

KORAMCO

Annual Report 2016

KORAMCO ANNUAL REPORT 2016

English



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KORAMCO





The history of
KORAMCO is just that
of the real estate finance
industry of Korea.

KORAMCO has led the innovation of the real estate financial market through analytical ability to accurately grasp the flow of the real estate market, unique business models leading changes in the future and new value creation beyond the mere creation of profits.

KORAMCO competes with yesterday's KORAMCO instead of others. We will walk quietly on the road to true innovation with constant research and continuous effort without resting on our laurels.

This is KORAMCO's innovation.

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KORAMCO Way

KORAMCO WAY is a culture of KORAMCO and a way of thinking and acting based on KORAMCO's management philosophy.

MISSION

Creating new values for customers with
knowledge and customer trust.

VISION

A sustainable company that everyone aspires to work for;
a preeminent global comprehensive financial company

Long-term Objective

An Investment Bank that Engages in the
Integration of Asset Management and the
Investment Business

Mid-term Goal for 2020

REITs Asset Under Management	KRW 10 trillion
TRUST Contract Volume	KRW 100 billion per annum
ASSET MANAGEMENT Asset Under Management	KRW 5 trillion

CORE VALUES

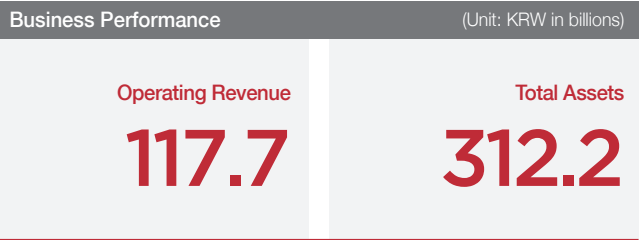
Open Communication	Forward Thinking	Competition and Cooperation
Preparation and Follow-up		Social Responsibility

OUR TALENTS

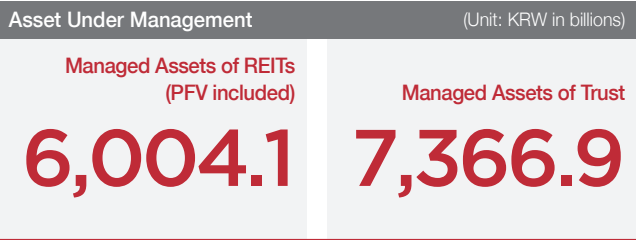
Be honest and frugal	Work creatively instead of following the beaten path	Identify and resolve problems proactively	Fulfill our duties with great zest	Always ready to serve our clients
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Key Figures

KORAMCO REITs & Trust

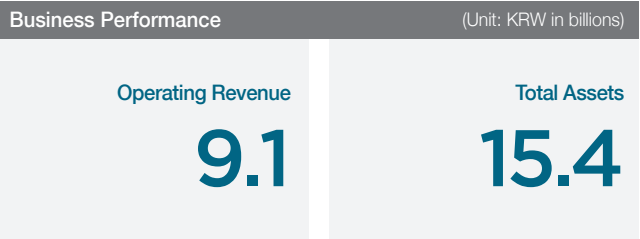


Statements of Financial Position Summary			
(Unit: KRW in millions, %)			
Accounts	2016	2015	YoY
Total Assets	312,180	220,573	42
Total Liabilities	135,585	81,648	66
Total Stockholders' Equity	176,595	138,926	27
Total Liabilities and Stockholders' Equity	312,180	220,573	42

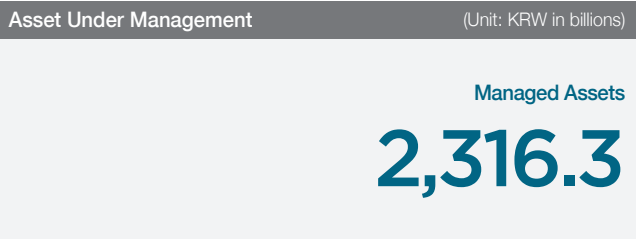


Statements of Income Summary			
(Unit: KRW in millions, %)			
Accounts	2016	2015	YoY
Operating Revenue	117,742	68,725	71
Operating Expense	60,819	31,996	90
Operating Income	56,924	36,729	55
Non-operating Income	45	214	(79)
Non-operating Expense	746	529	41
Earning Before Income Tax	56,223	36,413	54
Income Tax	14,646	9,384	56
Net Income	41,577	27,029	54

KORAMCO Asset Management



Statements of Financial Position Summary			
(Unit: KRW in millions, %)			
Accounts	2016	2015	YoY
Total Assets	15,359	11,885	29.2
Total Liabilities	2,431	1,180	106.0
Total Stockholders' Equity	12,927	10,705	20.8
Total Liabilities and Stockholders' Equity	15,359	11,885	29.2



Statements of Income Summary			
(Unit: KRW in millions, %)			
Accounts	2016	2015	YoY
Operating Revenue	9,133	4,839	88.8
Operating Expense	6,144	4,391	39.9
Operating Income	2,989	448	567.1
Non-operating Income	1	0.05	1,000.0
Non-operating Expense	101	46	119.6
Earning Before Income Tax	2,889	402	618.6
Income Tax	679	117	480.3
Net Income	2,210	284	678.2

Review Summary

REITs

Ranked #1 with 24% market share by AUM with 7 new REITs
KORAMCO REITs and Trust's REITs division is maintaining its top position in the industry with a 24% market share in terms of total assets under management by establishing seven new REITs that include Center Point Gwanghwamun Building, a prime office building in downtown Seoul, and selling off four assets including Time Square Building, a landmark in the Yeongdeungpo area, recording KRW 57.7 billion in operating revenue, up 156% from the previous year.

Entered the Value-added Product Market
With the introduction of value-added products through the establishment of blind funds, the REITs Division is pursuing profit maximization of by making use of various solutions such as identifying undervalued buildings, improving physical environments, reorganizing tenants, and resolving issues (eviction, vacancy and others). We are also enhancing investors' stability and satisfaction by playing a preeminent role in the market of small and medium-sized retail value-added funds.

Trust

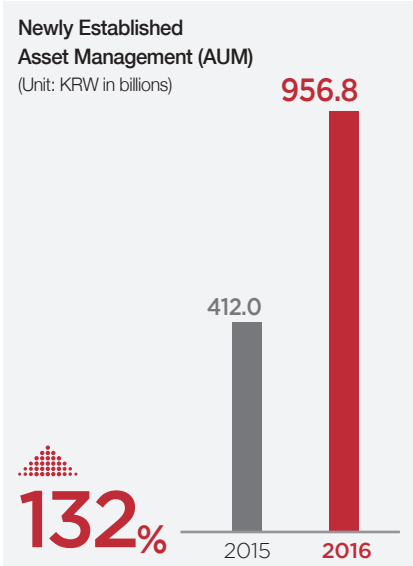
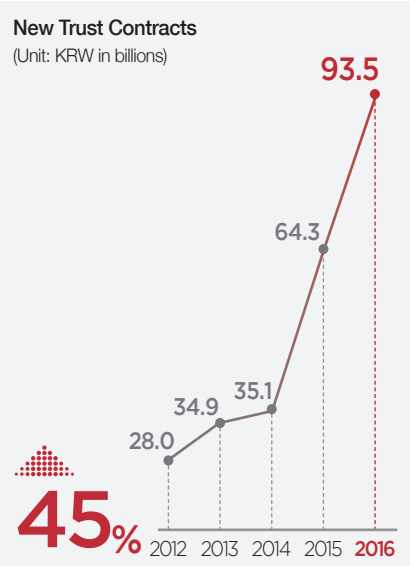
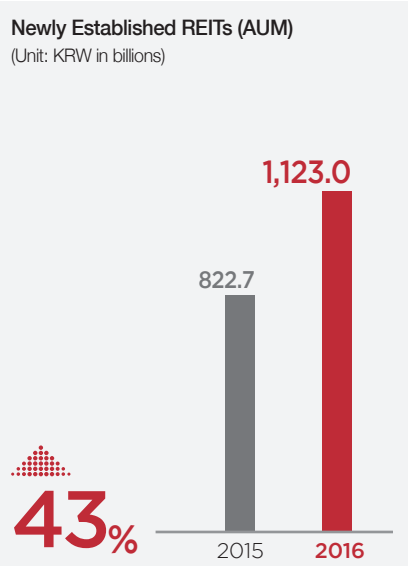
Added KRW 93.5 billion in New Contracts by Expanding Proportion of Loan-type Land Trusts
The trust division landed new contracts of KRW 93.5 billion and increased its operating revenue by 18.1% year-on-year to KRW 44 billion. This was due to multiple large-scale loan-type trust projects, including M Bridge commercial and business facilities in 1-5 Life Zone of Sejong City, Doosan We've Apartment for the welfare of the elderly in Gwangyo New Town in Suwon, both of which KORAMCO won via thorough business analysis and know-how in real estate development, management, and operation.

Diversified business by entering housing reconstruction business as the first mover among Trust companies, and rental housing
The trust division is diversifying its business into urban regeneration and lease business in accordance with the changing market conditions. In particular, we are taking the lead in the trust-type housing reconstruction business by winning the housing reconstruction project in Hoegye-dong, Anyang, a first for a trust company. In addition, we have built a platform for greater growth future winning contracts for a variety of products such as office buildings, complex facilities, living accommodation facilities, and knowledge industry centers, allowing a balanced portfolio in contrast to a portfolio concentrated on new apartment sales.

Asset Management

89% Operating revenue increase YoY and profitability maintained intact
In 2016, KORAMCO REITs and Trust recorded KRW 9.1 billion in operating revenue, an 89% increase from the previous year through the management of a total of 44 funds. Particularly in 2016, we are remaining profitable by establishing 14 new domestic real estate funds and 3 new overseas real estate funds, recording an increase of 132% or additional KRW 956.8 billion in AUM.

Active development of Overseas Project
As a result of our overseas expansion efforts since 2015, KORAMCO set up three overseas funds amounting to KRW 420.3 billion in assets under management. In particular, we are actively responding to changing market conditions by establishing an overseas real estate fund that buys and operates office buildings in Vienna, Austria. resulting in expected stable realization of dividend yield and continue to expand our roles in overseas markets.



Chairman's Message

We are practicing an honest and transparent management philosophy in order to become an impressive company trusted by customers.

KORAMCO will pioneer new markets with creative and innovative work methods, not taking a beaten path, by way of thorough preparations and planning which are the source of its competitiveness.



**Dear Shareholders,
Customers and Stakeholders,**

In 2016, KORAMCO REITs & Trust recorded KRW 117.7 billion in operating revenue, KRW 56.9 billion in operating income and KRW 41.6 billion in net income. Specifically, its operating revenues in the REITs sector grew 156% year on year to KRW 57.7 billion, while its operating revenue in the trust sector grew 18% year on year to KRW 4.0 billion. KORAMCO Asset Management, wholly owned by KORAMCO REITs & Trust, continued to stay profitable recording KRW 9.1 billion in operating revenue, up 89% from the previous year, KRW 3 billion in operating income, and KRW 2.2 billion in net income. Indeed, we outperformed our expectations. However, the big increase in operating revenue from the REITs sector was exceptional case, attributable to the KRW 41 billion proceeds from sales.

As for our projected operating revenue for 2017, we expect KORAMCO REITs & Trust to record KRW 15.8 billion in the REITs sector and KRW 56 billion in the trust sector and KORAMCO Asset Management KRW 10.3 billion. Therefore, our total operating revenue is expected to be KRW 82.1 billion won, a 30% decrease year on year.

This is because we cannot expect exceptional profits as last year and the increased uncertainty of the Korean real estate market. As the trust business relies on new housing sales, it is difficult for the trust business to expand. For REITs and real estate funds, growth is limited solely with domestic real estate investment.

Therefore, KORAMCO is preparing to overcome these limitations and leap forward once again. In order for the company to continuously grow, it is necessary to establish balance between business development, effective strategy for the future by market analysis, and efficient organization operation systems. In this regard, I would like to state out tasks that KORAMCO will focus on in this year's strategy and operations.

To begin with, I will speak about the strategy-related tasks for the company's sustainable growth.

First, we will diversify our domestic business so that we can correspond to the economic condition changes by adding rental housing projects and urban regeneration projects to the current business portfolio, which has focused on office buildings and housing sales. Our REITs sector had focused on stable core products and large office buildings. However, since last year, we have focused on taking new assets such as value-added properties including remodeled assets, rental houses and small to mid-sized retail properties and will further raise their proportion in the future. In the trust sector, we will deviate from the new housing sales. The housing market concept, which traditionally focused on ownership for capital gain, is changing towards to the concept of usage, which focuses on residential purposes. In order to cope with such market condition changes, we will shift our business portfolio to concentrate on the urban renewal and rental housing business.

Second, the growth of KORAMCO will be limited if the company depends solely on the domestic real estate market. KORAMCO will actively commence into overseas market this year. In order to meet the needs of Korean institutional investors, we will continuously expand investments on developed countries real estate while pioneering new infrastructure markets including energy and water resource related assets located in emerging economies where demand is increasing for such assets. To accomplish such, we will secure regional experts and project experts, and seek ways to enter new markets through collaboration with investment institutions and public financial institutions.

Third, to overcome the funding limitations due to concentrated sources comprised of small numbers of institutional investors, we will actively expand funding through blind funds. In Korea, real estate blind funds are experiencing difficulties in growth due to restrictions on investment region and targets, and investors' lack of awareness. However, KORAMCO will expand the launch of new funds this year based on its previous year experience with blind funds. In addition, we will expand our pool of investors to individual investors and general companies, and expand the base of investors through the launch of public offering funds.

Fourth, we will strengthen the functions of the Research and Development Office that serves as the eyes and ears of the company management. In a rapidly changing market environment, we will build a system where we are able to detect changes in our business environment in advance and address them through timely trend analysis. We will also strengthen our business development capabilities including feasibility studies of new projects and development of business models for sustainable growth.

The followings are key tasks regarding the organization's operations for the effective implementation of the corporate strategy mentioned above. One task is to create new synergies by combining REITs and real estate fund organizations that have operated separately in the past. The revised Real Estate Investment Trust Act allowed REITs and real estate fund units to be combined but it will take some time to for perfect reorganization of both units. During the preparation time we will first pursue synergies through organic collaboration between the two organizations.

Finally, in order to carry out the above-mentioned tasks, we will need 'Driving Forces' that will take the lead in implementing them. People are KORAMCO's most important assets. The competitiveness of KORAMCO relies not on the competence of just one employee but on collective efforts from all employees contributing to the prosperity of KORAMCO. In order to realize such, I will be in the vanguard of developing KORAMCO into a sustainable company by partnering with the 'Driving Forces' within the company.

Dear Respected Shareholders,
Customers and Stakeholders,

KORAMCO began with 7 billion won in equity at the time of its foundation 16 years ago. As of end of 2016, its assets now total up to KRW 328 billion. The current status of KORAMCO was possible through strong support and care from our shareholders, customers and stakeholders. I sincerely ask for your continued support and cooperation so that KORAMCO will be able to grow into a sustainable world-class real estate finance company.

Thank you.

June 2017
Chairman of the Board of Directors

이규형

Board of Directors

(As of May 2017)

KORAMCO REITs & Trust



Kyu Sung Lee
(Chairman of BOD)

Academy Backgrounds

- Bachelor's degree, economics, Seoul National Univ.
- Honorary Ph.D., Economics, Chungnam National Univ.

Work Experience

- Minister of finance
- Minister of finance and economy
- Chairman of KORAMCO REITs & Trust
- Chairman of Consultative Board for a Prosperous KORAMCO
- Professor, KAIST Techno Business School



Yong Sun Jung
(CEO & President/REITs)

Academy Backgrounds

- Bachelor's degree, law, Korea Univ.

Work Experience

- Financial Bureau at Financial Supervisory Service
- Deputy governor, Financial Supervisory Service
- Advisor, Hwawoo law firm



Jong Su Kim
(CEO & President/Management)

Academy Backgrounds

- Bachelor's degree, international economics, Seoul National Univ.

Work Experience

- Researcher at Korea Development Institute (KDI)
- Editorial writer (economy), JoongAng Ilbo editorial committee
- Editor-in-chief, Focus News Editor



Jung Kie Hahn
(Outside Director)

Academy Backgrounds

- Bachelor's degree, business administration, Seoul National Univ.
- Vanderbilt WN Graduate School of Management

Work Experience

- Commissioner, Tax Tribunal
- CEO, KOSCOM



Heung Su Kim
(Outside Director)

Academy Backgrounds

- Bachelor's degree, economics, Seoul National Univ.
- Ph.D., Brown University of US

Work Experience

- Director, Private Investment Support Center, KRIHS
- Director, Construction and Economy Research Institute of Korea



Jong Han Oh
(Outside Director)


Academy Backgrounds

- Bachelor's degree, law, Seoul National Univ.
- Master's degree, law, Seoul National Univ.
- Master's degree, law, University of Washington of US

Work Experience

- Attorney, Sejong Law Firm
- Adjunct professor, Judicial Research and Training Institute
- Legal advisor, Financial Supervisory Committee

KORAMCO Asset Management




Hyung Seok Park
(CEO & President)

Academy Backgrounds

- Architectural engineering, Korea Univ.
- Master's degree, architectural engineering, Korea Univ.
- Master's degree, real estate, Cornell Univ.

Work Experience

- Head, Asset Service Division, CBRE Korea
- Head, Real Estate Investment Division, Orion Partners Korea Inc.




Byung Hoon Ahn
(Outside Director)

Academy Backgrounds

- Bachelor's degree, engineering, Seoul National Univ.

Work Experience

- Director, KAIST Business School
- (Incumbent) Honorary Professor, KAIST Business School
- Ph.D., business administration, Stanford Univ.




Jeong Kook Kwon
(Outside Director)

Academy Backgrounds

- Bachelor's degree, law, Yonsei Univ.
- Master's degree, law, Kookmin Univ.

Work Experience

- Deputy bureau chief, Financial Supervisory Service
- Auditor, Tongyang Securities



Chang Young Song
(Outside Director)

Academy Backgrounds

- Business administration, Seoul National Univ.

