

Korean Reinsurance Company



Business Performance & Strategy

Separate Financial Result
as of June 2019



AGENDA

1 >> Korean Re Profile

2 >> Financial Highlights

3 >> Insurance Operation Performance

4 >> Investment Operation Performance

5 >> Dividend Performance

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 23 teams
(8 underwriting teams / 1 investment team / 14 administrative teams)
- **International** : 3 branches (Singapore, Labuan, Dubai)
3 subsidiaries (Hong Kong, London, Zurich)
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
- **Launching overseas operation : Korean Re U/W Ltd.(Mar. 2015), Labuan branch(July 2017), Dubai branch(Dec. 2017), Korean Re Switzerland(June 2019)**
- **Ongoing overseas branch establishment plans**
 - Set up for Shanghai Branch in China will be completed within 2019

1.3 Global Reinsurers [FY 2018 Gross Premiums]

(Unit : USD Bil.)

Ranking	Name	Gross Premiums	A.M. Best Rating	S&P Rating
1	Swiss Re (Switzerland)	36.4	A+	AA-
2	Munich Re (Germany)	35.8	A+	AA-
3	Hannover Re (Germany)	22.0	A+	AA-
4	SCOR SE (France)	17.5	A+	AA-
5	Berkshire Hathaway (USA)	15.4	A+	AA+
6	Lloyd's (UK)	14.1	A	A+
7	China Reinsurance Group (China)	11.6	A	A
8	RGA Inc. (USA)	11.3	A+	AA-
9	Great West Lifeco (Canada)	7.7	-	A+
10	Korean Re (South Korea)	6.8	A	A

※ Source : A.M. Best (Aug. 2019), S&P (Sep. 2019)

■ 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

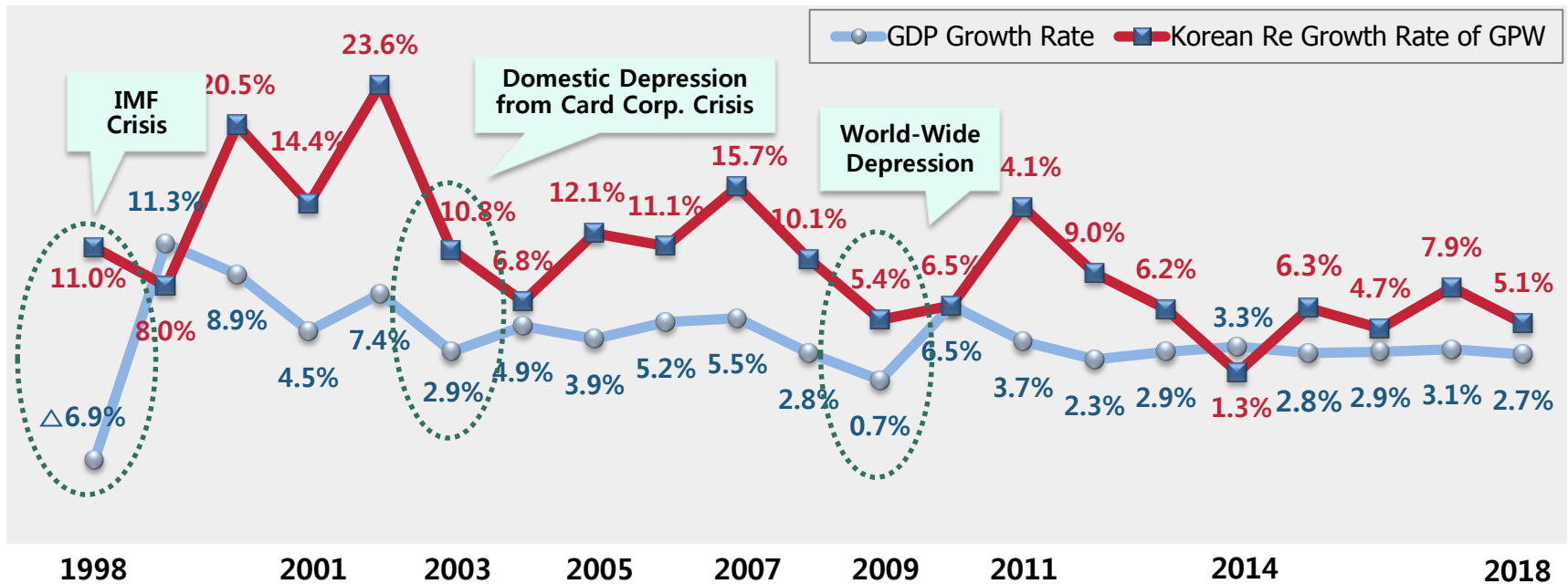
※ Source : S&P (2018)

