

Korea Investment Corporation

Financial Statements

December 31, 2014

(With Independent Auditors' Report Thereon)

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Independent Auditors' Report

Based on a report originally issued in Korean

The Board of Directors
Korea Investment Corporation:

We have audited the accompanying financial statements of Korea Investment Corporation (the "Corporation") which comprise the statements of financial position as at December 31, 2014 and 2013, the statements of income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Accounting Standards for Non-Public Entities in the Republic of Korea, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Korean Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2014 and 2013 and its financial performance and its cash flows for the years then ended in accordance with Accounting Standards for Non-Public Entities in the Republic of Korea.

Other Matter

The accompanying statement of financial position of the Corporation as of December 31, 2013, and the related statements of income, changes in equity and cash flows for the year then ended, were audited by us in accordance with the previous auditing standards generally accepted in the Republic of Korea.

The procedures and practices utilized in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries.

KPMG Samjong Accounting Corp.

KPMG Samjong Accounting Corp.
Seoul, Korea
March 23, 2015

This report is effective as of March 23, 2015, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

Korea Investment Corporation
Statements of Financial Positions
As of December 31, 2014 and 2013

(In thousands of Korean won)

	<u>Note</u>	<u>2014</u>	<u>2013</u>
Assets			
Cash and due from banks	4	₩ 135,739,933	117,607,993
Securities	5,6	27,563,003	-
Loans and receivables		-	34,952,337
Property and equipment	7	2,213,471	1,663,206
Accounts receivable, less allowance for doubtful accounts of ₩ 10 in 2014 and ₩ 47 in 2013		2,025	9,342
Accrued incomes, less allowance for doubtful accounts of ₩ 471,570 in 2014 and ₩ 274,090 in 2013		93,842,432	54,544,008
Investments		3,692,258	2,616,258
Intangible assets	9	1,261,960	1,140,193
Deferred tax assets	15	1,844,226	1,488,713
Other assets		95,031	79,247
Total assets		₩ 266,254,339	214,101,297
Liabilities			
Withholdings		₩ 484,486	340,098
Accounts payable		1,171,804	637,545
Accrued expenses		27,078,185	23,621,824
Income tax payable		15,926,002	6,810,667
Provision for retirement and severance benefits	10	5,262,350	3,927,513
Pension plan assets		(3,663,333)	(2,245,486)
Total liabilities		46,259,494	33,092,161
Equity			
Capital	13	100,000,000	100,000,000
Retained earnings	14	119,994,845	81,009,136
Total equity		219,994,845	181,009,136
Total liabilities and equity		₩ 266,254,339	214,101,297

See accompanying notes to the financial statements.

Korea Investment Corporation
Statements of Income
For the years ended December 31, 2014 and 2013

(In thousands of Korean won)

	<i>Note</i>	2014	2013
Operating revenue			
Investment management fees		₩ 180,354,153	133,787,721
Interest income		4,232,253	4,756,043
Gain on foreign exchange	<i>11</i>	5,216,118	2,592,952
		<u>189,802,524</u>	<u>141,136,716</u>
Operating expenses			
Fee expenses		(76,569,118)	(71,441,643)
Loss on foreign exchange	<i>11</i>	(4,299,781)	(2,705,830)
General and administrative expenses	<i>17</i>	(42,033,171)	(34,747,529)
		<u>(122,902,070)</u>	<u>(108,895,002)</u>
Operating income		<u>66,900,454</u>	<u>32,241,714</u>
Non-operating revenue			
Equity income on investments		219,397	-
Income from pension plan assets		106,879	60,039
Other income		8,841	8,323
		<u>335,117</u>	<u>68,362</u>
Non-operating expenses			
Donations		(66,302)	(30,576)
		<u>(66,302)</u>	<u>(30,576)</u>
Income before income tax		<u>67,169,269</u>	<u>32,279,500</u>
Income tax expense	<i>15</i>	(15,783,560)	(7,549,825)
Net income		<u>₩ 51,385,709</u>	<u>24,729,675</u>

See accompanying notes to the financial statements.

