



KOREAN RE

Business Performance & Strategy

[Final] Separate Financial Result as of FY 2016. 12



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

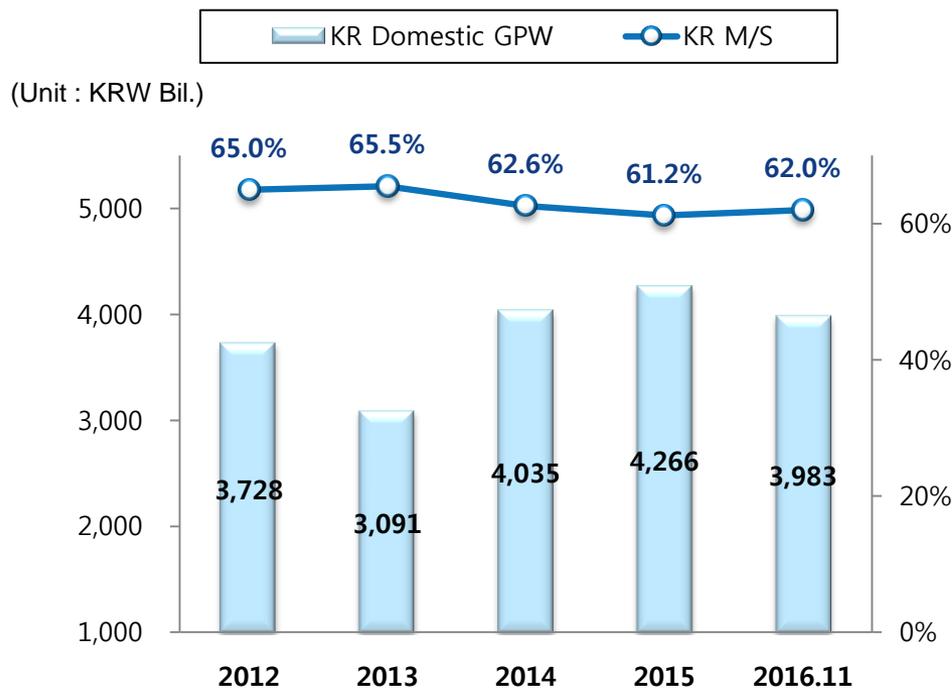
- **Headquarter** : Total 18 teams
(7 underwriting teams/ 11 administrative teams)
- **International** : 1 branch (Singapore) / 2 subsidiaries (Hong Kong, London)
5 liaison offices (Beijing, Tokyo, New York, London, Dubai)

* Korean Re U/W Ltd. newly set up for Lloyd's SPS in Mar. 2015

* Overseas branch establishment plans : Malaysia Labuan (July, 2017), Dubai (Jan, 2018),
Shanghai (waiting for license approval within 2017)

Dominant Domestic Market Position

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



* FY 2013 : based on 9 months / FY 2016 : based on 11 months

(Unit : KRW Bil.)

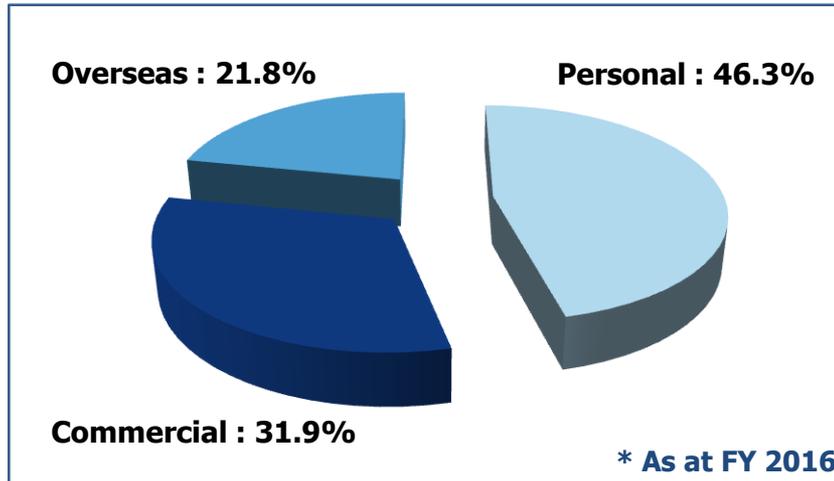
Item	2012	2013 (9 months)	2014	2015	2016.11
Korean Reins. Mkt.	5,740	4,717	6,448	6,966	6,421
Korean Re's share	3,728	3,091	4,035	4,266	3,983
Korean Re M/S	65.0%	65.5%	62.6%	61.2%	62.0%