■ **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

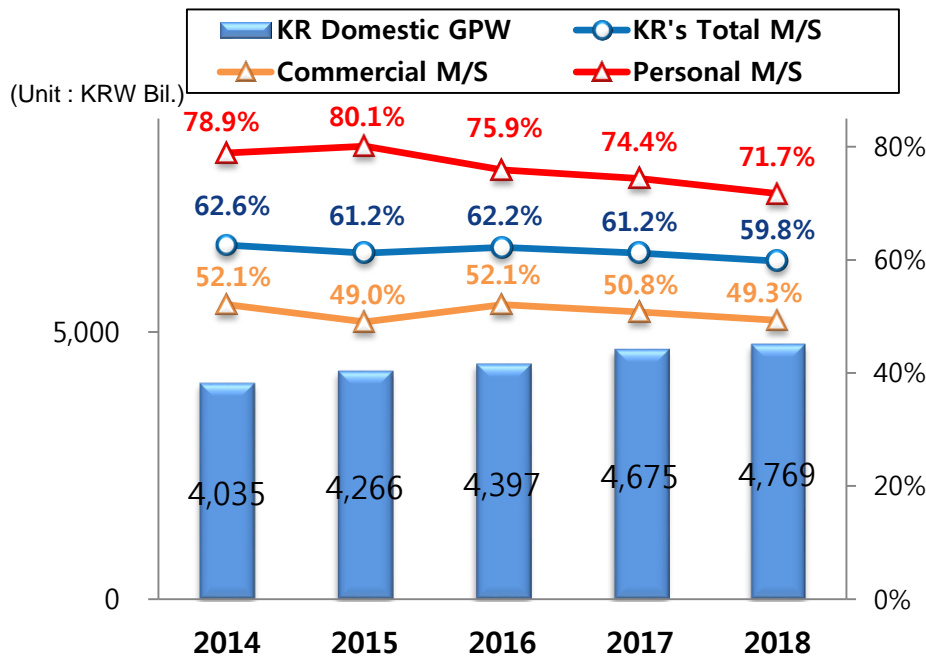
- 2018 Korean Re GPW Growth Rate : 5.1%
- ⇒ Despite persisting low domestic growth & soft market trend, Korean Re increased new accounts from personal & overseas business

■ 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.)

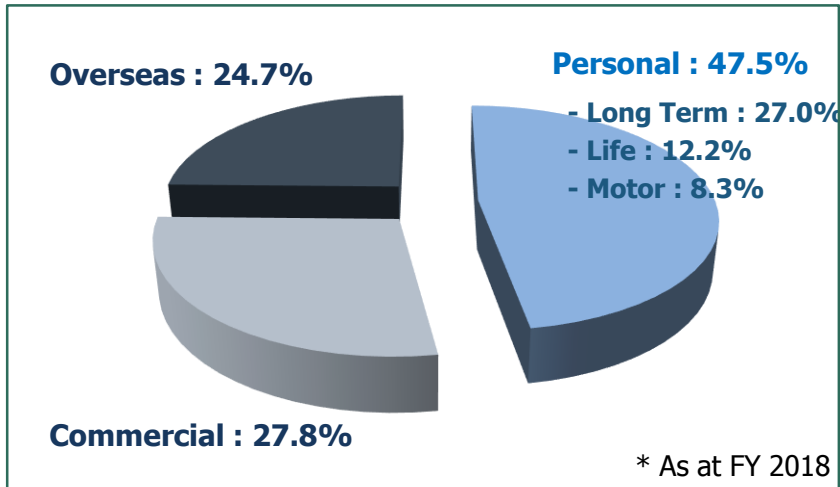
Item	2014	2015	2016	2017	2018
Korean Reins. Mkt.	6,448	6,966	7,070	7,637	7,980
Korean Re's GPW	4,035	4,266	4,397	4,675	4,769
Korean Re M/S	62.6%	61.2%	62.2%	61.2%	59.8%
Commercial	52.1%	49.0%	52.1%	50.8%	49.3%
Personal	78.9%	80.1%	75.9%	74.4%	71.7%

