





KOREAN RE

Business Performance & Strategy

Separate Financial Result as of FY 2016. 6

KOREAN RE



Korean Re Profile

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** : **Top 11th reinsurer** in the global reinsurance market
- **2014** : Credit rating upgraded from Standard & Poors「A-」to「A (Stable)」in Oct. 2014

Employee

- **Total employee** : 300+

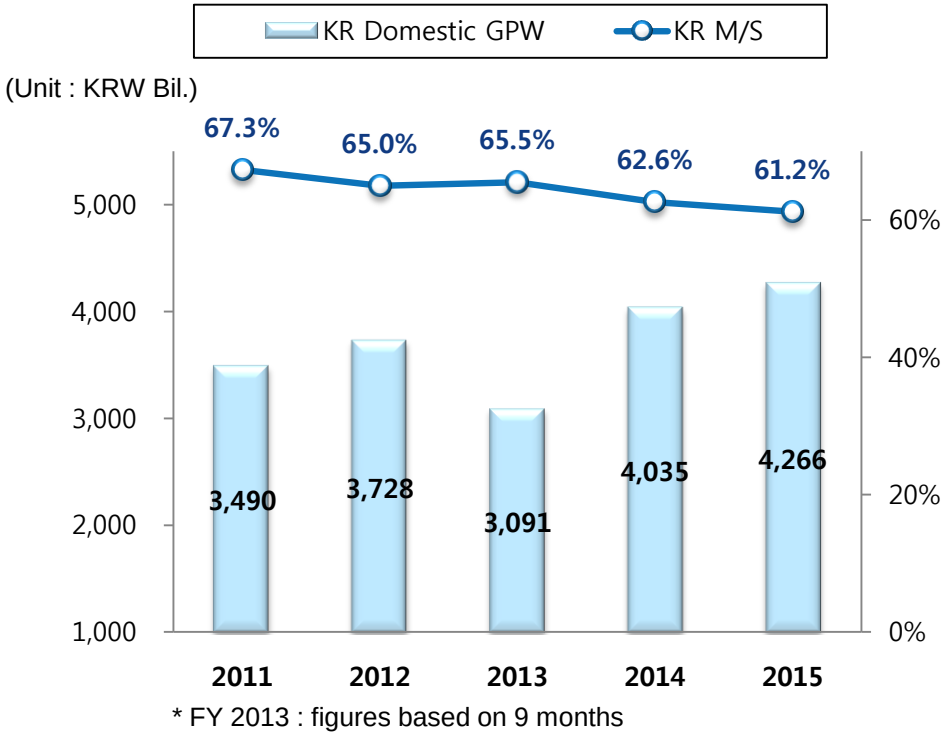
Organization

- **Headquarter** : Total 18 teams
  (7 underwriting teams/ 11 administrative teams
- **International** : 1 branch (Singapore) / 2 subsidiaries (Hong Kong, London)
  5 liaison offices (Beijing, Tokyo, New York, London, Dubai)

* Korean Re U/W Ltd. newly set up for Lloyd's SPS in Mar. 2015
* Shanghai branch office & Dubai underwriting agency to be established

Dominant Domestic Market Position

Korean Re's M/S in Korean Non-Life Market



* FY 2013 : figures based on 9 months

(Unit : KRW Bil.)

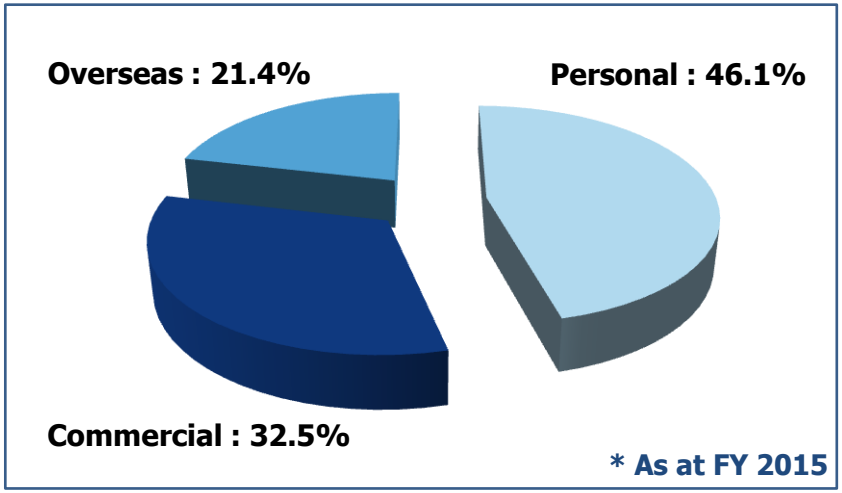
Item	2011	2012	2013 (9 months)	2014	2015
Korean Reins. Mkt.	5,186	5,740	4,717	6,448	6,966
Korean Re's share	**3,490**	**3,728**	**3,091**	**4,035**	**4,266**
Korean Re M/S	**67.3%**	**65.0%**	**65.5%**	**62.6%**	**61.2%**

