

Korean Reinsurance Company



Business Performance & Strategy

Separate Financial Result
as of December 2018



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1.1 Korean Re Key Facts

History

- **1963** : Established as Korean non-life reinsurance corporation (state run company)
- **1978** : Privatized & listed in the Korean stock market
- **2011** : Credit rating upgraded from A.M. Best 「A-」 to 「A (Stable)」 in Feb. 2011
- **2014** : Credit rating upgraded from Standard & Poor's 「A-」 to 「A (Stable)」 in Oct. 2014
- **2018** : **Top 10th reinsurer**(FY2017) in the global reinsurance market

Employee

- **Total employee** : 350+

Organization

- **Headquarter** : Total 21 teams
(7 underwriting teams / 1 investment team / 13 administrative teams)
- **International** : 3 branches (Singapore, Labuan, Dubai)
2 subsidiaries (Hong Kong, London)
4 liaison offices (Beijing, Tokyo, New York, London)

1.2 Global Network Channel at a glance



- **Continuous expansion of global network to explore new market opportunities**
 - Newly set up the “Global Project Team” in July 2017, which is exclusively responsible for overseas office establishment plans
- **Newly set up Korean Re U/W Ltd.(Mar. 2015), Malaysia Labuan branch(July 2017) and Dubai DIFC branch(Dec. 2017)**
- **Ongoing overseas branch establishment plans**
 - Set up for Shanghai Branch in China and a subsidiary in Switzerland will be finalized within 2019

1.3 Global Reinsurers [FY 2017 Gross Premiums]

(Unit : USD Bil.)

Ranking	Name	Gross Premiums	A.M. Best Rating	S&P Rating
1	Munich Re (Germany)	37.8	A+	AA-
2	Swiss Re (Switzerland)	34.8	A+	AA-
3	Berkshire Hathaway (USA)	22.7	A++	AA+
4	Hannover Re (Germany)	21.3	A+	AA-
5	SCOR SE (France)	17.7	A+	AA-
6	Lloyd's (UK)	14.3	A	A+
7	RGA Inc. (USA)	10.7	A+	AA-
8	China Reinsurance Group (China)	10.4	A	A
9	Great West Lifeco (Canada)	7.9	A+	AA
10	Korean Re (South Korea)	6.8	A	A

※ Source : A.M. Best, S&P (Sep. 2018)

■ A.M. Best credit rating upgraded from 「A-」to 「A (stable)」in February 2011

■ S&P credit rating upgraded from 「A-」to 「A (stable)」in October 2014

■ Ranking development: '98 : 32nd → '05 : 15th → '08 : 13th → '**14 : 11th** → '**16 : 10th**

1.4 Comparison of Korean Corporate Ratings

■ Manufacturing and others

Corporate Name	S&P Rating	Corporate Name	S&P Rating
Korea Electric Power	AA	Hyundai Glovis	BBB+
Samsung Electronics	AA-	GS Caltex	BBB+
SK Telecom	A-	E-MART	BBB
KT	A-	S-Oil	BBB
LG Chemical	A-	KCC	BBB
Hyundai / Kia Motors	BBB+	Hyundai Steel	BBB
Hyundai Mobis	BBB+	SK E&S	BBB
POSCO	BBB+	LG Electronics	BBB
SK Innovation	BBB+	SK Hynix	BBB-
SK Global Chemical	BBB+	Doosan Bobcat Inc.	BB-

■ Insurance

Corporate Name	S&P Rating
Samsung F&M	AA-
Seoul Guarantee Ins.	A+
Korean Re	A
Hanwha General Ins.	A
DB Insurance	A
Hyundai M&F	A-
KB Insurance	NR
Samsung Life	NR
Hanwha Life	NR
Kyobo Life	NR

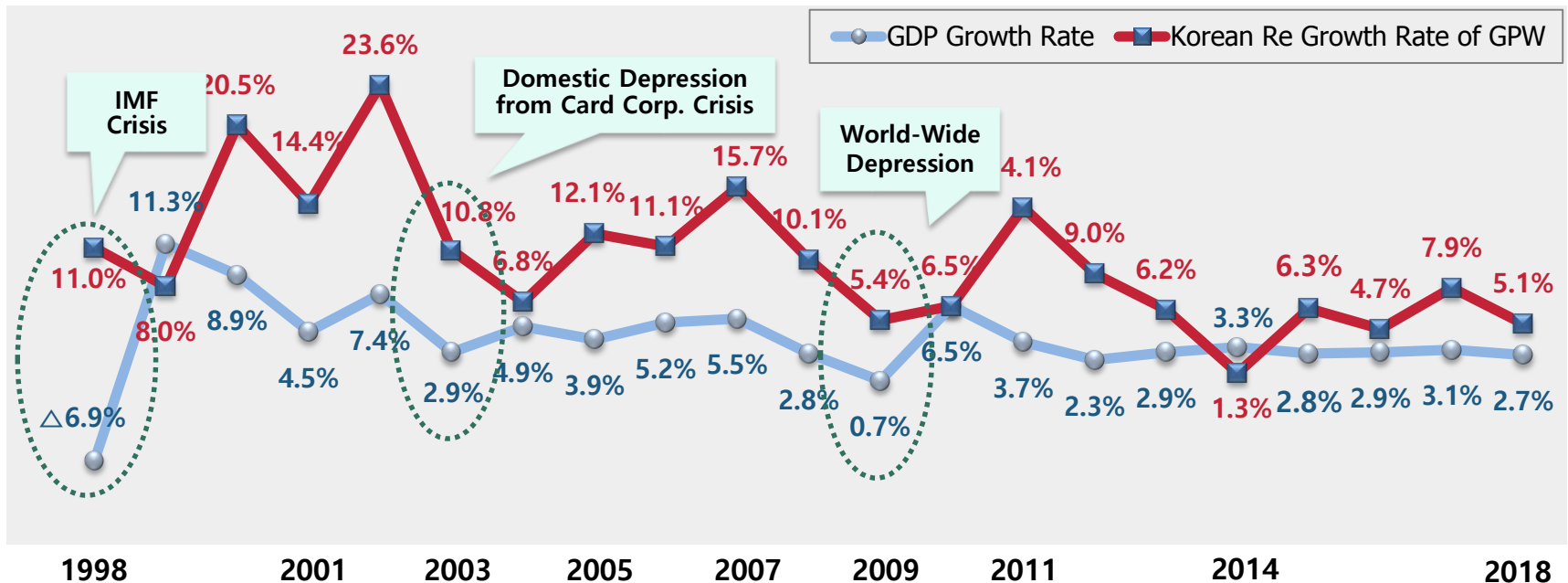
※ Source : S&P (2018)