■ Dominant market position in Korean non-life reinsurance

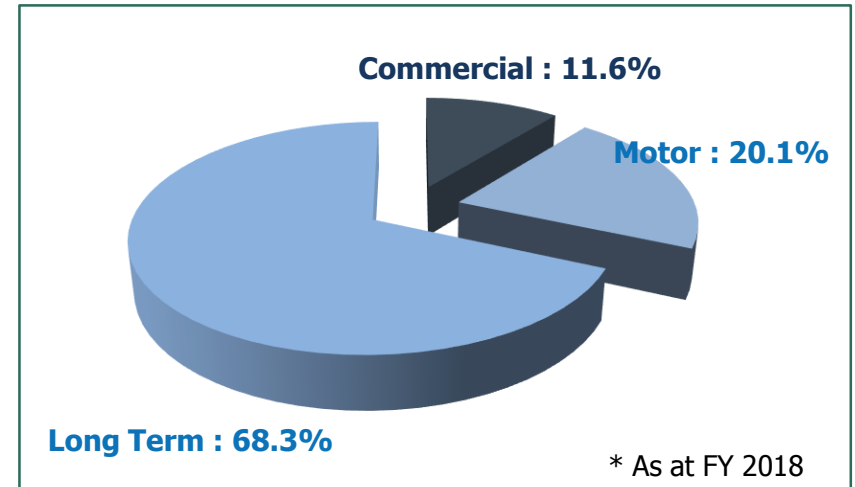
- Korean Re's domestic GPW shows a stable growth (5 year average : 4.3%)
- Expect to maintain the dominant position around 60% of M/S
- Reduction of Personal M/S for the recent years
 - Set the limit of growth in preparation for introduction of new accounting standards
 - Thoroughly selective underwriting 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**
 - More volatile underwriting result but with thick profit margin than primary insurers
- **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**



AGENDA

1 >> Korean Re Profile

2 >> Financial Highlights

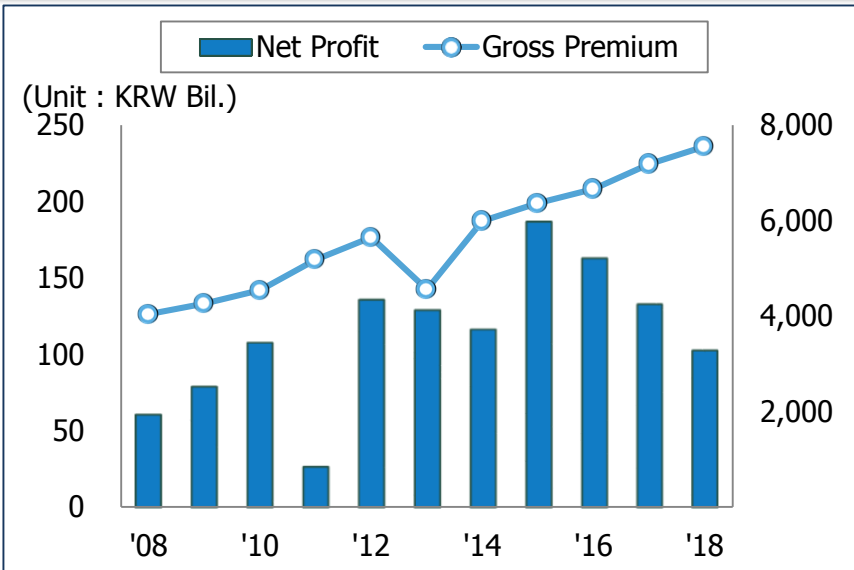
3 >> Insurance Operation Performance

4 >> Investment Operation Performance

5 >> Dividend Performance

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 June 2019

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

Classification	FY 2018	2018.6	2019.6	YoY change	
				Amount	Rate
Gross Premiums	7,554.4	3,712.0	3,998.5	286.5	7.7
Net Premiums	5,314.4	2,598.3	2,725.2	126.9	4.9
Underwriting Income	△36.7	51.8	39.7	△12.1	△23.5
Combined Ratio	100.5	97.5	98.2		0.7
- Loss Ratio	83.4	80.1	84.7		4.6
- Expense Ratio	17.1	17.4	13.5		△3.9
Investment Income	173.4	82.9	122.7	39.8	48.0
Operating Income	145.4	142.2	161.2	19.0	13.4
Net Income	102.7	109.3	132.6	23.3	21.4
Operating Assets	5,878.5	5,617.5	6,003.7	386.2	6.9
Total Assets	10,729.6	10,140.1	11,113.8	973.7	9.6
Shareholder's Equity	2,241.1	2,233.0	2,357.2	124.3	5.6
Return on Equity(ROE)	4.8	10.2	11.9		1.7