Dominant market position in Korean non-life reinsurance

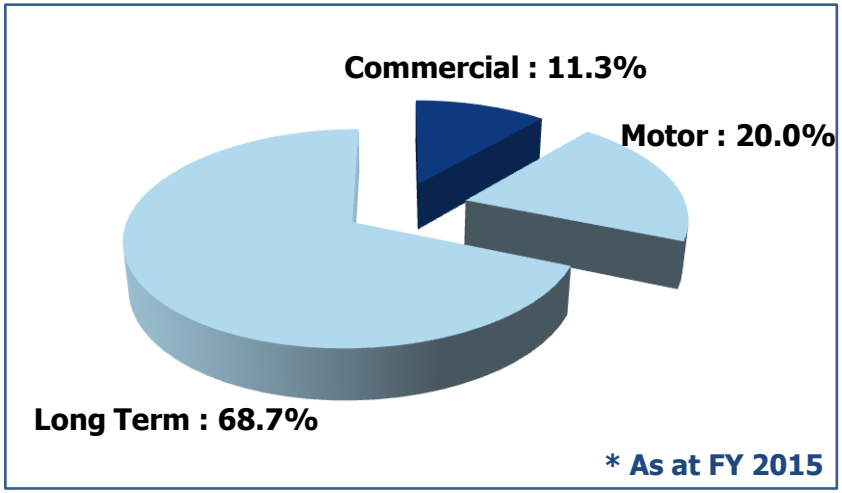
- Korean Re's domestic GPW shows a stable growth (5 year average : 5.1%)
- Recent reduction in M/S caused by local insurers' increased XOL premium ceded due to increasing retentions and large commercial line losses during FY13~14
- Foreign-affiliated insurers increased their ceding premium to the parent company

Underwriting Portfolio Distribution

GPW Portion by Line of Business



[Korean Re]



[Korean non-life market]

- Further diversification has been brought into the business portfolio by the expansion of the overseas portion
  ⇒ Overseas : 18.3% [2007] → 21.4% [2015]
- The portfolio of personal lines, which has a low possibility of major loss, comprises 46.1% of the total portfolio

Global Reinsurers (2014 Gross Premiums)

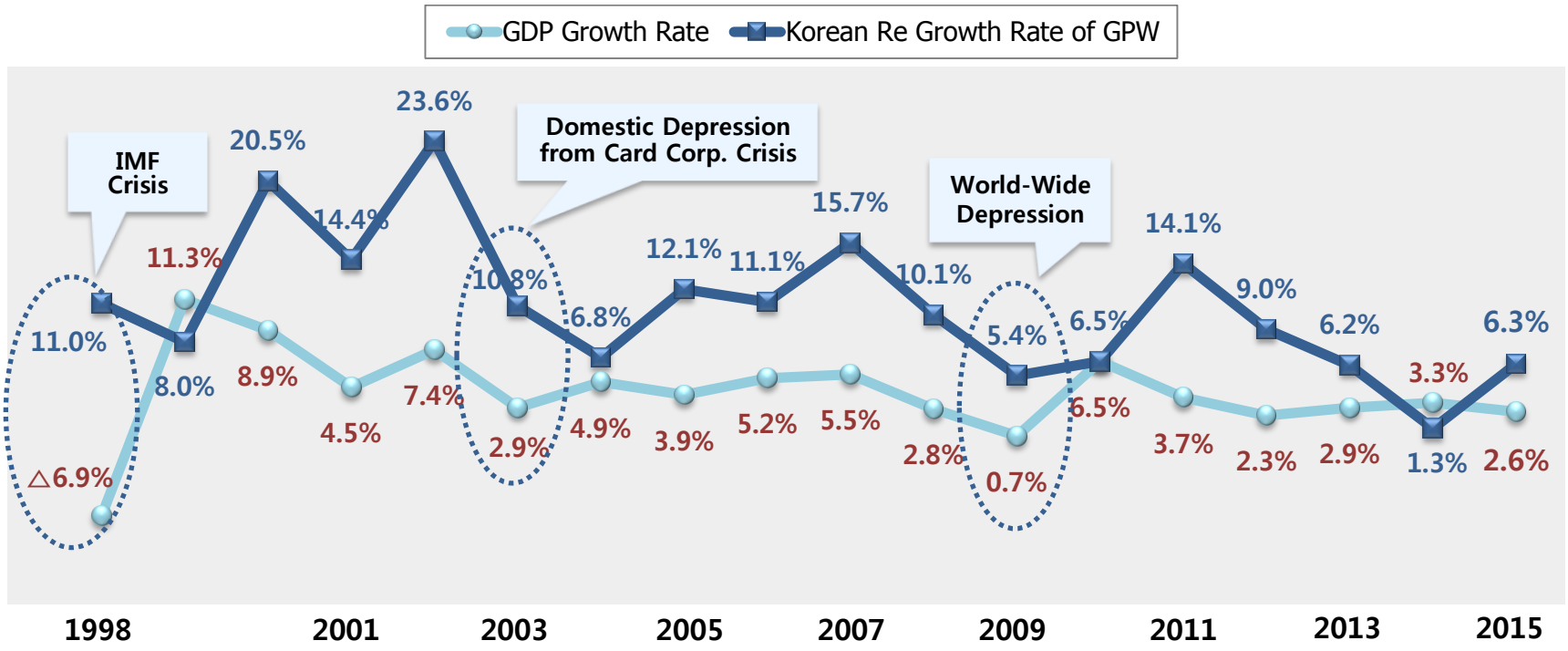
(Unit : USD Bil.)

