above ground

February 2007 POSCO E&C 2007

## - Sales facility with excellent view



#### Sales facility in Minrak-dong, Busan

Sales facility with excellent public transportation (Gwangan Station of Subway Line No.2) accessibility and differentiated view

Sale management trust May 2007

Contractor KR Industry

**Building scale** 2 underground floors,

15 floors above ground

2008

## Business facility in Gangnam



#### Business facility in Yangjae

Securing steady demand with excellent accessibility (Yangjae Subway Station, buses, highway)

Collateral Trust March 2008

Contractor POSCO E&C, Seo-hee E & C

Building scale 6 underground floors,

20 floors above ground

## Seoul's southwestern landmark



#### Office building in Sillim-dong

Satisfying students' demand for houses and positioning as a representative business facility in Seoul's southwestern area

Sale management trust September 2008

**Contractor** Dong Ah Construction

**Building scale** 8 underground floors,

25 floors above ground

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## **Product & Business**

# **Major Trust Projects**



#### 2008

### Best business facility in Pangyo



Business facility in Pangyo New Town
Business facility with future growth potential and future
development conditions of Pangyo

Management-type land

development trustDecember 2008ContractorSK ConstructionBuilding scale3 underground floors,

8 floors above ground, 3 buildings

#### 2009

#### Representative APT in southern area of Ulsan



#### Apartment buildings in Yaeum-dong of Ulsan

Great educational environment of southern area of Ulsan and excellent accessibility to amenities such as department stores, discount stores, hospitals, etc.

Management-type land

development trustJanuary 2009ContractorDoosan E&CBuilding scale2 underground floors,

24 floors above ground,

10 buildings

## Green and happy residential complex



Apartment buildings in Pyeongtaek Suchon District Eco-friendly complex around Tongbok Stream

Collateral Trust March 2009 Households 2,800

**Building scale** 1 underground floor, 25 floors

above ground

#### 2009

## Proffice building in Sincheon-dong, Jamsil



Office in Sincheon-dong, Songpa-gu, Seoul
Business facility expected to enjoy strong rental demand since
it is located across second Lotte World

Management-type land

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development trustJune 2009ContractorShinsegae E&C

**Building scale** 7 underground floors, 8 floors

above ground

## Programme Daemok Tower in Seocho-dong



Commercial facility in Seocho-dong, Seocho-gu, Seoul Commercial facility close to Shin Nonhyeon Subway Station which lines on Main Gangnam Street

Management-type land

development trustJune 2009ContractorSicons

**Building scale** 3 underground floors and 15 floors

above ground

## Pangyo SD-2 H'Square



Research support and commercial facility in Pangyo-dong, Bundang-gu, Seongnam

Research support and commercial facility adjoining a plaza in downtown Techno Valley of Pangyo

Sale management trust June 2009
Contractor Hanwha E&C

**Building scale** 4 underground floors, 10 floors

above ground

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## **Product & Business**

## **Major Trust Projects**



#### 2009

## | Ilsung Truel in Yangju



Apartment building in Deokjeong-dong, Yangju, Gyeonggi-do Apartment building five-minute walk from Deokjeong Station of Seoul Subway Line No.1

Management-type land

development trust June 2009

Contractor Ilsung Construction

**Building scale** 2 underground floors, 17 floors

above ground and 272 households

### Apartment buildings at center of education, Yeongi-gun, Chungnam



Apartment buildings in Jochiwon, Yeongi-gun, Chungnam Residential complex with excellent educational environment less than 6km away from Osong Life Science Park and Multifunctional Administrative City

Management-type land

development trust July 2009 Daelim Industrial Contractor

**Building scale** 2 underground floors, 20 floors

above ground, 12 buildings

## Luxury villa in Gangnam



Apartment in Nonhyun-dong, Gangnam-gu, Seoul Luxurious villa in residential area popular among high class in Gangnam which pursues becoming community of high class

Management-type land

August 2009 development trust SK E&C Contractor

2 underground floors, 4floors above **Building scale** 

ground, 19 households

#### 2009

## Gimpo Hangang Sujain



#### Apartment in Janggi-dong, Gimpo, Gyeonggi-do

Eco-friendly apartment with green area ratio of 56% as big complex in Hangang New City in Gimpo

Management-type land

development trust September 2009

Contractor Hanyang

**Building scale** 3 floors underground, 26 floors

above ground, 1,473 households

## ■ Daewon Cantaville in Byeolnae



#### Apartment buildings in Byeolnae Housing Development District in Namyangju

Apartment buildings in good natural environment between river and mountain

Management-type land

October 2009 development trust Contractor Daewon

**Building** scale 2 underground floors, 25 floors

above ground, 486 households

#### 2010

## Software Venture Tower in Sangyeok-dong



Office and studio apartment buildings in Sangyeok-dong, Buk-du, Daegu

Business facility with occupancy rate of 70%

Sale management trust March 2010

Contractor Inter-Burgo Construction **Building scale** 2 underground floors, 15 floors above ground

## **Major Trust Projects**



#### 2010

## Yongsan KRA PLAZA



#### Cultural and convention facility in Hangang-ro 3 Ga, Yongsan-gu, Seoul

Cultural and convention facility for creating sound leisure culture near development zone around Yongsan Station

Sale-type land

development trust June 2010 Contractor Daewoo E&C

**Building** scale 7 underground floors, 14 floors above

ground

## Songdo Science Village



## Studio apartment buildings in Songdo-dong, Yeonsu-gu,

Studio apartment buildings by science and culture-oriented main street in Global New City in Song-do

Sale management trust July 2010

Contractor

3 underground floors, 15 floors **Building scale** 

above ground, 3 buildings

## Full-finished Genes Tower in Suyu-dong



Studio apartment building in Suyu-dong, Gangbuk-gu, Seoul Hotel-type full-furnished studio apartment near Suyu Subway Station

Sale management trust August 2010

Contractor Wooi General Construction **Building scale** 4 underground floors, 19 floors

above ground, 134 rooms

#### 2010

## Commercial facility in Geolpo District



#### Neighborhood facility in Geolpo-dong, Gimpo, Gyeonggi-do First shopping center for apartment houses in Geolpo District

Sale management trust September 2010

Contractor Yejin General Construction **Building** scale 1 underground floor and 5 floors

above ground

## House redevelopment in Bongmyeong-dong, Cheonan



#### Apartment buildings in Bongmyeong-dong, Cheonan

Building 1,000 apartments by developing area with detached houses in old downtown of Cheonan

Project management service

October 2010

Building scale 2 underground floors,

21 floors above ground,

1,111 households

## STX Kahn in Imok-dong, Suwon



#### Apartment buildings in Imok-dong, Suwon

Big complex near Buk Suwon IC and its nearby apartment houses number 7,500

Management-type land

development trust October 2010 Contractor STX E&C

**Building scale** 2 underground floors, 26 floors

above ground, 947 households

# **Major Trust Projects**



#### 2011

## Maestro in Yeoksam-dong



## Studio apartment building in Yeoksam-dong, Gangnam-gu,

Studio apartment building with strong rental demand since it is located in area crowded with many offices

#### Management-type land

development trustMarch 2011ContractorHanmi GlobalBuilding scale3 underground

3 underground floors, 10 floors above ground

### Marine Park in Haeundae



#### Business facility in Udong, Haeundae-gu, Busan

Located at the center of existing residential area and in Marine City

#### Management-type land

development trustMarch 2011ContractorHilltop E&C

**Building scale** 5 underground floors,

20 floors above ground

## KCC Weltz Tower near Pangyo Station



# Studio apartment building in Sampyeong-dong, Bundang-gu, Seongnam

Located near Pangyo Techno Valley and within an area with strong rental demand near Pangyo Subway Station. Excellent accessibility to Gangnam via newly opened New Bundang Subway Line

#### Management-type land

development trustApril 2011ContractorKCC E&C

**Building scale** 5 underground floors, 17 floors

above ground, 2 buildings

#### 2011

## Proceeding Country Club in Su-dong, Chuncheon



#### Golf course in Sudong-ri, Namsan-myeon, Chuncheon

Membership-based golf course less-than-one-hour drive from Seoul

Management-type land

development trust May 2011

Contractor Hyundai AMCO

**Building scale** 18 holes, clubhouse and facilities

## Yoorim The Blue Soo in Seomyeon, Busan



#### Apartment building in Beomcheon-dong, Busanjin-gu, Busan

Residential complex four-minute walk from Beomnaegol Station with special layouts for separated houses for households

Sale-type land

development trustJune 2011ContractorYoorim E&C

**Building scale** 4 underground floors, 37 floors

above ground, 385 households

## Complex in Juan-dong



# Urban houses and studio apartments in Juan-dong, Nam-gu, Incheon

Satisfying demand for studios from college students and laborers since it is located near Junan Station through which a new subway line will pass

Management-type land

development trust June 2011

**Contractor** Himchan General Construction

**Building scale** 3 underground floors,

15 floors above ground

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## **Product & Business**

# **Major Trust Projects**



#### 2012

## Studio apartment building facing sea in Jeju



#### Studio apartment in Seogui-dong, Seoguipo, Jeju

Studio apartment with good conditions of location and a view of sea near Jeongbang and Cheonjiyeon Falls in Seoguipo

Sale-type land

development trust July 2012

**Contractor** Dongjin Construction

**Building scale** 2 underground floors, 11 floors

above ground, 1 building

## ■ Urban house and studio apartment building close to subway station



## Urban houses and studio apartments in Choryang-dong, Dong-gu, Busan

One-minute walk from Choryang Station of Busan's Subway No.1 Line. Strong rental demand as the studio apartment is behind various industrial facilities for Busan North Port