■ **Companies focusing on global business require international credit ratings**

■ **Only a few corporations* have a higher credit rating than Korean Re**

* Samsung Group and Public/State-owned companies

1.5 Growth Trend & Prospect



■ Average Korean Re GPW growth rate > Average Korea GDP growth rate

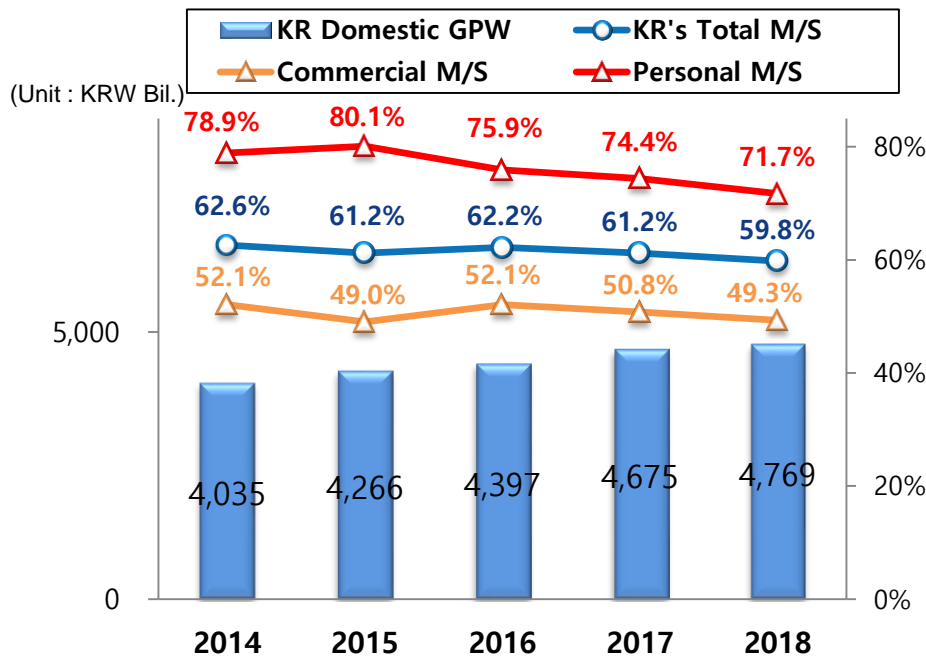
- 2018 Korean Re GPW Growth Rate : 5.1%
- ⇒ Despite persisting low domestic growth & soft market trend, Korean Re increased new accounts from personal & overseas business

■ Main growth engines

- Exploring new markets of cooperatives, casualty and government insurance, etc.
- Strengthening technical services by co-development of new products responding to market needs

1.6 Dominant Domestic Market Position

- Reduction of Personal Lines On Purpose



(Unit : KRW Bil.)

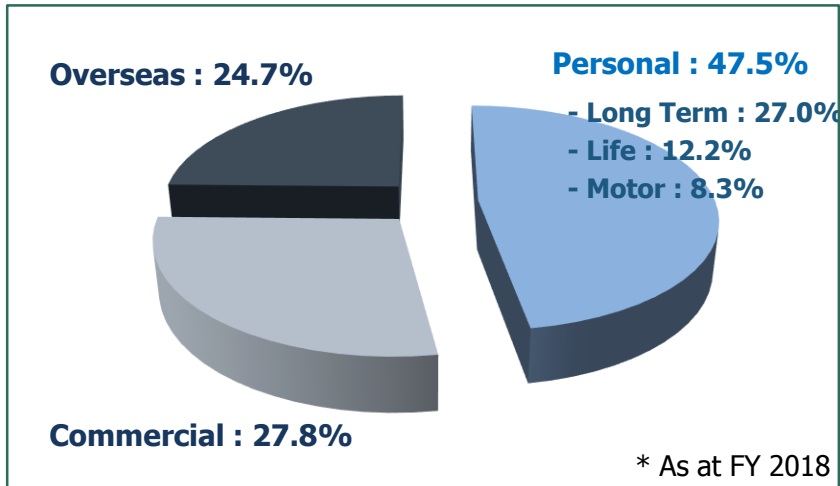
Item	2014	2015	2016	2017	2018
Korean Reins. Mkt.	6,448	6,966	7,070	7,637	7,980
Korean Re's GPW	4,035	4,266	4,397	4,675	4,769
Korean Re M/S	62.6%	61.2%	62.2%	61.2%	59.8%
Commercial	52.1%	49.0%	52.1%	50.8%	49.3%
Personal	78.9%	80.1%	75.9%	74.4%	71.7%