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

※ Based on Separate Financial Statements

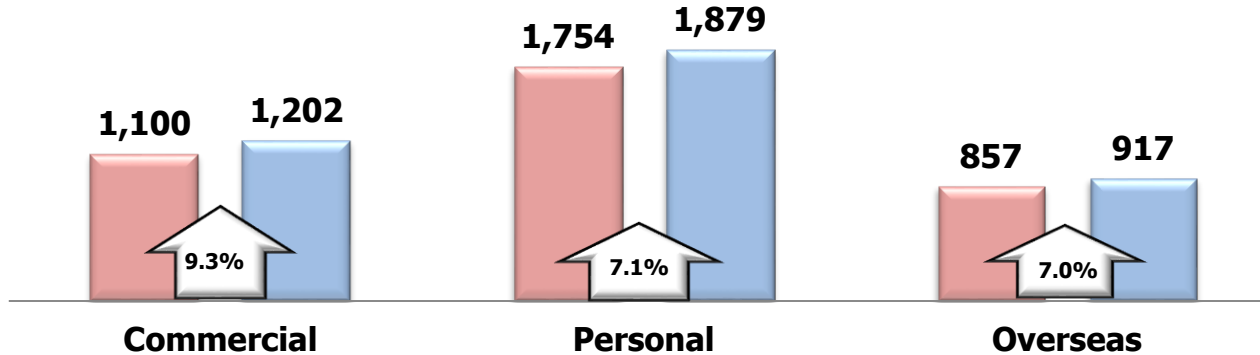
※ Modified ROE (excluding hybrid securities from equity) : 12.9%

2.3 Financial Highlights by business lines

■ Gross Premiums : +7.7%

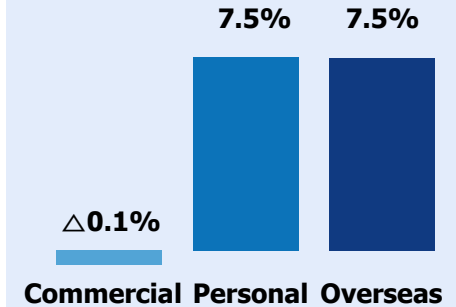
(Unit : KRW Bil.)

■ 2018.6 ■ 2019.6

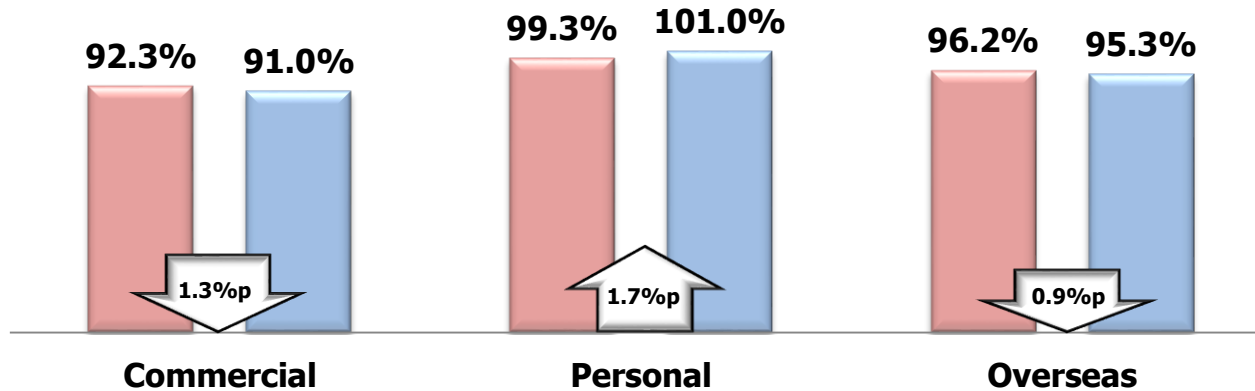


※ Commercial : High growth due to increase of crop and livestock insurance

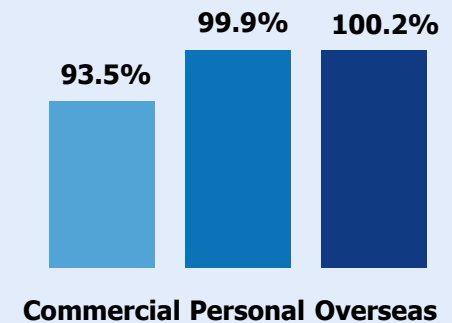
5 year CAGR Gross Premiums



■ Combined Ratio : 97.5% → 98.2% (0.7%p ↑)