Sale-type land

development trust January 2012
Contractor Yoorim ENC

**Building scale** 4 underground floors, 17 floors

above ground, 1 building

## First complex in Seojong



Neighborhood, shopping and business facilities in Sejong Complex that satisfies demand for neighborhood, shopping and business facilities in Central Administration Town in Sejong City

Sale-type land

**development trust** June 2012

**Contractor** Yeil Construction

**Building scale** 2 underground floors, 4 floors

above ground, 2 buildings

#### 2012

## Comfortable apartments in housing development district



#### Apartments in Madong, Gwangyang

Very comfortable apartments, which is located in Jungma Housing Development District of Gwangyang, is near Mado Sports Park

Sale-type land

development trustFebruary 2012ContractorYoorim E&C

**Building scale** 1 underground floor, 16 floors

above ground, 5 buildings

## F Studio apartment building in popular residential area



#### Studio apartment building in Sinjeong-dong, Nam-gu, Ulsan

Studio apartment building popular as housing with excellent public transportation conditions with many buses as it lines on eight-lane Samsan Road

Sale-type land

development trust July 2012

ContractorGwangheung ConstructionBuilding scale4 underground floors, 19 floors

above ground, 1 building

## ■ Urban house and studio apartment building near Oryu Station



Urban house and studio apartment building in Oryu-dong, Guro-gu, Seoul

Five-minute walk from Oryu Station and excellent access to Seoul and Incheon

Sale-type land

development trustJuly 2012ContractorHyundai B&S

Building scale 2 underground floors, 17 floors

above ground, 1 building

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## **Product & Business**

# **Major Trust Projects**



2012

## Properties Specialized shopping facility in best residential area



Neighborhood and shopping facility in Udong, Haeundae-gu, Busan Specialized neighborhood and shopping facility in Marine City of Haeundae with many luxurious commercial and residential complexes and near many residential complexes

Sale-type land

development trust July 2012

**Contractor** Hilltop Construction

**Building scale** 5 underground floors, 20 floors

above ground, 1 building

## ■ Urban houses near three subway stations



Urban houses in Changcheon-dong, Seodaemun-gu, Seoul

Urban residential facility strong demand from college students and company workers near Hongik University Subway Station through which three subway lines pass

Management-type land

development trustMarch 2012ContractorTaekyung CM

**Building scale** 6 underground floors, 12 floors

above ground, 1 building

2013

## Studio apartment building facing Taehwa River



River Terrace in Shinjeong-dong, Ulsan

Studio apartment building by Taehwa River with a view of the river and specialized terraces

Sale-type land

**development trust** April 2013

ContractorJinsan General ConstructionBuilding scale1 underground floor, 20 floors

above ground, 1 building

#### 2013

## Coop City House, urban houses and studio apartments in Dangsan



Urban houses and studio apartments in Dangsan-dong, Yeongdeungpo-gu, Seoul

Studio apartment that can enjoy strong rental demand from those working in Yeoido since it is near three subway lines (Nos.2, 5, 9)

Sale-type land

development trust April 2013

**Contractor** Dongil construction

**Building scale** 4 underground floors, 16 floors

above ground, 1 building

### - Small and mid-sized commercial and residential facility



Commercial and residential facility in Sinjeong-dong, Ulsan Small apartment, studio apartment and shopping facility in Sinjeong-dong, residential downtown in Nam-gu of Ulsan

Sale-type land

development trust May 2013

Contractor Yangwoo Construction **Building scale** 4 underground floors, 20 floors

above ground, 2 buildings

## Commercial and residential facility in residential area in Tongyeong



Commercial and residential facility in Mujeon-dong, Tongyeong, Gyeongnam

Commercial and residential complex on good location not only as a residential facility but also as a commercial facility as it is located in an area crowded with apartments in Mujeon-dong, Tongyeong

Sale-type land

development trust May 2013

**Contractor** Singu Construction

**Building scale** 2 underground floors, 12 floors

above ground, 1 building

# **Major Trust Projects**



#### 2013

### Apartment buildings at center of Taebaek



#### Apartment buildings in Hwangji-dong, Taebaek

Apartment with excellent residential environment in Hwangjidong, a residential area with many houses as it is located near educational, cultural and sports facilities

Sale-type land

development trust May 2013

**Contractor** Dongjin Construction

**Building scale** 1 underground ground, 15 floors

above ground, 4 buildings

#### Urban houses and studio apartments less than five-minute walk from Suyeong Station



## Urban houses and studio apartments in Gwangan-dong, Suyeong-gu, Busan

Good access as building is five-minute walk from Suyeong Station through which 2nd and 3rd lines pass

Sale-type land

development trust August 2013

**Contractor** Saemirae Construction, Prime

Construction

**Building scale** 3 underground floors, 15 floors

above ground, 1 building

## ■ Urban houses and studio apartments in downtown of Cheongju



# Urban houses and studio apartments in Bokmyeong-dong, Heungdeok-gu, Cheongju

Urban houses and studio apartments with high rental demand since it is near Cheongju Industrial Complex, Heungdeok-gu Office and Chungbuk Medical Center

Sale-type land

**development trust** September 2013

ContractorDoowon Construction, Chungcheong E&CBuilding scale2 underground floors, 20 floors

above ground, 1 building

2013

## Shopping facility in large residential complex



#### Shopping facility in Chilseong-dong, Buk-gu, Daegu

Shopping facility on good location with excellent vehicle access since it is located at center of residential area in north of Daegu and lines on six-lane road

Sale-type land

**development trust** September 2013

**Contractor** Daelim General Construction

**Building scale** 2 underground floors,

6 floors above ground, 1 building

## Properties and studio apartments in key residential area in Ulsan



## Urban houses and studio apartments in Sinjeong-dong, Nam-gu, Ulsan

Studio apartment located in middle of Samsan Road in Ulsan with good private and public transportation conditions

Sale-type land

development trustSeptember 2013ContractorJipyeong Construction

**Building scale** 3 underground floors, 20 floors

above ground, 1 building

## - Studio apartments behind shipyard in Geoje



Studio apartments in Gohyeon-dong, Geoje, Gyeongnam Demand is expected from those working in shipbuilding industry as it is located near Geoje Shipyard of Samsung Heavy Industries and Okpo Shipyard of DSME

Sale-type land

development trustOctober 2013ContractorSingu Construction

**Building scale** 1 underground floor, 15 floors

above ground, 1 building

# **Major Trust Projects**



#### 2013

## Townhouse in Tongtan New City



#### Townhouse in Bansong-dong, Hwaseong, Gyeonggi

Detached house-type townhouse which lets people enjoy rural lives although it is located in new city and offers differentiated living environment

Sale-type land

development trust October 2013

Contractor Daelim General Construction Building scale 4 floors above ground, 39 buildings

#### Urban houses and studio apartments near Sillim Station



#### Urban houses and studio apartments in Sillim-dong, Gwanak-gu, Seoul

Studio apartment building five-minute walk from Sillim Station of second Seoul Subway Line with demand from those near Seoul National University, Guro Digital Complex and Gangnam business area

Sale-type land

development trust October 2013 Contractor Hwasan Construction

2 underground floors, 10 floors **Building scale** 

above ground, 1 building

## Apartments in Yeongdeok Housing Development District



## Apartments in Ugok-ri, Yeongdeok-eup, Yeongdeok-gun,

3-bay apartment building with small and mid-sized houses in Ugok Housing Development District which has not had enough apartment buildings over past 10 years

Sale-type land

development trust November 2013 Contractor Woojin Construction

**Building scale** 1 underground floor, 18 floors

above ground, 6 buildings

#### 2013

## Urban houses and studio apartments close to subway station in Beomeo Intersection



#### Urban houses and studio apartments in Beomeo-dong. Suseong-gu, Daegu

Studio apartment building near Beomeo Station of second line of Daegu Subway in area crowded with legal service firms, financial institutions and hospitals

Sale-type land

development trust December 2013

Contractor Yeonadona Construction **Building scale** 6 underground floors, 36 floors above ground, 1 building

#### Studio apartments close to Jangsan Subway Station



#### Studio apartments in Jwa-dong, Haeundae-gu, Busan

Studio apartment close to Jangsan Station of Busan Subway No.2 Line with good access to public transportation

Sale-type land

development trust December 2013

Sintaeyang Construction Contractor

**Building** scale 6 underground floors, 23 floors

above ground, 1 building

## Hotel close to Bupyeong Station



#### Hotel and neighborhood facility in Bupyeong-dong, Bupyeong-gu, Incheon

Hotel in area near transfer station of Subway Line No.1, with heavy foot traffic and where GTX station will be built

Management-type land

development trust May 2013

Contractor Daejeo construction, Toyo Coin I&C **Building scale** 1 underground floor, 24 floors

above ground, 1 building

# **Major Trust Projects**



#### 2014

## Urban houses and studio apartments near Sasang Station



#### Urban houses and studio apartments in Goaebeop-dong, Sasang-gu, Busan

Profitable real estate with good access as it is five-minute walk from Sasang Station, the transfer station where second line of Busan Subway and light railway line between Busan and Gimhae meet each other

Sale-type land

development trust Contractor

February 2014 Hwasan Construction

**Building** scale 1 underground floor, 24 floors

above ground, 1 building

## Townhouse free from noise problems between floors



#### Townhouse in Seocheon-dong, Yongin, Gyeonggi-do

Town house near kindergarten, elementary and middle schools in Seocheon Housing Development District and free from noise as one household use first, second and third floors

Management-type land

development trust September 2014

Contractor Dongwon construction industry **Building scale** 3 floors above ground, 18 buildings,