Korea Investment Corporation
Statements of Changes in Equity
For the years ended December 31, 2014 and 2013

<i>(In thousands of Korean won)</i>	<u>Note</u>	<u>Capital</u>	<u>Capital surplus</u>	<u>Retained earnings</u>	<u>Total equity</u>
Balance at January 1, 2013	₩	100,000,000	-	63,979,461	163,979,461
Dividends		-	-	(7,700,000)	(7,700,000)
Net income for the year		-	-	24,729,675	24,729,675
Balance at December 31, 2013	₩	<u>100,000,000</u>	<u>-</u>	<u>81,009,136</u>	<u>181,009,136</u>
Balance at January 1, 2014	₩	100,000,000	-	81,009,136	181,009,136
Dividends		-	-	(12,400,000)	(12,400,000)
Net income for the year		-	-	51,385,709	51,385,709
Balance at December 31, 2014	₩	<u>100,000,000</u>	<u>-</u>	<u>119,994,845</u>	<u>219,994,845</u>

See accompanying notes to the financial statements.

Korea Investment Corporation
Statements of Cash Flows
For the years ended December 31, 2014 and 2013

<i>(In thousands of Korean won)</i>	<i>Note</i>	2014	2013
Cash flows from operating activities			
Net income	₩	51,385,709	24,729,675
Adjustments for:			
Severance benefits		1,619,249	1,428,919
Depreciation expenses		619,822	505,308
Amortization expenses		458,338	371,312
Loss on foreign currency translation		232,891	175,149
Provision for allowance for doubtful accounts		188,485	110,583
Rent expense		8,647	-
Gain on foreign currency translation		(374,165)	(120,080)
Interest on bonds		(143,605)	-
Income from pension plan assets		(106,879)	(60,039)
Equity income on investments		(219,397)	-
Changes in assets and liabilities:			
Decrease in accounts receivable		7,354	181,435
Increase in accrued income		(39,123,836)	(21,579,401)
Increase in other assets		(15,946)	(16,844)
Increase in deferred tax assets		(355,514)	(347,183)
Increase (decrease) in accounts payable		531,701	(433,572)
Increase (decrease) in withholdings		144,388	(70,975)
Increase in accrued expenses		3,228,289	3,496,436
Increase in income tax payable		9,115,335	2,855,549
Payments to severance benefits		(284,412)	(250,676)
Increase in pension plan assets		(1,310,969)	(313,271)
Net cash provided by operating activities		25,605,485	10,662,325
Cash flows from investing activities			
Decrease in time deposits		123,000,000	144,000,000
Decrease in repurchase agreements		33,169,742	34,811,500
Collection of loans receivable		1,791,552	220,345
Refund of leasehold deposits		-	27,048
Increase in time deposits		(131,000,000)	(116,000,000)
Increase in repurchase agreements		-	(67,981,242)
Increase in loans receivable		-	(1,001,880)
Acquisition of property		(1,178,734)	(622,358)
Acquisition of beneficiary certificate		(3,200,000)	-
Acquisition of equity securities		(16,000,000)	-
Acquisition of intangible assets		(580,105)	(344,613)
Acquisition of held-to-maturity investment		(8,000,000)	-
Payment for leasehold deposits		(1,076,000)	(202,571)
Net cash used in investing activities		(3,073,545)	(7,093,771)
Cash flows from financing activities			
Dividends paid		(12,400,000)	(7,700,000)
Net cash used in financing activities		(12,400,000)	(7,700,000)
Net increase (decrease) in cash and cash equivalents		10,131,940	(4,131,446)
Cash and cash equivalents at beginning of year	4	1,607,993	5,739,439
Cash and cash equivalents at end of year	₩	11,739,933	1,607,993

See accompanying notes to the financial statements.

Korea Investment Corporation
Notes to the Financial Statements
For the years ended December 31, 2014 and 2013
(In thousands of Korean won)

1. Reporting Entity

Korea Investment Corporation (the “Corporation”) was incorporated on July 1, 2005 under the Korea Investment Corporation Act, and is engaged in the investing in assets entrusted by the Korean Government (the “Government”) and the Bank of Korea. As of December 31, 2014, the Corporation is wholly owned by the Government, and the paid-in capital of the Corporation amounted to ₩100 billion.