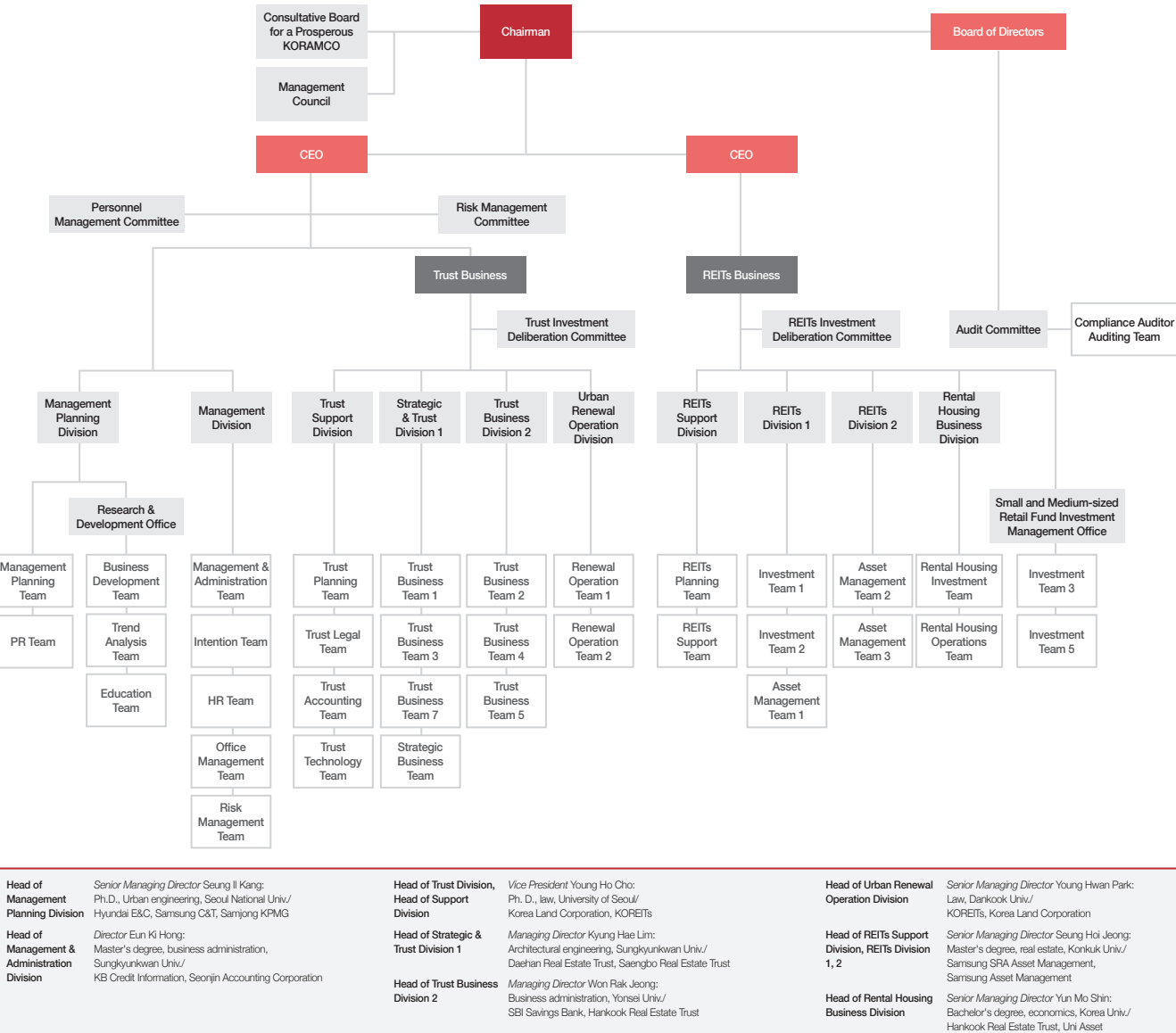
Work Experience

- lawyer, Sehan partner law firm
- Supervisor of Financial Supervisory Committee (securities futures committee)

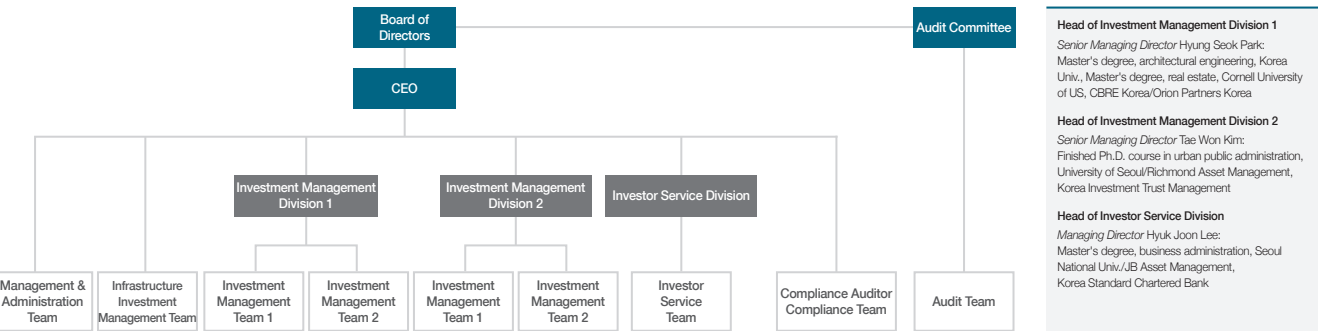
Organization

(As of May 2017)

KORAMCO REITs & Trust (10 divisions, 35 teams, 2 offices, 176 persons)



KORAMCO Asset Management (3 divisions, 9 teams, 37 persons)



Research & Development

THINK TANK

Trend Analyst that Gleans and Analyzes Information

The Research and Development Office builds an insight sharing system about the market by proactively capturing market changes and presenting countermeasures through analysis.

Business Frontier to Search for Future Growth Engines

The Research and Development Office secures business capabilities as a project organizer while providing future-oriented business direction for sustainable development and developing new business models.

Innovation Engine to Share Results and Boost Efficiency

The Research and Development Office induces capabilities by supplying analysis materials and insights and making feedback internally, share research and development achievements, and conduct internal education on key issues.

Strengthen R&D for Sustainable Growth and Customer Value Creation

The KORAMCO REITs & Trust is running the Research and Development Office, a think tank that preemptively responds to rapidly changing market conditions and leads the company's sustainable development.

The goal of the Research and Development Office is to steadily strengthen R&D capabilities to enable KORAMCO to carry out general asset management as a world-class general real estate finance company and steadily strengthen R&D capabilities to achieve long-term goals as an investment bank covering investment business as a whole.

In addition to its roles as an in-house data bank to support internal decision-making, the Research and Development Office is in charge of providing general think tank functions for market forecasting, developing new business models and overseas expansion.

In particular, in 2016, the research and business development parts were promoted to the Trend Analysis Team and the Business Development Team, respectively, in order to strengthen their specialized capabilities. The Education Team was newly established to foster top-level global human resources under the Research and Development Office.

Composition of Research & Development Office

Research & Analysis Office
Trend Analysis Team
Preemptively catching changes in business environments and showing insight
Business Development Team
Discovering sustainable growth engines for company
Education Team
Nurture and development of global-level human resources

Research & Analysis Office's Major Achievements

Publication

"Housing in Korea" is a report on measures for the advancement of the Korean housing market, which is undergoing a structural transformation on a full scale. This report examines the characteristics of the Korean housing market and the development process of housing policies and clear structural changes in the housing market since 2008 and the declining effects of housing policies and presents a desirable orientation of future housing policies.



Publication
[Housing in Korea-Directions of Korean Housing Policies in Supply-Demand Balance Period in Korea] (Aug. 2016)

Key Reports

Real Estate Market R&D
<ul style="list-style-type: none">• Outlook on Office and Commercial Real Estate Market in 2016• Changes in Future Housing Trends and Their Implications• Recent Trends in, Characteristics of and Prospects for Office Market• Recent Housing Market Diagnosis and Outlook
Business Model R&D
<ul style="list-style-type: none">• Reviewing the collective investment potential of residential real estate• Real estate crowdfunding system and market trend• Problems and Improvement of Revenue-Type Real Estate Investment• Commercial real estate securitization trends and case analysis
Overseas Market R&D
<ul style="list-style-type: none">• Housing in US• Indirect investment organizations' need for overseas expansion and tasks• Analysis of trends in social infrastructure facilities' overseas expansion• Basic direction of overseas infrastructure projects (draft)

KORAMCO History

2001-2005	2006-2008	2009-2010
2001 <ul style="list-style-type: none">• Founded KORAMCO with paid-in capital of KRW 7 billion• Approved as an AMC by the Ministry of Construction and Transportation 2002 <ul style="list-style-type: none">• Capital raised from KRW 7 billion to KRW 8.55 billion• Released corporate restructuring REITs (KOCREF No.1) 2005 <ul style="list-style-type: none">• REITs assets surpassed KRW 1 trillion (KRW 1,028.2 billion)• Released externally managed REITs (KOCREF No.7)	2006 <ul style="list-style-type: none">• Capital increased from KRW 8.55 billion to KRW 10 billion• Entered into real estate trust business with approval by Financial Services Commission• Company name was changed to KORAMCO REITs & Trust from KORAMCO• REITs assets surpassed KRW 2 trillion (KRW 2,403.1 billion) 2007 <ul style="list-style-type: none">• Licensed for real estate development business• Inaugurated a social responsibility committee 2008 <ul style="list-style-type: none">• Licensed for housing construction business	2009 <ul style="list-style-type: none">• Licensed for housing redevelopment business• Signed KORAMCO-KAIST Green Smart Building initiative 2010 <ul style="list-style-type: none">• REITs assets surpassed KRW 3 trillion (KRW 3,384.9 billion)• Licensed for Debt-type land development trust• KORAMCO Asset Management `s capital was raised to KRW 10 billion• KORAMCO Asset Management established No.1 fund (FIRSTSTEP No.1, 2) 2011 <ul style="list-style-type: none">• KORAMCO REITs & Trust awarded the Model Taxpayers Award during the 44th Taxpayers Day celebration
2012-2013	2014-2015	2016
2012 <ul style="list-style-type: none">• Woo Cheol Lee was inaugurated as Vice Chairman of KORAMCO REITs & Trust 2013 <ul style="list-style-type: none">• Yong Sun Jung inaugurated as President of KORAMCO REITs & Trust• Released externally managed REITs (KOCREF Gwanggyo)• REITs assets exceeded KRW 4 trillion (KRW 4,881.0 billion)• Licensed for KORAMCO Asset Management special asset collective investment scheme• Real estate fund assets surpassed KRW 1 trillion (KRW 1,280 billion)	2014 <ul style="list-style-type: none">• Kyu Sung Lee inaugurated as of Chairman of Consultative Board for a Prosperous KORAMCO• Woo Cheol Lee inaugurated as Chairman of KORAMCO REITs & Trust• Acquired Golden Tower LEED certification (KOCREF NPS No.1)• REITs assets surpassed KRW 5 trillion (KRW 5,360.4 billion) 2015 <ul style="list-style-type: none">• KORAMCO REITs & Trust awarded the Model Taxpayers Award during the 49th Taxpayers Day celebration• Established rental housing REITs (KOCREF Housing No.1, Dongtan 2 Daewoo KOCREF)• Became the trust firm to enter into the real estate trust business as project agent (Anyang Hogye-dong)• KORAMCO Asset Management licensed for privately placement equity collective investment/ investment advisory• KORAMCO Asset Management established overseas funds (two in the USA, 1 in Italy)	2016 <ul style="list-style-type: none">• Won the Best Real Estate Finance Company Prize at the 1st Korea Real Estate Finance Awards• Signed a memorandum of understanding on 2030 housing of youths near subway stations with Seoul• Established KORAMCO Asset Management's No. 1 and 2 blind funds (10 billion won and 40 billion won respectively)• Entered the New Stay-linked maintenance project (Naedang and Naeseo in Daegu)

Fulfilling social responsibility to create a corporate culture of sharing and win-win growth through various systematic and authentic activities

Fulfilling Social Responsibility



Budget for 2017
KRW **390** million

10 years Social Contribution Cost (since 2007)
KRW **2.2** billion

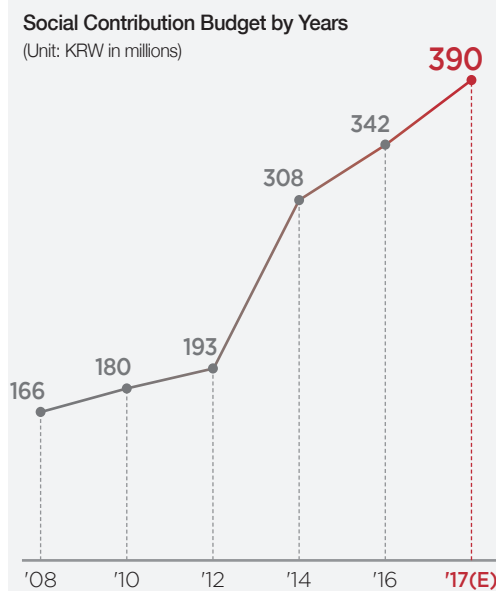
Warm-hearted Company that Fulfills Social Responsibility

KORAMCO is striving to fulfill its social responsibilities for sustainable social development and better lives for communities. As we are keenly aware that companies cannot grow sustainably without trust and support from members of society, we are moving forward with social contribution activities, valuing our responsibilities and duties as a corporate citizen more than any other value.

KORAMCO has ramped up its social contribution expenses about 15% every year since starting from KRW 140 million in 2007, and has spent KRW 2.2 billion in social contribution expenses over the past ten years. We are planning a social contribution budget of 90 million won for 2017.

In particular, KORAMCO's employees voluntarily participate in giving a helping hand to the marginalized in communities. The company is implementing management for sharing not only by donating its social contribution budget and one percent of employees' monthly salaries to marginalized groups and communities but creating its unique share value such as the restoration of damaged nature, the repair and renovation of facilities in underdeveloped areas and the invitation of model Korean and US military service personnel.

KORAMCO will boost support for groups and facilities in need for the continuous expansion of social contributions and step up efforts to become a big helping hand for marginalized communities by developing new social contribution activities.



Highlights of Social Contribution Activities in 2016

KORAMCO REITs & Trust divides its social contribution activities into five areas (human resources development, helping people in need, events to support military service members, environmental protection, and employees' volunteer activities).



Help for the Needy Neighbors

We make donations to the Community Chest of Korea, the Child Fund Korea and Rafael Clinic. We also support marginalized neighbors in society including children with disabilities, elderly people living alone, poor local residents, low-income patients and support of medical expense for foreign workers.



Human Resource Development and Support for Academic Research

This activity fosters talented people who will lead Korea in the future and supports academic research. We offer scholarships to students of low income families at six universities and support provincial elementary schools with educational equipment.



Morale-boosting Events for Military Personnel

The "Invitation Event for Korean and American Soldiers" is the only friendship development program for both Korean and US soldiers which offers them tours of historic sites and holds friendship making event between Korean and American soldiers. The program has been established as KORAMCO's unique differentiated social contribution activity.



Environmental Protection Activities

KORAMCO is actively engaging in environmental protection activities to protect the environment and to pass a nice environment on to future generations and steadily donating research expenses to environmental research groups.



Employee Volunteer Activities

Employees regularly visit social welfare facilities sponsored by KORAMCO to volunteer for repair and cleaning old facilities.



Hansarang Welfare Center for Children with Disabilities

In 2016, KORAMCO employees visit Hansarang Welfare Center for Children with Disabilities and gave hope and courage to them via communication with marginalized children.

BUSINESS SECTION



REITs Sector which Kept Its Position as Market Leader,
Achieving Highest-ever Operating Revenue

REITs Business

As of the end of 2016

Number of All REITs under
Management in Korea

167

Managed Assets

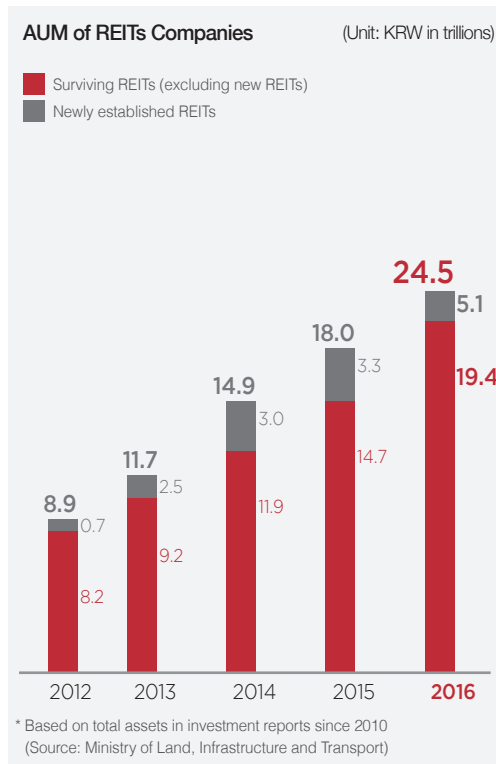
KRW **24.5** trillion

Market Trends

Steadily Growing REITs Market

As of the end of 2016, there are 167 REITs in Korea (131 externally managed REITs, 31 CR REITs and 5 internally managed REITs). Total assets under management reached KRW 24.5 trillion, an increase of 23.1% over the previous year, and a total of 52 new REITs were established. This was a 1.6-fold increase from the previous year and the largest ever in terms of the number of established REITs. In particular, housing REITs to support the government's rental housing accounted for 75% of the REITs established by KORAMCO last year, leading the growth of the REITs market.

In developed countries such as the United States, Japan, and Singapore, publicly traded REITs are very popular. However, in Korea the mainstream is privately traded REITs financed by institutional investors. However, the Ministry of Land, Infrastructure and Transport in charge of REITs recently showed market-friendly movements such as easing regulations which received favorable responses from individual investors, fueling the launch of publicly traded REITs. KORAMCO REITs and Trust will expand investment opportunities for individual investors by actively launching publicly traded REITs in the future.



Major Achievements

AUM in REITs Sector Stands at about KRW 6 trillion, Chalking Up Market Share of 24%

KORAMCO REITs & Trust has established 33 REITs so far. As of December 2016, the company was managing a total of 24 funds including three PFVs. KORAMCO REITs & Trust established seven new REITs in 2016 and is maintaining its top position in the industry with a 24% market share in terms of total assets under management. Maintaining its top position, the company has been leading the Korean REITs market.

KORAMCO REITs & Trust's outstanding achievements are the result of its preemptive responses to market changes and the expansion of its product portfolio to various fields such as rental housing REITs. In addition, the company is systematically managing all processes ranging from product sourcing and investment attraction to lease and sell-off based on strategies and expertise that are differentiated from competitors'.

Financial Performance

Achieving KRW 57.7 billion in Operating Profit including KRW 41 billion in Proceeds from Sales

Operating revenue in the REITs sector grew 156% year on year to KRW 57.7 billion. This is an all-time high record, exceeding the 2008 record when the company first exceeded KRW 50 billion. The increase in operating revenue is highly credited to exceptional proceeds from the sell-off and liquidation of four assets. At the same time, the establishment and stable management of seven new REITs also contributed to the increase.

In addition, we are leading the growth of the REITs market as the market leader in the industry, continuously establishing the KOCREF series, a representative REITs brand of Korea, demonstrating outstanding management performances through systematic asset management.

Operating Revenue in REITs Sector

KRW **57.7** billion

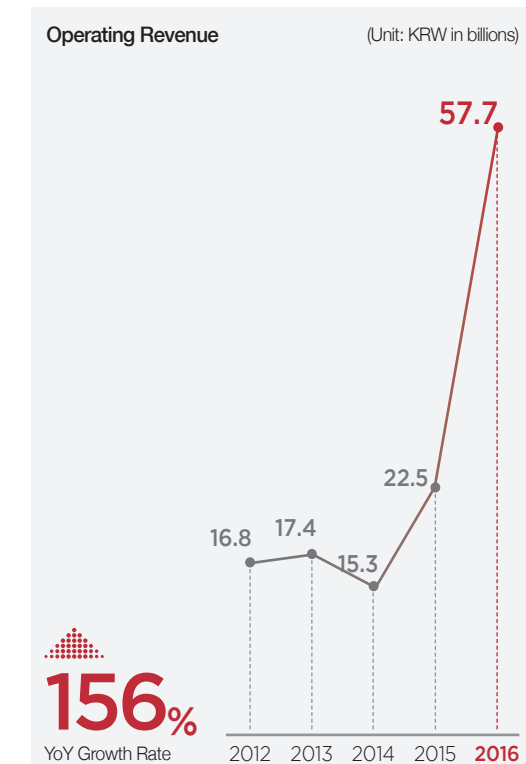
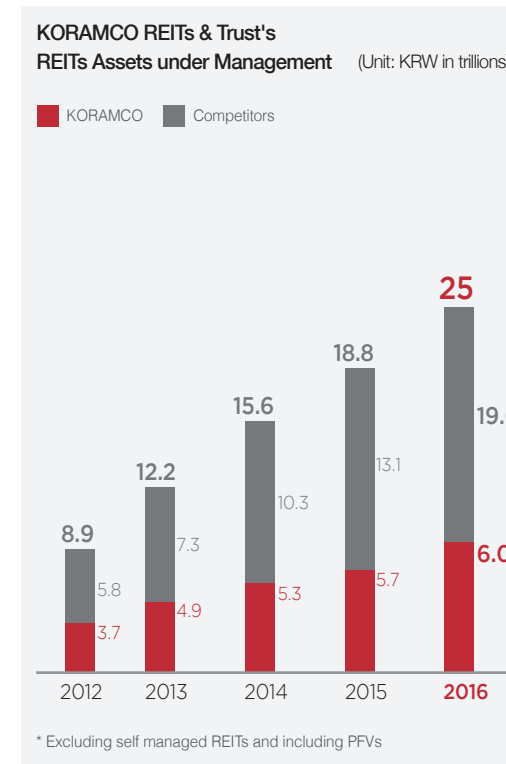
YoY Growth Rate

156%

KORAMCO REITs & Trust REITs Assets under Management

Market Share

24.1%



Green Smart
Building Index



Inheritance

Assessment of physical characteristics of buildings, such as building size, floor space



Occupancy

Assessment of rental contracts, management of rental rates, etc.