54 households

## Hotel in tourist zone in Jeju-do



#### Hotel in Seogui-dong, Seoguipo, Jeju-do

Profitable hotel on good location since it is located in Seogipo, center of tourism on Jeju Island

Sale-type land

development trust February 2014

Contractor Gwangheung E&C, Yeseo E&C 3 underground floors, 10 floors **Building** scale

above ground, 1 building

2014

## Hotel at center of Jeju City, Jeju-do



#### Yeondong Hotel in Jeju City, Jeju-do

Hotel in area crowded with hotels near Baozen Street on Jeju Island and popular among Korean and Chinese tourists

Sale-type land

development trust February 2014

Contractor Cheongsol General Construction **Building** scale 4 underground floors, 18 floors

above ground, 1 building

### Urban houses near government building



#### Urban houses in Zones (C4-2BL, C2-2BL) in 1-4 of Sejong

Profitable real estate with demand from public workers expected to make more profits in mid- to long-term as it is close to government buildings in Sejong City

Sale-type land

March 2014 development trust

Contractor **Building scale**  Fine General Construction 4 underground floors, 8 floors

above ground, 2 buildings

## Apartment building with excellent educational environment



Apartment building in Wolrak-dong, Namwon, Jeonbuk Apartment with good education environment with nearby elementary, middle and high schools and good access to public

transportation

Sale-type land

development trust

Contractor Yangwoo E&C **Building scale** 1 underground floor, 15 floors

April 2014

above ground, 6 buildings

## **Product & Business**

# **Major Trust Projects**



#### 2014

## Urban houses and studio apartments in newly booming residential area in Ulsan



Urban houses and studio apartments in Samsan-dong, Nam-gu, Ulsan

Urban houses with excellent neighborhood facilities and studio apartment with noise-proof functions

Sale-type land

development trust May 2014

Contractor Cheongsan General Construction

Building scale 3 underground floor, 20 floors

above ground, 1 building

#### Neighborhood facility at center of Daegu Technopolis



#### CC-1BL neighborhood facility in Daegu Technopolis

Neighborhood facility receiving much attention as core of commercial area in new city as first shopping building in commercial area in Daegu Technopolis

Sale-type land

development trust July 2014

Contractor Koricon E&C, Doowon E&C **Building scale** 2 underground floors, 9 ground

floors, 1 building

## - Studio apartment building facing sea



Studio apartment building in Neungpo-dong, Geoje, Gyeongnam

Profitable real estate with strong demand from single-person households near Okpo Shipyard of DSME

Sale-type land

**development trust** September 2014

**Contractor** Gapin General Construction,

Daesung Industrial Development

**Building scale** 3 underground floor, 10 floors

above ground, 1 building

#### 2014

## Neighborhood and leisure facility close to subway station



#### Complex in Gwaebeop-dong, Sasang-gu, Busan

Profitable real estate with heavy foot traffic abutting sixth exit of Sasang Station, transfer station where second line of Busan Subway and railway between Busan and Gimhae meet each other

Sale-type land

development trust September 2014

ContractorKyungbo General ConstructionBuilding scale2 underground floors, 15 floors

above ground, 1 building

### Hotel near Naju Innovation City



#### Hotel in Songwol-dong, Naju, Jeonnam

Hotel with high demand from public organizations and companies in Naju Innovation City since it is near the city and Naju Station of KTX

Sale-type land

development trustNovember 2014ContractorIlgun Civil Engineering

**Building scale** 3 underground floor, 7 floors above

ground, 1 building

## Proban houses and studio apartments fronting Gu office



Urban houses and studio apartments fronting Gu office in Gimryangjang-dong, Cheoin-gu, Yongin, Gyeonggi-do Profitable real estate fronting Cheoin-gu Office expected to enjoy

demand from college students as it is located near Myungji,
Yongin Universities and Songdam College

Sale-type land

**development trust** November 2014

ContractorDaeyang General ConstructionBuilding scale4 underground floors, 14 floors

above ground, 1 building

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## **Product & Business**

# **Major Trust Projects**



2014

## ■ Urban houses at center of Cheongju



Urban houses in Bokdae-dong, Heungdeok-gu, Cheongju, Chungbuk

Real estate with best residential environment near Cheongju National Industrial Complex and neighborhood facilities and good access to Chungbuk National University Hospital and Choi Hospital

Sale-type land

development trustNovember 2014ContractorSamwoo E&C

**Building scale** 2 underground floors, 22 floors

above ground, 1 building

#### Apartments with excellent educational environment



Apartment buildings in Namjang-ri, Hongseong-eup, Hongseong-gun, Chungnam

Apartment less than 2km away from Hongsung-gun Office, medical center and general terminal and near elementary, middle and high schools

Sale-type land

**development trust** December 2014

ContractorDaewoo Industrial DevelopmentBuilding scale1 underground floors, 15 floors

above ground, 8 buildings

# Product & Business REF & Special Asset Fund



#### **Real Estate Fund**

Real estate funds are a product that invests more than 50% of fund assets (collective investment assets) in real estate, real estate-related rights and real estate-related assets and pays profits from the investment to investors.

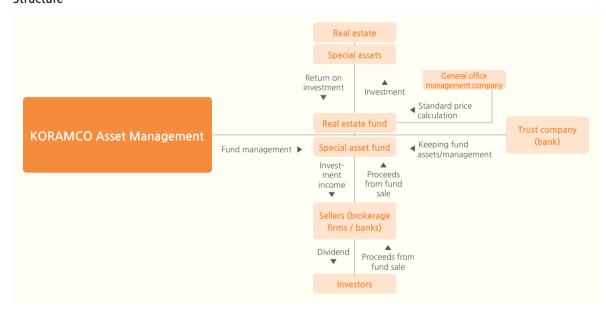
#### Type

	Discription
Lease	This fund based on a buy and lease system mainly purchases and rents business real estate (office buildings) or commercial real estate (store buildings). Its goal is to secure stable real estate rental income and a profit from selling properties in the future
Auction or Public Sale Type	A value investment-type real estate fund whose goal is to gain profits from renting or selling business or commercial properties purchased through auctions by courts or public sale by KAMCO and financial institutions
Derivative Type	A real estate fund that invests mainly in derivatives based on real estate
Right Type	A real estate fund that invests in trust-related rights, real estate-backed bonds, real estate fund (collective investment) stocks
Stock Type	A real estate fund that invests in REIT stocks, stocks issued by PFVs, stocks issued by real estate investment companies
Loan Type	A project financing-based real estate fund mainly for loans for corporations which receives interest from developers
Development Type	A development-type real estate fund that obtains development profits from sale or lease by pushing forward with real estate development projects as the fund plays the role of a developer

#### Special Asset Fund

A special asset fund is a product that invests more than 50% of fund assets (collective investment assets) in actual objects such as stocks, real estate, business rights, art works, ships, subways, oil fields, mines, intellectual property rights, carbon credits and pays profits from the investment to investors.

#### Structure



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# Product & Business FIRSTEP

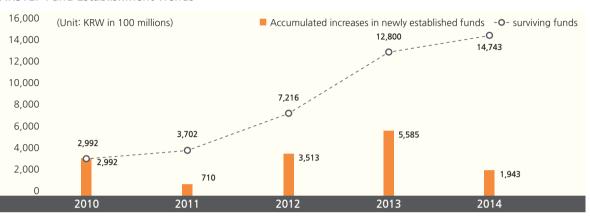
## Portfolio of FIRSTEP Fund

FIRSTEP is the brand of KORAMCO's real estate funds and special asset funds and a combination of the words 'First' and 'Step.' 'First' denotes 'best, most excellent and first place while 'Step' means 'taking a powerful step toward the top'. FIRSTEP is putting an emphasis on the will and roles of KORAMCO as the leader in real estate funds and an investment guide for people.

The first FIRSTEP fund was established in June, 2010. As of December 2014, 20 funds were being managed.



#### **FIRSTEP Fund Establishment Trends**



#### Assets Purchased with FIRSTEP Funds

(Based on Decen	her 31	2014	Unit: KRW in	100 millions	m²)
(based oil becell	ibei 51.	2014.	OTHE KKAA III	TOO HIIIIIOHS.	1111

Name of Fund	Year of Establishment	Assets Purchased	Type	Assets Under Management	Total Floor Area	Location
FIRSTEP No.1	2010	Yeongjong Xi Apartment	Lease	2,045	224,747	Incheon
FIRSTEP No.2	2010	Yeongjong Xi Apartment	Lease	604	224,747	Incheon
FIRSTEP No.3	2010	Seocho Art Xi Apartment	Lease	18	68,978	Seoul
FIRSTEP No.4	2011	Silla Building	Lease	420	21,707	Incheon
FIRSTEP No.5	2011	Pyeongtaek Sand Pier Development PF Loan	PF Loan	46	121,560 (lot)	Pyeongtaek
FIRSTEP No.6	2011	Busan Yangjeong Times Square	Lease	178	9,984	Busan
FIRSTEP No.7	2012	Homeplus Sadang	Lease	1,506	44,594	Seoul
FIRSTEP No.8	2012	Commercial Building in Songdo Central Park I	Lease	685	22,612	Incheon
FIRSTEP No.9	2012	Hyundai Group Building	Lease	2,552	52,469	Seoul
FIRSTEP No.10	2012	Hotel to Be Built in Western Area	Development	573	59,246	Seoul
FIRSTEP No.11	2013	Iksan Bear River Golf Resort Development PF Loan	PF Loan	125	2,476,102 (lot)	Iksan
FIRSTEP No.12	2012	Donayang Tourist Hotel	Lease	Liquidated	4,457	Jeju
FIRSTEP No.13	2013	Ito Tower	Lease	650	17,649	Incheon
FIRSTEP No.14	2013	Hotel Inter-Burgo Exco	Lease	701	54,875	Daegu
FIRSTEP No.16	2013	Shared Equities in SEI Tower / Glass Tower	Lease	2,570	41,439/20,656	Seoul
FIRSTEP No.18	2014	Asan Bus Terminal Commercial Complex	Lease	971	52,728	Asan, Chungnam
FIRSTEP Special Asset No.2	2014	Business Right	Special Asset	21	-	-
FIRSTEP No.20	2014	Bauhaus Jangan	Lease	929	12,328	Seoul
FIRSTEP No.22	2014	Chodong Parnas Hotel	Loan	60	25,629	Seoul
FIRSTEP Nos.23, 24	2014	Yangju Okjeong District Housing Development REIT	REIT	90	-	Yangju, Gyeonggi

## **FIRSTEP Fund**



#### FIRSTEP No.1



Investment Type Real Estate Investment Trust (private equity, lease)

Date of Establishment June 29, 2010 Under management

Assets Purchased Yeongjong Xi Apartment

> (7, Unnamseo-ro, Jung-gu, Incheon) Unsold apartments

Scale 15 buildings / 1,022 households

224.747m² Total Floor Area

Use

Assets under Management KRW205.2 billion(\*\*)

\* This fund invests in 489 of all 1,022 households.