The primary business of the Corporation is management of assets entrusted by the trust institutions, and related survey and research activities. In addition, the Corporation exchanges and cooperates with other domestic or overseas institutions carrying on similar business. The Corporation also conducts other incidental business based on the decisions of the Steering Committee.

2. Basis of Preparation

(1) Statement of Compliance

The financial statements of the Corporation are prepared in accordance with Accounting Standards for Non-Public Entities in the Republic of Korea (“K-GAAP for Non-Public entities”), which have been effective since fiscal year beginning January 1, 2011.

(2) Basis of Measurement

The financial statements have been prepared on the historical cost basis, except for the financial instruments measured at fair value.

(3) Use of Estimates and Judgments

The preparation of the financial statements in conformity with K-GAAP for Non-Public Entities requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

3. Significant Accounting Policies

The significant accounting policies applied by the Corporation in preparation of its financial statements are included below.

(1) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The Corporation considers investments with maturities of three months or less on acquisition date to be cash and cash equivalents.

Korea Investment Corporation
Notes to the Financial Statements
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(In thousands of Korean won)

3. Significant Accounting Policies, continued

(2) Financial instruments

Upon acquisition, the Corporation classifies debt and equity securities (excluding investments in subsidiaries, associates and joint ventures) into the following categories: held-to-maturity, available-for-sale, and trading securities. The Corporation reviews their classification at the end of each reporting period

Investments in debt securities on which the Corporation has the positive intent and ability to hold to maturity are classified as held-to-maturity. Securities that are acquired principally for the purpose of selling in the short term are classified as trading securities. Investments not classified as either held-to-maturity or trading securities are classified as available-for-sale securities.

Upon initial recognition, non-derivative financial instruments (other than financial instruments at fair value through profit or loss) are measured at their fair value; plus (less) transaction costs that are directly attributable to acquisition of a financial asset or issuance of a financial instrument. Trading securities and available-for-sale securities are subsequently carried at fair value. Available-for-sale equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognized at cost.

For equity securities that have a quoted market price, their market price is considered to be fair value and the market price is the closing price on the reporting date. For debt securities which do not have a quoted market price in an active market, fair value is measured at discounted estimated future cash flows. The discount rate used is the corresponding rates reflecting the debt securities' credit rating as quoted by a credit rating agency, if any. For investment funds that do not have a quoted market price in an active market, their fair value is the standard selling price as reported by the fund management agent.

Gains and losses arising from changes in the fair value of trading securities are included in the statement of income in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale securities (net of tax) are recognized as other comprehensive income directly in equity. Accumulated other comprehensive income is recognized as profit or loss when the investments are impaired or sold. Subsequently, held-to-maturity investments are carried at amortized cost and interest income is recognized in profit or loss using the effective interest method.

At each reporting date, the Corporation reviews whether events or changes in circumstances indicate that the carrying amount of the investments may not be recoverable. Impairment losses are recognized when the reliably estimated recoverable amounts are less than the carrying amount and it is not obviously evidenced that impairment is unnecessary. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss is recorded and the reversal of an impairment loss does not exceed the carrying amount that would have been determined without having recognized an impairment loss in prior years. The reversal is recognized in profit or loss.

Korea Investment Corporation
Notes to the Financial Statements
For the years ended December 31, 2014 and 2013
(In thousands of Korean won)

3. Significant Accounting Policies, continued

(3) Investments in associates and subsidiaries

Investments in associates and subsidiaries on which the Corporation has the ability to significantly influence the financial and operating policies are accounted for using the equity method and are initially recognized at cost. The Corporation's share of its post-acquisition profits or losses in investments in associates and subsidiaries is recognized in the statement of income, and its share of post-acquisition movements in equity is recognized in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of each investment. When the Corporation's share of losses in an associate or subsidiary equals or exceeds its interest in the associate or subsidiary, including preferred stock or other long term loans and receivables issued by the associate or subsidiary, the Corporation does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate or subsidiary.