Ranking	Organized Name	Gross Premiums	S&P Rating	A.M. Best Rating
1	Munich Re (Germany)	39.0	AA-	A+
2	Swiss Re (Switzerland)	33.3	AA-	A+
3	Hannover Re (Germany)	17.5	AA-	A+
4	Berkshire Hathaway (USA)	14.9	AA+	A++
5	SCOR SE (France)	13.8	AA-	A
6	Lloyd's of London (UK)	13.2	A+	A
7	RGA Inc. (USA)	9.1	AA-	A+
8	China Reinsurance Group	8.4	A+	A
9	Partner Re Ltd. (Bermuda)	5.9	A+	A
10	Everest Re (Bermuda)	5.7	A+	A+
11	**Korean Re (South Korea)**	**5.5**	**A**	**A**

※ Source : S&P, A.M. Best

- **S&P credit rating upgraded from 「A-」 to 「A (stable)」 in October 2014**
- **A.M. Best credit rating upgraded from 「A-」 to 「A (stable)」 in February 2011**
- **Ranking development**: '98 : 32nd → '05 : 15th → '08 : 13th → '12 : 9th → **'14 : 11th**
  - Recent drop from No.9 to No.11 due to the negative effects of foreign exchange rates

Growth Trend & Prospect



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

- 2015 Korean Re Growth Rate of GPW : 6.3%
  - ⇒ Despite persisting low domestic growth & soft market trend, Korean Re increased new accounts from personal & overseas business

■ Main growth engines

- Exploring new markets of property, cooperatives, government insurance, etc.
- Co-development of new products responding to market needs in personal lines



Financial Highlights

Financial Highlights as of Jun. 2016

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

Classification	FY 2015	Jun.2015	Jun.2016	YoY change	
				Amount	Rate
Gross Premiums	**6,363.9**	**3,193.7**	**3,354.7**	**161.0**	**5.0**
Net Premiums	**4,368.8**	**2,123.3**	**2,355.5**	**232.2**	**10.9**
Underwriting Income	95.7	113.3	66.2	△47.1	△41.6
Combined Ratio	97.3	93.9	96.6	-	2.7
- Loss Ratio	80.3	77.4	79.3	-	1.9
- Expense Ratio	17.0	16.5	17.3	-	0.8
Investment Income	128.9	72.4	84.0	11.6	16.0
Net Income	**186.2**	**141.5**	**107.6**	**△33.9**	**△24.0**
Operating Assets	**4,915.4**	**4,578.7**	**5,124.3**	**545.6**	**11.9**
Total Assets	**9,022.7**	**8,867.3**	**9,381.1**	**513.8**	**5.8**
Return on Equity(ROE)*	**10.2**	**15.4**	**10.6**	**-**	**△4.8**

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

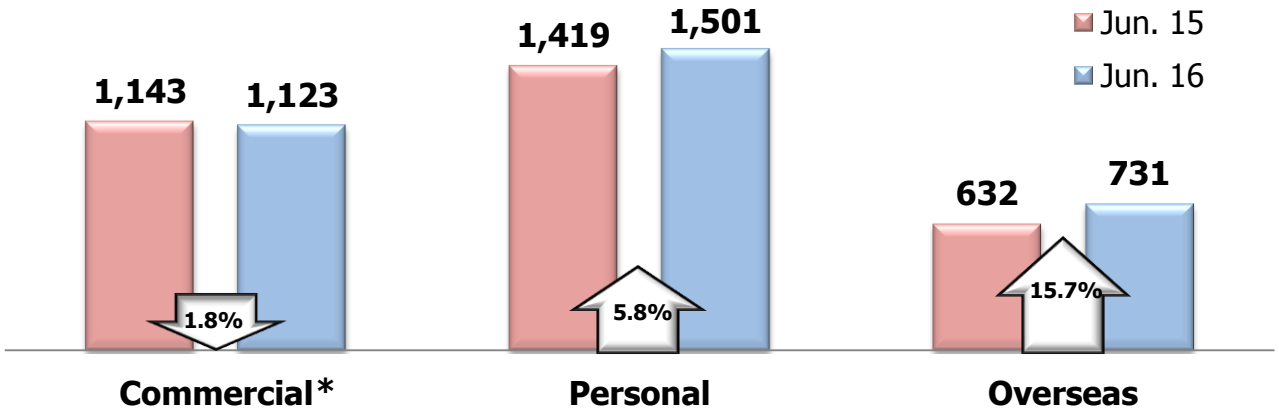
※ Based on Separate Financial Statements

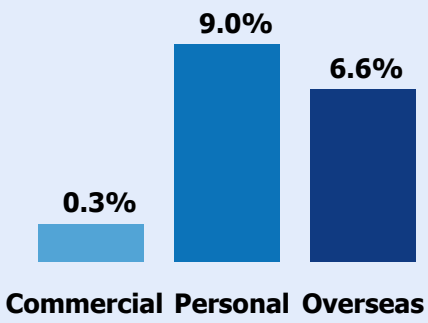
* Annualized ROE

Financial Highlights

Gross Premiums : +5.0%

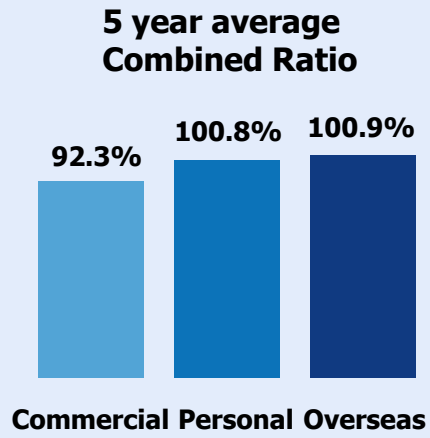
(Unit : KRW Bil.)