\*\* Based on managed assets [total investment (sale price + incidental expenses, etc.)] when the fund is initially established.

#### FIRSTEP No.2



Investment Type Real Estate Investment Trust (private equity, lease)

Date of Establishment June 29, 2010 Status Under management Assets Purchased Yeongjong Xi Apartment

(7, Unnamseo-ro, Jung-gu, Incheon)

Use Unsold apartments

15 buildings / 1,022 households (\*) Scale

Total Floor Area 224.747m²

Assets under Management KRW55,7 billion (\*\*)

\* This fund invests in 94 of all 1,022 households.

Based on managed assets [total investment (sale price + incidental expenses, etc.)] when the fund is initially established.

## FIRSTEP No.3



Real Estate Investment Trust (private equity, lease) Investment Type

Date of Establishment July 30, 2010 Status Under management Assets Purchased

Seocho Art Xi Apartment (58, Banpo, Seocho-gu, Seoul)

Use Unsold apartments

Scale 4 buildings / 164 households(\*)

Total Floor Area 68,978m²

Assets under Management KRW34.5 billion(\*\*)

\* This fund invests in 20 of all 164 households.

\*\* Based on managed assets [total investment (sale price + incidental expenses, etc.)] when the fund is initially established.

#### FIRSTEP No.4



Investment Type Real Estate Investment Trust (private equity, lease)

**Date of Establishment** January 19, 2011 Status Under management

**Assets Purchased** Silla building (7, Sijang-ro, Bupyeong-gu, Incheon)

Use

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16 ground floor / basement floor Scale

Total Floor Area 21,707m<sup>2</sup>

Assets under Management KRW40.4 billion(\*)

\* Based on managed assets [total investment (sale price + incidental expenses, etc.)] when the fund is initially established.

### FIRSTEP No.5



Investment Type Real Estate Investment Trust

(private equity, PF loan)

**Date of Establishment** May 20, 2011

Status Under management

Assets Purchased Pyeongtaek sand pier development PF loan

Use Sand pier 121.560m Total floor area

Assets under Management KRW10 billion(\*)

\* KRW 10 billion of syndicated loan of KRW85 billion

## FIRSTEP No.6



Investment Type Real Estate Investment Trust (private equity, lease)

**Date of Establishment** September 7, 2011 Status Under management

Assets Purchased Yangjeong Time Square, Busan

(900, Jungang-dae-ro, Busanjin-gu, Busan)

Use Office and neighborhood facility

Scale 15 floors above ground / 2 underground floors

Total Floor Area 9,984m²

Assets under Management KRW17.6 billion (\*)

Based on managed assets [total investment (sale price + incidental expenses, etc.)] when the fund is initially established.

## **FIRSTEP Fund**



### FIRSTEP No.7



Investment Type Real Estate Investment Trust (private equity, lease)

Date of Establishment November 7, 2012

Status Under management Assets Purchased Home Plus Sadang

(911-1, Gwacheon-dae-ro, Gwanak-gu, Seoul)

Shopping facility Use

Scale 3 floors above ground / 5 underground floors

Total Floor Area 44.594m²

Assets under Management KRW143.9 billion(\*)

Pre-purchased before the completion of construction. Based on managed assets [total investment (sale price + incidental expenses, etc.)] when the fund is initially established.

## FIRSTEP No.8



Investment Type Real Estate Investment Trust (private equity, lease)

Date of Establishment August 23, 2012 Status Under management Assets Purchased Songdo Central Park I

(232, Central-ro, Yeonsu-gu, Incheon)

Use Commercial facility

3 floors above ground / basement floor

22,612m² Total Floor Area

Assets under Management KRW71.6 billion(\*)

\* Based on managed assets [total investment (sale price + incidental expenses, etc.)] when the fund is initially established.

## FIRSTEP No.9



Investment Type Real Estate Investment Trust (private equity, lease)

**Date of Establishment** July 19, 2012 Status Under management

Assets Purchased Hyundai Group Building

(194, Yulgok-ro, Jongro-gu, Seoul)

Use Business facility

Scale 12 floors above ground / 4 underground floors,

16 floors above ground / 4 underground floors

Total Floor Area 52,469m<sup>2</sup>

Assets under Management KRW251 billion(\*)

Based on managed assets [total investment (sale price + incidental expenses, etc.)] when the fund is initially established.

### FIRSTEP No.10



Real Estate Investment Trust (private equity, lease) Investment Type

**Date of Establishment** October 16, 2012

Status Under management

Assets Purchased Hotel to be developed by Seobu T&D

(232, Central Road, Yeonsu-gu Incheon)

Use

Scale 32 floors above ground/1, 2 and 5 underground

floors (planned)

Total Floor Area 59,246m (planned)

Assets under Management KRW272.4 billion (\*)

Pre-purchased before the completion of construction. Based on managed assets [total investment (sale price + incidental expenses, etc.)] when the fund is initially established.

## FIRSTEP No.11



Investment Type Real Estate Investment Trust

(private equity, PF loan type)

**Date of Establishment** February 19, 2013 Status Under management

**Assets Purchased** Iksan Bear River Golf Resort Development PF Loans

Use Golf resort

Scale 8 floors above ground / 1 underground floor

2,476,102m<sup>2</sup> Total floor area

Assets under Management KRW12 billion(\*)

\* KRW10billion of syndicated loan of KRW14 billion.

#### FIRSTEP No.12



Investment Type Real Estate Investment Trust (private equity, lease)

**Date of Establishment** June 29, 2012 Status Liquidated

**Assets Purchased** Dongyang Tourist Hotel (48, Sammu-ro, Jeju City, Jeju)

Use

Scale

9 floors above ground / 1 underground floor

Total Floor Area 4,457m<sup>2</sup>

Assets under Management KRW5.5 billion(\*)

Based on managed assets [total investment (sale price + incidental expenses, etc.)] when the fund is initially established.

# Product & Business FIRSTEP Fund



### FIRSTEP No.13



Investment Type Real Estate Investment Trust (private equity, lease)

Date of Establishment
Status

Assets Purchased

June 14, 2013

Under management
Incheon Ito tower

Incheon Ito tower (138, Yesul-ro, Namdong, Incheon)

**Use** Business and shopping facility

Scale 15 floors above ground, 1 underground floor

**Total floor area** 17,649 m<sup>2</sup>

Assets under Management KRW63.2 billion (\*)

\* Based on managed assets [total investment (sale price + incidental expenses, etc.)] when the right of ownership is transferred.

## FIRSTEP No.14



**Investment Type** Real Estate Investment Trust (private equity, lease)

Date of EstablishmentDecember 27, 2013StatusUnder management

Assets Purchased Daegu Hotel Inter-Burgo Expo

(80, Distribution Complex Road, Buk-gu, Daegu)

Use Tourism Accommodation

Scale 17 floors above ground / 4 underground floors

(303 rooms)

**Total Floor Area** 54,875m<sup>2</sup>

**Assets under Management** 68.7billion won (\*)

\* Based on managed assets [total investment (sale price + incidental expenses, etc.)] when the right of ownership is transferred.

### FIRSTEP No.16



Investment Type Real Estate Investment Trust (private equity, lease)

Date of Establishment December 30, 2013
Status Under management

Assets Purchased SEI Tower (39, Eonju-ro 30 Gil, Gangnam-gu,

Seoul), Glass Tower (534, Teheran-ro, Gangnam-

gu, Seoul)

**Use** Business and neighborhood facility

Assets under Management KRW254.3 billion (\*)

Scale 22 floors above ground / 6 underground floors,

32 floors above ground /8 underground floors

**Total Floor Area** 41,439m², 20,656m² (shared ownership)

\* Based on managed assets [total investment (sale price + incidental expenses, etc.)] when the right of ownership is transferred.

#### FIRSTEP No.18



**Investment Type** Real Estate Investment Trust (private equity, lease)

Date of Establishment November 25, 2014
Status Under management

Assets Purchased Asan Bus Terminal Commercial Complex

(225, Beonyeongno, Asan Chungnam)

**Use** Sale, transport, cultural and convention facilities,

neighborhood facility

Scale 10 floors above ground / 3 underground floors

**Total Floor Area** 52,728m<sup>2</sup>

Assets under Management KRW91 billion(\*)

\* Based on managed assets [total investment (sale price + incidental expenses, etc.)] when the right of ownership is transferred.