■ Dominant market position in Korean non-life reinsurance

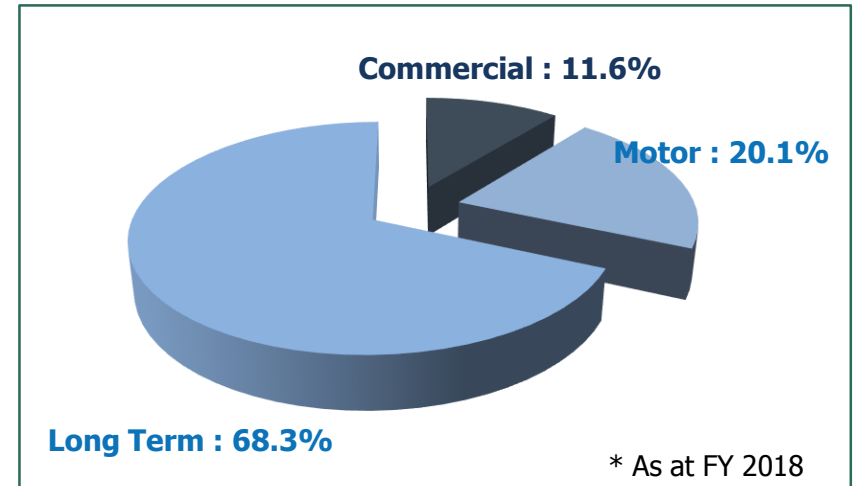
- Korean Re's domestic GPW shows a stable growth (5 year average : 4.3%)
- Expect to maintain the dominant position around 60% of M/S
- Reduction of Personal M/S for the recent years
 - Set the limit of growth in preparation for introduction of new accounting standards
 - Decline of high-risk products (ex. dementia, dental and pets)

1.7 Underwriting Portfolio Distribution

■ GPW Portion by Line of Business



[Korean Re]



[Korean non-life market]

- The commercial and overseas comprises 52.5% of the total portfolio
- Further diversification has been brought into the business portfolio by the expansion of the overseas portion
⇒ Overseas : [FY'09] 19.3% (KRW 821 Bil.) → [FY'18] 24.7% (KRW 1,862 Bil.)
- The portfolio of personal lines, which has a low possibility of major loss, comprises 47.5% of the total portfolio



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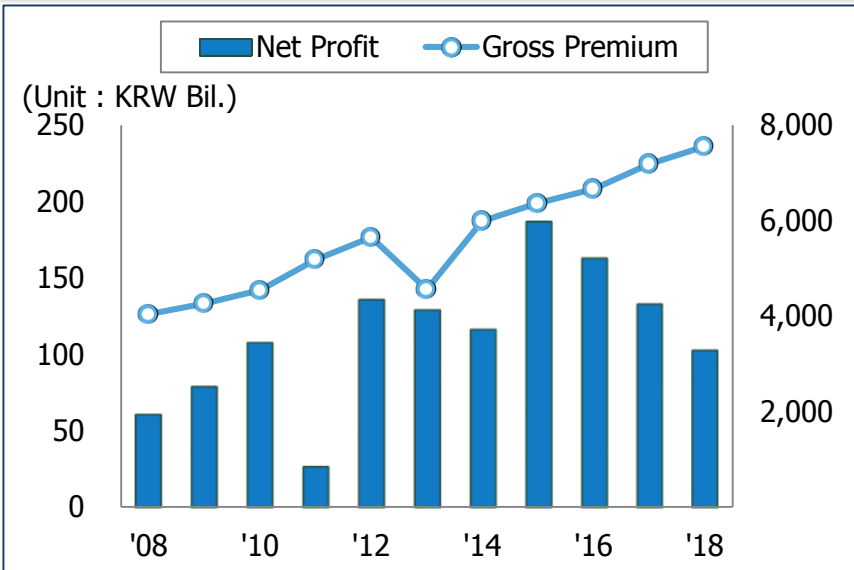
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2.1 Business Results

Financial Snap Shot (2008 ~ 2018)



* FY 2013 : 9 months (2013.4 ~ 12) / Since FY 2011 : IFRS

- **Gross Premium** : 6.5% (10 year average growth)
 - o Consistent growth by pioneering new markets
- **Net Profit** : KRW 117.8 Bil. (10 year average)
 - o Profit-oriented growth and strengthening underwriting guideline
 - * FY2011 : reduced profit by Thai Flood losses
- **Total Asset** : 9.9% (10 year average growth)
 - o KRW 4.2 Tril. (FY2008) → KRW 10.7 Tril. (FY2018)

(Unit : KRW Bil., %)

Item	2008	2010	2012	2014	2016	2018
Gross Premium (Growth Rate)	4,041 (10.1)	4,540 (6.5)	5,646 (9.0)	5,990 (1.3)	6,661 (4.7)	7,554 (5.1)
Net Profit	60.8	107.6	138.2	116.3	162.5	102.7
Total Asset	4,177	4,751	7,339	8,555	9,556	10,730
S&P Rating	A-	A-	A-	A	A	A

2.2 Financial Highlights as of December 2018

(Unit : KRW Bil., %, %p)

Classification	FY 2017	FY 2018	YoY change	
			Amount	Rate
Gross Premiums	7,184.7	7,554.4	369.7	5.1
Net Premiums	5,001.6	5,314.4	312.8	6.3
Underwriting Income	79.4	△36.7	△116.1	-
Combined Ratio	98.3	100.5		2.2
- Loss Ratio	80.0	83.4		3.4
- Expense Ratio	18.3	17.1		△1.2
Investment Income	132.9	173.4	40.5	30.5
Operating Income	194.9	145.4	△49.5	△25.4
Net Income	132.5	102.7	△29.8	△22.5
Operating Assets	5,626.3	5,878.5	252.2	4.5
Total Assets	10,035.8	10,729.6	693.8	6.9
Shareholder's Equity	2,167.1	2,241.1	74.0	3.4
Return on Equity(ROE)	6.4	4.8		△1.6