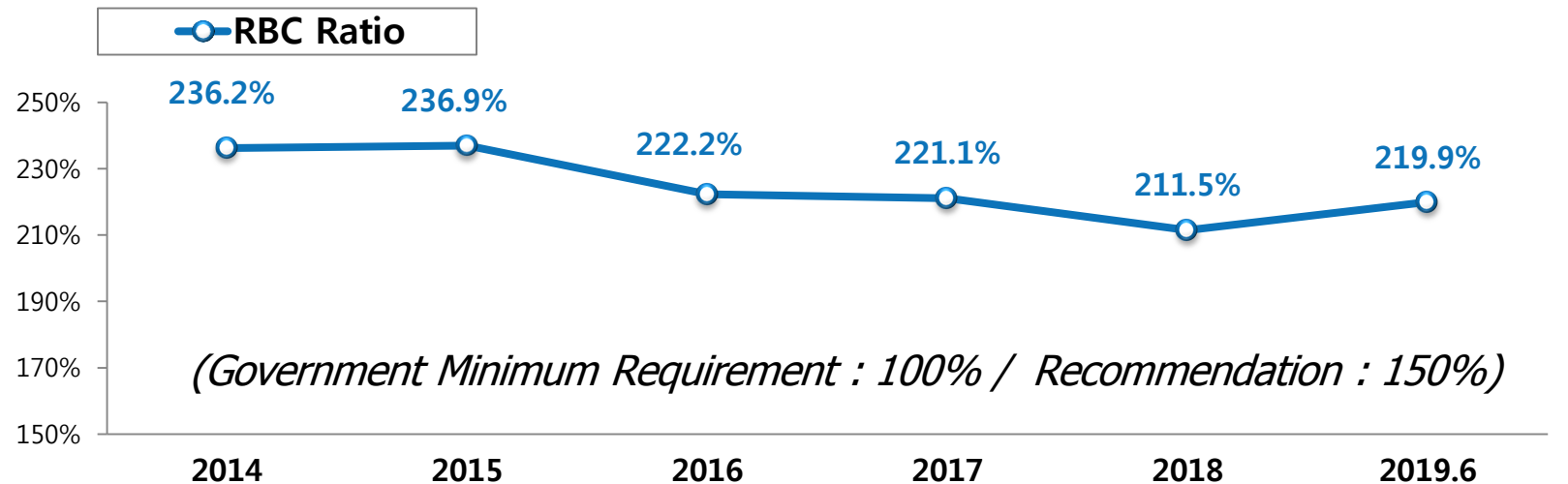
5 year average Combined Ratio



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	2014	2015	2016	2017	2018	2019.6
Solvency Capital	1,967.9	2,158.8	2,283.4	2,375.9	2,480.2	2,639.6
Risk Based Capital	833.1	911.3	1,027.5	1,074.8	1,172.9	1,200.3
RBC ratio	236.2	236.9	222.2	221.1	211.5	219.9