### FIRSTEP No.20



Investment Type Real Estate Investment Trust (private equity, lease)

Date of EstablishmentNovember 19, 2014StatusUnder managementAssets PurchasedBauhaus Jangan Branch

(288, Dapsimni, Dongdaemun-gu, Seoul)

Use Commercial facility

Scale 17 floors above ground / 6 underground floors

**Total Floor Area** 40,755m<sup>2</sup>

Assets under Management KRW87.2 billion(\*)

\* Based on managed assets [total investment (sale price + incidental expenses, etc.)] when the right of ownership is transferred.

### FIRSTEP No.22



Investment Type Real Estate Investment Trust (private equity, PF Ioan)

Date of Establishment December 30, 2014
Status Under management

Assets Purchased Nine Tree Hotel City Center Myeongdong

development

(11, Supyoro 12 Gil 12, Jung-gu, Seoul)
Use Tourist Accommodation (Hotel)

Scale 17 floors above ground/5 underground floors

**Total Floor Area** 25,629.85m<sup>2</sup>

Assets under Management KRW33.7 billion (based on loan principal)

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# **Product & Business**

## **FIRSTEP Fund**

#### FIRSTEP Nos.23, 24



Investment Type Real Estate Investment Trusts

(private equity, REIT)

Date of EstablishmentDecember 29, 2014StatusUnder management

Assets Purchased Common shares of LH Yangju Okjeong District

housing development REIT

(Okjeong New City, Yangju, Gyeonggi-do)

Assets under Management KRW9 billion (March 2015: KRW3 billion will

be added)

## FIRSTEP Special No.2

Investment Type

Special Asset Investment Trust

(private equity, special assets)

Date of EstablishmentNovember 3, 2014StatusUnder managementAssets PurchasedBusiness rightAssets under ManagementKRW2 billion

Management's Discussion Analysis

# Management's Discussion & Analysis Financial Position



As of the end of 2014, total assets in our own accounts were worth KRW1,552 billion, down 5.2% from the previous year. Current assets stood at KRW54.2 billion while non-current assets at KRW101 billion. The current assets consisted of loans to short-term trust (KRW22.7 billion), cash and cash equivalents (KRW11.4 billion) and accounts receivable (KRW9 billion) and the non-current assets of investment assets (KRW90.6 billion), tangible and intangible assets (KRW8.2 billion) and other non-current assets (KRW2.2 billion) Total liabilities dropped by 32.3% year-on-year as short-term borrowings from banks decreased by KRW21.3 billion from the previous year. Capital stock was worth KRW10 billion at the end of 2014. Total stockholders' equity grew 2.5% to reach KRW114.8 billion as net income of KRW13.2 billion led to an increase in retained earnings.

#### Statements of Financial Position Summary (Own Accounts)

(Unit: KRW in millions)

	2014	2013	Change (%)
Total Assets	155,213	163,779	-5.2
Total Liabilities	40,422	59,717	-32.3
Total Shareholders' Equity	114,791 (10,000)	104,062 (10,000)	10.3
Total Liabilities And Shareholders' Equity	155.213	163,779	-5.2

#### Statements of Financial Position Summary (Trust Accounts)

For our trust accounts, current assets consisted of cash and cash equivalents held and managed by the trust business, while non-current assets were mostly real estate held in trust. Current liabilities included sales-related advances and other deposits generated by the trust business. Non-current liabilities consisted of borrowings in own accounts related to the trust business. Entrusted principal comprised the principal of the entrusted assets by trust type, while trust surpluses included retained earnings of the trust business. Entrusted principal settlement comprised prepared trust income to be paid to trustors (beneficiaries). Total assets in trust accounts increased by 3.0%, reaching KRW9,193.6 billion at year-end. Total liabilities equaled KRW1,146.3 billion, down 1.2% over the year.

	2014	2013	Change (%)
1. Current assets	3,047,388	3,179,716	-4.2
2. Non-current assets	6,146,244	5,749,295	6.9
Total assets	9,193,632	8,929,011	3.0
1. Current liabilities	1,087,939	1,108,633	-1.9
2. Non-current liabilities	58,407	52,204	11.9
Total liabilities	1,146,347	1,160,837	-1.2
1. Entrusted principal	7,983,731	7,734,966	3.2
2. Trust surpluses	193,785	223,952	-13.5
3. Trust principal settlement	- 130,230	- 190,744	-
Total shareholders' equity	8,047,286	7,768,174	3.6
Total liabilities & shareholders' equity	9,193,632	8,929,011	3.0

## Sales and Income Status



Operating revenues were KRW47.1 billion, a decrease of KRW8.1 billion or 14.6% over the year. This is because REITs-related operating revenues dropped 12.1% and revenues from trust operations rose 6.8% year on year, compelling commission revenues to edge down to KRW41.1 billion from KRW41.5 billion in 2013. In addition, financial revenues (interest and dividend yields among others) swelled year on year to KRW6 billion. On the other hand, operating expenses inched up 1.5% to KRW 29.2 billion. Net income before income tax and net income decreased 33.8% and 34.5% year on year to KRW17.3 billion and KRW13.2 billion won, respectively.

#### Statements of Income Summary

(Unit: KRW in millions, %)

	2014	2013	Change (%)
1. Operating revenues	47,074	55,128	-14.6
2. Operating expenses	29,242	28,816	1.5
3. Operating income	17,832	26,313	-32.2
4. Non-operating income	-	93	-
5. Non-operating expenses	485	191	153.9
6. Income before income taxes	17,347	26,215	-33.8
7. Income taxes	4,152	6,065	-31.5
8. Net income	13,195	20,150	-34.5

(Unit: KRW in millions, %)

		2014	2013	Change (%)
	I.Operating revenues	47,074	55,128	-14.6
	1.Fees and commissions	41,060	41,526	-1.1
	[Asset management revenues]	15,329	17,430	-12.1
Revenue	[Revenues from trusts]	24,595	22,948	7.2
	[Project management fees]	1,135	1,148	-1.1
	2.Financial revenues	6,014	4,971	21.0
	3.Other operating revenues	-	8,631	-
	II.Operating expenses	29,242	28,815	1.5
	1.Financial expenses	1,825	1,891	-3.5
Expenses	2.Losses on evaluation and disposals of stocks	854	1,000	-14.6
	3.Amortization of credit losses	50	694	-92.8
	4.Selling and administration expenses	26,501	25,193	5.2
	5.Other operating expenses	12	37	-96.8

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# **Dividend Policy**



Based on our performances in 2014, we paid dividends totaling KRW3.0 billion (a dividend ratio of 30%) in 2014. They were worth KRW1,500 per share. An increase in trust reserves and reserves for bad loans forced appropriations of retained earnings to fell by KRW 4.2 billion over the year. We realized financial stability and funds for future investment by securing KRW79.6 billion in retained earnings carried over to the subsequent year.

#### Statements of Appropriations of Retained Earnings

(Unit: KRW in million, %)

	2014	2013	Change (%)
Unappropriated retained earnings	82,633	76,219	8.4
Retained earnings carried over from the prior year	66,843	56,068	19.2
Reversal of bad loan reserves	2,595	-	-
Net income	13,195	20,150	-34.5
Appropriated retained earnings	2,994	9,376	-68.1
Reserves for trust business	-	767	-
Bad loan reserves	-	5,615	-
Dividends	2,994	2,994	-
Retained earnings carried over to the subsequent year	79,640	66,843	19.1

# **KORAMCO REITs & Trust Independent Auditor's Report**



To the Board of Directors and Shareholders of KORAMCO REITs & Trust Co., Ltd.

Feb. 20, 2015

We have audited the accompanying financial statements of KORAMCO REITs & Trust Co., Ltd. and its subsidiaries. The statements comprise the consolidated statements of financial position as of December 31, 2014 and 2013 and statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

#### Management's Responsibilities for the Financial Statements

These financial statements are the responsibility of the Company's management. The management is also responsible for internal control deemed to be necessary for financial statements free from incorrect information by errors or wrongdoings.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 the audit evidence we have obtained is sufficient and appropriate to provide are a basis for our audit opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KORAMCO REITs & Trust Co., Ltd. and its subsidiaries as of December 31, 2014 and 2013, and the results of its operations, the changes in its retained earnings, the changes in its shareholder's equity and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the Republic of Korea.