※ Excluding currency evaluation effect : underwriting income, investment income, combined ratio, loss ratio

※ Based on Separate Financial Statements

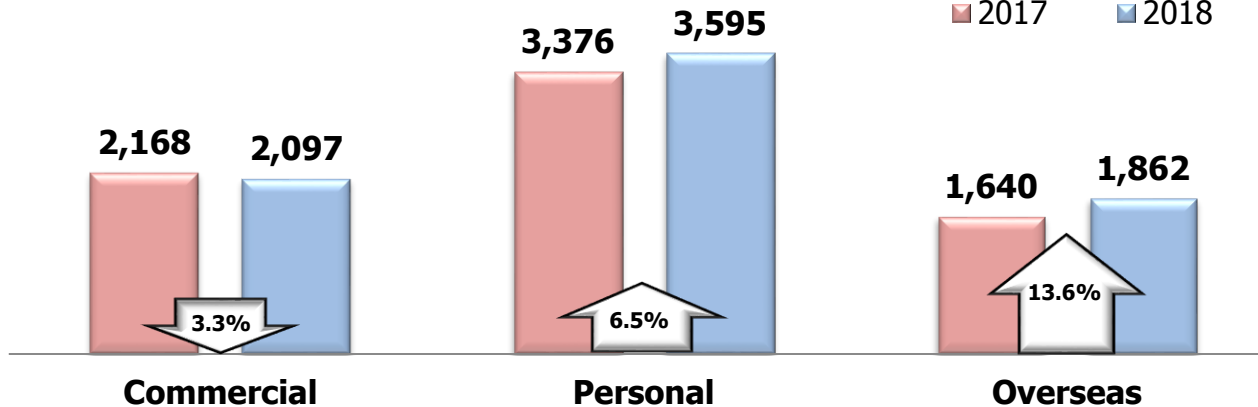
※ Modified ROE (excluding hybrid securities from equity) : 5.3%

2.3 Financial Highlights by business lines

■ Gross Premiums : +5.1%

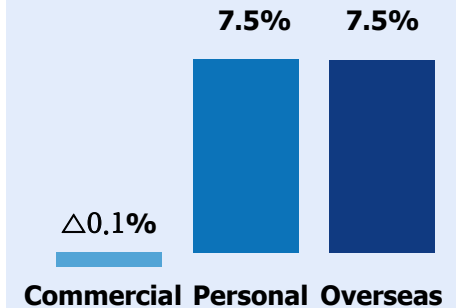
(Unit : KRW Bil.)

■ 2017 ■ 2018

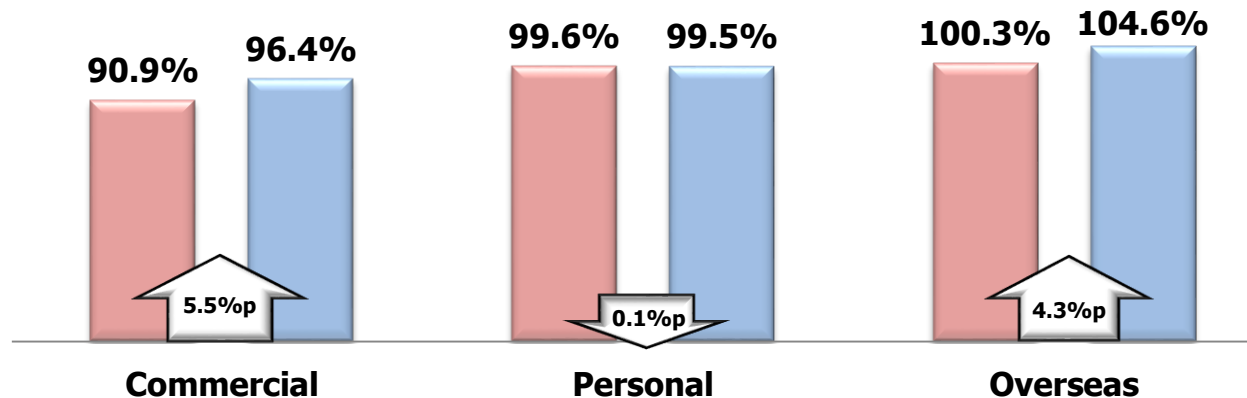


※ Negative growth of commercial line due to P/F reduction of under-performing personal accident line and one-off effect from new accounts of satellite launcher and offshore windfarm insurance in the previous year

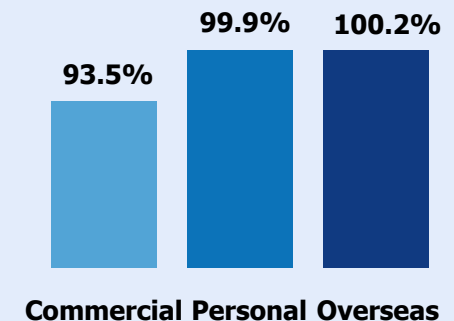
5 year CAGR Gross Premiums



■ Combined Ratio : 98.3% → 100.5% (2.2%p ↑)