Convenience

Assessment of the satisfaction of tenants and management activity



Efficiency

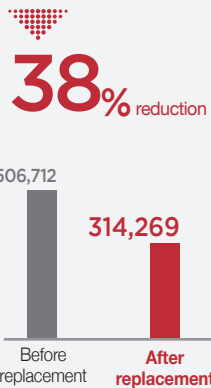
Assessment of activities for operational efficiencies, such as cost saving



Sustainability

Assessment of safety, care for the weak and eco-friendly factors

Shift in power
consumption
(Unit: KW/year)



Portfolios under Management

Housing REITs Account for 77% of Domestic New REITs

The housing REITs among newly established REITs spiked from the previous year (65% in 2015 to 77% in 2016). This is because the government policies for the support of rental housing boosted the concentration of investments on housing REITs. Newly established in 2016 numbered 44, an increase of 17 from the previous year, accounted for 77% of total new REITs, while newly established REITs in the office and retail sectors accounted for only 13% of the total.

Diversify Portfolios by Expanding Residential Real Estate and Value-added Retail Products

KORAMCO REITs & Trust is pushing forward with the diversification of portfolios by steadily expanding the proportion of non-office products such as residential properties such as housing, studio apartments, and Value-added retail products.

Since entering the housing REITs market via the establishment of two housing REITs in 2015, we have established GS KOCREF New Stay REITs (Hwaseong Dongtan 2 District) in 2016.

Asset Management

Green Smart Building Index

KORAMCO is developing successful cases of asset management via evaluations based on the Green Smart Building Index. We are increasing the value of assets managed by KORAMCO REITs & Trust by applying the successful cases to other managed assets. The Green Smart Building Index consists of five items (Inheritance, Occupancy, Convenience, Efficiency, Sustainability) and is used to comprehend the current status of each asset and set improvement plans.

Conducting Energy Efficiency Projects

To respond to the government's energy-saving policy, KORAMCO REITs & Trust has been continuously making efforts to reduce energy consumption and greenhouse gas emissions by means of the introduction of high energy efficient equipment's.

Energy Efficiency Example of
Hana Financial Investment Building

Before and after replacing lighting equipment



Entering the Value Added Product Market

Entering the Value Added Product Market through Establishment of Blind Funds

By promptly responding to the rapidly changing domestic real estate market trend, KORAMCO REITs & Trust was selected as a small and medium-sized retail Value-added fund management company by the National Pension Service. In March 2016, we attracted the Korean Teachers' Credit Union as a co-investor in the project. In July, we executed a basic investment contract for the project with the credit union and establish two REITs under a hub REITs by the end of 2016. Through, we secured a leading position in the Value-added fund market.

KORAMCO REITs and Trust newly established the Small and Medium-sized Retail Fund Investment and Management Office. The office pursues value add strategies by utilizing various solutions including physical environment improvement of buildings (remodeling, upgrading, the change of use, etc.), reorganization of tenants and issue resolving (eviction, vacancies and etc.).

Energy Efficiency Projects

Replacement of Lighting Equipment

Through its participation in the government's pilot project on energy efficiency market, KORAMCO REITs & Trust decreased electric power use to about 62% compared to previous consumption by replacing lighting equipment in common use areas such as underground parking lots of buildings.

Replacement of Boilers and Peripheral Equipment

KORAMCO REITs & Trust is seeking to enhance the satisfaction of tenants by reducing the amount of gas used for heating and hot water supply and improving indoor air quality through the replacement of old boilers and HVAC related equipment's.

Before and after replacing HVAC related equipment's



Major Projects Promoted by 2016



Building name
K Square Shinchon
Establishment scale
KRW 84 billion
Total floor area
3,209 pyeong, B3F-8F
Location
72-14, Changjeon-dong, Seodaemun-gu, Seoul

(Blind Fund-Value Add) KORAMCO Value-added Retail REITs No.1

KORAMCO Value-added Retail REITs No.1 is a medium-sized retail building located in the commercial area around Shinchon Subway Station, a core commercial area with excellent transportation accessibility. The building also commands a fine view. The average payout ratio of KORAMCO Value-added Retail REITs No.1 is expected to reach 7.5% and its annual payout ratio, 6.3%.



Building name
K Square Junggye
Establishment scale
KRW 51.7 billion
Total floor area
5,151 pyeong, B4F-8F
Location
364-19, Jonggye-dong, Nowon-gu, Seoul

(Blind Fund-Value Add) KORAMCO Value-added Retail REITs No.2

KORAMCO Value-added Retail REITs No.2 is located near Eunhaeng Crossroads of Junggye-dong, a commercial district with many private institutes. The layout of this building befits private institutes. The largest landmark in the area has a lease rate of 99%. The average annual payout ratio of KORAMCO Value-added Retail REITs No.2 is expected to stand at 7.2%.



Building name
K Square Hongdae
(formerly known as Hongdae Building for Hyundai Card and Hyundai Capital)
Project type
Externally Managed REITs
Establishment scale
KRW 75.6 billion (Based on total investment and including all remodeling cost)
Total floor area
10,789.06㎡, B3/12F
Location
161, Yanghwa-ro, Mapo-gu, Seoul

(Newly established-Value Add) KOCREF K Square Externally Managed REITs

This building is located by a road in an area close to three subway lines near Hongik University Station and has excellent traffic accessibility and commands a fine view. The property will be positioned as a landmark of the Hongdae commercial district through the remodeling (office space→retailing space) of low floors relatively inefficient. Also, after lease by Hyundai affiliates (Hyundai Card, Hyundai Capital, Hyundai Commercial), the building will be remodeled and its retail space will be leased by Gyeongbang, the operator of Times Square, the largest shopping mall in the southwestern area of Seoul which will minimize its vacancy risk. To top it off, we plan to minimize investors' principal risk by making Gyeongbang invest in common shares. KOCREF K Square has an average annual planned payout ratio of 6.5% for the class of shares and 6.0% for common shares.



Building name
Center point Gwanghwamun
Project type
Externally Managed REITs
Establishment scale
KRW 327.4 billion
Total floor area
38,946.5㎡, B7/20F
Location
31, Saemun-ro 5-gil, Jongno-gu, Seoul

(Newly established) KOCREF No.36 Externally Managed REITs

This property is a prime office building with a 100% occupancy rate located at the core of the CBD. KORAMCO REITs & Trust eliminated vacancy risk and ensured stable dividend payment during the management period by extending the lease period of a law firm which is an anchor tenant through pre-lease marketing. KOCREF No.36 has an annual average payout ratio of 4.1% for the first class of shares, 6.5% for the second class of shares, and 13.8% for common shares.

Major Projects Promoted by 2016



Complex name
Dontan Lake Xi The Terrace

Project type
Externally Managed REITs

Establishment scale
KRW 360.2 billion

Total floor area
98,465.88㎡,
B1/4F, 483 households,
27 buildings

Location
B15, B16BL, Dongtan 2 District,
Hwaseong City,
Gyeonggi Province



Building name
10 Homeplus branches
(Gayang, Siheung, Gyesan,
Ilsan, Woncheon, Ansan Gosan,
Cheonan Shanbang, Jangrim,
Dongchon Branch, Ulsan Bukgu)

Project type
Corporate restructuring REITs

Establishment scale
KRW 575.7 billion

Total floor area
475,288.47㎡

(Newly established) GS KOCREF New Stay Externally Managed REITs
GS KOCREF is terraced apartment buildings built on the western side of Dongtan Lake Park. This is a REITs investment product that contributes to the residential stability of the middle class while raising the class of New Stay houses which has the strong image of public rental housing. This property recorded a 252:1 competition ratio for purchase and a 100% occupancy rate. We will complete the buildings in April 2018 after a one-and-a-half-year construction period. The investment entity will be liquidated after an eight-year-long lease period. Preferred shares are financed by New Stay Hub REITs 2 and common share by GS E&C and KORAMCO REITs & Trust.

(Re-liquidation) KOCREF NPS No.2 Corporate Restructuring REITs
This project securitized 10 Homeplus branches (Homever branches at that time) in 2006 and achieved a high payout ratio of 13.5% by the end of 2016. In addition, the maturity has been extended as the extension of maturity was advantageous to interested parties (investors, lessees, and KORAMCO) than the sale of the building at that time. This provide the investors with an opportunity to continue to invest in excellent investment product, and provided the tenant with a stable business base various store strategies for could be implemented.



Building name
STX Namsan Tower

Project type
Corporate restructuring REITs

Establishment scale
KRW 218.5 billion

Total floor area
65,195.93㎡, B6/23F

Location
98, Huam-ro, Jung-gu, Seoul

(Liquidated and sold off) KOCREF No.11 Corporate Restructuring REITs
KOCREF No.11 STX Namsan Tower has a favorable location as it is adjacent to Seoul Station. This property is an asset suitable for corporate office use and seeking rental revenue. KOCREF No.11 STX Namsan Tower sold for KRW 299 billion (KRW 15.2 million per pyeong*), resulting in an IRR of 14.44% and an annual average earning rate of 17.6% (including capital gain from its sell-off).

* 1 pyeong=3.3㎡



Building name
G. Square

Project type
PFV

Establishment scale
KRW 532.0 billion

Total floor area
238,248.43㎡ (Including
commercial facilities, business
facilities and land)

Location
180, Simin-daero,
Dongan-gu, Anyang-si,
Gyeonggi-do

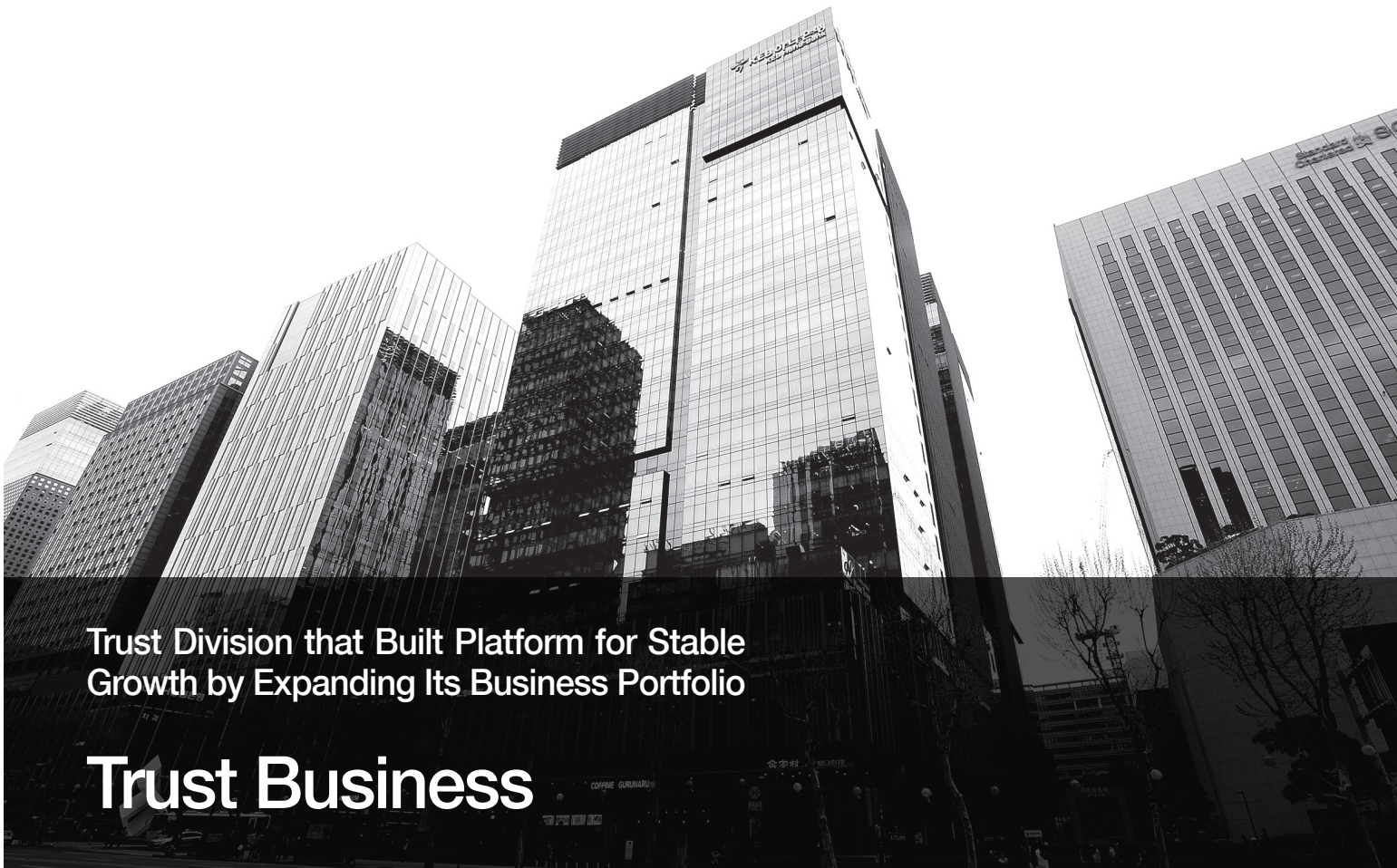
(Liquidated and sold off) KOCREF G SQUARE
This property is a representative landmark in the southern area of Gyeonggi Province with a total area of 72,000 pyeong* consisting of commercial facilities (Lotte Department Store, food store and a movie theater) and business facilities. Since its completion in 2012, ongoing management had produced better results than expected. Moreover, we completed the successful sale of the real estate in 2016 by executing the most stable integrated sale procedure, which is the most stable sales method of the PFV. This project is the first case where we completed the development, operation and sale of a large complex facility consisting of office and retail space (master lease).

* 1 pyeong=3.3㎡

Target Profits and Performance of KOCREF As of December 2016 (Unit: KRW in billions)

Category	Investment Target	Year of Establishment	Establishment Scale	Target Payout Ratio*	Status	Note
KOCREF No.1	Hanhwa Building, Deaa Building, Dahhan Building	2002	233.6	10.06%	Liquidation completed	Annual average payout ratio: 43.5%, IRR: 28.4%
KOCREF No.2	Myongdong Tower, Tris Tower	2002	111.6	10.39%	Liquidation completed	Annual average payout ratio: 12.1%, IRR: 11.2%
KOCREF No.3	Hanwha Securities Building, Mt Hill Town	2003	156.2	10.19%	Liquidation completed	Annual average payout ratio: 51.3%, IRR: 31.1%
KOCREF No.4	YTN Tower, Platinum Tower	2004	181.0	10.24%	Liquidation completed	Annual average payout ratio: 31.4%, IRR: 23.0%
KOCREF No.5	Dacom Building	2005	106.3	8.71%	Liquidation completed	Annual average payout ratio 42.5%, IRR 28.9%
KOCREF No.6 (Preferred stocks)**	4 Newcore Outlet branches (Yatop, Ilsan, Pyeongchon, Incheon)	2005	273.4	9.05%	23rd term of operation	Under operation
KOCREF No.7	DSME Building, Kolon Annex Building	2005	136.0	8.00%	Liquidation completed	Annual average payout ratio 10.7%, IRR: 10.6%
KOCREF No.8	G Tower, Central Tower	2006	122.4	8.57%	Liquidation completed	Annual average payout ratio: 7.6%, IRR: 7.6%
KOCREF NPS No.1	Sigma Tower, Seoul City Tower, Golden Tower, etc.	2006	817.8	7.99%	21st term of operation	Under operation (sale of tower, September 30, 2015)
KOCREF NPS No.2	10 Homeplus branches (Gayang, Siheung, Gyesan, etc.)	2007	575.7	13.65%	20th term of operation	Under operation
KOCREF No.11	STX Namsan Tower	2007	218.5	13.82%	Liquidation completed	Annual average payout ratio: 17.6%, IRR: 14.4%
Pangyo SD-2 PFV	Pangyo H Square N, S	2007	340.0	10.63%	10th term of operation	Under operation (completed in March, 2011)
KOCREF ARIEF Korea No.1	Noon Square	2007	213.5	10.88%	Liquidation completed	Annual average payout ratio 2.5%, IRR: 2.2%
KOCREF No.14	Time Square A, B	2008	115.2	11.57%	Sale of assets	In liquidation
KOCREF No.15	Tmark Grand Hotel	2009	186.8	14.14%	Liquidation completed	Annual average payout ratio 7.3%, IRR: 7.2%
KOCREF G Square PFV	G Square	2009	532.0	9.28%	Sale of assets	In liquidation
KOCREF No.17	NH Agricultural Cooperative Capital Building	2010	63.5	15.03%	Liquidation completed	Annual average payout ratio 24.0%, IRR: 17.8%
KOCREF Cheongjin No.18	Grand Seoul Tower 1	2011	736.1	7.88%	10th term of operation	Under operation (completed in December 2013)
KOCREF Cheongjin No.19	Grand Seoul Tower 2	2011	602.2	9.86%	10th term of operation	
KOCREF Byukeun Hotel PFV (Preferred stocks)	Seochu Silla Stay	2012	83.2	5.68%	6th term of operation	Under construction (to be opened April 2017)
KOCREF Gwanggyo	Commercial facility in Il-dong, Yeongtong-gu, Suwon	2013	427.6	9.22%	8th term of operation	Under operation (completed in August 2015)
KOCREF Yangjae (Preferred stocks)	Gangnam P Tower	2013	271.1	7.87%	7th term of operation	
KOCREF Pine Avenue (Preferred stocks)	Pine Avenue B	2013	512.6	6.97%	7th term of operation	Under operation
KOCREF The Prime (Preferred stocks)	Wonhyo The Prime Tower	2014	133.5	9.18%	6th term of operation	
KOCREF Seomyeon (Preferred stocks)	D-City in Seomyeon, Busan	2014	94.0	6.95%	6th term of operation	Under construction (to be completed in February 2018)
KOCREF Housing No.1 (Preferred stocks)	Amour party	2015	14.1	7.27%	4th term of operation	
Dongtan 2 Daewoo KOCREF (Preferred stocks)	Apartment housing in Dongtan 2 District	2015	374.9	5.00%	2th term of operation	Under operation
KOCREF No.30 (Preferred stocks)	Hana Financial Investment Building	2015	433.7	7.30%	2th term of operation	
KOCREF No.31 (Preferred stocks)	A Plus Asset Tower	2016	224.1	6.28%	2th term of operation	Under operation
KOCREF K Square (Preferred stocks)	Hyundai Card/Hyundai Capital Hongdae Building	2016	75.6	7.90%	4th term of operation	
GS KOCREF New Stay (Preferred stocks)	Lake Xi The Terrace in Dongtan 2 District	2016	360.2	5.00%	1th term of operation	Under construction (to be completed in April 2018)
KORAMCO Value-added Retail REITs No.1 (MOM)	KOCREF Value-added Retail REITs No.1 (SON), No.2 (SON)	2016	51.2	10.00%	1th term of operation	Blind Fund/Under operation
KORAMCO Value-added Retail REITs No.1 (SON)	K Square Shinchon	2016	83.9	10.53%	2th term of operation	Blind Fund/Under operation
KOCREF No.36 (Class1/Class2 Preferred stocks)	Center point Gwanghwamun Building	2016	327.4	4.82%/8.30%	1th term of operation	Under operation
KORAMCO Value-added Retail REITs No.2 (SON)	K Square Junggye	2016	51.7	10.23%	1th term of operation	Blind Fund/Under operation
Total			9,243.6			

* Target rate of return are Equity IRRs. In the case of KOCREF G Square, the figure is a Project IRR.
** The Target rate of return of the preferred stocks is based on the first class of shares. But KOCREF No.6 is based on the second class of shares.