#### Other matters

We conducted our audits of the financial statements of KORAMCO REITs & Trust Co., Ltd. and its subsidiaries that are closed on December 31, 2013 in accordance with the previous auditing standards

> Ernst & Young Seoul, Korea

This report is effective on the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

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## **KORAMCO REITs & Trust**

# **Statements of Financial Position**



As of December 31, 2014 and 2013

#### **KORAMCO REITs Management & Trust**

(Unit: KRW)

Accounts	2014	2013
Assets		
I. Cash and Deposits	21,395,756,592	12,490,103,295
II. Financial Asset Available for Sale	45,665,587,108	36,784,310,453
III. Investments in Subsidiaries	10,000,000,000	10,000,000,000
IV. Loans Sold	57,926,544,479	81,940,108,181
V. Tangible Assets	2,083,748,593	2,355,506,173
VI. Intangible Assets	6,100,128,533	6,511,058,131
VII. Deferred Income Tax Assets	646,251,045	564,008,663
VIII. Other Assets	11,394,906,260	13,134,134,765
Total Assets	155,212,922,610	163,779,229,661
Liabilities		
I. Borrowings Liabilities	25,000,000,000	46,348,774,010
II. Income Tax Payables	2,362,110,558	2,585,063,931
III. Other Liabilities	13,059,415,531	10,783,525,199
Total Liabilities	40,421,526,089	59,717,363,140
Stockholders' Equity		
I. Capital Stock	10,000,000,000	10,000,000,000
II. Capital Surplus	702,663,200	702,663,200
III. Capital Adjustment	(102,096,000)	(102,096,000)
IV. Accumulated Other	1,041,197,563	513,488,563
V. Retained Earnings	103,149,631,758	92,947,810,758
Total Stockholders' Equity	114,791,396,521	104,061,866,521
Total Liabilities and Stockholders' Equity	155,212,922,610	163,779,229,661

## **KORAMCO REITs & Trust**

# Comprehensive Statements of Income



For the Years Ended December 31, 2014 and 2013

#### **KORAMCO REITs Management & Trust**

(Unit: KRW)

Accounts	2014	2013
I. Operating Revenue	47,074,411,551	55,128,478,067
1. Fee Revenues	41,059,738,015	41,526,210,110
Asset Management Revenues	15,329,072,126	17,429,908,601
Trust Revenues	24,595,315,360	22,947,837,823
Administrative Service Fees	1,135,350,529	1,148,463,686
2. Financial Revenues	6,014,673,536	4,970,729,369
Interest Income	5,066,640,147	4,440,150,505
Dividend Income	948,033,389	524,208,404
Other Financial Revenues	-	6,370,460
3. Other Operating Revenue	-	8,631,538,588
Reversal of Other Asset Allowance for Doubtful Accounts	-	8,631,538,588
II. Operating Expenses	29,242,269,777	28,815,768,031
1. Financial Expenses	1,825,506,233	1,891,265,560
Interest Expenses	1,825,506,233	1,891,265,560
2. Loss on Valuation & Disposition of Marketable Securities	853,947,308	1,000,000,000
Losses on Disposition of Financial Asset Available for Sale	4,547,308	
Impaired Loss on Financial Assets Available for Sale	849,400,000	1,000,000,000
3. Bad Debts Expenses	49,250,000	693,911,850
4. General & Administrative Expenses	26,501,353,878	25,193,229,510
5. Other Operating Expenses	12,212,358	37,361,111
Other Bad Debt Expenses	12,212,358	37,361,111
III. Operating Income	17,832,141,774	26,312,710,036
IV. Non-operating Income	26,555	92,731,693
V. Non-operating Expenses	485,158,238	190,562,005
VI. Income before Income Taxes	17,347,010,091	26,214,879,724
VII. Income Taxes	4,151,570,091	6,064,627,181
VIII. Net Income	13,195,440,000	20,150,252,543
IX. Other Comprehensive Income	527,709,000	(445,664,700)
Items That Will be Reclassified to Profit or Loss	527,709,000	(445,664,700)
Gain and Losses on Valuation of	527,709,000	(445,664,700)
Financial Asset Available for Sale	327,703,000	(445,004,700)
(Effect of Income Taxes in 2014 (-)125,700,300		
2013 66,776,600)		
X. Total Comprehensive Income	13,723,149,000	19,704,587,843
XI. Net Income per Share		
Basic Earnings per Share	6,612	10,097

## **KORAMCO REITs & Trust**

# Statements of Changes in Shareholders' Equity

For the Years Ended December 31, 2014 and 2013

#### **KORAMCO REITs Management & Trust**

(Unit: KRW)

Accounts	Capital Stock	Capital Surplus	Capital Adjustments	Accumulated Other Compre- hensive Income	Retained Earnings	Total
Balance at January 1, 2013	10,000,000,000	702,663,200	(102,096,000)	959,153,263	75,791,177,215	87,350,897,678
Total Comprehensive Income:						
Net Income	-	-	-	-	20,150,252,543	20,150,252,543
Gain and Losses on Valuation of Financial Asset Available for Sale	-	-	-	(445,664,700)	-	(445,664,700)
Transactions with Shareholders:						
Dividends	-	-	-	-	(2,993,619,000)	(2,993,619,000)
Balance at December 31, 2013	10,000,000,000	702,663,200	(102,096,000)	513,488,563	92,947,810,758	104,061,866,521
Balance at January 1, 2014	10,000,000,000	702,663,200	(102,096,000)	513,488,563	92,947,810,758	104,061,866,521
Total Comprehensive Income:						
Net Income	-	-	-	-	13,195,440,000	13,195,440,000
Gain and Losses on Valuation of Financial Asset Available for Sale	-	-	_	527,709,000	-	527,709,000
Transactions with Shareholders:						
Dividends	-	-	-	-	(2,993,619,000)	(2,993,619,000)
Balance at December 31, 2014	10,000,000,000	702,663,200	(102,096,000)	1,041,197,563	103,149,631,758	114,791,396,521

# **KORAMCO REITs & Trust Statements of Cash Flows**



For the Years Ended December 31, 2014 and 2013

#### KORAMCO REITs Management & Trust

(Unit: KRW)

Accounts	2014	2013
Cash Flows from Operating Activities	18,742,032,320	44,997,691,265
Income before Income Taxes	17,347,010,091	26,214,879,724
2. Adjustments for Non-Cash Items	(2,172,020,707)	(9,283,658,213)
Interest Expenses	1,825,506,233	1,891,265,560
Interest Income	(5,066,640,147)	(4,440,150,505)
Dividend Income	(948,033,389)	(524,208,404
Tangible Assets depreciation	588,269,124	383,990,103
Depreciation	178,278,018	172,165,115
Bad Debt Expenses	49,250,000	693,911,850
Other Bad Debt Expenses	12,212,358	37,361,111
Losses on Disposition of Intangible Assets	-	545,456
Losses on Disposition of Tangible Assets	16,734,588	20,221,149
Impaired Loss on Intangible Assets	318,455,200	119,149,400
Reversal of Other Allowance for Doubtful Accounts	-	(8,631,538,588
Losses on Disposition of Financial Asset Available for Sale	4,547,308	
Gains on Disposition of Financial Asset Available for Sale	-	(6,370,460
		1,000,000,000
3. Changes in Operating Assets and Liabilities	4,151,545,852	29,897,943,450
Non-trade Receivables	1,826,700,175	(1,935,713,823
Advance Payments	2,169,120	30,008,057,216
Prepaid Expenses	(1,229,972)	(49,278,044
Non-trade Payables	29,194,000	(57,790,345
Accrued Expenses	(135,953,054)	839,584,844
Advances from Customers	2,419,081,741	906,495,707
Taxes Withheld	11,583,842	186,587,895
4. Receipt of Interest	4,946,592,971	4,022,135,199
5. Payment of Interest	(1,873,522,430)	(1,884,272,410
6. Payment of Income Taxes	(4,605,606,846)	(4,493,544,889
7. Receipt of Dividends	948,033,389	524,208,404

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# **Statements of Cash Flows**



Accounts	2014	2013
II. Cash Flows from Investing Activities	7,196,013,987	(73,635,642,347)
Cash Inflows from Investing Activities	172,395,719,344	100,982,291,575
Decrease in Deposits	2,690,000,000	15,200,000,000
Decrease in Employee Loans	605,250,000	510,000,000
Decrease in Other Loans	280,000,000	-
Decrease in Lending to Trust Accounts	166,769,726,562	76,713,420,106
Disposal of Financial Asset Available for Sale	1,995,452,692	7,006,370,460
Redemption of Held-to-Maturity Securities	-	32,829,373
Disposal of Tangible Assets	25,614,090	3,314,545
Decrease in Deposits	29,676,000	1,226,902,547
Disposal of Memberships	-	289,454,544
2. Cash Outflows from Investing Activities	(165,199,705,357)	(174,617,933,922)
Increase in Deposits	10,000,000,000	2,690,000,000
Increase in Employee Loans	711,500,000	834,500,000
Increase in Lending to Trust Accounts	142,979,162,860	136,108,423,745
Acquisition of Financial Asset Available for Sale	11,054,126,655	30,960,556,723
Acquisition of Other Tangible Assets	358,860,222	2,089,056,909
Acquisition of Intangible Assets	74,580,000	88,123,091
Acquisition of Memberships	11,223,620	767,519,854
Increase in Deposits Provided	10,252,000	1,079,753,600
III. Cash Flows from Financing Activities	(24,342,393,010)	(6,644,844,990)
Cash Inflows from Financing Activities	60,144,573,379	16,348,774,010
Increase in Short-term Borrowings	55,144,573,379	11,348,774,010
Increase in Long-term Borrowings	5,000,000,000	5,000,000,000
2. Cash Outflows from Financing Activities	(84,486,966,389)	(22,993,619,000)
Decrease in Short-term Borrowings	81,493,347,389	20,000,000,000
Payment of Cash Dividends	2,993,619,000	2,993,619,000
IV. Net Increase in Cash and Cash Equivalents (Decrease)	1,595,653,297	(35,282,796,072)
V. Cash and Cash Equivalents at Beginning of Year	9,797,103,295	45,079,899,367
VI. Cash and Cash Equivalents at End of Year	11,392,756,592	9,797,103,295

# KORAMCO REITs & Trust Independent Auditor's Report



To the Board of Directors and Shareholders of KORAMCO REITs & Trust Co., Ltd.

Feb. 20, 2015

We have audited the accompanying financial statements of KORAMCO REITs & Trust Co., Ltd. The statements comprise the consolidated statements of financial position as of December 31, 2014 and 2013 and statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

#### Management's Responsibilities for the Financial Statements

These financial statements are the responsibility of the Company's management. The management is also responsible for internal control deemed to be necessary for financial statements free from incorrect information by errors or wrongdoings.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 the audit evidence we have obtained is sufficient and appropriate to provide are a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KORAMCO REITS & Trust Co., Ltd. as of December 31, 2014 and 2013, and the results of its operations, the changes in its retained earnings, the changes in its shareholder's equity and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the Republic of Korea.