5 year average Combined Ratio



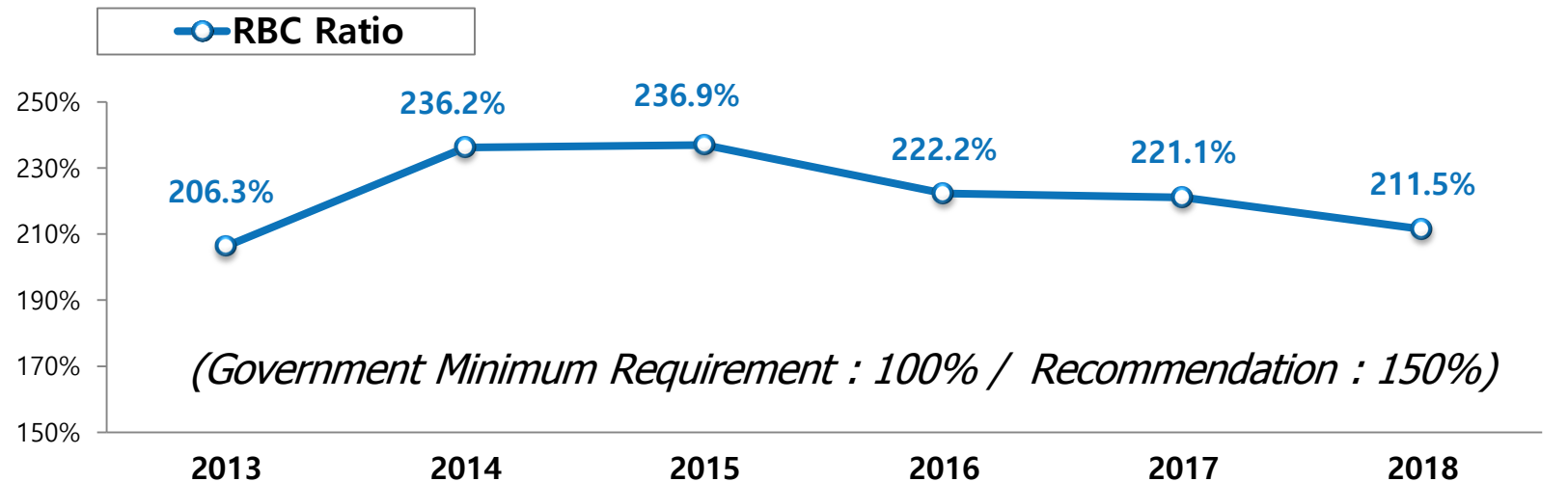
※ Commercial : Increase in the number of attritional losses / Deterioration in livestock ins. by the historical heat wave

※ Overseas : Japan's Typhoon 'JEBI' & 'Trami' (KRW 39.8Bil) / Large number of sizable engineering losses occurred unprecedentedly

2.4 Stable RBC Ratio

■ Strong local solvency ratio

- Despite continuously tightened regulations, we have maintained our RBC ratio well above 200%



(Unit : KRW Bil., %)

Item	2013	2014	2015	2016	2017	2018
Solvency Capital	1,611.0	1,967.9	2,158.8	2,283.4	2,375.9	2,480.2
Risk Based Capital	781.0	833.1	911.3	1,027.5	1,074.8	1,172.9
RBC ratio	206.3	236.2	236.9	222.2	221.1	211.5

※ Increased in 2014 due to the issue of hybrid securities (USD 200 Mil.)

※ RBC ratio in 2016 decreased mainly due to ① unrealized loss on available for sale assets (the rise of interest rates),
② tightened RBC regulation regarding credit risk, and ③ change from separate to consolidated financial results basis



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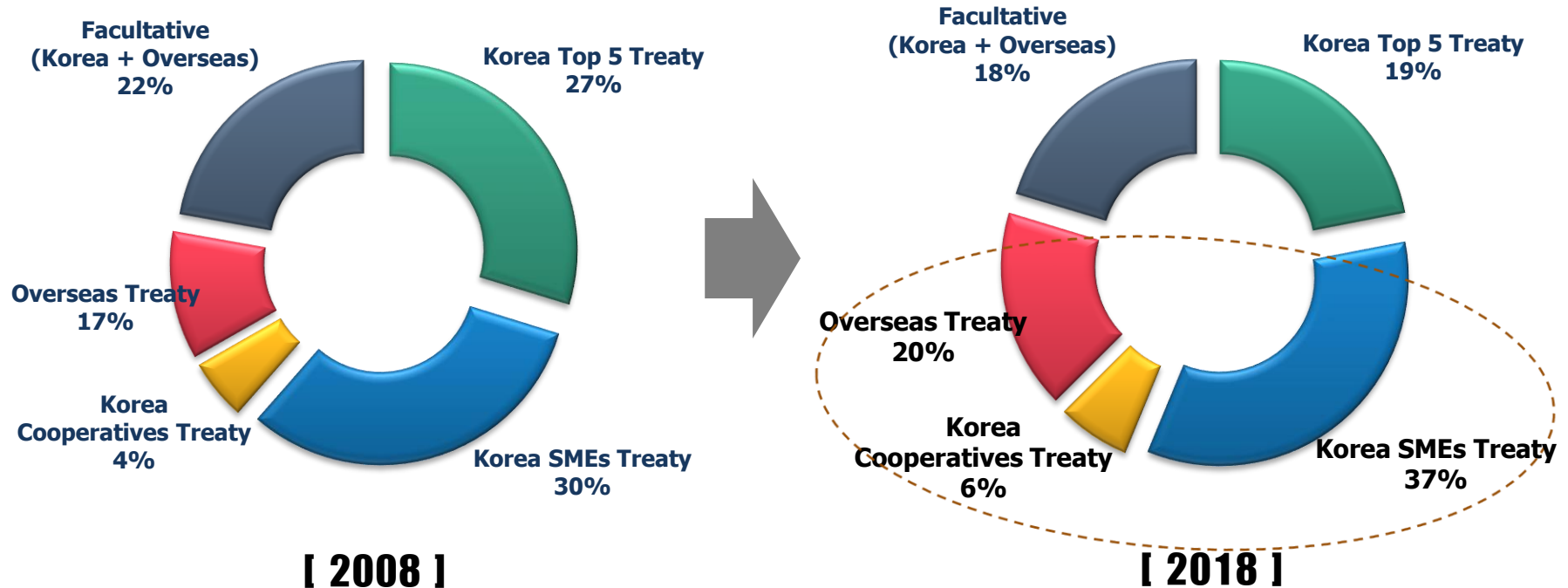
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3.1 Portfolio Diversification