■ Dominant market position in Korean non-life reinsurance

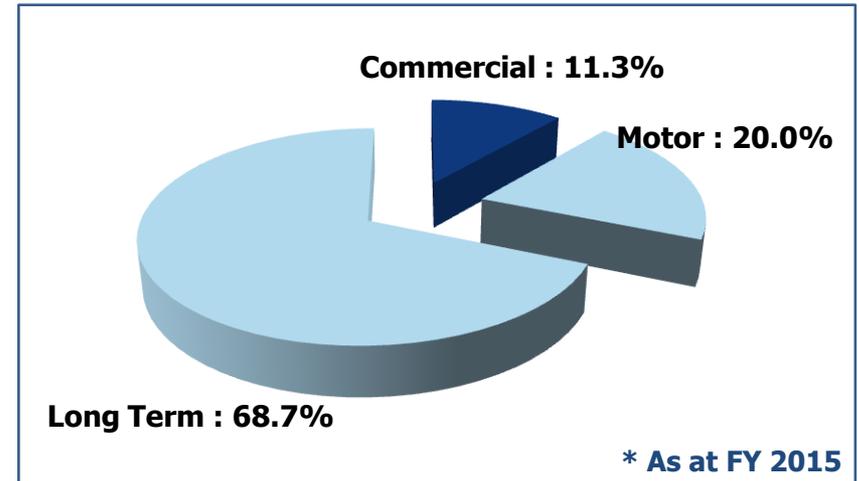
- Korean Re's domestic GPW shows a stable growth (5 year average : 5.1%)
- Recent reduction in M/S caused by local insurers' increased XOL premium ceded due to increasing retentions and large commercial line losses during FY13~14
- Foreign-affiliated insurers increased their ceding premium to the parent 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] → 21.8% [2016]
- The portfolio of personal lines, which has a low possibility of major loss, comprises 46.3% of the total portfolio

Global Reinsurers (2015 Gross Premiums)

(Unit : USD Bil.)

Ranking	Organized Name	Gross Premiums	S&P Rating	A.M. Best Rating
1	Munich Re (Germany)	37.0	AA-	A+
2	Swiss Re (Switzerland)	32.2	AA-	A+
3	Hannover Re (Germany)	18.7	AA-	A+
4	SCOR SE (France)	14.7	AA-	A
5	Lloyd's of London (UK)	12.7	A+	A
6	Berkshire Hathaway (USA)	12.2	AA+	A++
7	RGA Inc. (USA)	9.4	AA-	A+
8	China Reinsurance Group (China)	8.3	A+	A
9	Everest Re (Bermuda)	5.9	A+	A+
10	Partner Re Ltd. (Bermuda)	5.5	A+	A
11	Korean Re (South Korea)	5.4	A	A

※ Source : S&P, A.M. Best (2016)