#### Other matters

We conducted our audits of the financial statements of KORAMCO REITs & Trust Co., Ltd. that are closed on December 31, 2013 in accordance with the previous auditing standards.

Ernst & Young Seoul, Korea

This report is effective on the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

## **KORAMCO REITs & Trust**

# Consolidated Statements of Financial Position

As of December 31, 2014 and 2013

#### KORAMCO REITs Management & Trust and Consolidated Affiliates

(Unit: KRW)

Accounts	2014	2013
Assets		
I. Cash and Deposits	29,439,049,051	20,575,571,021
II. Fair value financial asset	1,650,776,050	-
III. Financial Asset Available for Sale	45,865,587,108	36,984,310,453
IV. Loans Sold	58,071,544,479	82,085,108,181
V. Tangible Assets	2,340,405,879	2,676,500,722
VI. Intangible Assets	6,451,479,995	6,853,000,776
VII. Deferred Income Tax Assets	646,251,045	564,008,663
VIII. Other Assets	13,431,431,299	13,812,218,839
Total Assets	157,896,524,906	163,550,718,655
Liabilities		
I. Borrowings Liabilities	25,000,000,000	46,348,774,010
II. Derivatives Liabilities	907,447,420	-
III. Income Tax Payables	2,586,082,018	2,585,063,931
IV. Other Liabilities	14,161,874,377	11,422,149,223
Total Liabilities	42,655,403,815	60,355,987,164
Stockholders' Equity		
I. Capital Stock	10,000,000,000	10,000,000,000
II. Capital Surplus	555,239,200	555,239,200
III. Capital Adjustment	(102,096,000)	(102,096,000)
IV. Accumulated Other Comprehensive Income	1,041,197,563	513,488,563
V. Retained Earnings	103,746,780,328	92,228,099,728
Controlling Interest	103,746,780,328	92,228,099,728
Non-controlling Interest	-	-
Total Stockholders' Equity	115,241,121,091	103,194,731,491
Total Liabilities and Stockholders' Equity	157,896,524,906	163,550,718,655

## **KORAMCO REITs & Trust**

# **Consolidated Statements of Income**



For the Years Ended December 31, 2014 and 2013

#### KORAMCO REITs Management & Trust and Consolidated Affiliates

(Unit: KRW)

Accounts	2014	2013
I. Operating Revenues	53,191,657,896	59,309,045,612
1. Fee Revenues	45,548,029,158	45,480,586,611
Asset Management Revenues	19,817,363,269	21,384,285,102
Trust Revenues	24,595,315,360	22,947,837,823
Administrative Service Fees	1,135,350,529	1,148,463,686
2. Financial Revenues	7,643,628,738	5,196,920,413
Interest Income	5,262,194,772	4,666,341,549
Dividend Income	948,033,389	524,208,404
Other Financial Revenues	1,433,400,577	6,370,460
3. Other Operating Revenue	-	8,631,538,588
Reversal of Allowance for Doubtful Accounts	-	8,631,538,588
II. Operating Expenses	33,831,502,096	32,261,945,286
1. Financial Expenses	1,825,506,233	1,891,265,560
Interest Expenses	1,825,506,233	1,891,265,560
2. Loss on Valuation & Disposition of Marketable Securities	1,761,394,728	-
Losses on Disposition of Securities Available for Sale	4,547,308	-
Impaired Loss on Financial Assets Available for Sale	849,400,000	1,000,000,000
Loss on Valuation of Derivatives	907,447,420	-
3. Bad Debts Expenses	49,250,000	693,911,850
4. General & Administrative Expenses	30,171,839,886	28,639,406,765
5. Other Operating Expenses	23,511,249	37,361,111
Other Bad Debt Expenses	23,511,249	37,361,111
II. Operating Income	19,360,155,800	27,047,100,326
V. Non-operating Income	30,052,969	92,967,386
V. Non-operating Expenses	485,158,238	203,168,146
VI. Income before Income Taxes	18,905,050,531	26,936,899,566
VII. Income Taxes	4,392,750,931	6,064,627,181
VIII. Consolidated Net Income	14,512,299,600	20,872,272,385
1. Net Income on Controlling Interest	14,512,299,600	20,872,272,385
2. Net Income on Non-controlling Interest	-	-
X. Consolidated Other Comprehensive Income	527,709,000	(445,664,700)
1. Items that will be reclassified		
to profit or loss	527,709,000	(445,664,700)
Gain and Losses on Valuation of Financial Asset Available for Sale	527,709,000	(445,664,700)
X. Consolidated Total Comprehensive Income	15,040,008,600	20,426,607,685
Total Comprehensive Income Attributable to Controlling Interests	15,040,008,600	20,426,607,685
Total Comprehensive Income Attributable to Non- Controlling Interests		
XI. Net Income per Share		
Basic Earnings per Share	22 7,272	10,458

## **KORAMCO REITs & Trust**

# Consolidated Statements of Changes in reholders' Equity



For the Years Ended December 31, 2014 and 2013

#### KORAMCO REITs Management & Trust and Consolidated Affiliates

(Unit: KRW)

	•					
Accounts	Capital Stock	Consolidated Capital Surplus	Consolidated Capital Adjustment	Consolidated Accumulated Other Compre- hensive Income	Consolidated Retained Earnings	Total
Balance at January 1, 2013	10,000,000,000	555,239,200	(102,096,000)	959,153,263	74,349,446,343	85,761,742,806
Total Comprehensive Income:						
Consolidated Net Income	-	_	-	_	20,872,272,385	20,872,272,385
Gain and Losses on Valuation of Financial Asset Available for Sale	_	-	-	(445,664,700)	-	(445,664,700)
Transactions with Shareholders:						
Dividends	-	-	-	-	(2,993,619,000)	(2,993,619,000)
Balance at December 31, 2013	10,000,000,000	555,239,200	(102,096,000)	513,488,563	92,228,099,728	103,194,731,491
Balance at January 1, 2014	10,000,000,000	555,239,200	(102,096,000)	513,488,563	92,228,099,728	103,194,731,491
Total Comprehensive Income:						
Consolidated Net Income	-	-	-	-	14,512,299,600	14,512,299,600
Gain and Losses on Valuation of Financial Asset Available for Sale	-	-	-	527,709,000	-	527,709,000
Transactions with Shareholders:						
Dividends	-	-	-	-	(2,993,619,000)	(2,993,619,000)
Balance at December 31, 2014	10,000,000,000	555,239,200	(102,096,000)	1,041,197,563	103,746,780,328	115,241,121,091

## **KORAMCO REITs & Trust**

# Consolidated Statements of Cash Flows

For the Years Ended December 31, 2014 and 2013

#### KORAMCO REITs Management & Trust and Consolidated Affiliates

(Unit: KRW)

Accounts	2014	2013
I. Cash Flows from Operating Activities	18,719,177,300	46,094,792,620
1. Income before Income Taxes	18,905,050,531	26,936,899,566
2. Adjustments for Non-cash Items	(2,309,997,378)	(9,443,177,868)
Interest Expenses	1,825,506,233	1,891,265,560
Interest Income	(5,262,194,772)	(4,666,341,549)
Dividend Income	(948,033,389)	(524,208,404)
Gain on Valuation of Held-for-Trading Securities	(955,967,050)	-
Amortization Expenses on Tangible Assets	676,086,634	432,430,007
Amortization Expenses on Intangible Assets	185,259,201	177,790,459
Bad Debt Expenses	49,250,000	693,911,850
Other Bad Debt Expenses	23,511,249	37,361,111
Impaired Loss on Intangible Assets	318,455,200	119,149,400
Losses on Disposition of Intangible Assets	-	545,456
Losses on Disposition of Tangible Assets	16,734,588	32,827,290
Reversal of Other Bad Loan Reserves	-	(8,631,538,588)
Impaired Loss on Available-for-Sale Financial Assets	849,400,000	1,000,000,000
Losses on Disposition of Financial Asset Available for Sale	4,547,308	-
Gains on Disposition of Financial Asset Available for Sale	-	(6,370,460)
Loss on Valuation of Derivatives	907,447,420	
3. Changes in Operating Assets and Liabilities	2,724,894,540	30,255,631,193
Short-term Financial Assets Available for Sale	(694,809,000)	-
Non-trade Receivables	626,745,535	(1,928,050,279)
Advance Payments	2,169,120	30,016,342,366
Prepaid Expenses	(5,471,826)	(49,813,103)
Taxes Withheld	8,519,360	(8,519,360)
Non-trade Payables	56,254,231	(117,890,839)
Accrued Expenses	(101,510,926)	1,192,712,336
Advances from Customers	2,790,746,056	906,495,707
Taxes Withheld	42,251,990	244,354,365
4. Receipt of Interest	4,947,534,874	4,199,048,624
5. Payment of Interest	(1,873,522,430)	(1,884,272,410)
6. Payment of Income Taxes	(4,622,816,226)	(4,493,544,889)
7. Receipt of Dividends	948,033,389	524,208,404

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## **KORAMCO REITs & Trust**