- **Low dependency on top non-life Korean insurers**

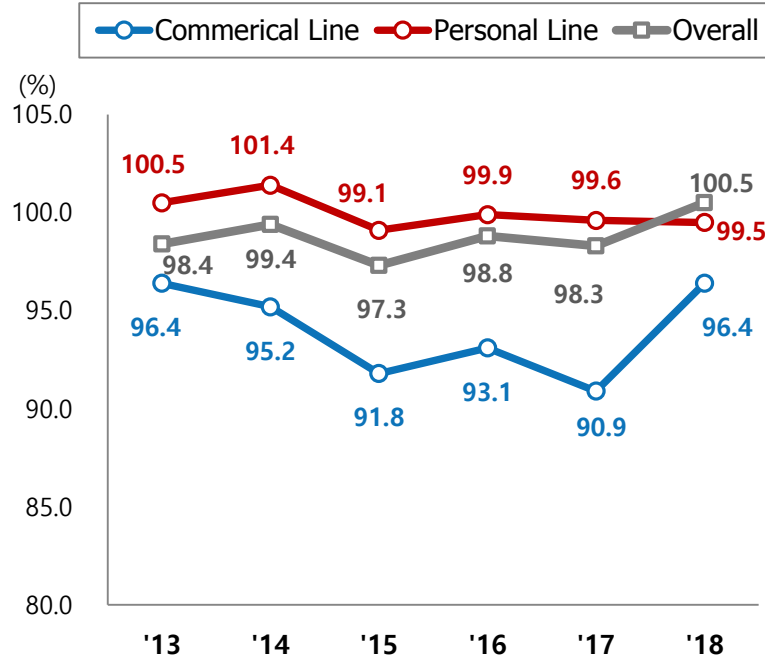
- ex) Samsung Fire & Marine Treaty : 7% (2008) → 3% (2018)

- **Exploration of new markets such as cooperatives & overseas business**

- **Provide full reinsurance support to various SMEs**

3.2 Overall Results

[Combined Ratio]



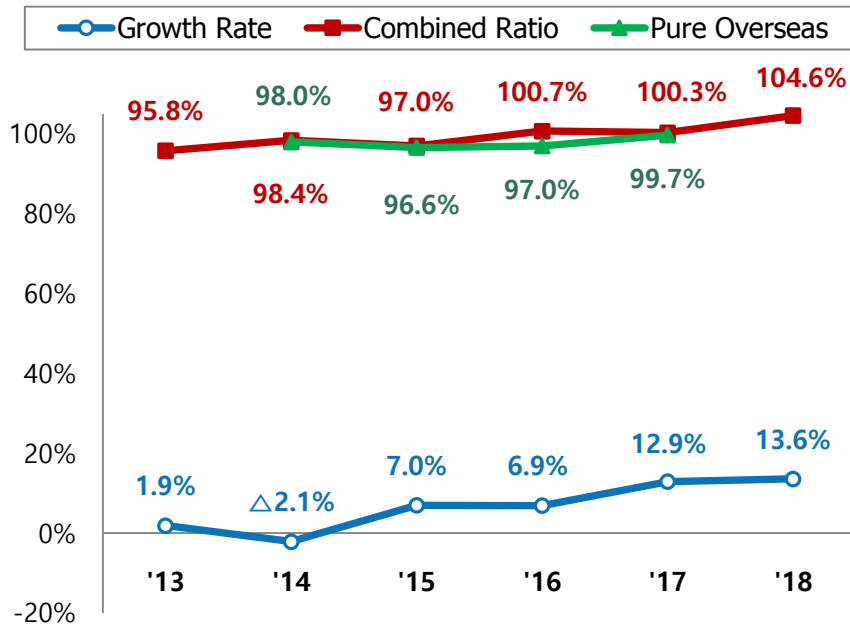
(Unit : %)

Item	2013 (9 months)	2014	2015	2016	2017	2018
Commercial	96.4	95.2	91.8	93.1	90.9	96.4
Personal	100.5	101.4	99.1	99.9	99.6	99.5
Overseas	95.8	98.4	97.0	100.7	100.3	104.6
Combined Ratio	98.4	99.4	97.3	98.8	98.3	100.5
- Loss Ratio	80.2	81.8	80.3	81.4	80.0	83.4
- Expense Ratio	18.2	17.6	17.0	17.4	18.3	17.1

※ Excluding foreign currency evaluation effect

- Profitability-oriented treaty structure : Effective sliding scale and profit commission
- Diversified class portfolio [FY 2018] :
Commercial (28%) / Long term (27%) / Motor (8%) / Life (12%) / Overseas (25%)
- Effective risk optimization per risk & event : Adequate retention with XOL cover by LOB

3.3 Overseas Results



* Excluding foreign currency evaluation effect

* Pure Overseas : excluding Korean Insurance Companies' US Branch Treaties

Major Loss Events

- FY 2016 : Taiwan E.Q., Hurricane Matthew, Netherlands Hail, Southern China Flood, Increase of O/S loss and IBNR regarding Korean Insurance Companies' US Branch Treaties
- FY 2017 : US Hurricanes (Harvey, Irma, Maria), Hongkong Typhoon, Vietnam Typhoon, China Flood
- FY 2018 : Typhoons in Asia (Jebi, Trami, Mangkhut), Increase of number of sizable losses from engineering side which of C/R rose by 55% to 149% compared to the last year

(Unit : KRW Bil.)