※ 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



AGENDA

1 >> Korean Re Profile

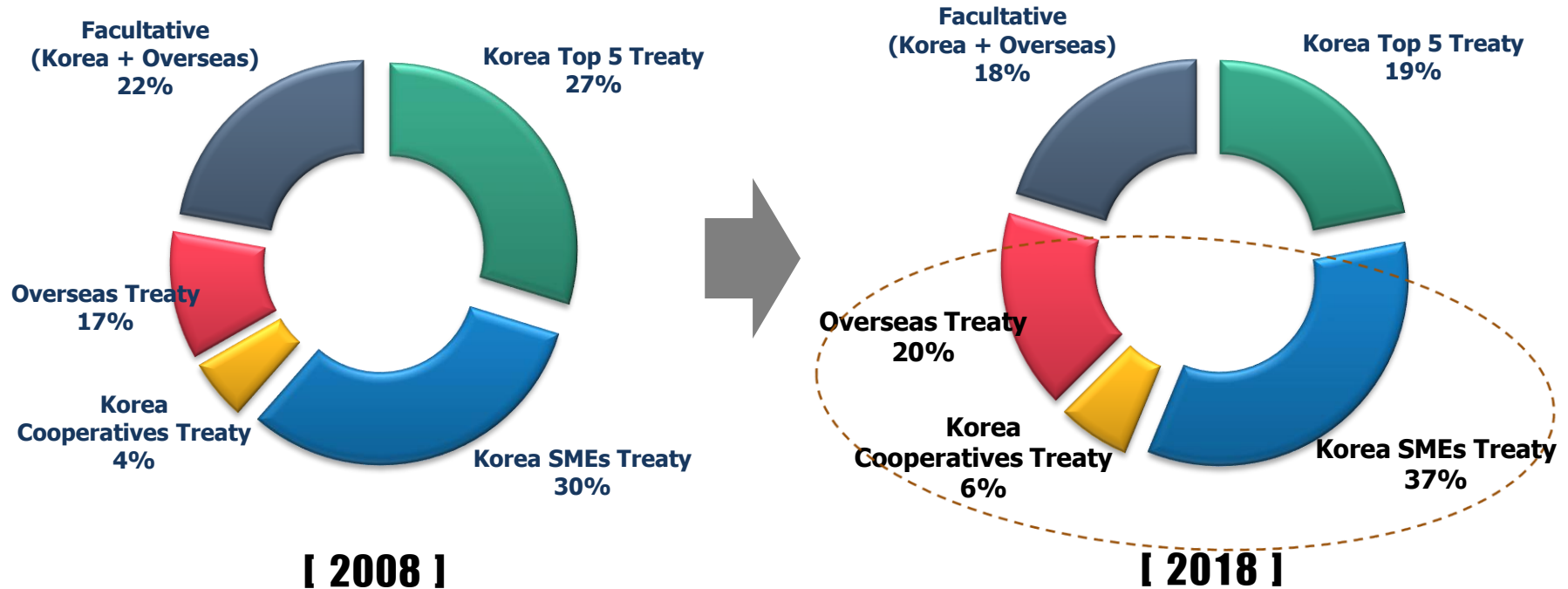
2 >> Financial Highlights

3 >> Insurance Operation Performance

4 >> Investment Operation Performance

5 >> Dividend Performance

3.1 Portfolio Diversification



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

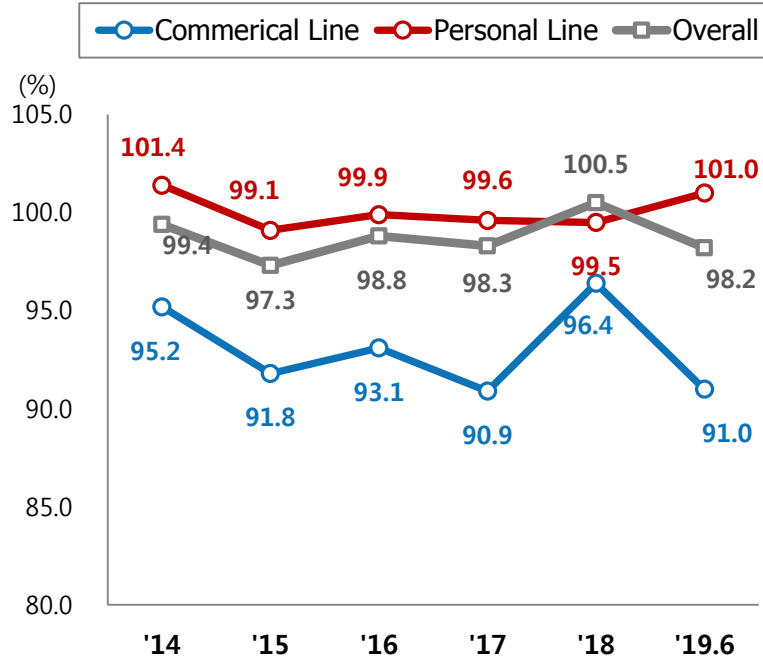
- ex) Samsung Fire & Marine Treaty : 7% (2008) → 3% (2018)

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

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

3.2 Overall Results

[Combined Ratio]



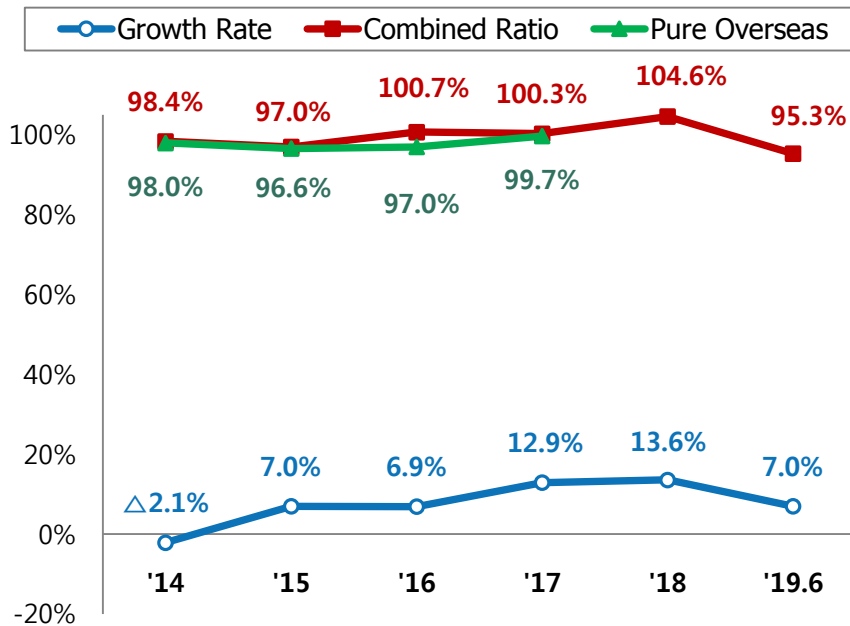
(Unit : %)