Unrealized gains on transactions between the Corporation and its investees using the equity method ('associates') that are not subsidiaries are eliminated to the extent of the Corporation's interest in each associate.

If an associate or a subsidiary uses accounting policies or estimates other than those of the Corporation for like transactions and events in similar circumstances, the Corporation makes appropriate adjustments to conform the associate's or subsidiary's accounting policies to those of the Corporation when they are accounted for by the Corporation using the equity method. However, in the event that accounting policies and estimates differ due to the application of Article 31 of Exceptions to Accounting for Small and Medium-Sized Entities or K-IFRS, no adjustments are made.

(4) Property and equipment

Property and equipment are initially measured at cost. The cost of property and equipment includes the expenditures arising directly from the construction or acquisition of the asset, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Assets acquired through investment in kind or donations are recorded at their fair value upon acquisition. For assets acquired in exchange for a non-monetary asset, the fair value of the asset given up is used to measure the cost of the asset received unless the fair value of the asset received is more clearly evident.

Significant expenditures or improvements extending the useful life of assets are capitalized. Normal maintenance and repairs are charged to expense as incurred.

Subsequent to initial recognition, an item of property and equipment is carried at its cost less accumulated depreciation and accumulated impairment losses, if any. The estimated useful lives and depreciation method for the current and comparative years are as follows:

	<u>Useful lives</u>	<u>Depreciation method</u>
Computer equipment	4~5 years	Straight-line method
Office equipment	5 years	Straight-line method

Korea Investment Corporation
Notes to the Financial Statements
For the years ended December 31, 2014 and 2013
(In thousands of Korean won)

3. Significant Accounting Policies, continued

(5) Intangible assets

Cost of intangible assets except for goodwill includes expenditures arising directly from the construction or acquisition of the asset and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent to initial recognition, the intangible assets are measured at cost less any accumulated amortization. Intangible assets are amortized using the straight-line method over the estimated useful lives of five years (residual value is presumed to be zero).

(6) Revenue recognition

The Corporation's revenue primarily consists of investment management fees. The Corporation recognizes the revenue in the statement of income when all of the following conditions are met:

- the amount of revenue can be measured reliably, and
- it is probable that the economic benefits associated with the transaction will flow into the Corporation.

(7) Allowance for doubtful accounts

The Corporation provides an allowance for bad debts based on the estimated collectability of the receivable in accordance with the Regulation on the Financial Investment Services. As of December 31, 2014, the percentage of loss by risk classification applied in order to determine the allowance for bad debts are as follows:

<u>Classification</u>	<u>Percentage of Loss</u>
Normal	0.5%
Precautionary	2%
Substandard	20%
Doubtful	75%
Estimated loss	100%

(8) Retirement and severance benefits

The Corporation selectively operates a defined benefit pension plan and a defined contribution pension plan for employees who have been with the Corporation for more than one year.

Based on the defined benefit pension plan, each eligible employee receives a fixed amount of pension after retirement. Until employees retire, the Corporation's estimated liability under the plan, which would be payable if all employees left at the end of the reporting period, is accrued in the accompanying statements of financial position. If an employee selected the pension plan upon retirement, the Corporation accrues estimated benefits based on actuarial assumptions measured at the end of the reporting period at the discounted present value. The asset managed by retirement pension plan is reflected in the accompanying statements of financial position as a reduction of the liability for retirement and severance benefits

Meanwhile, the Corporation recognizes the contribution payable to a defined contribution plan in exchange for that service as an expense.

Korea Investment Corporation
Notes to the Financial Statements
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(In thousands of Korean won)

3. Significant Accounting Policies, continued

(9) Income taxes

Income tax on the income or loss for the year comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using enacted tax rates. Deferred tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period.

Changes in deferred taxes due to a change in the tax rate, except for those related to items initially recognized outside profit or loss, are recognized as profit or loss in the current year.