Trust Division that Built Platform for Stable Growth by Expanding Its Business Portfolio

Trust Business

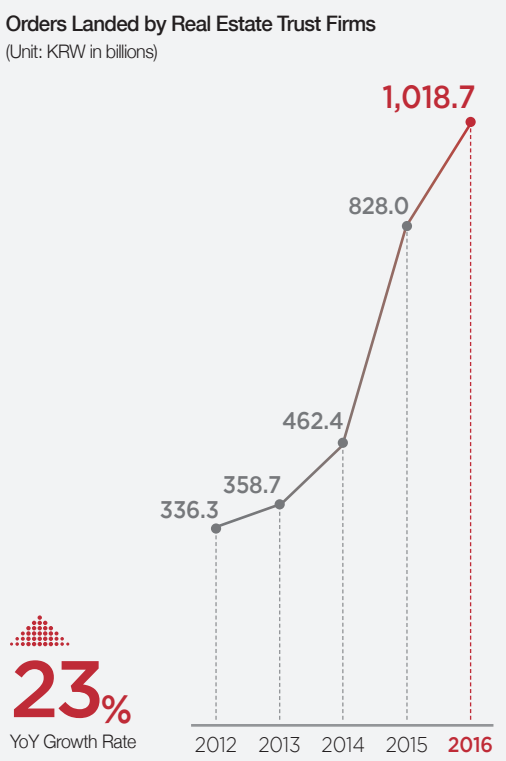
Estate Trust Firms
Orders Landed by Real
KRW 1,018.7 billion
YoY Growth Rate
23%

Market Trends

Real Estate Trust Company's Orders Exceeded KRW 1 trillion
Despite a prospect of a downturn in the real estate market due to internal and external uncertainties, the volume of the real estate trust market in 2016 reached a record high of KRW 1,018.7 billion. Compared to non-debt-type trusts, which are traditional products, the concentration of orders for debt-type land trust projects which pay relatively more fee, mainly drove the growth of the trust market.

It is also the one of the reasons for the growth of the trust market that the involvement of the trust companies in the redevelopment and reconstruction projects through the amendment of the law last year was active.

However, as debt-type land trusts are subject to liquidity risk due to unsold housing, it is forecasted that the market will be reorganized mainly by large corporations which have secured risk management capabilities and financial strength such as KORAMCO REITs and Trust.



Major Achievements

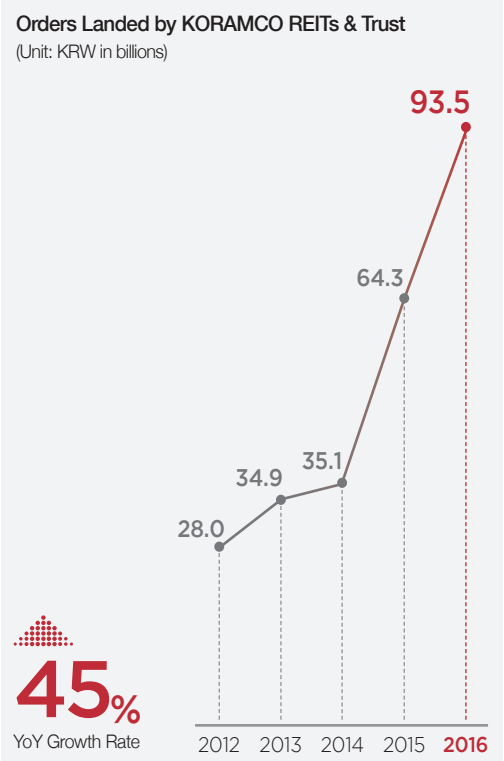
Continuous Growth by Signing KRW 93.5 billion in New Contracts
Although KORAMCO REITs & Trust entered the real estate trust business as a latecomer in 2006, KORAMCO REITs & Trust has grown into a top-ranked trust company by launching new products that are different from those of its competitors and introducing a new business composition.

In 2016, KORAMCO REITs & Trust placed third in the industry with KRW 93.5 billion, the highest since its foundation, in new contracts and a market share of 9.2%. This rank was attributable to the company's risk management backed by its thorough business analysis through expanding legal and technical work. KORAMCO REITs & Trust has renewed the volume of its new orders every year and will do its best to grow steadily.

Entering Housing Reconstruction Business and Conducting Business Stably
KORAMCO REITs & Trust professionally carries out the development, management and operation of reconstruction projects on behalf of reconstruction unions based on its systematic legal, technical, sales capabilities and financial strength. In particular, the company established the Urban Renewal Operation Division and two renewal teams under the division. In December 2015, KORAMCO REITs & Trust landed an order for a housing reconstruction project in Hogye-dong, Anyang, as a project agent for the first time among trust companies.

As of the end of 2016, Hogye-dong houses successfully sold out to union members and general buyers. The project will be completed in spring of 2019 as the construction is proceeding smoothly. On the other hand, KORAMCO REITs & Trust will become the best housing development partner not only by participating in development projects as a project agent, but by winning more contracts as a single project operator.

New Contracts
KRW 93.5 billion
Market Share
9.2%



Project overview
Housing reconstruction project in Hogye-dong, Anyang
Construction scale
230 houses
Location
891-6, Hogye-dong, Dongan-gu, Anyang, Gyeonggi-do

Operating Revenues
in the Last Six Years
Average annual
Growth Rate

30%

Operating Revenue in
Trust Business

KRW 44 billion

Financial Performances and
Risk Management

Operating Revenue Swelled 18.3% YoY

In 2016, the trust division's operating revenue increased 18.3% year-on-year to KRW 44 billion. In particular, with land trust products accounting for 87.3% of sales in 2016, we are steadily growing, recording an annual sales growth rate of 30.1% since 2011.

Differentiated Order-winning and Management System

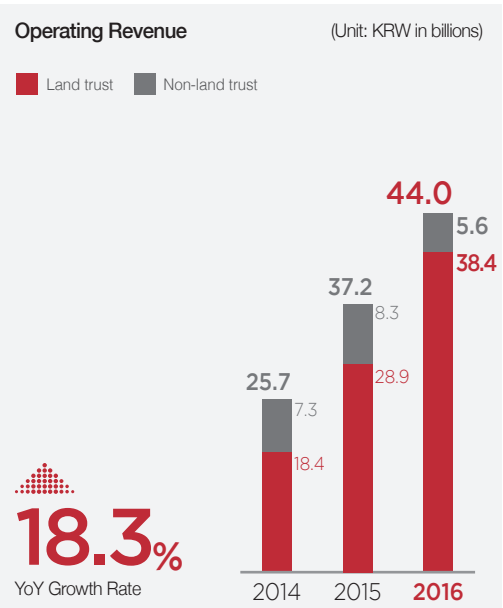
Through a differentiated contract-winning and management system, KORAMCO REITs & Trust has not had any insolvent projects since it landed a land trust contract in 2008. The company is also managing legal risks through close cooperation with in-house lawyers and a prominent domestic law firm.

Proportions of Land
Trust Products
Relative to Sales

87.3%

Status of Land Trust Business Sites since 2008

Category	Case	Ratio
After Completing the Trust	69	42%
Completion of Trust before Termination	4	2%
Completed Worksite	23	14%
Work in Progress	57	35%
Pre-construction Site	11	7%
Total	164	100%

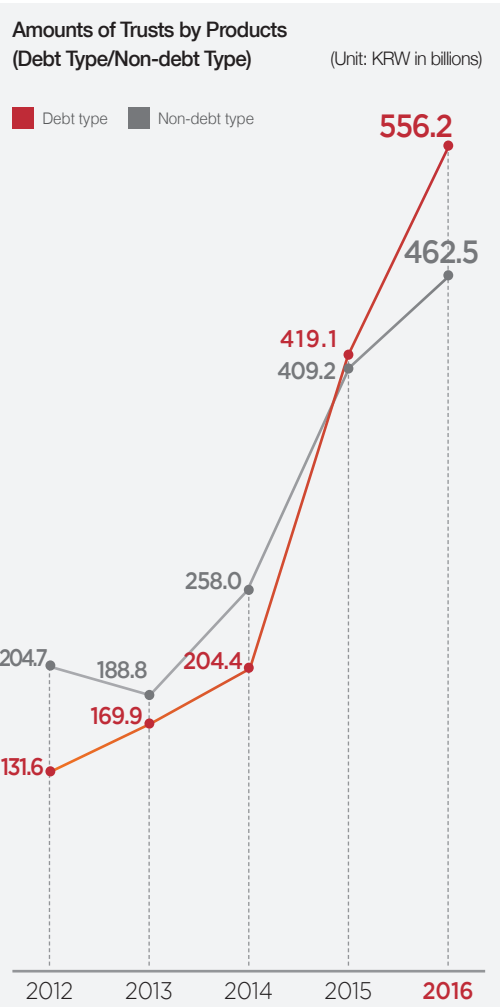


Contract Portfolio

Expansion of Debt Type Land Trust

Since 2011, debt-type land trusts in the trust industry have grown about 30% per year on average. This growth rate is about 2.1 times non-debt ones' growth rate of 14%. In particular, in 2016, the proportion of debt-type land trusts hit 55%, surpassing that of non-debt ones, taking the lead in the growth of the trust market.

A debt-type land trust product is based on a method in which a trust company carries out a development project by investing its own capital. This method is characterized by a high risk to a trust company, but its trust fees that tower over non-debt-type trust fees. KORAMCO REITs & Trust has minimized a risk burden from debt-type land trusts and realized a contract growth rate of 41% per annum over the past six years through differentiated risk management.



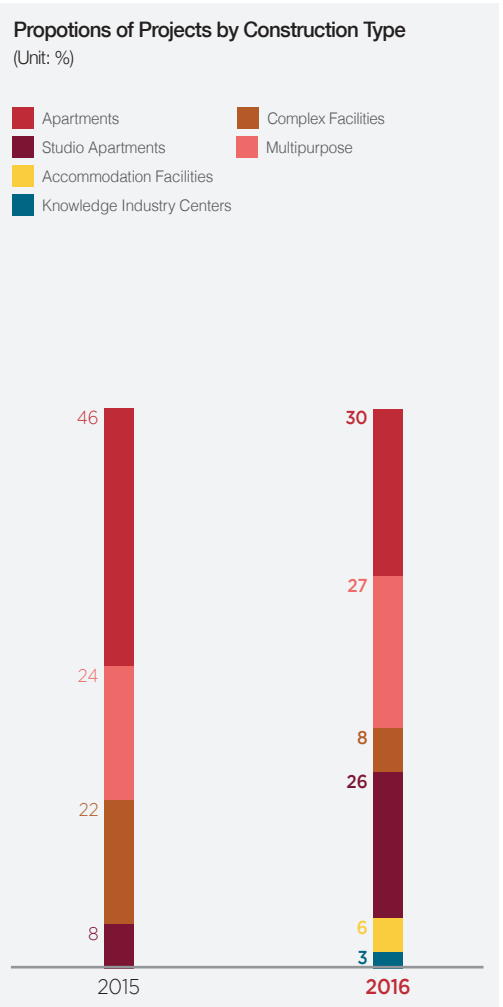
Contract Portfolio: Debt-type Land Trust Contracts in 2016

Diversification of Contracts (by Construction Type)

Corresponding to the changes on the housing market due to continuous population decrease and single-person household increase, KORAMCO REITs and Trust will diverge from the conventional apartment sales strategy and diversify its portfolio by entering compact city, rental housing business and other businesses.

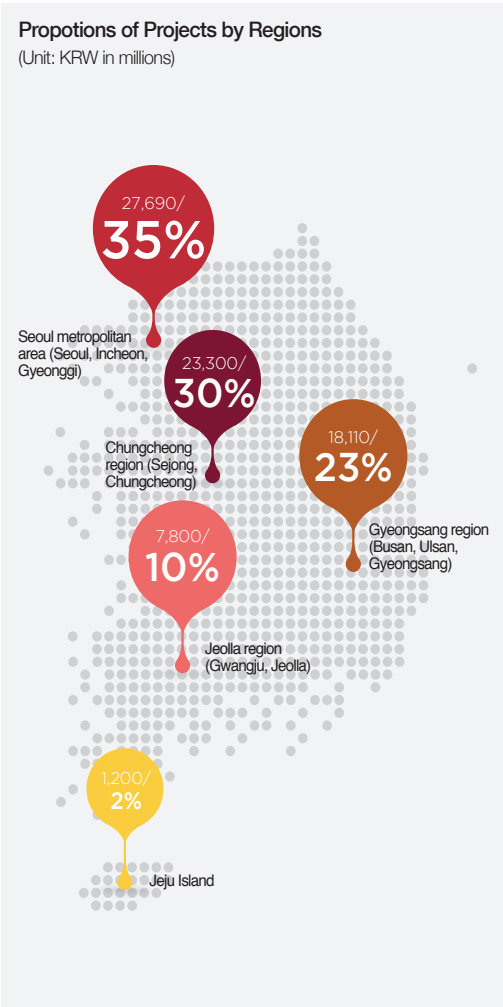
Debt type land development trust projects won in 2016 varied as apartments accounted for 30%, complex facilities for 27%, studio apartments and urban housing for 26%, mixed-use buildings with residential and commercial purposes for 8%, accommodation facilities for 6% and knowledge industry centers for 3%.

This was possible thanks to our efforts to meet the needs of end users and investors without focusing on specific products through flat-out business feasibility and marketability study. In the future, KORAMCO REITs & Trust will make efforts to contribute to the maximization of profits not only of businesspeople but also of buyers and customers.



Project Area Diversification (by Construction Area)

KORAMCO REITs & Trust is receiving products that are optimized for local conditions such as areas with low housing supply rates, strong demand for leases and development plans and near industrial complexes and with many venture business start-ups. Based on these, we are carrying out projects in strategic points nationwide from Seoul to Jeju Island.



Major Projects Won in 2016



Project overview
Construction of studio apartment in Seongsan-dong, Mapo-gu, Seoul

Project type
Sale type (debt type) land trust

Construction scale
B5-15F (1 building), studio apartment building with neighborhood convenience facilities

Location
593-3, Seongsan-dong, Mapo-gu, Seoul

Contractor
Dongwoo Development Co., Ltd.

Dongwoo Jainchae Story in Seongsan-dong, Mapo-gu, Seoul (Studio Apartment)

This project aims to newly build and sell a studio apartment building with neighborhood convenience facilities in a distribution and commercial district in Seongsan-dong, Mapo-gu, Seoul. Mapo-gu Office Station of Subway Line 6 is 150 meters away from this building, which facilitates access to the subway. The building can enjoy strong demand for lease as there are 5 universities such as Hongik University and Yonsei University and Sangam DMC within a 4 km radius of the building.



Project overview
Construction of housing for welfare of elderly in Gwanggyo New Town, Suwon

Project type
Sale type (debt type) land trust

Construction scale
B2-15F (6 buildings), housing for welfare of elderly, neighborhood convenience facility

Location
556, Woncheon-dong, Yeongtong-gu, Suwon, Gyeonggi-do

Contractor
Doosan Heavy Industries & Construction Co., Ltd.

Doosan We've in Gwanggyo New Town, Suwon (Housing for Welfare of Elderly)

This is a project to newly build and sell six buildings for the welfare of the elderly and neighborhood convenience facilities in the semi-residential area of Gwanggyo New Town of Suwon. Located in Gwanggyo New Town being built as a self-contained multi-functional administrative town through the attraction of wide-area administrative and high-tech industrial facilities, the value of the building is expected to grow in the future.



Project overview
Construction of apartment in Nammun-ri, Taejeon

Project type
Sale type (debt type) land trust

Construction scale
B1-20F (8 buildings), apartments and neighborhood convenience facilities

Location
594-4, Nammun-ri, Taejeon-eup, Taejeon-gun, South Chungcheong Province

Contractor
SG Shinseong Construction Co., Ltd.

Misoziium in Nammun-ri, Taejeon (Apartment)

This project was launched to build and sell eight apartment buildings and neighborhood convenience facilities in the Type 2 General Residential Area in Nammun-ri, Taejeon. The West Coast Expressway boosts its access to the Seoul metropolitan area. People can easily advance into Sejong Administrative Complex City, Daejeon Metropolitan City and Seosan Techno Valley via the Daejeon-Dangjin Expressway. Moreover, it is convenient for residents to use public offices, large discount stores, markets, educational infrastructure among others. Thus it is expected that there will be strong demand for the apartments among residents living in old housing.



Project overview
Construction of Urban Housing in Woi-dong, Gyeongju

Project type
Sale type (debt type) land trust

Construction scale
B1-15F (4 buildings), Urban Housing and Facilities

Location
1294 member of Ibsili, Oidong-eup, Gyeongju-si, Gyeongsangbuk-do

Contractor
SG Shinseong Construction Co., Ltd.

Misoziium City in Oi-dong, Gyeongju (Urban Housing)

This project was conceived to build and sell four urban housing buildings and supplementary facilities in a type-2 general residential area in Oi-dong, Gyeongju. Hyundai Heavy Industries, Hyundai Motor and other large industrial companies are located within a 7km radius of the site. Its value is expected to increase as a bypass for a national road in Gyeongju and the Ulsan-Pohang Double-Track Railway will be constructed.



Project overview
Construction of Knowledge Industry Center in Hwasung Dongtan 2 District

Project type
Sale type (debt type) land trust

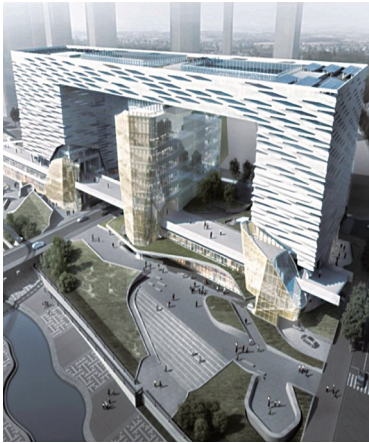
Construction scale
B1-10F (1 building), Knowledge Industry Center and support facilities

Location
Industry 3-1 B/L, Dongtan 2 Residential Land Development District, Hwasung City, Gyeonggi Province

Contractor
Eunseong Industry Co., Ltd.