Item	2014	2015	2016	2017	2018	2019.6
Commercial	95.2	91.8	93.1	90.9	96.4	91.0
Personal	101.4	99.1	99.9	99.6	99.5	101.0
Overseas	98.4	97.0	100.7	100.3	104.6	95.3
Combined Ratio	99.4	97.3	98.8	98.3	100.5	98.2
- Loss Ratio	81.8	80.3	81.4	80.0	83.4	84.7
- Expense Ratio	17.6	17.0	17.4	18.3	17.1	13.5

※ 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 a 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	2014	2015	2016	2017	2018	2019.6
Gross premiums written (Growth rate)	1,270.0 (△2.1%)	1,359.2 (7.0%)	1,452.9 (6.9%)	1,640.1 (12.9%)	1,862.4 (13.6%)	917.4 (7.0%)
Combined ratio	98.4%	97.0%	100.7%	100.3%	104.6%	95.3%
- Loss ratio	68.4%	65.9%	69.3%	71.6%	76.5%	66.0%
- Expense ratio	30.0%	31.1%	31.4%	28.7%	28.1%	29.3%

3.4 Post Thai Flood Measures

Reduction of Aggregate Risk

- Q/S treaties on North America (31.0%), Latin America (15.0%), Middle East (5.0%) accounts
- Q/S treaty on facultative accounts (28.0%)
- 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 (UY2011) → USD 240m (UY2019)
- 4 Countries : USD 50m ~ 90m (UY2011) → USD 140m ~ 240m (UY2019)
- Worldwide : USD 50m (UY2011) → USD 140m (UY2019)
- Mitigation of retained losses with Aggregate XOL effectively as protection against frequent severe CAT events

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.

■ Establishing well-balanced and profit-oriented overseas portfolio

- Further diversification of P/F by lines of business for securing stable foundation of earnings
- Reduction of under-performing accounts and improvement of reinsurance condition
- Increase the volume of the profitable lines such as life, casualty & motor
- Expanding profitable P/F of non-proportional treaty in property line but reducing dependency on unprofitable marine line

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

■ Mainly based on Asian business in which Korean Re has know-how and expertise, but pursuing to diversify the P/F through exploring new markets outside of Asia

- Focusing on new market opportunities from 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)

