



NO CHANGES TO KEPPEL-KBS US REIT STRUCTURE ARE EXPECTED AS A RESULT OF US TAX REGULATIONS

Keppel-KBS US REIT Management Pte. Ltd., as manager of Keppel-KBS US REIT (the “**Manager**”), previously on 2 January 2018 announced certain changes to its holding structure in order to address changes to the United States Internal Revenue Code (“**IRC**”) generally effective from and after 1 January 2018. Specifically, among other changes, Keppel-KBS US REIT established a Barbados holding company structure for its intercompany financing of Keppel-KBS US Parent REIT, Inc. to address the potential impact of the newly-enacted Section 267A of the IRC (“**Section 267A**”) on the deductibility of certain interest expense for taxable years beginning after 31 December 2017.

On 20 December 2018, the United States Department of the Treasury released proposed regulations under Section 267A (the “**Proposed 267A Regulations**”). Separately, on 20 November 2018, the Government of Barbados has announced that Barbados will converge its local and international tax rates. It was proposed that from 1 January 2019, domestic companies will pay the same tax rates as international companies, on a sliding scale of 5.5%, reducing to 1.0% as taxable income increases (the “**Proposed Barbados Tax Rates**”). The current tax paid or payable by Keppel-KBS US REIT in Barbados is approximately 1.2% of distributable income for the financial period from 1 January 2018 to 30 September 2018. Under the Proposed Barbados Tax Rates, the Manager expects the additional tax expense will not be more than 1% of the distributable income. The Manager will continue to review various tax planning alternatives to mitigate any future tax impact.

The Proposed 267A Regulations together with the Barbados Tax Changes are not expected to necessitate any further changes to Keppel-KBS US REIT’s structure (including Barbados entities set-up on 1 January 2018) in order to preserve the deductibility of interest paid on Keppel-KBS US REIT’s intercompany financing arrangements. As such, the Manager currently expects that the Proposed 267A Regulations together with the Barbados Tax Changes will not have any material impact on the consolidated net tangible assets or distributions per unit of Keppel-KBS US REIT.

Keppel-KBS US REIT cautions that the Proposed 267A Regulations are still in proposed form. Final regulations under Section 267A, expected to be effective as of 1 January 2018, could differ materially from the Proposed 267A Regulations and could result in additional costs. The United States Department of the Treasury has stated that it expects final regulations under Section 267A to be promulgated by 22 June 2019. Further, additional guidance or negative application of relevant tax laws related to Section 267A could have a material impact on the consolidated net tangible assets or distributions per unit of Keppel-KBS US REIT. The Manager will update unitholders of Keppel-KBS US REIT if there is any material impact on Keppel-KBS US REIT and/or

<p>DBS Bank Ltd. was the sole financial adviser and issue manager for the initial public offering of Keppel-KBS US REIT (the “Offering”). DBS Bank Ltd., Citigroup Global Markets Singapore Pte. Ltd., Credit Suisse (Singapore) Limited and Merrill Lynch (Singapore) Pte. Ltd. were the joint bookrunners and underwriters for the Offering.</p>

its unitholders arising from the issuance of final regulations, additional guidance, or other application of tax laws in the tax jurisdictions that Keppel-KBS US REIT operates.

By Order of the Board
Keppel-KBS US REIT Management Pte. Ltd.
(Company Registration Number: 201719652G)
as manager of Keppel-KBS US REIT

Kelvin Chua
Company Secretary
27 December 2018

IMPORTANT NOTICE

This announcement is for information purposes only and does not constitute or form part of an offer, invitation or solicitation of any securities of Keppel-KBS US REIT in Singapore or any other jurisdiction nor should it or any part of it form the basis of, or be relied upon in connection with, any contract or commitment whatsoever.

The value of the Units and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, the Manager, Perpetual (Asia) Limited, in its capacity as trustee of Keppel-KBS US REIT, Keppel Capital Holdings Pte. Ltd. and KBS Pacific Advisors Pte. Ltd., as the sponsors of Keppel-KBS US REIT, or any of their respective affiliates.

An investment in the Units is subject to investment risks, including the possible loss of the principal amount invested. Unitholders have no right to request that the Manager redeem or purchase their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units. The past performance of Keppel-KBS US REIT is not necessarily indicative of the future performance of Keppel-KBS US REIT.

This announcement may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses (including employee wages, benefits and training costs), property expenses and governmental and public policy changes. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's view of future events.