Dongtan Biz Tower in Hwasung Dongtan New Town (Knowledge Industry Center)

This project is to build and sell a knowledge industry center in an industrial area in Dongtan Techno Valley. Its location has excellent traffic and logistics environments, thanks to its proximity to Giheung and Dongtan IC (the Gyeongbu Expressway), the Yongin-Seoul Expressway, and the Bongdam-Dongtan Expressway. The building is optimized for small and medium-sized manufacturers as each story height is six meters and it has a special design that enables 5-ton freight cars' entry into the building.



Project overview
Construction of commercial and business facilities in Sejong 1-5 Life Zone

Project type
Sale type (debt type) land trust

Construction scale
B6-11F (1 building), commercial and business facilities

Location
510, Eojin-dong, Sejong Special Self-Governing City

Contractor
Hyuga Construction Co., Ltd.

M Bridge Commercial and Business Facilities in Sejong 1-5 Life Zone

This project is aimed at building, selling and operating a commercial and business building in the commercial center of the Sejong 1-5 Life Zone. As the building fronts the Government Complex in the multi-functional administrative city so its surrounding area has high density of population and heavy foot and car traffic, it is expected that the economy of its surrounding neighborhood will be vitalized. On top of that, the property will become a landmark of Sejong City on the strength of world-class architect Thom Mayne's architectural and specialized design.



Project overview
Construction of studio apartment and commercial building in Hanam-dong, Gwangju

Project type
Sale type (debt type) land trust

Construction scale
B1-7F (1 building), studio apartment, commercial facility, movie theater

Location
832, Hanam-dong, Gwangju Metropolitan City

Contractor
Dongwoo Development Co., Ltd.

Terrace 56, Hanam-dong, Gwangju (Studio Apartment/Commercial Facility)

This project is to build and sell a studio apartment and commercial building in a type-1 district unit plan zone of a semi-residential area in Hanam-dong, Gwangju. The site is located in Hanam-dong with a continuous population inflow thanks to many industrial and agricultural complexes near the place. Especially, residential terrace studio apartments to be built on the rooftop as high as the 8th floor of a general apartment building will not only offer residential comfort but enable residents to commercial facilities and a roof garden. It will be convenient. Its shopping space is also expected to attract heavy foot traffic through a pass with Homeplus located on the side of the site.



Project overview
Construction of mixed-use building with residential and commercial purposes in Unam-dong, Gwangju

Project type
Sale type (debt type) land trust

Construction scale
B3-24/25F (3 buildings), apartments and neighborhood convenience facilities

Location
66-1, Unam-dong, Buk-gu, Gwangju Metropolitan City

Contractor
Namyang Construction Co., Ltd.

Namyang Huton in Unam-dong, Gwangju (Residential-commercial Complex)

This project aims to build and sell three mixed-use building with residential and commercial purposes (apartments and neighborhood convenience facilities) in a neighborhood commercial area of Unam-dong, Gwangju. The place is located in a densely populated area and has excellent living infrastructure such as a community center, a large discount store, elementary, junior high and high schools among others. In particular, the first and second floors are planned as a shopping section, maximizing residents' convenience. Moreover, as the building borders Major Bukmun Road, it is convenient to use public transportation and privately owned cars to go to the downtown of the city, and wide area transportation through West Gwangju IC.

Major Projects Won in 2016



Project overview
Construction of accommodation facility in Ochang, Cheongju

Project type
Sale type (debt type) land trust

Construction scale
B5-20F (1 building), accommodation and neighborhood convenience facilities

Location
821-1, Yangcheong-ri, Ochang-eup, Cheongwon-gu, Cheongju, North Chungcheong Province

Contractor
Millennium General Construction Co., Ltd.

Cheongju Ochang El Park (Living Accommodation)

This is a project to build and sell one accommodation and neighborhood convenience building in the Ochang Central Business District of Cheongju. There is heavy demand for leases from workers of companies nearby industrial complex. From this place, people can easily enter the Jungbu Expressway and conveniently move to other areas as the place is adjacent to KTX Osong Station and Cheongju International Airport. Especially, wide green space near the place empowers the building to overlook a fine view and boosts people's residential comfort and Cheongju North Terminal will be built nearby, making investors have much anticipation for its future value.



Project overview
Jeju Iho-dong apartment building new construction project (1 complex, 2 complex)

Project type
Sale type (debt type) land trust

Construction scale
B1-9F (2 building), apartment house and subsidiary facilities

Location
1043, Yiho-dong, Jeju-si, Jeju Special Self-Governing Province

Contractor
Sungji Construction Development Co., Ltd.

Iho Hyu Castle (1st Complex) and Seongju Hyu Castle (2nd Complex) (Apartment)

This project is to build and sell two apartment complexes (one building each in one complex) and supplementary welfare facilities in a type-2 residential area in Iho-dong, Jeju. The complexes belongs to the Nobyeong-dong life zone popular as a residential area and is located in the vicinity of life convenience facilities such as elementary, junior high and high schools, general hospitals and large discount stores. In addition, as the place is close to Iljuseo-ro and Nohyeong-ro, which facilitate access to Seogwipo City, its suburban areas and Jeju International Airport, the property is expected to satisfy the expectations of end users.

Major Ongoing or Completed Sale-type Land Trust Projects

Category	Year	Location	Construction Type	Construction Scale	Status*
Pleasant apartment in residential land development	2012	Ma-dong, Gwangyang	Apartment housing	B1/16F (5 buildings)	End
Urban housing in popular residential area	2012	Shinjeong-dong, Nam-gu, Ulsan	Urban lifestyle housing	B4/19F	End
Shopping center in best residential area	2012	U-dong, Haeundae-gu, Busan	Neighborhood living facility/ Sales facility	B5/20F	End
Mixed-use building for residential and commercial purposes in Ulsan	2013	Shinjeong-dong, Ulsan	Multipurpose	B4/20F (2 buildings)	End
Mixed-use building for commercial and residential purposes in Tongyeong	2013	Mujeon-dong, Tongyeong, South Gyeongsang Province	Multipurpose	B2/12F	End
Urban housing/studio apartment at downtown Cheongju	2013	Bongmyeong-dong, Heungkuk-gu, Cheongju	Urban lifestyle housing/ studio apartment	B2/20F	End
Sales facilities in large residential complex	2013	Chilseong-dong, Buk-gu, Daegu	Sales facility	B2/6F	End
Studio apartment near shipyard in downtown Geoje	2013	Gohyeon-dong, Geoje, South Gyeongsang Province	Studio apartment	B1/15F	End
Townhouse in Dongtan New Town	2013	Bansong-dong, Hwaseong City, Gyeonggi Province	Town house	4F (39 buildings)	End
Apartment in Yeongdeok Residential Land Development Zone	2013	Ugok-ri, Yeongdeok-eup, Yeongdeok-gun, North Gyeongsang Province	Apartment housing	B1/18F (6 buildings)	End
Urban housing/studio apartment close to subway station at Beomeo Crossroads	2013	Bumeo-dong, Suseong-gu, Daegu	Urban lifestyle housing/ studio apartment	B6/36F	In progress
Studio apartment close to Jangsan Station	2013	Joa-dong, Haeundae-gu, Busan	Studio apartment	B6/23F	End
Urban housing close to government complex	2013	1-4 Life Zone in Sejong C4-2BL, C2-2BL	Urban lifestyle housing	B4/8F (2 buildings)	End

Category	Year	Location	Construction Type	Construction Scale	Status*
Apartment with good educational environments	2014	Wolak-dong, Namwon, North Jeolla Province	Apartment housing	B1/15F (6 buildings)	End
Neighborhood convenience facility in Daegu Technopolis	2014	Daegu Technopolis CC-1BL	Neighborhood living facility	B2/9F	End
Studio apartment overlooking sea	2014	Neungpo-dong, Geoje, South Gyeongsang Province	Studio apartment	B3/10F	End
Neighborhood convenience and entertainment facility	2014	Gwaebeop-dong, Sasang-gu, Busan	Complex facility	B2/15F	In progress
Urban housing/studio apartment fronting Gu offic	2014	Gimlyangjang-dong, Cheoin-gu, Yongin, Gyeonggi Province	Urban lifestyle housing/ studio apartment	B4/14F	End
Urban housing in downtown Cheongju	2014	Bokdae-dong, Heungduk-gu, Cheongju, North Chungcheong Province	Urban lifestyle housing	B2/22F	End
Mixed-use building for commercial and residential purposes by Taehwa River, Ulsan	2014	Shinjeong-dong, Nam-gu, Ulsan	Multipurpose	B5/29F	In progress
Daewoo Apartment in Namjang-ri, Hongseong	2014	Namjang-ri, Hongseong, South Chungcheong Province	Apartment housing	B1/15F (8 buildings)	End
Daelim e-Pyunhan Sesang Boryang	2015	Dongdae-dong, Boryeong, North Chungcheong Province	Apartment housing	B2/20F (9 buildings)	In progress
1st and 2nd Misoziun Complexes in Doryang, Gumi	2015	Doryang-dong, Gumi	Town house	B1/6F (530 households)	End
Joeun Plus, Jeonggwan New Town, Busan	2015	Maehak-ri, Jeonggwan-myeon, Busan	Shopping complex	B5/13F	In progress
Dongyang Palace in Jeonpo-dong, Busan	2015	Jeonpo-dong, Jin-gu, Busan	Multipurpose	B1/25F	End
Castle Arista Palace in Gimhae	2015	Dongsang-dong, Gimhae, South Gyeongsang Province	Multipurpose	B3/20F	In progress
Shopping Center in Gwangju and Jeonnam Innovative City	2015	Bichgalam-dong, Naju, South Jeolla Province	Shopping complex	6F	End
Phoenix Central Mark in Sacheon	2015	Donggum-dong, Sacheon, South Gyeongsang Province	Apartment housing	B4/20F	In progress
Nonhyeon Laon Famie in Incheon	2015	Nonhyun-dong, Namdong-gu, Incheon	Apartment housing	B1/4F (18 buildings)	In progress
Woi-dong Misoziun in Gyeongju	2015	Woidong-eup, Gyeongju, North Gyeongsang Province	Apartment housing	B2/15F	In progress
The Well-I in Icheon	2015	Bubal-eup, Icheon, Gyeonggi Province	Studio apartment	B4/20F	In progress
Taein Studio Apartment in Danwon-gu, Ansan	2016	Singil-dong, Danwon-gu, Ansan, Gyeonggi Province	Studio apartment	B4-9F	End
River Terrace in Shinjeong-dong, Ulsan	2016	Shinjeong-dong, Nam-gu, Ulsan	Studio apartment	B1-18F	In progress
M Bridge in 1-5 Life Zone, Sejong	2016	Eojin-dong, Sejong	Sales facility/Business facility	B6-11F	In progress
Central Park Oslo in Bangu-dong, Ulsan	2016	Bangu-dong, Jung-gu, Ulsan	Multipurpose	B3-14F	In progress
Taein Dream City in Wonsi-dong, Ansan	2016	Wonsi-dong, Ansan, Gyeonggi Province	Studio apartment	B4-20F	In progress
Iho Hyu Castle (1st complex) and Seongju Hyu Castle (2nd complex) in Iho-dog, Jeju	2016	Iho-dong, Jeju	Apartment housing	B1-9F (2 buildings)	In progress
Misoziun, Bangeo-dong, Ulsan	2016	Bangeo-dong, Dong-gu, Ulsan	Multipurpose	B4-29F	In progress
Jeongwoo J Class in Bucheon Jung-dong	2016	Jung-dong, Wonmi-gu, Bucheon, Gyeongg Province	Studio apartment	B6-19F	In progress
May Queen Square in Daejam-dong, Pohang	2016	Daejam-dong, Pohang, North Gyeongsang Province	Studio apartment	B1-7F	In progress
Namyang Huton in Unam-dong, Gwangju	2016	Unam-dong, Buk-gu, Gwangju	Multipurpose	B3-24/25F (3 buildings)	In progress
Ochang L.PARK, Cheongju	2016	Yangcheong-ri, Ochang-eup, Cheongju, North Chungcheong Province	Living accommodation	B5-20F	In progress
Maestro in Jukdo-dong, Pohang	2016	Jukdo-dong, Buk-gu, Pohang, North Gyeongsang Province	Studio apartment	B6-22F	In progress
Dongwoo Jainchae Story in Mapo, Seoul	2016	Seongsan-dong, Mapo, Seoul	Studio apartment	B5-15F	In progress
Housedy in Nammun District, Jinhae	2016	Nammun District, Jinhae-gu, Changwon	Apartment housing	B2-25F (4 buildings)	In progress
Ember 418 in Unjeong District, Paju	2016	Wadong-dong, Paju, Gyeonggi Province	Studio apartment	B1-26F	In progress
Inha Artista, Yonghyen-dong, Nam-gu, Incheon	2016	Yonghyen-dong, Nam-gu, Incheon	Studio apartment	B1-14F	In progress
Sungwoo The Park No.2, Beopgok-dong, Asan	2016	Beopgok-dong, Asan, South Chungcheong Province	Apartment housing	B2-20F	In progress
Terrace56, Hanam-dong, Gwangju	2016	Hanam-dong, Gwangsang-gu, Gwangju	Studio apartment/ Sales facility	B1-7F	In progress
Dongtan Biz Tower in Dongtan New Town, Hwaseong	2016	Dongtan-myeon, Hwaseong, Gyeonggi Province	Knowledge Industry Center	B1-10F	In progress
Joeun Class in Maehak-ri, Jeonggwan-myeon, Busan	2016	Maehak-ri, Jeonggwan-myeon, Busan	Sales facility/Business facility	B5-15F	In progress
Triplex in 2-4 Life Zone in Sejong	2016	Naseong-dong, Sejong	Sales facility/Business facility	B3-8F	In progress
Doosan We've in Gwanggyo New Town in Suwan	2016	Gwanggyo New Town in Suwan, Gyeonggi Province	Elderly welfare housing	B2-15F (6 buildings)	In progress
Terrace Park in Nae-dong, Gimhae	2016	Nae-dong, Gimhae, South Gyeognsang Province	Living accommodation	B2-14F	In progress
Misoziun City in Oldong-eup, Gyeongju	2016	Ipsil-ri, Oldong-eup, Gyeongju, North Gyeongsang Province	Urban lifestyle housing	B1-15F (4 buildings)	In progress
Housedy, Oksan-dong, Gimje	2016	Oksan-dong, Gimje, North Jeolla Province	Apartment housing	B1-20F	In progress
Misoziun in Nammun-ri, Taean	2016	Nammun-ri, Taean-eup, Taean-gun, South Chungcheong Province	Apartment housing	B1-20F (8 buildings)	In progress
Daesung You Need in Hogye-dong, Anyang	2016	Hogye-dong, Anyang, Gyeonggi Province	Apartment housing (Housing reconstruction)	B2-26F (3 buildings)	In progress

* Status is based on construction period



Asset Management which Produced Surplus for
5 Consecutive Years by Securing Bridgehead to Overseas Business

Asset Management

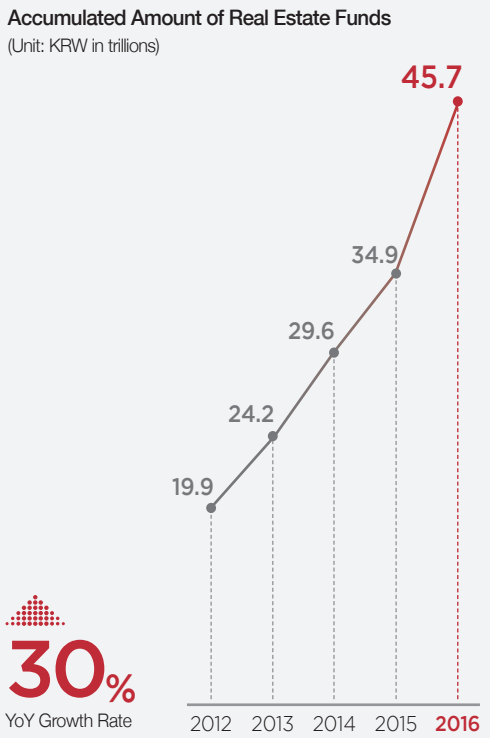
Trends in Real Estate Asset Management Market

Accumulated Amount of
Real Estate Funds in 2016
KRW **45.7** trillion

Annual Average
Growth Rate since 2011
22 %

Continued Growth of Real Estate Funds
Despite the global economic recession, investment demand for alternative investment products is continuously growing. So is the growth of real estate funds, which are representative alternative investment products. In the case of domestic real estate funds, the accumulated amount increased from KRW 16.37 trillion in 2011 to KRW 45.691 trillion in 2016 and posted an average annual growth rate of 22% during the period.

Increased Proportion of Overseas Investment
Investment in overseas commodity funds as well as domestic commodity funds steadily increased, bringing the proportions of overseas real estate funds and domestic real estate funds closer to each other. Over the past five years, the proportion of overseas investment has steadily risen and at the same time, the numbers of countries and products have also increased, the amount of overseas real estate funds established by Korean asset management firms accounts for nearly 45.7% of the total. KORAMCO Asset Management set up three overseas real estate funds in 2016 and is managing six overseas real estate funds including commodity and loan funds and a fund of funds. We are actively responding to changing market conditions and expand our capabilities about overseas markets.



Performance Highlights and Financial Performance

Establishment of New Overseas and Domestic Funds
In 2016, KORAMCO Asset Management set up 14 new real estate funds at home and three new ones abroad. The company posted KRW 956.8 billion in new assets under management, up 132% from the previous year. These facts allowed the company to produce surplus for five straight years.

Increase in Assets under Management
KAMAMCO Asset Management's accumulated amount of funds totaled KRW 1.463 trillion, an increase of 53% from the previous year, while assets under management ballooned 45% to KRW 2,316.3 billion.



Amount of
Established Funds in 2016
KRW **956.8** billion

YoY Growth Rate
132 %

Fund Establishment

Assets under Management: KRW 2,316.3 billion
In 2016, KORAMCO Asset Management established 14 domestic real estate funds with 536.5 billion KRW in assets under management and three foreign property funds amounting to KRW 420.3 billion. As of the end of December 2016, 42 funds are under management and the total assets under management swelled to KRW 2,316.3 billion.

Trend of KORAMCO Asset Management's
Fund Establishment (Unit: KRW in billions)

	Increase (Decrease) in assets under management of new and existing funds	Cumulative assets under management
End of 2012	351.3	721.5
End of 2013	558.5	1,280.0
End of 2014	194.3	1,474.3
End of 2015	124.4	1,598.7
End of 2016	717.6	2,316.3

Establishment of 3 Overseas Funds
KORAMCO Asset Management has established three funds amounting to KRW 420.3 billion (AUM) by making efforts to make a foray into overseas markets since 2015. In particular, we set up a real estate fund that buys and operates an office building in Vienna, Austria, expanding our roles in overseas markets. In 2017, KORAMCO Asset Management will become a global asset management company by discovering and operating overseas projects.

Amount of Established
Overseas Funds
KRW **420.3** billion

Total Assets
Under Management
KRW **2.3** trillion

Participation in SOC Businesses including Infrastructure and Renewable Energy projects in Developing Countries
KORAMCO Asset Management will continuously expand its investment in developed country real estate to meet the needs of Korean institutional investors. At the same time, the company will target infrastructure markets including energy and water resources located in emerging economies where demand for various infrastructure facilities are drastically rising due to rapid economic growth. For such, we will acquire regional and project experts and secure business competitiveness through cooperation with domestic and overseas investment institutions and policy financial institutions.