Combined Ratio : 93.9% → 96.6% (2.7%p ↑)

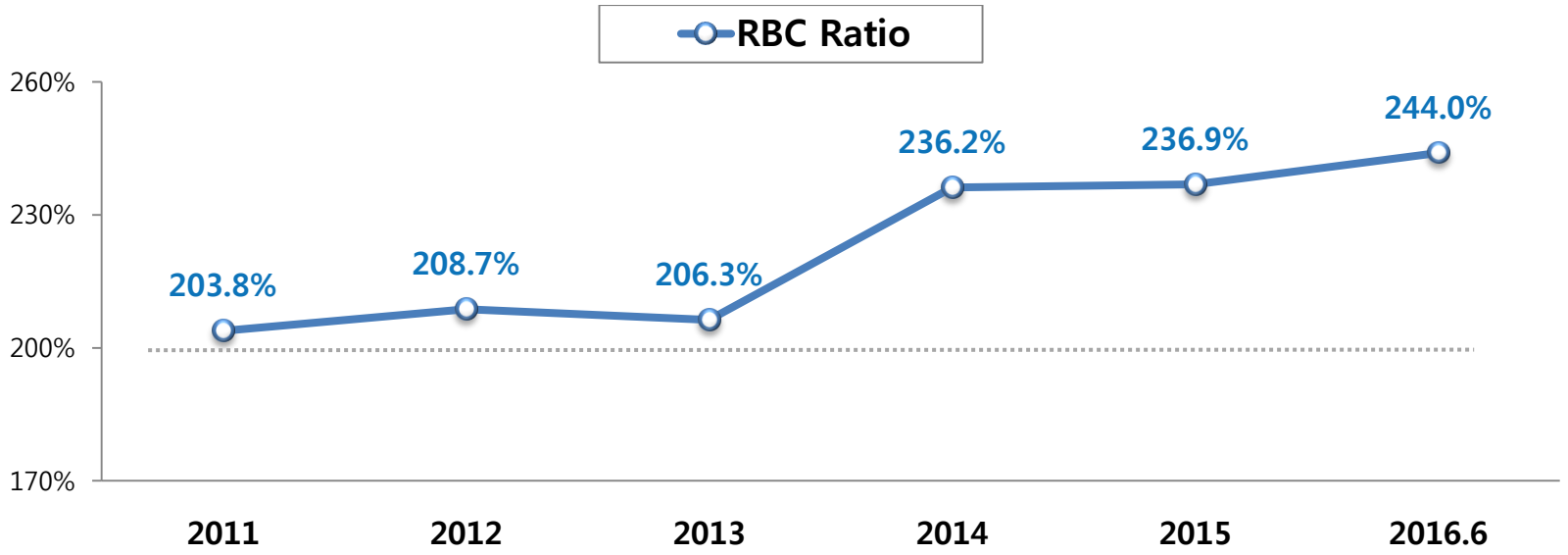




Stable RBC Ratio

■ Strong local solvency ratio

- Despite continued tightened regulations, we maintained RBC ratio well above 200%

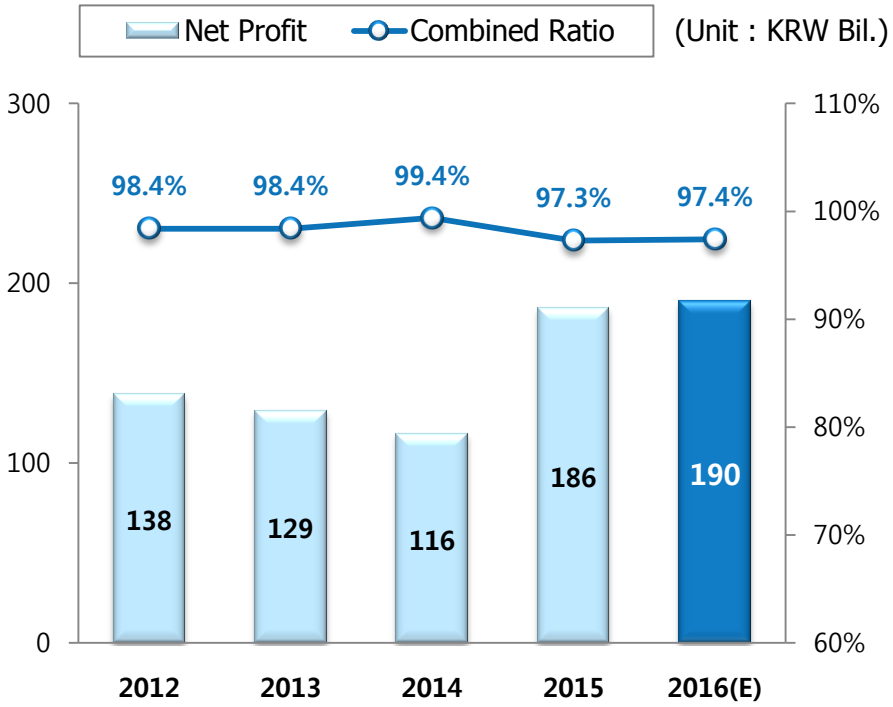


(Unit : KRW Bil., %)

Item	2011	2012	2013	2014	2015	2016.6
Solvency Capital	1,402.4	1,552.0	1,611.0	1,967.9	2,158.8	2,346.0
Risk Based Capital	688.2	743.7	781.0	833.1	911.3	961.3
RBC ratio	**203.8**	**208.7**	**206.3**	**236.2**	**236.9**	**244.0**

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

FY 2016 Business Guidance



(Unit : KRW Bil.)