■ 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

Comparison of Korean Corporate Ratings

■ Manufacturing

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

■ Insurance

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

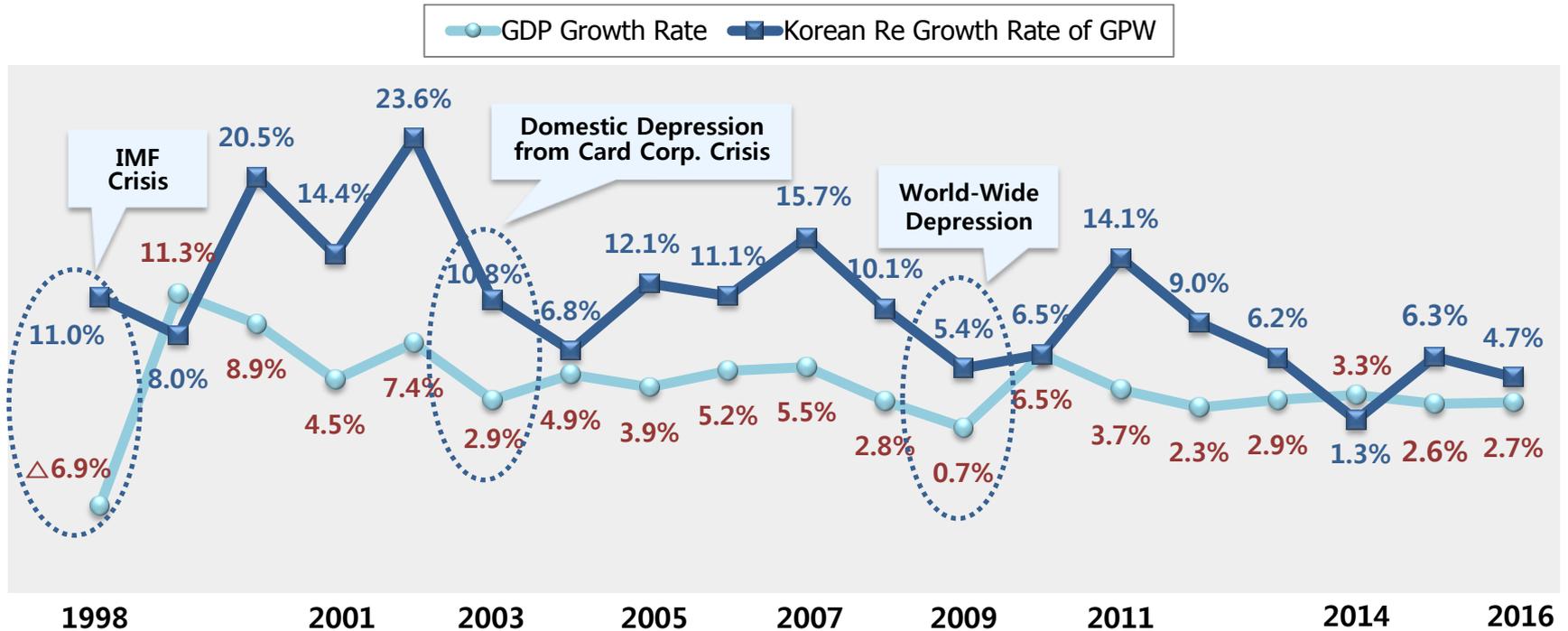
※ Source : S&P (2016)

■ 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

Growth Trend & Prospect



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

- 2016 Korean Re Growth Rate of GPW : 4.7%
 - ⇒ 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 Dec. 2016

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

Classification	FY 2015	FY 2016	YoY change	
			Amount	Rate
Gross Premiums	6,363.9	6,661.2	297.3	4.7
Net Premiums	4,368.8	4,677.6	308.8	7.1
Underwriting Income	95.7	51.6	△44.1	△46.1
Combined Ratio	97.3	98.8	-	1.5
- Loss Ratio	80.3	81.4	-	1.1
- Expense Ratio	17.0	17.4	-	0.4
Investment Income	128.9	155.5	26.6	15.9
Net Income	186.2	162.5	△23.7	△12.7
Operating Assets	4,915.4	5,314.0	398.6	8.1
Total Assets	9,022.7	9,555.7	533.0	5.9
Shareholder's Equity	2,015.4	2,114.9	99.5	4.9
Return on Equity(ROE)	10.2	8.2	-	△2.0