Item	2013 (9 months)	2014	2015	2016	2017	2018
Gross premiums written	985.0	1,270.0	1,359.2	1,452.9	1,640.1	1,862.4
(Growth rate)	(1.9%)	(△2.1%)	(7.0%)	(6.9%)	(12.9%)	(13.6%)
Underwriting profit	23.5	15.9	15.1	△6.4	△12.5	△79.5
Combined ratio	95.8%	98.4%	97.0%	100.7%	100.3%	104.6%
- Loss ratio	64.6%	68.4%	65.9%	69.3%	71.6%	76.5%
- Expense ratio	31.2%	30.0%	31.1%	31.4%	28.7%	28.1%

3.4 Post Thai Flood Measures

Reduction of Aggregate Risk

- Q/S treaties on North America (33.5%), Latin America (20.0%), Middle East (5.0%) accounts
- Q/S treaty on facultative accounts (37.0%)
- Reduction of P/F which cover high CAT risk-prone countries
 - Selective renewal in high risk regions (China, Australia, Middle east, etc.)

Increase of Main Excess of Loss Limit

- China : USD 100m (2011.4) → USD 240m (2018.4)
- 4 Countries : USD 50m ~ 90m (2011.4) → USD 140m ~ 240m (2018.4)
- Worldwide : USD 50m (2011.4) → USD 140m (2018.4)

Heightened Awareness of Possible CAT Regions Worldwide

- Meticulous assessment and control of risk accumulation for each and every country
- Continuous risk survey on potential CAT risk countries

3.5 Overseas Portfolio by Business Line

■ Overseas P/F Change

(Unit : %)

Line of biz	2013	2014	2015	2016	2017	2018
Fire & Engineering	54.2%	49.5%	44.9%	44.8%	44.0%	45.2%
Marine	16.8%	16.0%	15.7%	14.1%	12.5%	9.4%
Life	15.3%	19.8%	19.3%	19.2%	20.4%	21.8%
Casualty	10.4%	11.1%	13.5%	14.8%	12.8%	12.1%
Motor	3.3%	2.7%	4.4%	3.5%	4.5%	5.5%
Others*	-	0.8%	2.2%	3.6%	5.8%	6.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

* Others : Crop, Livestock etc.

■ Reorganizing overseas portfolio on profit basis

- Non renewal of high risk accounts
 - * 2nd tier fac. businesses such as mining, textiles, paper, wood, etc
- Reduction of under-performing accounts and improvement of reinsurance condition

■ Further diversification of P/F by lines of business for securing stable foundation of earnings

- Increase the volume of the profitable lines such as life, casualty & motor
- Expand P/F of non-proportional treaty in property / Reduced dependency on marine

3.6 Overseas Portfolio by Region

■ Overseas P/F Change

(Unit : %)

Region	2013	2014	2015	2016	2017	2018
Far East Asia	38.0	37.6	36.1	31.5	30.0	33.0
Middle East Asia	16.3	15.1	12.2	11.2	12.3	11.7
South East Asia	6.8	6.6	11.2	13.9	11.7	11.2
Asia Total	61.1	59.3	59.5	56.6	54.0	55.9
North America	14.2	16.4	18.9	21.8	19.6	17.5
Latin America	3.3	3.0	2.9	3.3	6.6	7.9
America Total	17.5	19.4	21.8	25.1	26.2	25.4
Europe	15.2	15.1	13.6	14.8	15.9	15.4
Africa	1.4	1.1	0.9	0.7	0.7	0.7
Others*	4.8	5.1	4.2	2.8	3.2	2.6
Total	100.0	100.0	100.0	100.0	100.0	100.0

* Others : Retrocession & multi-territory accounts

■ Focusing on profitable lines and regions

- Reducing concentration of exposure to Asia : 61.1% (2013) → 55.9% (2018)
- Continuous growth on America : 17.5% (2013) → 25.4% (2018)

■ Mainly underwrite Asian biz. in which Korean Re has know-how and expertise
but continue to diversify the P/F through exploring new markets outside of Asia