Expanding Strategy of Blind Fund

KORAMCO Asset Management, based on gained trust from stable fund management, will expand the establishment of blind funds which seek out investment targets after pre-financing.

Blind funds are an advanced type of funds capable of taking advantage of investment opportunities through prompt execution of funds and actively and flexibly responding to rapidly changing market conditions.

To respond to the low-growth economic environment in Korea, KORAMCO Asset Management included not only corporate real estate for restructuring but also real estate assets acquired by PEFs as investment targets. Also, the company is planning to implement Core+ and Value-add strategies to actively create profits.

Structured Process of Blind Fund

KORAMCO Asset Management arranged a differentiated deal pipeline management plan and systemized its operating processes for the successful management of blind funds. The company established the Investor Service HQ to effectively communicate with investors and its Risk Management Committee is thoroughly conducting feasibility studies and monitoring investment assets.

Also, KORAMCO Asset Management will not only strengthen its external business partnership but steadily discover deals that will ensure stability and profitability by way of collaboration with the REITs and trust divisions within KORAMCO REITs and Trust.

Foreign Fund Establishment in 2016



Investment type
Fund (private equity type, loan receivable type)
Date of establishment
Jan. 28, 2016
Investment Area
United States, Hawaii
Investment target
Loan with Hawaii Four Seasons Hotel as collateral
Assets under management
KRW 32.3 billion



Investment type
Fund (private equity type, lease type)
Date of establishment
May 4, 2016
Investment Area
Austria, Vienna
Investment target
Austria IZD Tower and attached buildings
Assets under management
KRW 365 billion*

US Debt No.2

This is a fund that invests in loans with Four Seasons Hotel, the only hotel with the AAA 5 Diamonds & Forbes 5 Star on Big Island of Hawaii as collateral and offers a stable overseas investment opportunity with an annual payout ratio of 6.72%.

Europe Core No.1

This is an overseas real estate fund that purchased and is operating IZD Tower and its affiliated buildings in Vienna, Austria. We are managing the subject property through an asset management contract with CBRE Global Investors. Vienna is home to a number of UN's international organizations and IZD Tower is located at the heart of the Donau City district, a premier office building area. The fund has enjoyed high occupancy rates with rates reaching 100% from 2007 to 2013. At the time of establishment, its occupancy rate stood at 95%, and its remaining lease period is ten years, which is expected to bring investors stable dividend income.

* Based on assets under management at the time of the first establishment
[total investment (sale price+ancillary costs, etc.)

Blind Fund Establishment in 2016



Investment type
Fund (private equity type, blind fund)
Date of establishment
Feb. 29, 2016
Investment target
Class shares of KOCREF K Square REITs (Hongdae Building of Hyundai Card/beneficiary certificates of Hyundai Capital) and KORAMCO Investment No.37 (Gangneung/Ulsan Homeplus) Fund
Assets under management
KRW 10 billion



Investment type
Fund (private equity type, blind fund)
Date of establishment
Oct. 6, 2016
Investment target
Beneficiary certificates of KORAMCO Professional Investment No.42 (Sinsong Center Building in Yeouido) Fund and KORAMCO Professional Investment No.47 (Seongdong Building of Kyobo Life) Fund
Assets under management
KRW 40 billion

Profitable Real Estate No.1

This project is to run Korea's first blind fund amounting to KRW 10 billion for individual investors in Korea. The fund is a private equity fund consisting of 22 beneficiaries and completed its investment in July 2016 and expects to chalk up an average annual payout ratio of 6%.

Profitable Real Estate No.2

This is a blind fund for institutional investors following the first blind fund launched in February 2016. The fund was created by eight institutional investors and investment was completed in October 2016. The investors expect an average annual payout ratio of 6%.

Domestic Fund Establishment in 2016



Investment type
Fund (private equity type, lease type)
Date of establishment
July 8, 2016
Investment target
Homeplus Dong-gu Branch in Ulsan and Gangneung Branch
Purpose
General commercial facility
Scale
B3-F9/B6-F8
Total Floor Area
58,996㎡/53,151㎡
Assets under management
KRW 56.7 billion*



Investment type
Fund (private equity type, lease type)
Date of establishment
Dec. 2, 2016
Investment target
TCC Dongyang Tower
Purpose
Business facilities
Scale
B5-F19
Total Floor Area 29,102㎡
Assets under management
KRW 90 billion*

Professional Investment No.37

This is a fund that purchases and operates two excellent Homeplus branches in Ulsan/Gyeongnam and Gangwon. The target of this project is core sales branches with strong sales. It is expected that the company will be able to generate stable dividend income during the fund operation period with long-term lease agreements of more than 10 years. In addition, this product is one of products highly preferred by investors in the indirect real estate investment market. We are planning to minimize risk and secure profits when selling off the branches through systematic lease and asset management.

* Based on assets under management at the time of the first establishment
[total investment (sale price+ancillary costs, etc.)

Professional Investment No.40

This fund is aimed at purchasing and operating TCC Dongyang Tower in Dangsang-dong, Yeongdeungpo-gu. The property is maintaining a stable lease level with an average vacancy rate of approximately 2% over the past three years. Through a sale & lease back contract with its seller, the contract is signed for the seller to secure lessees without fail during the fund management period, which enables stable vacancy management and dividend payment.

* Based on assets under management at the time of the first establishment
[total investment (sale price+ancillary costs, etc.)

Domestic Fund Establishment in 2016



Investment type
Fund (private equity type, lease type)
Date of establishment
Oct. 7, 2016
Investment target
Shinsong Center Building in Yeouido
Purpose
Business facilities
Scale
B7-F20
Total Floor Area 33,820㎡
Assets under management
KRW 74.9 billion*

Professional Investment type No.42

This is a fund that purchases and operates a major building in Yeouido. This investment item is an A-class office property located in the core of the YBD. The building has many excellent tenants so that a stable cash flow is expected. We expect a payout ratio of 6.6% per year.

* Based on assets under management at the time of the first establishment
[total investment (sale price+ancillary costs, etc.)]



Investment type
Fund (private equity type, lease type)
Date of establishment
Oct. 13, 2016
Investment target
Kyobo Life Insurance's building in Seongdong-gu
Purpose
Business facilities
Scale
B3-F9
Total Floor Area 16,194㎡
Assets under management
KRW 63.5 billion*

Professional Investment No.47

This project is aimed at purchasing and operating Kyobo Life Insurance's building in Seongdong-gu, Seoul. The property is excellent as a medium-sized office property adjacent to Wangsimni Subway Station, which is the center of Seoul's eastern area transportation. In addition, a long-term lease contract with Kyobo Life, an excellent tenant, is expected to stably generate profits. Thus it is expected that investors will be able to enjoy an average annual payout ratio of 7.9%.

* Based on assets under management at the time of the first establishment
[total investment (sale price+ancillary costs, etc.)]



Investment type
Fund (private equity type, development type)
Date of establishment
Oct. 28, 2016
Investment target
Development of Dohwa Logistics Center in Incheon
Purpose
Warehouse facility
Scale
B1-F10
Total Floor Area 42,344㎡
Assets under management
KRW 60 billion*

Professional Investment No.41

This development-type fund develops and operates a logistics center in the Dohwa district of Incheon Metropolitan City. After development, GS Retail will use about 57% of the warehouse for a long period. Therefore, we can expect stable dividend income during the fund management period and expect an average payout ratio of 8.9% per annum. Compared to recently opened logistics warehouses, this property has strong cost competitiveness and a stable exit will be possible.

* Real estate development and total assets at the time of completion
[Total investment (land cost+construction cost, etc.)]



Investment type
Fund (private equity type, PF loan type)
Date of establishment
Dec. 21, 2016
Investment target
Development of Park One in Yeouido
Purpose
Business and general commercial facilities
Scale
2 office buildings, 1 retail building, one hotel building
Total Floor Area 629,356㎡
Assets under management
KRW 30 billion*

Professional Investment No.51

This project is a PF loan fund for the Yeouido Park One Development Project. The development site centers Yeouido and is close to Yeouido IFC and LG Twin Towers. We have secured a stable business structure through credit enhancement through construction contractors and secured tenants in advance. It is forecasted that we will be able to receive principal with interest at the maturity of the fund.

* (Final) Based on 30 billion won committed by capital call

Establishment of Funds

Fund Name	Year of Establishment	Investment Target	Type	Operating Assets (KRW in billions)	Total Floor Area (㎡)	Location	Target Return Rate*
FIRSTEP No.1	2010	Yeongjong Xi Apartment	Lease	79.7	224,747	Incheon	-
FIRSTEP No.2	2010	Yeongjong Xi Apartment	Lease	53.1	224,747	Incheon	-
FIRSTEP No.3	2010	Seocho Art Xi Apartment	Lease	liquidation	68,978	Seoul	-
FIRSTEP No.4	2011	Shilla Building	Lease	42.1	21,707	Incheon	8.72%
FIRSTEP No.5	2011	Pyeongtaek sand pier development PF loan	PF loan	0.1	-	Pyeongtaek	8.90%
FIRSTEP No.6	2011	Busan Yangjeong Time Square	Lease	17.9	9,984	Busan	10.23%
FIRSTEP No.7	2012	Homeplus Sadang	Lease	150.9	44,594	Seoul	6.77%
FIRSTEP No.8	2012	Songdo Central Park 1 commercial facilities	Lease	54.8	22,612	Incheon	10.18%
FIRSTEP No.9	2012	Hyundai Group Building	Lease	255.7	52,469	Seoul	6.84%
FIRSTEP No.10	2012	Hotel to be developed by Seobu T & D Development	Development	liquidation	59,246	Seoul	-
FIRSTEP No.11	2013	Iksan Bear River Golf Resort development project PF loan	PF loan	liquidation	-	Iksan	9.50%
FIRSTEP No.12	2012	Dongyang Tourist Hotel	Lease	liquidation	4,457	Jeju	8.00%
FIRSTEP No.13	2013	Ito Tower	Lease	65.1	17,649	Incheon	9.17%
FIRSTEP No.14	2013	Hotel Inter-Burgo Exco	Lease	74.1	54,875	Daegu	4.93%
FIRSTEP No.16	2013	SEI Tower/Glass Tower co-owned share	Lease	262.1	41,439/20,656	Seoul	6.47%
FIRSTEP No.18	2014	Asan Bus Terminal commercial complex	Lease	92.2	52,728	Asan	6.74%
FIRSTEP Special Asset No.2	2014	Business beneficiary right	Special asset	liquidation	-	-	-
FIRSTEP No.20	2014	Bauhaus Jangnan	Lease	87.9	12,328	Seoul	10.37%
FIRSTEP No.22	2014	Cho-dong Parnas Hotel development PF loan	PF loan	34.6	-	Seoul	7.50%
FIRSTEP No.23, 24	2014	Yangju Okjeong District housing development REITs	Purchase of REITs	13.0	-	Yangju	6.00%
FIRSTEP No.25	2015	Siheung Baegot New Town Lotte Mart development project	Development	87.7	34,290	Siheung	7.80%
FIRSTEP No.26	2015	Incheon Bupyeong building	Lease	13.0	4,953	Incheon	6.53%
FIRSTEP No.31, 32	2015	Yangju Okjeong District 2nd housing development REITs	Purchase of REITs	19.6	-	Yangju	5.50%
Professional Investment No.33	2015	Donuimun Gate Tower development PF loan	PF loan	30.0	-	Seoul	9.50%
Public Offering Fund No.1	2015	Public offering fund	Multi-asset	2.9	-	-	-
Professional Investment No.34	2016	loan for housing for welfare of elderly in Gwanggyo	PF loan	2.2	75,347	Suwon	7.00%
Professional Investment No.35	2016	CGV Changwon The City	Lease	13.6	7,443	Changwon	7.34%
Professional Investment No.37	2016	Homeplus Dong-gu Branch in Ulsan and Gangneung Branch	Lease	58.3	58,996/53,151	Ulsan/Gangneung	7.18%
Professional Investment No.38	2016	KOCREF No.31 Class shares	Purchase of REITs	28.7	-	Seoul	5.60%
Professional Investment No.40	2016	TCC Dongyang Tower	Lease	92.1	29,102	Seoul	*7.40% (1kinds) 10.00% (2kinds) 6.29% (3kinds)*
Professional Investment No.41	2016	Development of Dohwa Logistics Center in Incheon	Development	60.0	42,344	Incheon	8.96%
Professional Investment No.42	2016	Sinsong Center Building in Yeouido	Lease	75.7	33,820	Seoul	6.50%
Professional Investment No.46	2016	Sanggye and Gwangmyeong Buildings of Samsung Life	Lease	42.5	5,559/8,197	Seoul	7.91%
Professional Investment No.47	2016	Seongdong Building of Kyobo Life	Lease	69.6	16,194	Seoul/ Kwangmyung	8.10%
Professional Investment No.48	2016	Loan receivable to Hotel Aventree Jongno	Loan receivable	6.1	-	Seoul	5.00%
Professional Investment No.50	2016	Common shares of Gimpo Gochon Logistics REITs	Purchase of REITs	19.0	-	Kimpo	6.68%
Professional Investment No.51	2016	PF loan for Park One in Yeouido	PF loan	30.0	629,356	Seoul	6.26%
Profitable Real Estate No. 1	2016	KOCREF K Square REITs etc.	Blind fund	10.5	-	Domestic	5.00%
Profitable Real Estate No.2	2016	KORAMCO Professional Investment-Type No.42, No.47	Blind fund	40.0	-	Domestic	5.00%
US Value Add No.1	2015	CBRE Strategic Partners U.S.	Foreign (fund of funds)	66.6	-	The U.S.	11.00%
Italy Debt No.1	2015	Italy Sicily outlet CMBS	Foreign (loan)	49.9	-	Italy	5.20%
US Debt No.1	2015	POCP Credit VI, L.P	Foreign (fund of funds)	140.0	-	The U.S.	10.00%
US Debt No.2	2016	Loan receivable to Hotel Hawaii Four Seasons	Foreign (loan)	32.3	-	The U.S.	6.70%
Europe Core No.1	2016	Austria IZD Tower	Foreign (lease)	365.0	64,486	Austria	6.50%
NPL No.1	2016	CIREP IV Overseas Feeder, Ltd	Foreign (fund of funds)	23.0	-	The U.S./Europe	14.00%

* Target Return Rate (domestic funds: excluding gains on disposal, overseas funds: after hedging)

Overview of Financial Performances on a Consolidated Basis
KORAMCO REITs & Trust Consolidated Statement of Financial Position
KORAMCO REITs & Trust Overview of Separate Financial Performance
KORAMCO REITs & Trust Separate Statement of Financial Position
KORAMCO Asset Management Overview of Financial Performance
KORAMCO Asset Management Statement of Financial Position

FINANCIAL PERFORMANCE

KORAMCO REITs & Trust is seeking to reap long-term and macroscopic performance results which can promote mutual growth with our customers, instead of just instant profit.

Having emerged as a top-ranked real estate financing firm in Korea, KORAMCO REITs & Trust aspires to achieve another takeoff as a global leading real estate financing company which rivals global property management firms.

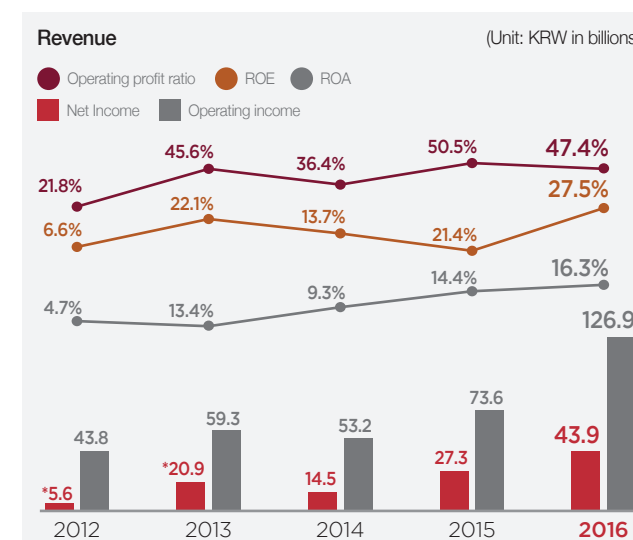
Overview of Financial Performances on a Consolidated Basis

Growth

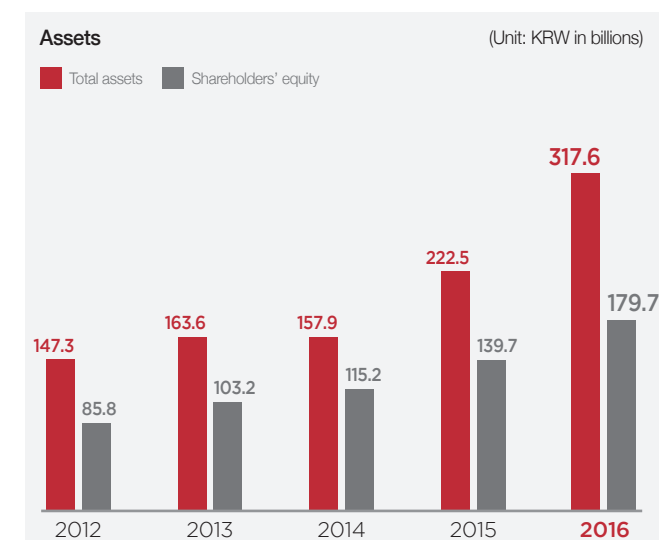
In 2016, KORAMCO REITs & Trust made significant gains in terms of sales revenues, shareholders' equity and total assets. The company saw its operating income (consolidated) soar 72.4% in 2016 over a year earlier to KRW 126.9 billion. This was mainly attributed to the advancement of domestic realty market and sales of assets. Backed by sharp increases in net income and loans to trust accounts, total assets grew 42.7% to KRW 317.6 billion, while shareholders' equity recorded a 28.6% growth to KRW 179.7 billion.

Profitability

KORAMCO REITs & Trust's net income swelled 60.9% in 2016 over a year earlier to KRW 43.9 billion. Although the operating profit rate declined 3.1%, year on year, primarily due to the performance-related pay, return on equity (ROE) and return on asset (ROA) grew 6.1% and 1.9%, respectively.



* Due to a lawsuit, KRW 8.6 billion was recorded as bad debt expense in 2012. In 2013, however, there was a reversal of bad debt expense amounting to KRW 8.6 billion as a result of winning the lawsuit.



Stability (Financial Soundness)

In order to ensure that financial institutions maintain their financial soundness, financial regulatory authorities tend to establish performance management indexes by business. According to the management indexes, trust firms are required to keep over 150% of NCR (net capital ratio). For asset management firms, their shareholders' equity should exceed the minimum working capital. In 2016, KORAMCO REITs & Trust recorded 457.7% of NCR, which far exceeded the 150% of NCR set by Financial Supervisory Service. KORAMCO Asset Management's shareholders' equity stood at KRW 13.59 billion, which also went beyond its minimum working capital of KRW 5.94 billion. Moreover, KORAMCO REITs & Trust will stably manage its current ratio and debt ratio in line with its management standards. The company will further improve its financial soundness through systematic management of risk-weighted assets.