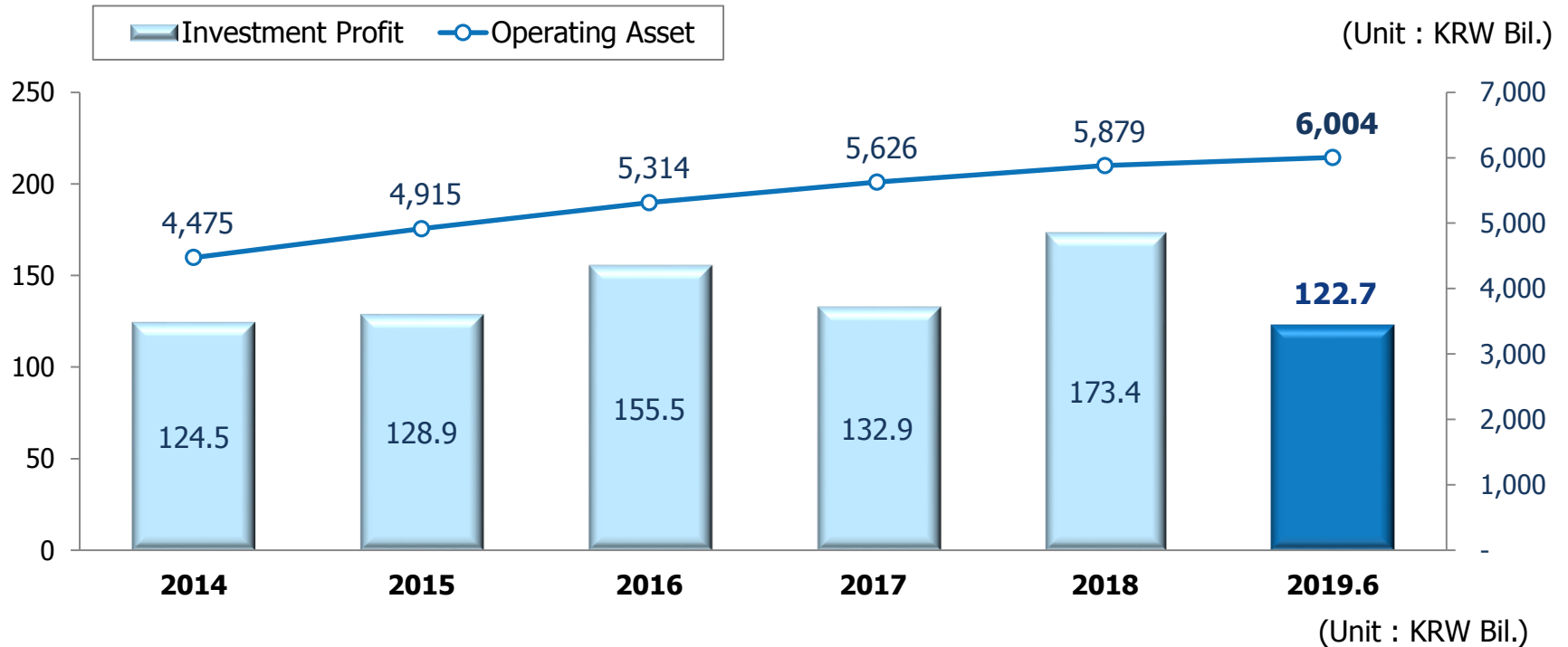


AGENDA

- 1 >> Korean Re Profile
- 2 >> Financial Highlights
- 3 >> Insurance Operation Performance
- 4 >> Investment Operation Performance
- 5 >> Dividend Performance

4.1 Overall Results

■ The Maintenance of Stable Investment Strategy



Item	2014	2015	2016	2017	2018	2019.6
Investment Profit	124.5	128.9	155.5	132.9	173.4	122.7
Investment Yield	3.0%	2.8%	3.1%	2.5%	3.1%	4.2%

* 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%

Investment profit in FY2019.6 : gains from selling of Koramco Reits (KRW 26.7 Bil.)

4.2 Results by Asset Portfolio

Investment Asset Portfolio

(Unit : KRW Bil.)

Classification	2017		2018		2019.6	
	Amount	Portion	Amount	Portion	Amount	Portion
Stock*	117.2	2.1%	122.7	2.1%	162.3	2.7%
Domestic Bond	2,037.5	36.2%	1,882.4	32.0%	1,790.0	29.8%
Overseas Bond	1,369.8	24.3%	1,631.3	27.8%	1,679.3	28.0%
Short Term	989.7	17.6%	691.6	11.8%	683.6	11.4%
Loan	626.3	11.1%	902.1	15.3%	920.2	15.3%
Alternatives*	297.3	5.3%	461.3	7.8%	580.8	9.7%
Others*	188.5	3.4%	187.1	3.2%	187.5	3.1%
Total	5,626.3	100.0%	5,878.5	100.0%	6,003.7	100.0%

* Stock : capital of new subsidiary in Switzerland included (76 bn) in 2019

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

Investment Profit

(Unit : KRW Bil.)

Classification	2017		2018		2019.6	
	Amount	Yield	Amount	Yield	Amount	Yield
Stock	6.3	5.5%	2.2	1.9%	30.0	23.5%
Domestic Bond	54.8	2.8%	57.3	3.0%	27.6	3.1%
Overseas Bond	47.1	3.9%	51.1	3.5%	29.5	3.6%
Short Term	16.1	1.3%	10.6	1.3%	3.8	1.1%
Loan	14.1	3.5%	34.4	4.6%	23.1	5.2%
Alternatives	△6.7	△2.6%	16.9	4.6%	8.8	3.4%
Others	1.2	0.6%	0.9	0.5%	△0.1	△0.1%
Total*	132.9	2.5%	173.4	3.1%	122.7	4.2%

* Total : Record high yield of 4.2% due to profit gains of KRW 26.7Bil from selling of 'Koramco Reits and Trust'.
ROI is 3.3% as if basis excluding the effect above.



AGENDA

- 1 >> Korean Re Profile
- 2 >> Financial Highlights
- 3 >> Insurance Operation Performance
- 4 >> Investment Operation Performance
- 5 >> Dividend Performance

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.