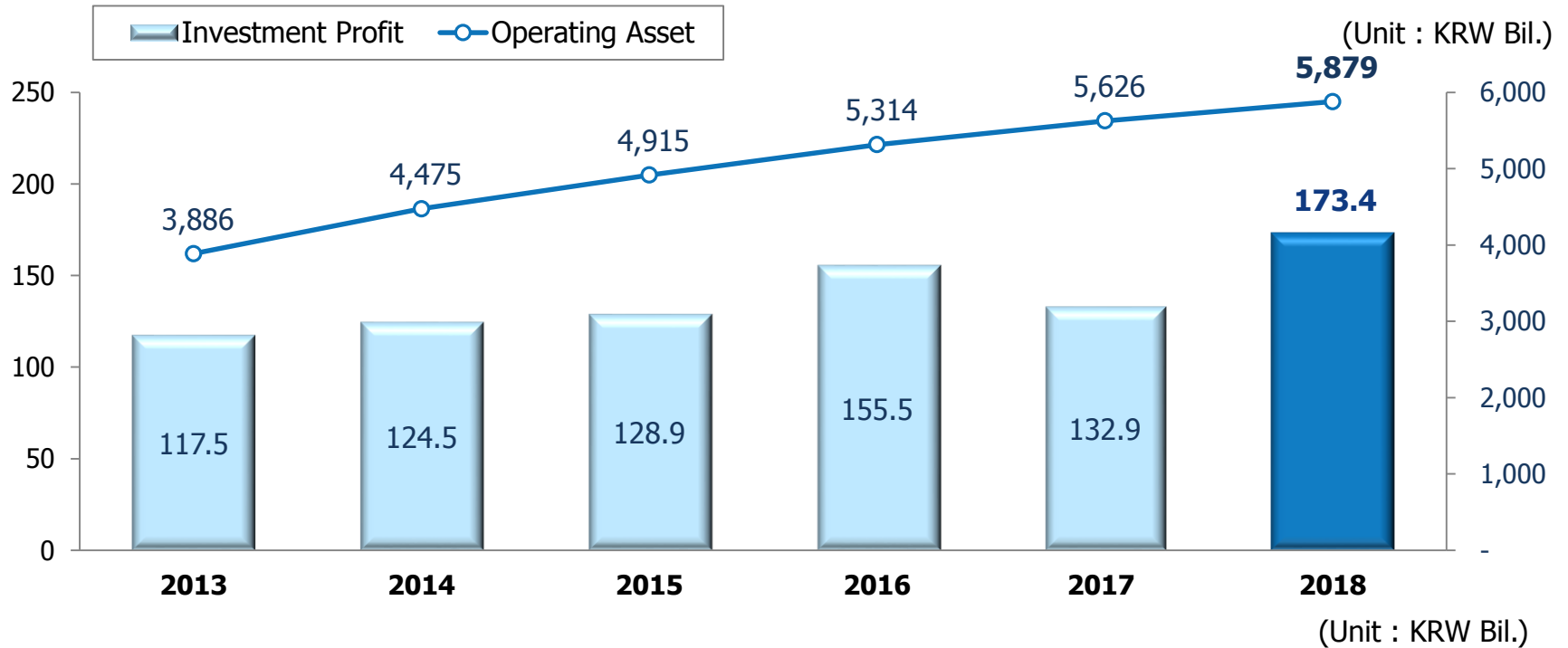


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4.1 Overall Results

■ The Maintenance of Stable Investment Strategy



Item	2013	2014	2015	2016	2017	2018
Investment Profit	117.5	124.5	128.9	155.5	132.9	173.4
Investment Yield	4.2%	3.0%	2.8%	3.1%	2.5%	3.1%

* Excluding foreign currency evaluation effect

* Investment profit in FY2017 : asset impairment loss(KRW 20.3 Bil.) was booked regarding KDB Life Ins. equity invested in FY2009
→ ROI as-if excluding the above loss : 2.8%

4.2 Results by Asset Portfolio

Investment Asset Portfolio

(Unit : KRW Bil.)

Classification	2016		2017		2018	
	Amount	Portion	Amount	Portion	Amount	Portion
Domestic Bond	1,971.7	37.1%	2,037.5	36.2%	1,882.4	32.0%
Overseas Bond	1,103.9	20.8%	1,369.8	24.3%	1,631.3	27.7%
Others	378.7	7.1%	247.4	4.4%	196.1	3.3%
Short Term	1,181.9	22.2%	777.9	13.8%	538.7	9.2%
Alternatives*	400.4	7.5%	923.6	16.4%	1,363.4	23.2%
Stock	87.8	1.7%	81.6	1.5%	79.5	1.4%
Others*	189.6	3.6%	188.5	3.4%	187.1	3.2%
Total	5,314.0	100.0%	5,626.3	100.0%	5,878.5	100.0%

* Alternatives : Corporate Loan, Real Estate Loan, PEF etc. / Others : Real Estate, Dividend from subsidiary etc.

Investment Profit

(Unit : KRW Bil.)

Classification	2016		2017		2018	
	Amount	Yield	Amount	Yield	Amount	Yield
Domestic Bond	74.4	3.9%	54.8	2.8%	57.3	3.0%
Overseas Bond	29.5	3.4%	47.1	3.9%	51.1	3.5%
Others	11.3	2.7%	3.7	1.2%	5.7	2.6%
Short Term	16.7	1.4%	12.7	1.3%	9.0	1.4%
Alternatives*	25.7	8.4%	7.4	1.1%	51.3	4.6%
Stock	△5.6	△3.6%	6.0	7.3%	△1.9	△2.3%
Others*	3.5	1.9%	1.2	0.6%	0.9	0.5%
Total	155.5	3.1%	132.9	2.5%	173.4	3.1%

* Alternatives profit in FY2017 : asset impairment loss(KRW 20.3 Bil.) was booked regarding KDB Life Ins. equity invested in FY2009
→ ROI as-if excluding the above loss : 4.3%



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5 Dividend Performance

■ Supporting a favorable dividend policy toward shareholders

(Unit : KRW Bil.)

Classification	2014	2015	2016	2017	2018
Net Income	116.3	186.2	162.5	132.5	102.7
Cash Dividend Ratio(%)	45	70	65	60	55
Total Dividend Amount	25.8	40.2	37.3	34.5	31.6
Payout Ratio(%)	22.2	21.6	23.0	26.0	30.8
The Rate of Return(%)	2.1	2.5	2.8	2.7	3.1

■ In FY 2018, payout ratio increased by 4.8%p (YOY) (highest in 5 years)

■ Maintained at least over 20% payout ratio and expected a consistent increase of payout ratio in order to raise shareholder value

A silhouette of a person standing on a cliff, raising their arms in celebration. The background is a sunset over the ocean, with a cloudy sky and a calm sea. The person is positioned on the right side of the frame, looking out over the horizon.

Those materials and data presented here are a mere reflection of Korean Re's current business policy, based upon past business experiences and market environment research, including outside sources.

Due to this reason, accurate forecast of market movements or tendencies is not possible, and may not bear any resemblance to the actual statistic figures, as predicted by Korean Re.