Stability Index		(Unit: %)		
		2014	2015	2016
KORAMCO REITs & Trust	NCR	588.3	584.1	457.7
	Debt Ratio	35.2	58.8	76.8
KORAMCO Asset Management	Minimum Working Capital	-	58.0	59.4
	NCR	561.5	-	-
	Debt Ratio	17.6	11.0	13.0

KORAMCO REITs & Trust
Consolidated Statement of
Financial Position

As of December 31, 2016 and 2015

KORAMCO REITs & Trust Co., Ltd. and Consolidated Affiliates		(Unit: KRW)
Accounts	2016	2015
ASSETS		
Cash and Deposits	21,781,117,425	49,945,544,248
Financial Assets at Fair Value through Profit or Loss	46,763,700	169,990,900
Available for Sale Financial Assets	79,372,390,197	57,510,495,065
Loans Sold	167,565,399,375	85,406,942,534
Tangible Assets	3,036,101,252	1,835,724,354
Intangible Assets	5,413,311,659	6,879,965,393
Deferred Income Tax Assets	669,085,970	722,279,144
Other Assets	39,684,478,430	20,015,027,143
TOTAL ASSETS	317,568,648,008	222,485,968,781
LIABILITIES		
Borrowings	67,000,000,000	45,000,000,000
Income Tax Payables	10,958,144,610	7,501,176,414
Other Liabilities	59,932,099,579	30,326,110,547
TOTAL LIABILITIES	137,890,244,189	82,827,286,961
STOCKHOLDERS' EQUITY		
Capital Stock	10,498,935,000	10,000,000,000
Capital Surplus	555,239,200	555,239,200
Capital Adjustment	(102,096,000)	(102,096,000)
Accumulated Other Comprehensive Income	236,912,520	1,138,376,563
Retained Earnings	168,489,413,099	128,067,162,057
CONTROLLING INTEREST	168,489,413,099	128,067,162,057
NON-CONTROLLING INTEREST	-	-
TOTAL STOCKHOLDERS' EQUITY	179,678,403,819	139,658,681,820
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	317,568,648,008	222,485,968,781

For the Years Ended December 31, 2016 and 2015

KORAMCO REITs & Trust
Consolidated Statement of
Comprehensive Income

KORAMCO REITs & Trust Co., Ltd. and Consolidated Affiliates		(Unit: KRW)
Accounts	2016	2015
Operating Revenue	126,876,118,597	73,563,623,765
Fee Revenue	110,395,955,368	64,086,160,370
Asset Management Revenue	66,366,371,191	26,845,879,886
Trust Revenue	41,842,672,327	35,918,137,855
Administrative Service Fees	2,186,911,850	1,322,142,629
Financial Revenue	16,451,956,289	9,471,352,284
Interest Income	8,905,610,285	6,228,265,122
Dividend Income	6,418,782,330	2,903,804,554
Other Financial Revenue	1,127,563,674	339,282,608
Other Operating Revenue	28,206,940	6,111,111
Reversal of Other Asset Allowance for Doubtful Accounts	28,206,940	6,111,111
Operating Expenses	66,797,825,995	36,386,851,867
Financial Expenses	2,003,460,692	1,517,168,352
Interest Expenses	1,961,744,962	1,444,306,712
Other Financial Expenses	41,715,730	72,861,640
Bad Debts Expenses	4,252,544,283	3,565,706,316
General & Administrative Expenses	60,130,689,935	31,099,157,682
Other Operating Expenses	411,131,085	204,819,517
Other Bad Debt Expenses	411,131,085	180,206,097
Loss on Termination of Contract	-	24,613,420
Operating Income	60,078,292,602	37,176,771,898
Non-operating Income	45,957,343	213,574,915
Non-operating Expenses	846,925,493	574,958,519
Earning before Income Taxes	59,277,324,452	36,815,388,294
Income Taxes	15,362,517,910	9,501,387,565
Net Income	43,914,806,542	27,314,000,729
Net Income in Controlling Interest	43,914,806,542	27,314,000,729
Net Income in Non-controlling Interest	-	-
Other Comprehensive Income	(901,464,043)	97,179,000
Items That Will be Reclassified to Profit or Loss	(901,464,043)	97,179,000
Gain on Valuation of Available-for-Sale Financial Assets (Effect of Income Taxes in 2016: 254,259,088 2015: (-)27,409,462)	(901,464,043)	97,179,000
Total Comprehensive Income	43,013,342,499	27,411,179,729
Total Comprehensive Income in Controlling Interest	43,013,342,499	27,411,179,729
Total Comprehensive Income in Non-controlling Interest	-	-
Earnings per Share		
Basic and Diluted Earnings per Share	20,956	13,034

KORAMCO REITs & Trust

Consolidated Statement of Cash Flows

For the Years Ended December 31, 2016 and 2015

KORAMCO REITs & Trust Co., Ltd. and Consolidated Affiliates (Unit: KRW)

Accounts	2016	2015
Cash Flows from Operating Activities	(24,101,335,184)	15,724,852,025
Earning before Income Taxes	59,277,324,452	36,815,388,294
Adjustments for Non-cash Items	(7,928,194,931)	(2,707,359,382)
Interest Expenses	1,961,744,962	1,444,306,712
Interest Income	(8,905,610,285)	(6,228,265,122)
Dividend Income	(6,418,782,330)	(2,903,804,554)
Tangible Assets Depreciation	815,922,902	656,901,949
Intangible Assets Depreciation	207,713,497	195,038,038
Bad Debt Expenses	4,252,544,283	3,565,706,316
Other Bad Debt Expenses	411,131,085	180,206,097
Reversal of Provision for Doubtful Accounts	(28,206,940)	(6,111,111)
Losses on Valuation of Financial Assets at Fair Value through Profit or Loss	28,283,200	39,949,100
Gain on Disposition of Available for Sale Financial Assets	(836,825,258)	-
Impaired Loss on Intangible Assets	-	347,874,393
Gain on Disposition of Intangible Assets	(44,513,594)	-
Losses on Disposition of Intangible Assets	74,873,980	-
Losses on Disposition of Tangible Assets	553,529,567	838,800
Changes in Operating Assets and Liabilities	(74,558,669,892)	(21,442,935,937)
Financial Assets at Fair Value through Profit or Los	94,944,000	533,388,629
Lending to Trust Account	(86,325,163,124)	(31,293,104,371)
Other Receivables	(13,595,117,826)	(6,693,001,011)
Advance Payments	(3,770,621,140)	(66,711,880)
Prepaid Expenses	28,160,193	(34,361,588)
Other Payables	17,515,630	(54,040,741)
Accrued Expenses	23,161,733,297	201,730,123
Advance from Customers	6,455,285,863	14,617,556,683
Customers' Deposits-Taxes and Dues	(625,406,785)	1,345,608,219

KORAMCO REITs & Trust Co., Ltd. and Consolidated Affiliates (Unit: KRW)

Accounts	2016	2015
Receipt of Interest	6,241,804,244	6,236,608,771
Payment of Interest	(1,954,283,935)	(1,390,924,826)
Payment of Income Taxes	(11,598,097,452)	(4,689,729,449)
Receipt of Dividends	6,418,782,330	2,903,804,554
Cash Flows from Investing Activities	(20,024,939,548)	(2,356,284,887)
Cash Inflows from Investing Activities	20,854,350,454	31,594,406,508
Decrease in Deposits	3,044,531,591	25,253,248,508
Decrease in Employee Loans	262,854,000	692,000,000
Disposal of Financial Asset Available for Sale	10,021,046,679	1,599,000,000
Disposal of Tangible Assets	121,333,333	2,118,000
Disposal of Intangible Assets	1,413,784,851	-
Decrease in Deposits	5,990,800,000	4,048,040,000
Cash Outflows from Investing Activities	(40,879,290,002)	(33,950,691,395)
Increase in Deposits	-	15,384,795,565
Increase in Employee Loans	528,192,000	300,000,000
Acquisition of Financial Asset Available for Sale	32,201,839,684	13,012,298,606
Acquisition of Tangible Assets	2,101,762,700	155,177,224
Acquisition of Other Intangible Assets	185,205,000	146,980,000
Acquisition of Memberships	-	931,440,000
Increase in Deposits Provided	5,862,290,618	4,020,000,000
Cash Flows from Financing Activities	19,006,379,500	17,006,381,000
Cash Inflows from Financing Activities	110,307,000,000	115,256,988,766
Increase in Borrowings	110,307,000,000	115,256,988,766
Cash Outflows from Financing Activities	(91,300,620,500)	(98,250,607,766)
Decrease in Borrowings	88,307,000,000	95,256,988,766
Payment of Cash Dividends	2,993,620,500	2,993,619,000
Net Increase (or Decrease) in Cash and Cash Equivalents (I+II+III)	(25,119,895,232)	30,374,948,139
Cash and Cash Equivalents at Beginning of Year	44,684,748,683	14,309,800,544
Cash and Cash Equivalents at End of Year	19,564,853,451	44,684,748,683

KORAMCO REITs & Trust

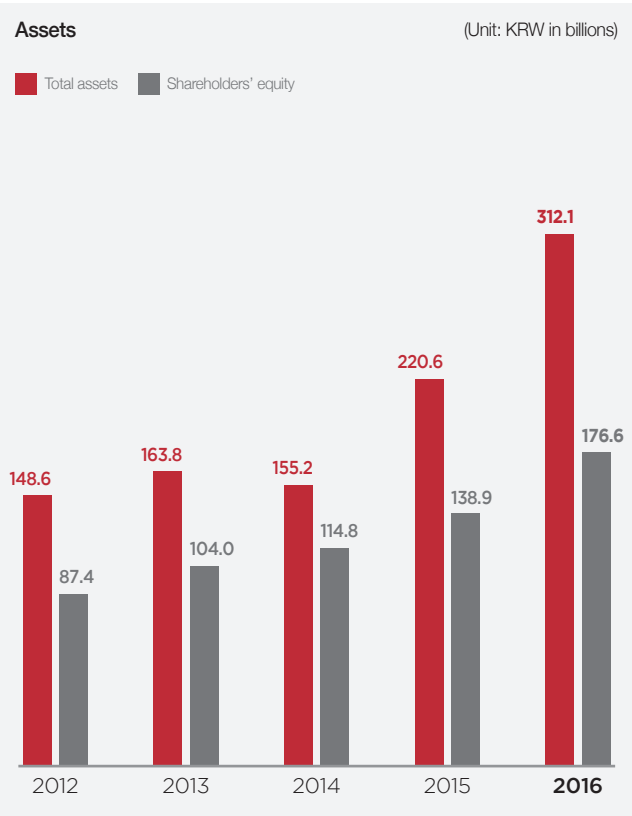
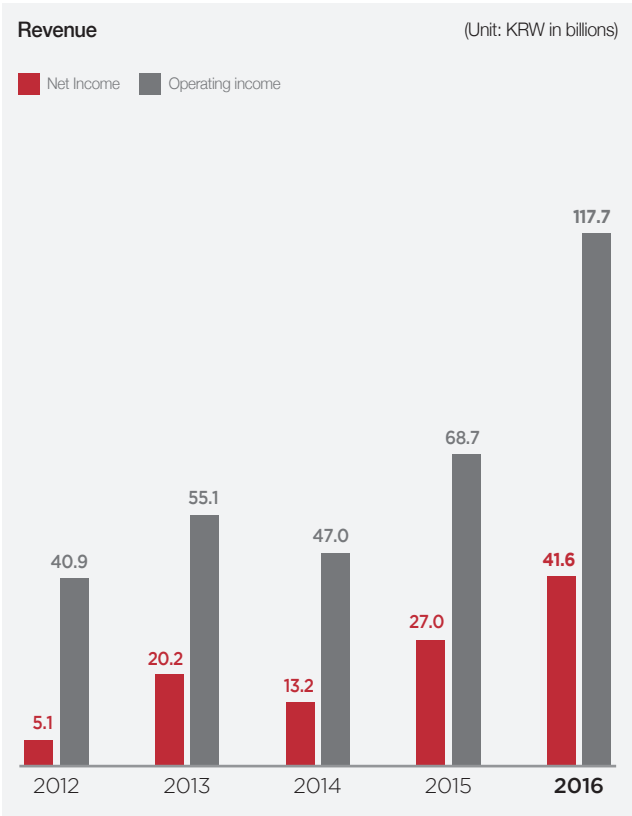
Overview of Separate Financial Performance

As of the end of 2016, KORAMCO REITs & Trust's total assets soared 42% over a year earlier, totaling KRW 312.1 billion. While cash and cash equivalents decreased KRW 30.9 billion, financial assets available for sale jumped KRW 21.7 billion. Loans receivable comprising loans to trust accounts rose KRW 82.1 billion. Compared to the previous year, total liabilities swelled KRW 53.9 billion to KRW 135.6 billion. Borrowings increased sharply by KRW 22.0 billion mainly due to the expanded trust business. Increases in advance from customers and income taxes payable resulted in a rise of KRW 29.1 billion in other liabilities.

Shareholders' equity grew 27% (or KRW 37.7 billion) in 2016 to KRW 176.6 billion a year later. Share capital increased KRW 500 million, thanks to stock dividend. On the other hand, the company resolved to pay a cash dividend of KRW 1,500 per share (a dividend ratio of 30%), and a stock dividend of KRW 250 won per share (a dividend ratio of 5%) and pay them in March 2017.

Operating revenue was KRW 117.7 billion in 2016, up 71% (or KRW 49.0 billion) from the previous year. Operating revenues from REITs swelled 156%, year on year, while those from trust business grew 16%. As a result, commission and fee income increased sharply from KRW 59.8 billion in 2015 to KRW 101.7 billion a year later. Financial income (interest and dividends among others) soared 79% in 2016 over the previous year to KRW 16.0 billion.

Compared to the previous year, operating expenses swelled 90% in 2016 to KRW 60.8 billion. Income before income taxes and net income expanded 54%, amounting to KRW 56.2 billion and KRW 41.5 billion respectively.



KORAMCO REITs & Trust

Statement of Financial Position

KORAMCO REITs & Trust Co., Ltd.		(Unit: KRW)
Accounts	2016	2015
ASSETS		
Cash and Deposits	10,547,685,530	41,466,055,058
Financial Asset Available for Sale	78,008,997,521	56,292,407,108
Investments in Subsidiaries	10,000,000,000	10,000,000,000
Loans Sold	167,430,399,375	85,291,942,534
Tangible Assets	2,883,538,431	1,629,021,922
Intangible Assets	5,185,662,618	6,642,736,538
Deferred Income Tax Assets	640,050,639	697,100,667
Other Assets	37,483,640,112	18,554,090,937
TOTAL ASSETS	312,179,974,226	220,573,354,764
LIABILITIES		
Borrowings Liabilities	67,000,000,000	45,000,000,000
Income Tax Payables	10,303,146,711	7,470,766,451
Other Liabilities	58,281,500,564	29,176,979,996
TOTAL LIABILITIES	135,584,647,275	81,647,746,447
STOCKHOLDERS' EQUITY		
Capital Stock	10,498,935,000	10,000,000,000
Capital Surplus	702,663,200	702,663,200
Capital Adjustment	(102,096,000)	(102,096,000)
Accumulated Other Comprehensive Income	226,584,154	1,140,117,163
Retained Earnings	165,269,240,597	127,184,923,954
TOTAL STOCKHOLDERS' EQUITY	176,595,326,951	138,925,608,317
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	312,179,974,226	220,573,354,764

KORAMCO REITs & Trust
Statement of
Comprehensive Income

For the Years Ended December 31, 2016 and 2015

KORAMCO REITs & Trust Co., Ltd.		(Unit: KRW)
Accounts	2016	2015
Operating Revenue	117,742,173,859	68,724,711,727
Fee Revenue	101,723,517,969	59,765,203,875
Asset Management Revenue	57,732,855,948	22,524,923,391
Trust Revenue	41,842,672,327	35,918,137,855
Administrative Service Fees	2,147,989,694	1,322,142,629
Financial Revenue	16,002,405,890	8,953,396,741
Interest Income	8,773,719,436	6,061,276,152
Dividend Income	6,379,286,454	2,892,120,589
Other Financial Revenue	849,400,000	-
Other Operating Revenue	16,250,000	6,111,111
Reversal of Other Asset Allowance for Doubtful Accounts	16,250,000	6,111,111
Operating Expenses	60,818,543,350	31,996,150,965
Financial Expenses	1,974,325,801	1,444,306,712
Interest Expenses	1,961,744,962	1,444,306,712
Other Financial Expenses	12,580,839	-
Bad Debts Expenses	4,252,544,283	3,565,706,316
General & Administrative Expenses	54,180,542,181	26,782,024,517
Other Operating Expenses	411,131,085	204,113,420
Other Bad Debt Expenses	411,131,085	179,500,000
Loss on Termination of Contract	-	24,613,420
Operating Income	56,923,630,509	36,728,560,762
Non-operating Income	44,710,992	213,520,832
Non-operating Expenses	745,713,964	529,038,769
Earning before Income Taxes	56,222,627,537	36,413,042,825
Income Taxes	14,645,755,394	9,384,131,629
Net Income	41,576,872,143	27,028,911,196
Other Comprehensive Income	(913,533,009)	98,919,600
Items That Will be Reclassified to Profit or Loss	(913,533,009)	98,919,600
Gain on Valuation of Available-for-Sale Financial Assets (Effect of Income Taxes in 2016: (257,663,155 2015: (-)27,900,400)	(913,533,009)	98,919,600
Total Comprehensive Income	40,663,339,134	27,127,830,796
Earnings per Share		
Basic and Diluted Earnings per Share	19,841	12,898

KORAMCO REITs & Trust
Statement of Cash Flows

For the Years Ended December 31, 2016 and 2015

KORAMCO REITs & Trust Co., Ltd.		(Unit: KRW)
Accounts	2016	2015
Cash Flows from Operating Activities	(27,124,635,378)	14,332,238,121
Earning before Income Taxes	56,222,627,537	36,413,042,825
Adjustments for Non-cash Items	(7,948,439,494)	(2,699,515,503)
Interest Expenses	1,961,744,962	1,444,306,712
Interest Income	(8,773,719,436)	(6,061,276,152)
Dividend Income	(6,379,286,454)	(2,892,120,589)
Tangible Assets depreciation	753,662,603	581,908,526
Intangible Assets Depreciation	195,483,683	185,777,352
Bad Debt Expenses	4,252,544,283	3,565,706,316
Other Bad Debt Expenses	411,131,085	179,500,000
Reversal of Provision for Doubtful Accounts	(16,250,000)	(6,111,111)
Losses on Disposition of Financial Assets Available for Sale	(836,819,161)	-
Impaired Loss on Intangible Assets	-	301,954,643
Gain on Disposition of Intangible Assets	(44,513,594)	-
Losses on Disposition of Intangible Assets	74,873,980	-
Losses on Disposition of Tangible Assets	452,708,555	838,800
Changes in Operating Assets and Liabilities	(74,576,465,786)	(22,615,836,511)
Lending to Trust Account	(86,325,163,124)	(31,293,104,371)
Other Receivables	(13,010,643,863)	(7,321,117,370)
Advance Payments	(3,770,835,880)	(66,298,580)
Prepaid Expenses	13,582,634	501,231
Other Payables	17,515,630	(26,980,510)
Accrued Expenses	22,746,176,883	201,227,002
Advance from Customers	6,642,660,579	14,388,454,578
Customers' Deposits-Taxes and Dues	(889,758,645)	1,501,481,509

KORAMCO REITs & Trust Co., Ltd.