(10) Foreign currency transactions

① Functional and presentation currency

These financial statements are presented in Korean won, which is the Corporation's functional currency and the currency of the primary economic environment in which the Corporation operates.

② Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Corporation at exchange rates at the dates of the transactions. Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currency are retranslated to the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date, and resulting translation gains or losses are recognized in profit and loss.

Korea Investment Corporation
Notes to the Financial Statements
For the years ended December 31, 2014 and 2013
(In thousands of Korean won)

4. Cash and Due from Banks

Cash and due from banks as of December 31, 2014 and 2013 were as follows:

	<u>Annual interest rate (%)</u>		<u>2014</u>	<u>2013</u>
Cash and cash equivalents				
Money market deposit accounts	1.38	₩	108,458	134,381
Money market trust	2.04 ~ 2.09		9,154,285	-
Ordinary deposits	0.10		56,621	10,725
Foreign currency deposits	0 ~ 0.10		2,420,569	1,462,887
			<u>11,739,933</u>	<u>1,607,993</u>
Time deposits	2.23 ~ 3.02		<u>124,000,000</u>	<u>116,000,000</u>
		₩	<u>135,739,933</u>	<u>117,607,993</u>

5. Held-to-maturity Securities

The amortized costs of held-to-maturity securities as of December 31, 2014 and 2013 are summarized as follows:

		<u>2014</u>	<u>2013</u>
Derivatives linked bond	₩	8,143,606	-

During 2014, interest income for debt securities amounted to ₩143,605 thousand.

Maturity information of held-to-maturity as of December 31, 2014 and 2013 are as follows:

		<u>2014</u>	<u>2013</u>
Within 1 year	₩	8,143,606	-

Korea Investment Corporation
Notes to the Financial Statements
For the years ended December 31, 2014 and 2013
(In thousands of Korean won)

6. Investments in Associates and Subsidiaries

Investments in companies accounted for using the equity method as of December 31, 2014 are summarized as follows:

		2014		
		Percentage of ownership	Acquisition cost	Book value
K-REALTY VI	₩	40%	16,000,000	16,219,397
IGIS No. 43		50%	3,200,000	3,200,000

Changes in the balances of investments in companies accounted for using the equity method of accounting for the year ended December 31, 2014 were as follows:

		2014			
		Beginning balance	Acquisition	Equity gain	Book value
K-REALTY VI	₩	-	16,000,000	219,397	16,219,397
IGIS No. 43		-	3,200,000	-	3,200,000
	₩	-	19,200,000	219,397	19,419,397

Financial information of equity-accounted investments, which represents 100% of the entities' balances as of and for the year ended December 31, 2014 is summarized as follows:

		2014			
		Total assets	Total liabilities	Operating revenue	Net income
K-REALTY VI	₩	98,723,866	58,461,052	1,287,185	307,369
IGIS No. 43		6,400,000	-	-	-

Korea Investment Corporation
Notes to the Financial Statements
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7. Property and Equipment

Changes in property and equipment for the years ended December 31, 2014 and 2013 were as follows:

		2014				
		<u>Beginning balance</u>	<u>Acquisition</u>	<u>Disposal (*)</u>	<u>Depreciation</u>	<u>Ending balance</u>
Computer equipment	₩	1,239,936	745,679	(2,752)	(458,419)	1,524,444
Office equipment		423,270	430,299	(5,896)	(161,357)	686,316
Leasehold assets		-	2,757	-	(46)	2,711
	₩	<u>1,663,206</u>	<u>1,178,735</u>	<u>(8,648)</u>	<u>(619,822)</u>	<u>2,213,471</u>

(*) Fully-depreciated computer equipment and office equipment were disposed for the year ended December 31, 2014. Its acquisition cost were ₩150,879 thousand and ₩35,807 thousand.