Item	2014	2015	2016(E)
Gross Premiums (Growth Rate)	**5,989.5 (1.3%)**	**6,363.9 (6.3%)**	**6,807.0 (7.0%)**
Net Premiums	3,928.6	4,368.8	4,696.0
Combined Ratio(%)	99.4%	97.3%	97.4%
Underwriting Profit	20.6	95.7	92.2
Investment Profit	124.5	128.9	167.5
Net Profit	**116.3**	**186.2**	**190.0**

※ Excluding foreign currency evaluation effect

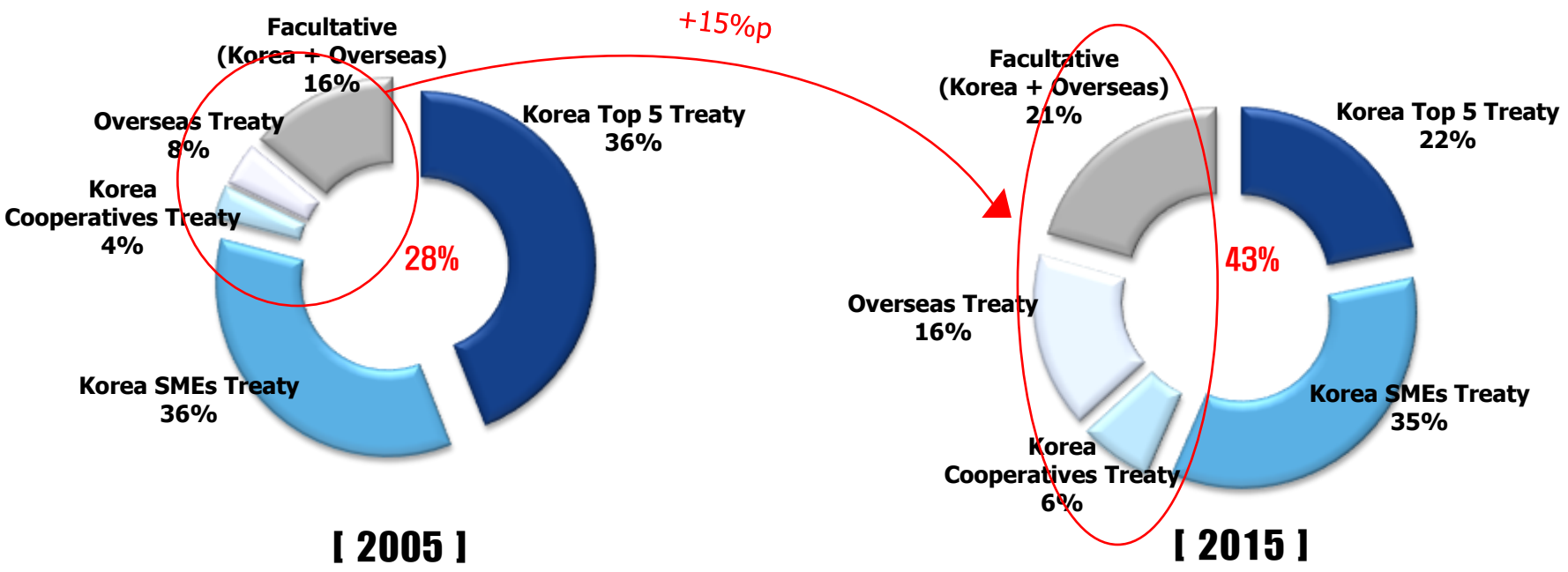
■ Main strategies for FY 2016

- ▶ Develop domestic business with new growth engines & increase retention of profitable accounts
- ▶ Expect increase in profitability and growth of overseas business due to high credit rating
- ▶ Shanghai branch is currently being established and scheduled to be fully operational within 2016
- ▶ To improve ROI, planning to reorganize investment P/F (Overseas bonds & alternative invest.)
  → Closely monitored by risk management team so as not to erode adequate RBC ratio



Profit Priority Strategy

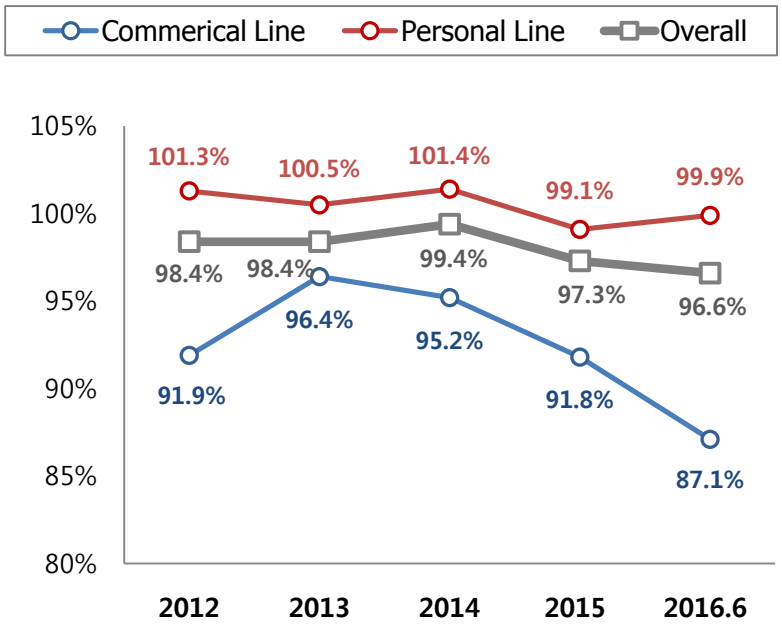
Diversification



- **Low dependency on top non-life Korean insurers**
  - Samsung Fire & Marine Treaty : 9% (2005) → 3% (2015)
- **Exploration of new markets such as cooperatives & overseas business**
- **Increase of profitable facultative businesses**