(Unit: KRW)

Accounts	2016	2015
Receipt of Interest	6,260,236,703	6,087,577,305
Payment of Interest	(1,963,218,841)	(1,390,924,826)
Payment of Income Taxes	(11,498,661,951)	(4,354,225,758)
Receipt of Dividends	6,379,286,454	2,892,120,589
Cash Flows from Investing Activities	(22,800,113,650)	(1,268,320,655)
Cash Inflows from Investing Activities	17,774,812,768	26,408,158,000
Decrease in Deposits	-	20,127,000,000
Decrease in Employee Loans	237,854,000	632,000,000
Disposal of Financial Asset Available for Sale	10,011,040,584	-
Disposal of Tangible Assets	121,333,333	1,599,000,000
Disposal of Intangible Assets	1,413,784,851	2,118,000
Decrease in Deposits	5,990,800,000	4,048,040,000
Cash Outflows from Investing Activities	(40,574,926,418)	(27,676,478,655)
Increase in Deposits	-	10,127,000,000
Increase in Employee Loans	483,192,000	270,000,000
Acquisition of Financial Asset Available for Sale	32,062,008,000	12,099,000,000
Acquisition of Tangible Assets	1,992,821,000	130,138,655
Acquisition of Other Intangible Assets	182,555,000	98,900,000
Acquisition of Memberships	-	931,440,000
Increase in Deposits	5,854,350,418	4,020,000,000
Cash Flows from Financing Activities	19,006,379,500	17,006,381,000
Cash Inflows from Financing Activities	110,307,000,000	115,256,988,766
Increase in Borrowings	110,307,000,000	115,256,988,766
Cash Outflows from Financing Activities	(91,300,620,500)	(98,250,607,766)
Decrease in Borrowings	88,307,000,000	95,256,988,766
Payment of Cash Dividends	2,993,620,500	2,993,619,000
Net Increase (or Decrease) in Cash and Cash Equivalents (I+II+III)	(30,918,369,528)	30,070,298,466
Cash and Cash Equivalents at Beginning of Year	41,463,055,058	11,392,756,592
Cash and Cash Equivalents at End of Year	10,544,685,530	41,463,055,058

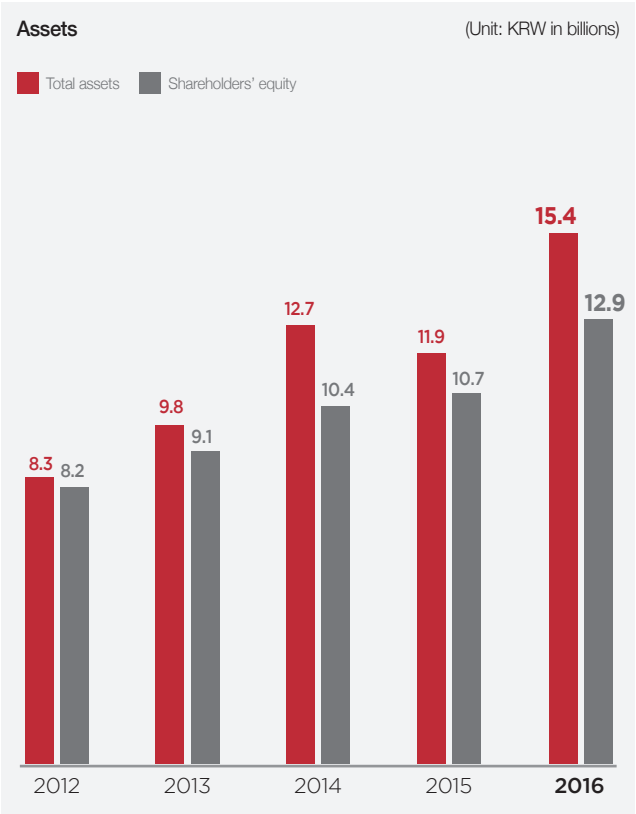
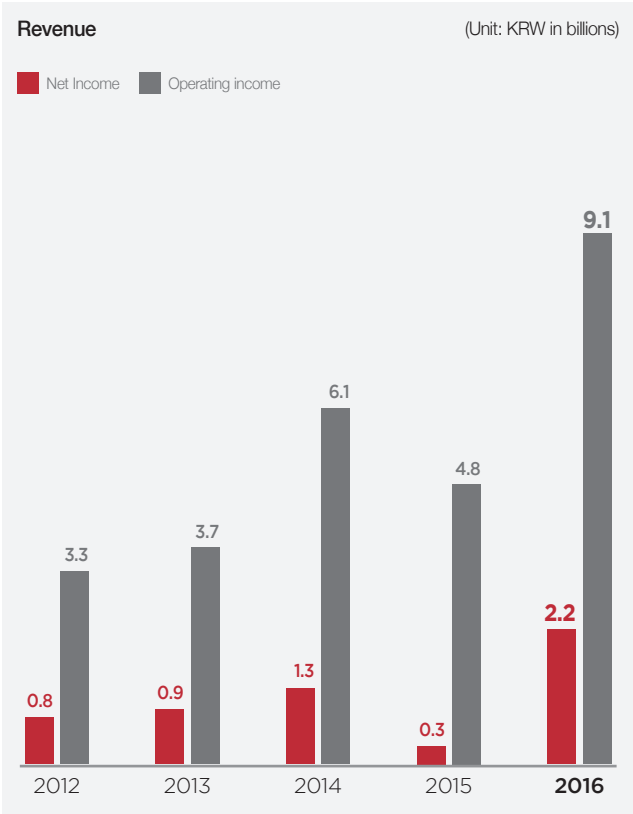
KORAMCO Asset Management Overview of Financial Performance

At the end of 2016, KORAMCO Asset Management saw its total assets grow 29% over a year earlier to KRW 15.36 billion from KRW 11.89 billion. Cash and cash equivalents and financial assets available for sale expanded KRW 2.8 billion and KRW 150 million, year on year, respectively. Loans, most of which were loans to employees, edged up KRW 20 million. Other assets, most of which were accrued profit and accounts receivable, rose KRW 740 million in 2016. In 2016, total liabilities rose KRW 1.25 billion over a year earlier to KRW 2.43 billion. Other liabilities rose KRW 1.25 billion as a result of increases in taxes payable and taxes withhold stemming from staff and revenue expansion.

Shareholders' equity was KRW 12.93 billion in 2016, up 29% (or KRW 3.47 billion) from KRW 10.71 billion a year earlier. A significant increase in net income in 2016 resulted in an expansion of 259% in retained earnings.

In 2016, operating revenues swelled 89% (or KRW 4.29 billion) over the previous year to KRW 9.13 billion. The sharp increase was primarily attributable to a 101% boost in commission and fee income, a major profit source of the company. Meanwhile, financial income (interest, dividend income and securities related income) dropped 13%, year on year, to KRW 450 million.

Operating expenses grew 40% in 2016 over a year earlier, totaling KRW 6.14 billion. Income before income taxes and net income swelled 619% and 677%, respectively, to KRW 2.89 billion and KRW 2.21 billion.



KORAMCO Asset Management
Statement of Financial Position

As of December 31, 2016 and 2015

KORAMCO Asset Management Co., Ltd.		(Unit: KRW)
Accounts	2016	2015
ASSETS		
Cash and Deposits	11,233,431,895	8,479,489,190
Financial Asset at Fair Value through Profit or Loss	46,763,700	169,990,900
Financial Asset Available for Sale	1,363,392,676	1,218,087,957
Loans Sold	135,000,000	115,000,000
Tangible Assets	152,562,821	206,702,432
Intangible Assets	197,670,613	209,196,216
Other Assets	2,427,544,262	1,460,936,206
Deferred Income Tax Asset	29,035,331	25,178,477
TOTAL ASSETS	15,358,695,354	11,884,581,378
LIABILITIES		
Derivative Liabilities	-	
Other LiabilitiesOther Liabilities	2,431,312,657	1,179,540,514
TOTAL LIABILITIES	2,431,312,657	1,179,540,514
STOCKHOLDERS' EQUITY		
Capital Stock	10,000,000,000	10,000,000,000
Capital Adjustment	(147,424,000)	(147,424,000)
Accumulated Other Comprehensive Income	10,328,366	(1,740,600)
Retained Earnings	3,064,478,331	854,205,464
Bad Debts Reserves (Provisions for Bad Debt Reserves 2016: 4,279,749 2015: -(3,056,840))	6,166,554	9,223,394
Unappropriated Retained Earnings	3,058,311,777	844,982,070
TOTAL STOCKHOLDERS' EQUITY	12,927,382,697	10,705,040,864
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	15,358,695,354	11,884,581,378

For the Years Ended December 31, 2016 and 2015

KORAMCO Asset Management
Statement of
Comprehensive Income

KORAMCO Asset Management Co., Ltd.		(Unit: KRW)
Accounts	2016	2015
Operating Revenue	9,133,944,738	4,838,912,038
Fee Revenue	8,672,437,399	4,320,956,495
Interest Income	131,890,849	166,988,970
Net Gain on Financial Assets at Fair Value through Profit or Loss	278,157,577	339,282,608
Gains on Available for Sale Financial Assets	6,097	-
Dividend Income	39,495,876	11,683,965
Reversal of Allowance for Doubtful Accounts	11,956,940	-
Operating Expenses	6,144,443,989	4,391,307,611
Net Loss on Financial Assets at Fair Value through Profit or Loss	29,134,891	72,861,640
General & Administrative Expenses	6,115,309,098	4,317,739,874
Other Bad Debts Expenses	-	706,097
Operating Income	2,989,500,749	447,604,427
Non-operating Profit and Loss	(99,965,178)	(45,865,667)
Non-operating Income	1,246,351	54,083
Non-operating Expenses	101,211,529	45,919,750
Earning before Income Taxes	2,889,535,571	401,738,760
Income Taxes	679,262,704	117,255,936
Net Income (Net Income after Provision of Reserve for Bad Debts 2016: 2,205,993,118 2015: 2,287,539,664)	2,210,272,867	284,482,824
Other Comprehensive Income (Loss)	12,068,966	(1,740,600)
Items that will be not Reclassified to Profit or Loss	-	-
Items that will be Reclassified to Profit or Loss		
Items that will be Reclassified to Profit or Loss	12,068,966	(1,740,600)
Gain (loss) on Valuation of Available for Sale Financial Assets	2,222,341,833	282,742,224
Earnings per Share		
Basic Earnings per Share	1,105	142

KORAMCO Asset Management

Statement of Cash Flows

For the Years Ended December 31, 2016 and 2015

KORAMCO Asset Management Co., Ltd.		(Unit: KRW)
Accounts	2016	2015
Cash Flows from Operating Activities	6,047,832,025	1,291,066,848
Net Income	2,210,272,867	284,482,824
Adjustments for Non-Cash Items	507,875,979	(61,416,999)
Interest Income	(131,890,849)	(166,988,970)
Income Taxes	679,262,704	117,255,936
Dividend Income	(39,495,876)	(11,683,965)
Profit & Loss without Flows of Cash	193,577,077	171,435,765
Gain on Valuation of Financial Assets at Fair Value through Profit or Loss	28,283,200	39,949,100
Gain on Disposal of Available for Sale Financial Assets	(6,097)	-
Depreciation	62,260,299	74,993,423
Intangible Assets Depreciation	14,175,603	9,867,395
Losses on Disposition of Tangible Assets	100,821,012	-
Bad Debts Expenses	-	706,097
Reversal of Allowance for Doubtful Accounts	(11,956,940)	-
Impaired Loss on Intangible Assets	-	45,919,750
Decrease (Increase) in Assets & Liabilities	3,022,786,682	1,021,074,760
Decrease (Increase) in Deposits	3,044,531,591	(131,547,058)
Decrease in Financial Assets at Fair Value Through Profit or Loss	94,944,000	533,388,630
Decrease (Increase) in Loans	(20,000,000)	30,000,000
Decrease (Increase) in Non-trade Receivables	(137,766,224)	628,116,359
Increase in Accrued Income	(638,399,003)	(50,278,757)
Decrease (Increase) in Advanced Payments	214,740	(413,300)
Decrease (Increase) in Prepaid Expense	14,577,559	(34,862,819)
Decrease in Accounts Payable	-	(27,060,231)
Increase in Accrued Expenses	587,706,875	503,121
Decrease in Advance from Customers	-	(371,664,315)
Increase (Decrease) in Unearned Income	(187,374,716)	600,766,420
Increase (Decrease) in Deposit Received	264,351,860	(155,873,290)
Receipt of Interest	173,258,805	199,310,223
Payment of Income Taxes	(99,435,261)	(335,503,690)
Receipt of Dividend	39,495,876	11,683,965
Cash Flows from Investing Activities	(249,357,729)	(986,417,175)
Increase in Deposit	(7,940,200)	-
Acquisition of Financial Asset Available for Sale	(139,831,684)	(913,298,606)
Acquisition of Tangible Assets	(108,941,700)	(25,038,569)
Acquisition of Intangible Assets	(2,650,000)	(48,080,000)
Disposal of Financial Asset Available for Sale	10,005,855	-
Increase in Cash and Cash Equivalents (I+II)	5,798,474,296	304,649,673
Cash and Cash Equivalents at Beginning of Year	3,221,693,625	2,917,043,952
Cash and Cash Equivalents at End of Year	9,020,167,921	3,221,693,625

APPENDIX

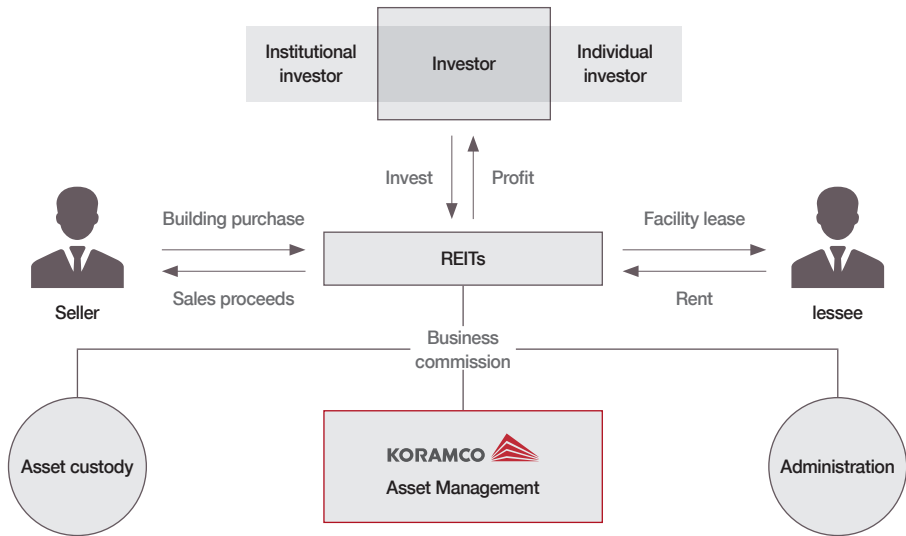
REITs
Real Estate Funds & Special Asset Fund
Real Estate Trust

REITs

Introduction

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

Structure



Type of REITs

Type	Company Form	Investment Target	Description
Internally Managed	Real Company	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	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

Strengths of REITs Investment

Stronger Profitability	<ul style="list-style-type: none">• A higher yield vis-a-vis investment risks is expected, driven by real estate investment based on precise market research and analyses.• An additional yield is possible with higher values in real estate through professional and systematic asset management such as remodeling.
Solid Stability	<ul style="list-style-type: none">• 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 analysis on lease fees, vacancy rates and maintenance fees.
Convenient Liquidity	<ul style="list-style-type: none">• As for listed REITs, stocks held can be converted into cash, if necessary.
Expansion of Investment Opportunities	<ul style="list-style-type: none">• Investment opportunities in large-scale real estate projects are available even with small-scale funds including those of personal investors.
Tax Relief	<ul style="list-style-type: none">• 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 REITs-based investments, and excluded from the list of investments subject to comprehensive real estate taxation (Local Tax Article 106 and Enforcement Ordinance Article 102).

Real Estate Funds & Special Asset Fund

Concept of 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 distributes profits from the investment to investors.

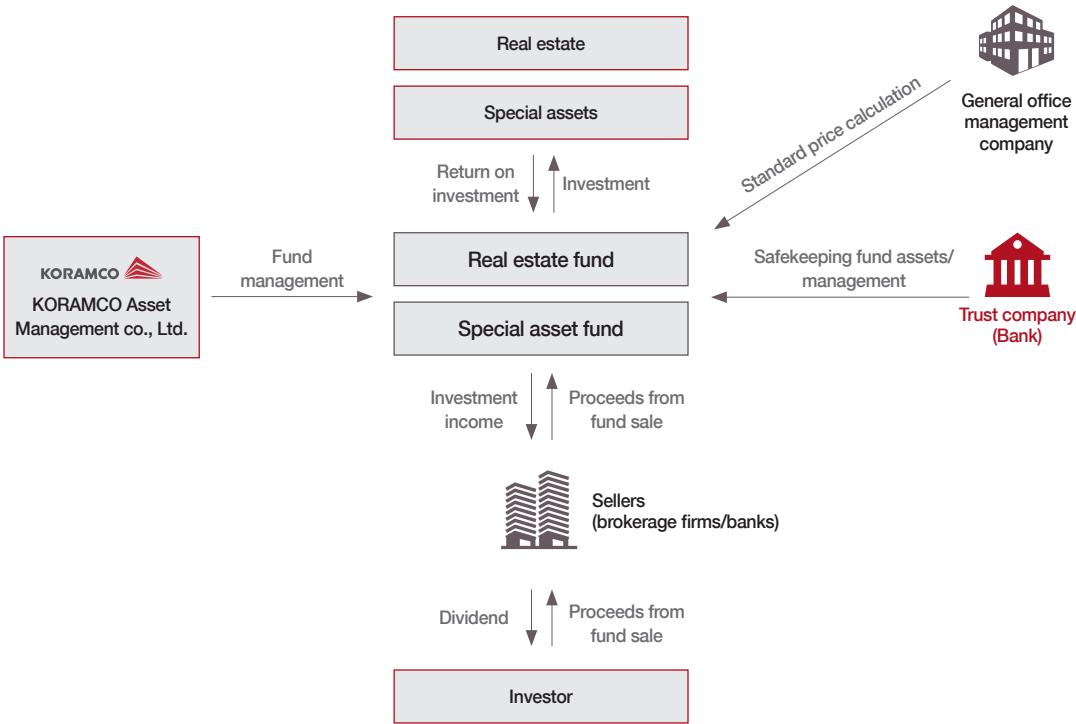
Concept of Special Asset Fund

A special asset fund is a product that invests more than 50% of fund assets (collective investment assets) in real 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.

Type of Real Estate Funds

Type	Description
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. It is a "Buy & Lease" fund
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 REITs 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

Structure



Real Estate Trust

Concept

The act of creating a trust is the consigning of property (entrusted property) by those who hold the property rights (consignors) 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).

A real estate trust is different from money 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.

Type and Strengths of Real Estate Trust

Type	Description
Land Development Trust	<ul style="list-style-type: none">• 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 buildings.
Management-type Land Development Trust	<ul style="list-style-type: none">• 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 distribution-related disturbances can be prevented
Management Trust	<ul style="list-style-type: none">• 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. * 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
Disposal Trust	<ul style="list-style-type: none">• A trust product whereby appropriate buyers are found for real estate that is difficult to dispose of in terms of due methods or procedures, or largesized and high-priced real estate.• 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.
Collateral Trust	<ul style="list-style-type: none">• 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 property 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.
Sales Management Trust	<ul style="list-style-type: none">• According to the law regarding distribution 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.
Project Management Service	<ul style="list-style-type: none">• Real estate-related tasks are promptly and safely 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.

The history of KORAMCO is just that of the real estate finance industry of Korea.