		2013				
		<u>Beginning balance</u>	<u>Acquisition</u>	<u>Disposal (*)</u>	<u>Depreciation</u>	<u>Ending balance</u>
Computer equipment	₩	1,100,693	516,703	-	(377,460)	1,239,936
Office equipment		445,463	105,655	-	(127,848)	423,270
	₩	<u>1,546,156</u>	<u>622,358</u>	<u>-</u>	<u>(505,308)</u>	<u>1,663,206</u>

(*) Fully-depreciated computer equipment, office equipment and leasehold improvement were disposed for the year ended December 31, 2013. Each acquisition cost of these was ₩198,184 thousand, ₩203,403 thousand and ₩772,982 thousand at the disposition date, respectively. Total gain on disposition of property and equipment of ₩665 thousand was recognized for the year ended December 31, 2013.

Korea Investment Corporation
Notes to the Financial Statements
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8. Insured Assets

Insurance contract maintained by the Corporation as of December 31, 2014 were as follows:

Category of insurance	Classification	Insured assets	Book value	Insured amount	Insurance company
Movables comprehensive insurance	Korea	Computer equipment	₩ 1,424,818	3,141,717	HeungKuk Fire & Marine Insurance
		Office equipment	363,455	871,500	
	New York	Computer equipment	66,053	USD 100,000	Samsung Fire and Marine Insurance
		Office equipment	274,987		
	London	Computer equipment	33,572	GBP 53,396	Iprism
		Office equipment	47,875	GBP 106,792	

9. Intangible Assets

Changes in intangible assets for the years ended December 31, 2014 and 2013 were as follows:

		Development costs	Other intangible assets	Total
Net balance at the beginning of 2014	₩	309,482	830,711	1,140,193
Additions		261,965	318,140	580,105
Amortization (*)		(182,352)	(275,986)	(458,338)
Net balance at the end of 2014	₩	389,095	872,865	1,261,960
Net balance at the beginning of 2013	₩	461,547	705,345	1,166,892
Additions		-	344,613	344,613
Amortization (*)		(152,065)	(219,247)	(371,312)
Net balance at the end of 2013	₩	309,482	830,711	1,140,193

(*) Amortization cost is reflected in the general and administrative expenses of the statements of income.

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10. Retirement and Severance Benefits

Changes in retirement and severance benefits for the years ended December 31, 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Provision for retirement and severance benefits at beginning of year	₩ 3,927,513	2,749,270
Payments	(284,412)	(250,676)
Accrual for retirement and severance benefits	1,619,249	1,428,919
Provision for retirement and severance benefits at end of year	<u>₩ 5,262,350</u>	<u>3,927,513</u>

Pension plan assets as of December 31, 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Time deposits	₩ -	336,614
Available-for-sale securities	3,663,269	994,889
Others	64	913,983
	<u>₩ 3,663,333</u>	<u>2,245,486</u>

Changes in pension plan assets for the years ended December 31, 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Beginning balance	₩ 2,245,486	1,872,176
Increase	1,579,075	597,408
Decrease	(161,228)	(224,098)
Ending balance	<u>₩ 3,663,333</u>	<u>2,245,486</u>

The expenses related to defined contribution plan recognized for the years ended December 31, 2014 and 2013 were ₩114,970 thousand and ₩91,208 thousand, respectively.

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11. Assets and Liabilities Denominated in Foreign Currencies

Assets and liabilities denominated in foreign currencies as of December 31, 2014 were as follows:

		<u>Foreign currency</u>		<u>Exchange rate</u>		<u>Translation into won</u>
Assets						
Deposits	USD	2,071,151	₩	1,099.20	₩	2,276,609
	GBP	84,164		1,710.47		143,960
Accrued income	USD	84,253,021		1,099.20		92,610,921
					₩	<u>95,031,490</u>
Liabilities						
Accounts payable	USD	443,740		1,099.20	₩	487,759
	GBP	12,707		1,710.47		21,736
Accrued expenses	USD	18,310,012		1,099.20		20,126,365
	GBP	3,333		1,710.47		5,701
					₩	<u>20,641,561</u>

In relation to the foreign currency translations, the Corporation recognized operating revenue of ₩547,435 thousand and operating expenses of ₩234,997 thousand for the year ended December 31, 2014.