Underwriting Performance (Overall)

■ Maintaining Stable Combined Ratio approx. 98.4%



(Unit : %)

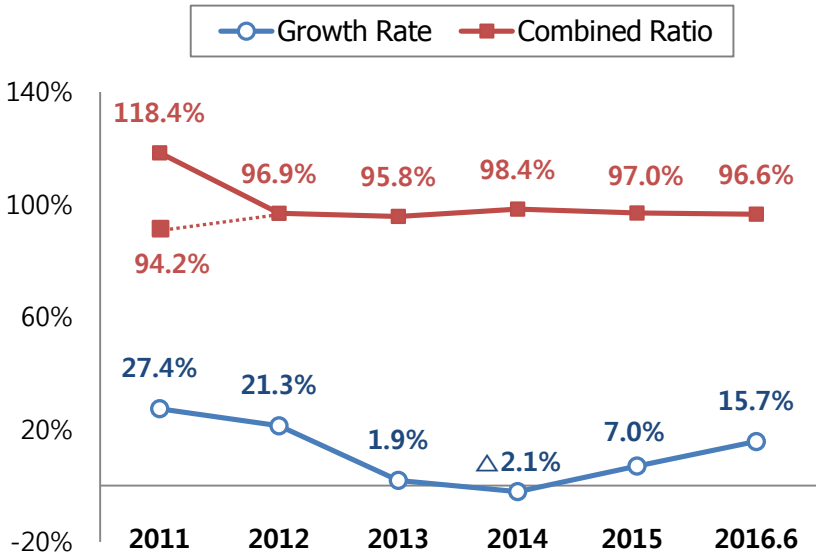
Item	2012	2013 (9 months)	2014	2015	2016.6
Commercial	91.9	96.4	95.2	91.8	**87.1**
Personal	101.3	100.5	101.4	99.1	**99.9**
Overseas	96.9	95.8	98.4	97.0	**96.6**
Combined Ratio	98.4	98.4	99.4	97.3	**96.6**
- Loss Ratio	80.6	80.2	81.8	80.3	**79.3**
- Expense Ratio	17.8	18.2	17.6	17.0	**17.3**

※ Excluding foreign currency evaluation effect

- Profitability-oriented treaty structure : Effective sliding scale R/I & profit commission
- Diversified class portfolio [FY 2015] :
  Commercial (33%) / Long term (24%) / Motor (10%) / Life (12%) / Overseas (21%)
- Effective risk optimization per risk & event : Adequate retention with XOL cover by LOB

Underwriting Performance (Overseas)

■ Maintenance of low volatility since 2011



* Excluding foreign currency evaluation effect

* FY 2013 : figures based on 9 months

Main Causes of Deterioration

▶ **FY 2011 : One-Time Loss Increase, Thai Flood**
- Combined Ratio (Excluding Thai Flood) : 94.2%

▶ **Major Losses (KRW)**
- FY 2011 : Thailand Flood (191.2 Bil.)
  Japan E.Q. (7.8 Bil.)
- FY 2013 : SK Hynix Factory Fire (15.0 Bil.)
- FY 2014 : Japan Pharmaceutical Product Liab. Loss (8.0 Bil.), Japan Heavy Snow (7.5 Bil.), Belgium Ela Storm (7.2 Bil.)
- FY 2015 : China Tianjin explosion (13.1 Bil.)
- FY 2016 : Taiwan E.Q. (12.7 Bil.)

(Unit : KRW Bil.)

Item	2011	2012	2013 (9 months)	2014	2015	2016.6
Gross premiums written	1,053.3	1,277.7	985.0	1,270.0	1,359.2	730.6
(Growth rate)	(27.4%)	(21.3%)	(1.9%)	(△2.1%)	(7.0%)	(15.7%)
Underwriting results	△154.5	17.7	23.5	15.9	15.1	21.5
Combined ratio	**118.4%**	**96.9%**	**95.8%**	**98.4%**	**97.0%**	**96.6%**
- Loss ratio	87.5%	64.4%	64.6%	68.4%	65.9%	63.0%
- Expense ratio	30.9%	32.5%	31.2%	30.0%	31.1%	33.6%

Overseas Portfolio Change (Line of Business)

■ Overseas P/F Change

Line of biz	2011	2012	2013	2014	2015
Fire & Engineering	56.0%	54.3%	54.2%	50.3%	47.1%
Marine	19.4%	18.2%	16.8%	16.0%	15.7%
Life	**14.4%**	**16.0%**	**15.3%**	**19.8%**	**19.3%**
Casualty	**7.5%**	**8.7%**	**10.4%**	**11.1%**	**13.5%**
Motor	2.7%	2.8%	3.3%	2.7%	4.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