# Consolidated Statements of Cash Flows



Accounts	2014	2013
II. Cash Flows from Investing Activities	8,145,058,903	(73,799,185,274)
Cash Inflows from Investing Activities	173,384,724,507	101,567,518,648
Decrease in Deposits	3,658,365,163	15,605,386,330
Decrease in Employee Loans	605,250,000	510,000,000
Decrease in Other Loans	280,000,000	-
Decrease in Trust Accounts	166,769,726,562	76,713,420,106
Disposal of Financial Asset Available for Sale	1,995,452,692	7,006,370,460
Redemption of Held-to-Maturity Securities	-	32,829,373
Disposal of Tangible Assets	25,614,090	3,314,546
Decrease in Deposits	50,316,000	1,406,743,289
Disposition of Memberships	-	289,454,544
2. Cash Outflows from Investing Activities	(165,239,665,604)	(90,561,234,390)
Increase in Deposits	10,000,000,000	2,690,000,000
Increase in Employee Loans	711,500,000	894,500,000
Increase in Lending to Trust Accounts	142,979,162,860	136,108,423,745
Acquisition of Financial Asset Available for Sale	11,054,126,655	31,160,556,723
Acquisition of Tangible Assets	382,340,469	2,400,865,909
Acquisition of Other Intangible Assets	90,970,000	88,873,091
Acquisition of Memberships	11,223,620	767,519,854
Increase in Deposits Provided	10,342,000	1,255,964,600
III. Cash Flows from Financing Activities	(24,342,393,010)	(6,644,844,990)
Cash Inflows from Financing Activities	60,144,573,379	16,348,774,010
Increase in Short-term Borrowings	55,144,573,379	11,348,774,010
Increase in Long-term Borrowings	5,000,000,000	5,000,000,000
2. Cash Outflows from Financing Activities	(84,486,966,389)	(22,993,619,000)
Decrease in Short-term Borrowings	81,493,347,389	20,000,000,000
Payment of Cash Dividends	2,993,619,000	2,993,619,000
IV. Net Increase in Cash and Cash Equivalents (Decrease)	2,521,843,193	(34,349,237,644)
V. Cash and Cash Equivalents at Beginning of Year	11,787,957,351	46,137,194,995
VI. Cash and Cash Equivalents at End of Year	14,309,800,544	11,787,957,351

# KORAMCO Asset Management Independent Auditor's Report



To the Board of Directors

and Shareholders of KORAMCO Asset Management Co., Ltd.

Feb. 12, 2015

#### Report on Financial Statements

We have audited the accompanying financial statements of KORAMCO Asset Management Co., Ltd. The statements comprise the consolidated statements of financial position as of December 31, 2014 and 2013 and statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

#### Management's Responsibilities for the Financial Statements

These financial statements are the responsibility of the Company's management. The management is also responsible for internal control deemed to be necessary for financial statements free from incorrect information by errors or wrongdoings.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 the audit evidence we have obtained is sufficient and appropriate to provide are a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KORAMCO Asset Management Co., Ltd. as of December 31, 2014 and 2013, and the results of its operations, the changes in its retained earnings, the changes in its shareholder's equity and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the Republic of Korea.

#### Other matters

As an item that does not affect audit opinions, we changed the closing date of our fiscal year from March 31 to December 31 beginning in the fiscal period that began on April 1, 2013 according to a resolution in a regular general shareholders' meeting as explained in Note 29. Accordingly, the abovementioned financial statements contain business performances, changes in equity and cash flows for nine months (from April 1 to Dec. 31, 2013). We conducted our audits of the financial statements of KORAMCO Asset Management Co., Ltd. that are closed on December 31, 2013 in accordance with the previous auditing standards.

KPMG Seoul, Korea

This report is effective on the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

# **KORAMCO** Asset Management

# **Statements of Financial Position**



As of December 31, 2014 and 2013

#### **KORAMCO ASSET MANAGEMENT**

(Unit: KRW)

Accounts	2014	2013
I . Assets		
1. Cash and Deposits	8,043,292,459	8,085,467,726
2. Financial Assets at Fair Value Through Profit and Loss	1,650,776,050	-
3. Financial Asset Available for Sale	200,000,000	200,000,000
4. Loans Sold	145,000,000	145,000,000
5. Tangible Assets	256,657,286	320,994,549
6. Intangible Assets	323,925,532	321,497,905
7. Other Assets	2,036,525,039	678,084,074
Total Assets	12,656,176,366	9,751,044,254
II . Liabilities		
1. Derivatives Liabilities	907,447,420	-
2. Other Liabilities	1,326,430,306	638,624,024
Total Liabilities	2,233,877,726	638,624,024
III . Stockholders' Equity		
1. Capital Stock	10,000,000,000	10,000,000,000
2. Capital Adjustment	(147,424,000)	(147,424,000)
Retained Earnings (Accumulated Deficit)	569,722,640	(740,155,770)
Bad Debts Reserves		
(Provisions for Bad Debt Reserves 2014 : 9,223,394 2013 : 0)		
Unappropriated Retained Earnings (Unappropriated Accumulated Deficit)	569,722,640	(740,155,770)
Total Stockholders' Equity	10,422,298,640	9,112,420,230
Total Liabilities and Stockholders' Equity	12,656,176,366	9,751,044,254

# **KORAMCO Asset Management**

# **Statements of Income**



For the Years Ended December 31, 2014 and 2013

#### KORAMCO ASSET MANAGEMENT

(Unit: KRW)

Accounts	2014	2013
I . Operating Revenue	6,117,246,345	3,674,051,320
1. Fee Revenues	4,488,291,143	3,512,992,180
2. Interest Income	195,554,625	161,059,140
3. Net Gain on Financial Assets at Fair Value Through Profit or Loss	1,433,400,577	-
II. Operating Expenses	4,596,213,509	2,726,986,049
1. Loss on Valuation of Derivatives	907,447,420	-
2. General & Administrative Expenses	3,677,467,198	2,726,986,049
3. Other Bad Debts Expenses	11,298,891	-
III. Operating Income	1,521,032,836	947,065,271
IV. Non-operating Income	30,026,414	231,672
V. Non-operating Expenses	-	12,606,141
VI. Income before Income Taxes	1,551,059,250	934,690,802
VII. Income Taxes	241,180,840	
VIII. Net Income		
(Net Income After Provision of Reserve for Bad Debts 2014 : 1,300,655,016 2013 : 934,690,802)	1,309,878,410	934,690,802
IX. Other Comprehensive Income for 2014	-	
X. Total Comprehensive Income for 2014	1,309,878,410	934,690,802
XI. Net Income per Share		
1. Basic Earnings per Share	655	467

# **KORAMCO** Asset Management

# Statements of Changes in Shareholders' Equity



For the Years Ended December 31, 2014 and 2013

#### **KORAMCO ASSET MANAGEMENT**

(Unit: KRW)

Accounts	Capital Stock	Capital Adjustment	Retained Earnings (Deficits)	Total
I . Balance at January 1, 2013	10,000,000,000	(147,424,000)	(1,674,846,572)	8,177,729,428
1. Net Income	-	-	934,690,802	934,690,802
II . Balance at December 31, 2013	10,000,000,000	(147,424,000)	(740,155,770)	9,112,420,230
III. Balance at January 1, 2014	10,000,000,000	(147,424,000)	(740,155,770)	9,112,420,230
1. Net Income	-	-	1,309,878,410	1,309,878,410
IV. Balance at December 31, 2014	10,000,000,000	(147,424,000)	569,722,640	10,422,298,640

# **KORAMCO Asset Management Statements of Cash Flows**



For the Years Ended December 31, 2014 and 2013

#### KORAMCO ASSET MANAGEMENT

(Unit: KRW)

Accounts	2014	2013
I . Cash Flows from Operating Activities	945,510,143	1,838,046,009
(1) Net Income	1,309,878,410	934,690,802
(2) Adjustments for Non-Cash Items	45,626,215	(161,059,140)
1. Interest Income	(195,554,625)	(161,059,140)
2. Income Taxes	241,180,840	-
(3) Profit & Loss Without Flows of Cash	64,559,144	61,913,734
Gain on Valuation of Financial Assets at Fair Value     Through Profit or Loss	(955,967,050)	-
2. Loss on Valuation of Derivatives	907,447,420	-
3. Depreciation	87,817,510	40,844,559
4. Intangible Assets Depreciation	13,962,373	8,463,034
5. Other Bad Debt Expenses	11,298,891	-
6. Losses on Disposition of Tangible Assets	-	12,606,141
(4) Decrease(Increase) in Assets & Liabilities	(693,523,009)	821,261,132
1. Decrease in Deposits	968,365,163	473,340,000
Increase in Financial Assets at Fair Value Through Profit or Loss	(694,809,000)	-
3. Increase in Loans	-	(60,000,000)
4. Decrease(Increase) in Non-trade Receivables	(1,199,954,640)	9,663,544
5. Increase in Accrued Income	(218,027,480)	(86,047,108)
6. Decrease(Increase) in Advanced Payments	(8,690,020)	11,676,510
7. Increase in Prepaid Expense	(4,241,854)	(2,106,600)
8. Increase in Accounts Payable	27,060,231	-
9. Increase in Accrued Expenses	34,442,128	262,509,725
10. Increase in Advance from Customers	371,664,315	-
11. Increase in Deposit Received	30,668,148	212,225,061
(5) Receipt of Interest	218,969,383	181,239,481

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# **KORAMCO** Asset Management

# **Statements of Cash Flows**



Accounts	2014	2013
II . Cash Flows from Investing Activities	(19,320,247)	(508,929,258)
1. Decrease in Deposits	20,640,000	179,840,742
2. Increase in Deposits Provided	(90,000)	(176,211,000)
3. Acquisition of Financial Asset Available for Sale	-	(200,000,000)
4. Acquisition of Tangible Assets	(23,480,247)	(311,809,000)
5. Acquisition of Intangible Assets	(16,390,000)	(750,000)
III. Increase in Cash and Cash Equivalents(I+II)	926,189,896	1,329,116,751
IV. Cash and Cash Equivalents at Beginning of Year	1,990,854,056	661,737,305
V . Cash and Cash Equivalents at End of Year	2,917,043,952	1,990,854,056

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