Assets and liabilities denominated in foreign currencies as of December 31, 2013 were as follows:

		<u>Foreign currency</u>		<u>Exchange rate</u>		<u>Translation into won</u>
Assets						
Deposits	USD	1,215,647	₩	1,055.30	₩	1,282,872
	GBP	103,417		1,740.66		180,015
Accrued income	USD	50,257,983		1,055.30		53,037,249
					₩	<u>54,500,136</u>
Liabilities						
Accounts payable	USD	73,263		1,055.30	₩	77,315
	GBP	25,907		1,740.66		45,095
Accrued expenses	USD	17,593,757		1,055.30		18,566,691
	GBP	3,647		1,740.66		6,348
					₩	<u>18,695,449</u>

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12. Commitments and Contingencies

As of December 31, 2014, the Corporation maintains investment management agreements with the Bank of Korea and Ministry of Strategy and Finance, and sub-investment management agreements with BlackRock International Limited and others. Total entrusted assets related to these agreements amounted to USD 84,678,557,872 as of December 31, 2014.

There were no pending litigations as of December 31, 2014.

13. Capital

The capital and investor as of December 31, 2014 were as follows:

<u>Investor</u>	₩	<u>Capital</u>
Ministry of Strategy and Finance		100,000,000

According to the Korea Investment Corporation Act, the authorized capital of the Corporation is ₩1 trillion and the Government is to invest the full amount. The time and investment method of the capital contribution will be decided by the Minister of Strategy and Finance.

14. Retained Earnings

Retained earnings as of December 31, 2014 and 2013 were as follows:

		<u>2014</u>	<u>2013</u>
Earning reserve (*)	₩	14,857,549	12,384,582
Voluntary reserve		53,751,587	43,894,879
Unappropriated retained earnings		<u>51,385,709</u>	<u>24,729,675</u>
Total retained earnings	₩	<u>119,994,845</u>	<u>81,009,136</u>

(*) According to Article 41 of the articles of incorporation, the Corporation is required to reserve at least 10% of net income for each period until the reserve equals half of its capital.

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14. Retained Earnings, Continued

Statements of appropriation of retained earnings for the years ended December 31, 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Unappropriated retained earnings		
Balance at the beginning of year	₩ -	-
Cumulative effect of change in accounting standards	-	-
Net income for the year	<u>51,385,709</u>	<u>24,729,675</u>
Balance at the end of year before appropriation	<u>₩ 51,385,709</u>	<u>24,729,675</u>
Appropriation of retained earnings		
Earning reserve	₩ 5,138,571	2,472,967
Voluntary reserve	10,247,138	9,856,708
Dividends (*)	<u>36,000,000</u>	<u>12,400,000</u>
Unappropriated retained earnings to be carried over to subsequent year	<u>₩ -</u>	<u>-</u>

(*) The Corporation's dividend ratio for the years ended December 31, 2014 and 2013 are 70.06% and 50.14%, respectively.

15. Income Taxes

The components of income tax expense for the years ended December 31, 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Current tax expense	₩ 16,139,074	7,897,008
Changes in deferred tax from temporary differences	<u>(355,514)</u>	<u>(347,183)</u>
Income tax expense	<u>₩ 15,783,560</u>	<u>7,549,825</u>

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15. Income Taxes, continued

The income tax expense calculated by applying statutory tax rates to the Corporation's income before income taxes for the year differs from the actual tax expense in the statements of income for the years ended December 31, 2014 and 2013 for the following reasons:

		<u>2014</u>	<u>2013</u>
Income before income tax	₩	67,169,269	32,279,500
Income tax expense at statutory tax rates		15,792,963	7,349,639
Tax effects of permanent differences		3,703	20,382
Investment tax credit		(16,084)	(4,753)
Supplementary payment of income taxes		-	184,155
Other adjustments		2,978	402
Income tax expense	₩	<u>15,783,560</u>	<u>7,549,825</u>
Effective tax rate		23.50%	23.39%

Changes in temporary differences for the year ended December 31, 2014 and deferred tax assets as of December 31, 2014 were as follows:

		<u>Beginning balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending balance</u>	<u>Deferred tax assets</u>
Appropriation for retirement	₩	1,110,223	(17,768)	-	1,092,455	264,374
Accrued expenses		4,812,363	6,645,342	4,812,303	6,645,402	1,608,188
Held-to-maturity		-	(143,605)	-	(143,605)	(34,753)
Securities under equity method		-	(219,397)	-	(219,397)	(53,094)
Property and equipment		220,161	92,319	66,565	245,915	59,511
Allowance for bad debt		8,958	-	8,958	-	-
	₩	<u>6,151,705</u>	<u>6,356,891</u>	<u>4,887,826</u>	<u>7,620,770</u>	<u>1,844,226</u>

Changes in temporary differences for the year ended December 31, 2013 and deferred tax assets as of December 31, 2013 were as follows:

		<u>Beginning balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending balance</u>	<u>Deferred tax assets</u>
Appropriation for retirement	₩	360,090	798,901	48,768	1,110,223	268,674
Accrued expenses		4,174,086	4,812,303	4,174,026	4,812,363	1,164,592
Property and equipment		177,842	92,698	50,379	220,161	53,279
Allowance for bad debt		5,050	8,958	5,050	8,958	2,168
	₩	<u>4,717,068</u>	<u>5,712,860</u>	<u>4,278,223</u>	<u>6,151,705</u>	<u>1,488,713</u>

Deferred tax assets have been recognized as the Corporation has determined it is probable that future profits will be available against which the Corporation can utilize the related benefit.

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16. Related Party Transactions

Details of related party as of December 31, 2014 were as follows:

<u>Related party</u>	<u>Relationship</u>
Ministry of Strategy and Finance	Investor

Account balances with a related party as of December 31, 2014 and 2013 were as follows:

	<u>Account</u>		<u>2014</u>	<u>2013</u>
Ministry of Strategy and Finance	Accrued income	₩	56,994,717	43,312,356

Significant transactions which occurred in the normal course of business with the related party for the years ended December 31, 2014 and 2013 are as follows:

	<u>Account</u>		<u>2014</u>	<u>2013</u>
Ministry of Strategy and Finance	Investment management fees	₩	115,121,185	93,766,322

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17. General and Administrative Expenses

Details of general and administrative expenses for the years ended December 31, 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Salaries and wages	₩ 21,376,561	16,282,379
Accrual for retirement and severance benefits	1,734,218	1,520,127
Other employee benefits	3,504,703	3,022,316
Advertising	308,642	109,910
Travel	1,401,138	1,243,667
Communications	168,592	129,980
Computer system operation expenses	784,589	679,858
Taxes and dues	213,531	194,654
Rental expenses	3,047,000	2,668,659
Other service fees	691,482	1,027,155
Depreciation	619,822	505,308
Amortization	458,338	371,312
Business development expenses	126,034	138,884
Business meetings	271,988	284,404
Printings	74,907	53,385
Vehicle maintenance expenses	260,572	220,143
Supplies	102,512	90,297
Repairs and maintenance	115,450	114,753
Utilities	1,121,674	928,674
Insurance	72,593	74,103
Legal expenses	2,940	328
Event expenses	309,954	98,074
Research expenses	4,745,175	4,500,066
Training	297,933	341,758
Books and periodicals	31,938	30,524
Prize	2,400	6,228
Bad debt expenses	188,485	110,583
	<u>₩ 42,033,171</u>	<u>34,747,529</u>

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18. Value Added Information

Details of accounts included in the computation of value added for the years ended December 31, 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Salaries and wages	₩ 21,376,561	16,282,379
Accrual for retirement and severance benefits	1,734,218	1,520,127
Other employee benefits	3,504,703	3,022,316
Taxes and dues	213,531	194,654
Rental expenses	3,047,000	2,668,659
Depreciation	619,822	505,308
Amortization	458,338	371,312

19. Date of Authorization for issue

The Corporation's financial statements were authorized for issue on March 19, 2015, at a Board of Directors meeting, which will be submitted for approval to the Steering Committee to be held on March 25, 2015.