■ **Reorganizing overseas portfolio on profit basis**

- Non renewal of high risk accounts
  * 2nd tier fac. businesses such as mining, textiles, paper, wood, etc

■ **Further Diversification of P/F by lines of business**

- Increase the volume of the life & casualty lines
- Reduced dependency on property & marine lines

Overseas Portfolio Change (Region)

■ Overseas P/F Change

Region	2011	2012	2013	2014	2015
Far East Asia	39.6%	37.7%	38.0%	37.6%	35.5%
Middle East Asia	16.5%	15.8%	16.3%	15.1%	12.0%
South East Asia	6.4%	6.5%	6.8%	6.6%	11.5%
Asia Total	**62.5%**	**60.0%**	**61.1%**	**59.3%**	**59.0%**
North America	11.4%	12.7%	14.2%	16.4%	18.9%
Latin America	2.9%	3.7%	3.3%	3.0%	4.0%
America Total	**14.3%**	**16.4%**	**17.5%**	**19.4%**	**22.9%**
Europe	15.7%	15.9%	15.2%	15.1%	14.3%
Africa	2.4%	2.9%	1.4%	1.1%	1.0%
Others*	5.1%	4.8%	4.8%	5.1%	2.8%
Total	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
  * Asia : 63% (2011) → 59% (2015)

■ **Continue to diversify the P/F through exploring new markets outside of Asia**

Post Thai Flood Measures

Reduction of Aggregate Risk

- Q/S treaties on North America (35%) & Middle East (5%) accounts
- Q/S treaty on facultative accounts (29.1%)
- 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 (2016.4)
- Worldwide : USD 50m (2011.4) → USD 120m (2016.4)

Heightened Awareness of Possible CAT Regions Worldwide

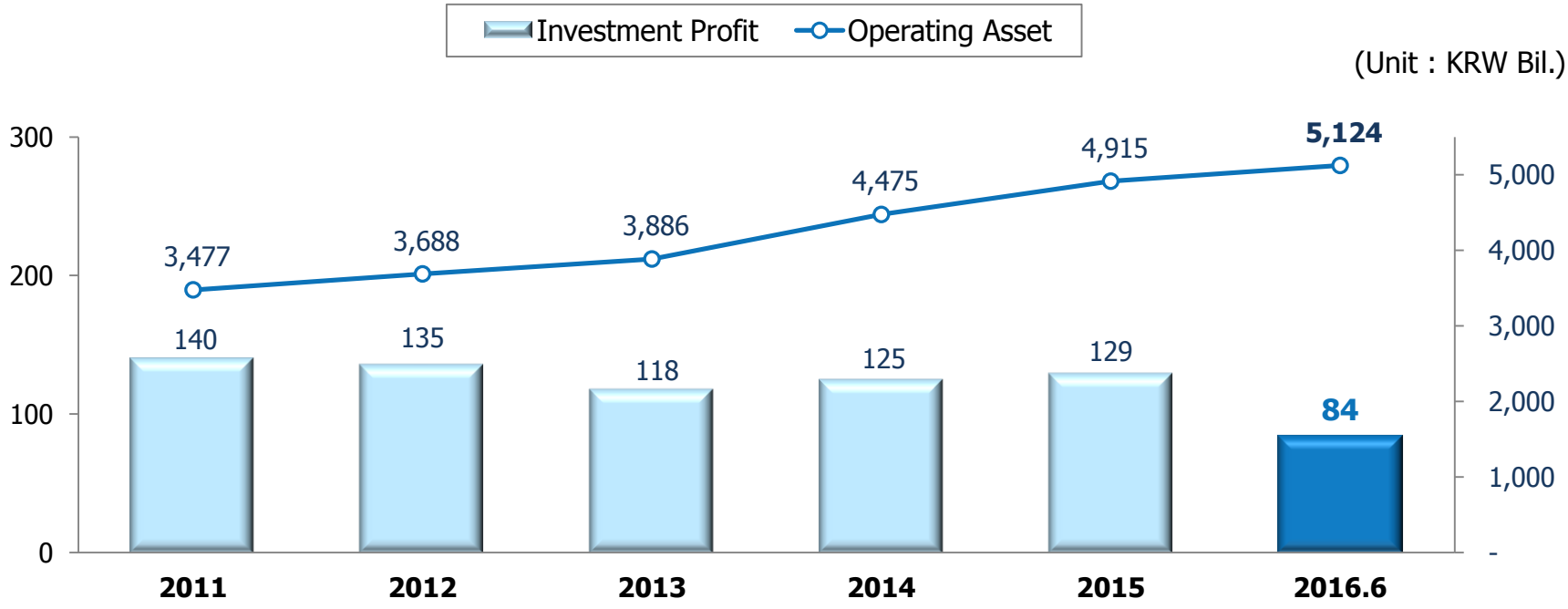
- Meticulous assessment and control of risk accumulation for each and every country
- Continuous risk survey on potential CAT risk countries



Investment Performance

Investment Performance

■ The Maintenance of Stable Investment Strategy



(Unit : KRW Bil.)

Item	2011	2012	2013	2014	2015	2016.6
Investment Profit	139.9	135.2	117.5	124.5	128.9	84.0
Investment Yield	4.4%	3.8%	4.2%	3.0%	2.8%	3.4%

※ Excluding foreign currency evaluation effect

Investment Performance

Investment Asset Portfolio

(Unit : KRW Bil.)

Classification	2014		2015		2016.6	
	Amount	Portion	Amount	Portion	Amount	Portion
Bond	1,957.1	43.7%	1,928.3	39.2%	1,996.6	39.0%
Overseas	1,104.0	24.7%	1,123.1	22.9%	1,157.6	22.6%
Short Term	785.0	17.6%	1,214.8	24.7%	1,325.4	25.9%
Others	385.9	8.6%	428.8	8.7%	460.9	9.0%
Stock	241.8	5.4%	220.4	4.5%	183.8	3.6%
Total	**4,473.8**	**100.0%**	**4,915.4**	**100.0%**	**5,124.3**	**100.0%**

Investment Profit

(Unit : KRW Bil.)

Classification	2014		2015		2016.6	
	Amount	Yield	Amount	Yield	Amount	Yield
Bond	87.8	4.6%	83.0	4.4%	41.9	4.3%
Overseas	15.6	1.6%	28.6	2.6%	16.1	2.8%
Short Term	12.4	1.8%	16.8	1.7%	8.1	1.3%
Others	5.3	1.3%	9.1	2.3%	20.8	9.5%
Stock	3.4	2.0%	△8.6	△3.7%	△2.9	△1.4%
Total	**124.5**	**3.0%**	**128.9**	**2.8%**	**84.0**	**3.4%**
Adjusted ROI*	**-**	**5.8%**	**-**	**3.9%**	**-**	**6.6%**

* Including unrealized gain on AFS(Available For Sale) and FX

Dividend Performance

■ Dividend Performance

(Unit : KRW Bil.)

Classification	2010	2011	2012	2013 (9 months)	2014	2015
Net Income	107.6	26.6	138.2	128.8	116.3	186.2
Cash Dividend Ratio(%)	**66**	**12**	**50**	**35**	**45**	**70**
Total Dividend Amount	32.6	6.6	28.2	19.7	25.8	40.2
Payout Ratio(%)	**30.3**	**24.8**	**20.4**	**15.3**	**22.2**	**21.6**
The Rate of Return(%)	**2.7**	**0.4**	**2.2**	**1.5**	**2.1**	**2.5**
Stock Dividend(%)	-	2.0	-	2.0	-	-

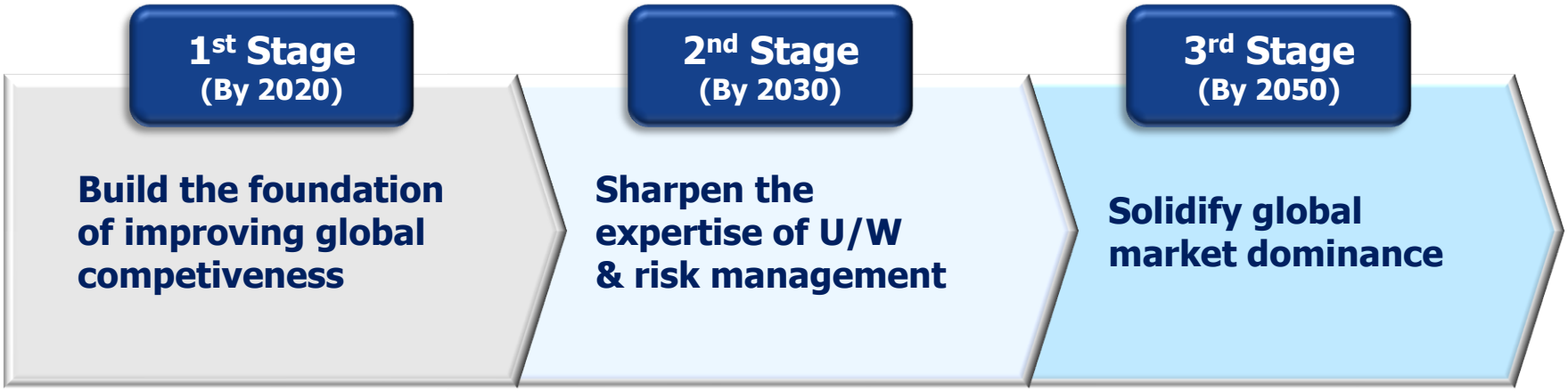
■ **Supporting a favorable dividend policy toward shareholders**

- In FY 2015, total dividend amount increased by 56%(YOY)
- Even during big CAT losses in 2011, Korean Re continued to pay out dividends

※ Stock Dividend is not expected to continue in the future

Korean Re Vision 2050

- Value-Creating Reinsurance Leader



10 Major Tasks to implement the goals under Vision 2050

- **Capacity/Credit rating**
  Create a virtuous cycle where increased capacity brings in more profitable accounts, helping to build more capacity
- **Global business operation**
  Expand the global business operation network
- **Underwriting**
  Build advanced techniques and expertise in reinsurance underwriting
- **Asset management**
  Operate asset management business with a high-level of professionalism to ensure stable profit generation
- **Diversification of business mix**
  Create a synergy among different lines by strengthening core supporting functions (risk survey & actuarial work etc)
- **Risk management**
  Establish an effective ERM system
- **Human resources / organizational efficiency**
  Develop a pool of experts by business line and region and seek organizational efficiency
- **Knowledge infrastructure for insurance & finance**
  Reinforce research capabilities to build a strong knowledge infrastructure for insurance and finance
- **Client service**
  Improve the quality of client service ranging from product development support to risk management consulting
- **Social responsibility**
  Expand corporate social responsibility programs both at home and abroad

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.