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

※ Based on Separate Financial Statements

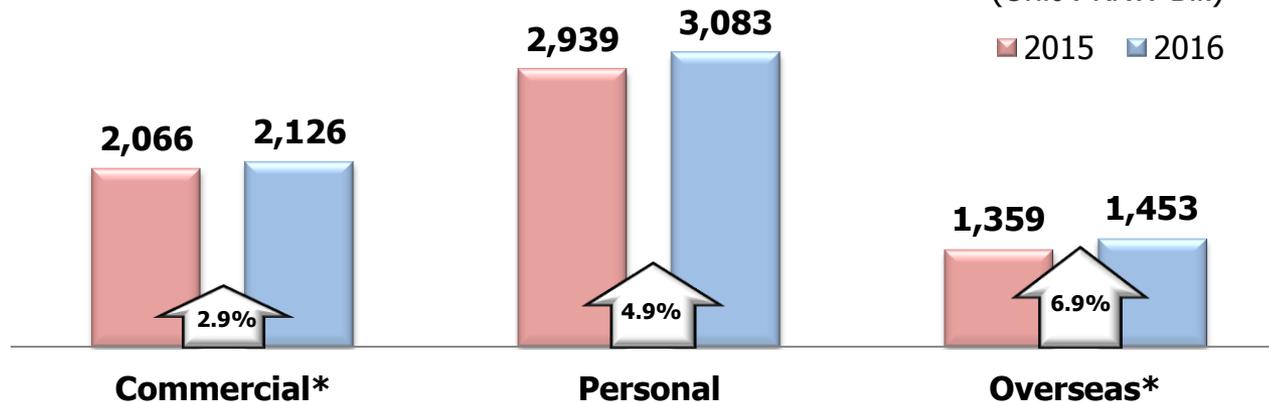
※ Modified ROE (excluding hybrid securities from equity) : 9.2%

Financial Highlights

■ Gross Premiums : +4.7%

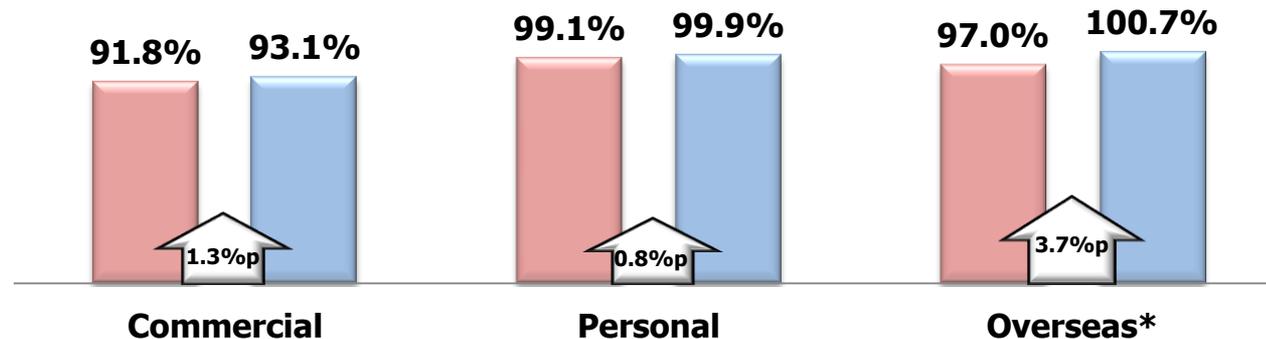
(Unit : KRW Bil.)

■ 2015 ■ 2016



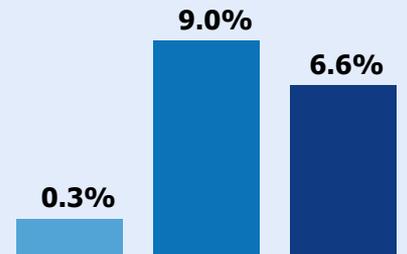
* Overseas : temporary delay of Statement of Account regarding Chinese account since July due to amendment of Chinese V.A.T. regulation(KRW 16.7 Bil.) ⇒ 8.1% growth on an as-if basis including KRW 16.7 Bil.

■ Combined Ratio : 97.3% → 98.8% (1.5%p ↑)



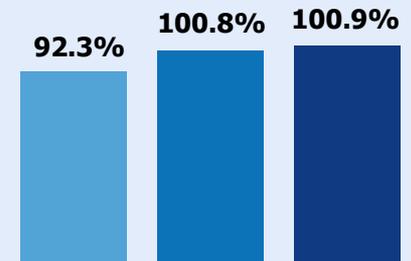
* Overseas : C/R deteriorated mainly due to unfavorable performance of Korean Insurance Companies' US Branch Q/S Treaties (in contrast to pure overseas business ceded by foreign insurers which is quite profitable) ⇒ C/R 97.0% on an as-if basis excluding the relevant U/W loss KRW 42.2 Bil.

5 year('11~'15) CAGR Gross Premiums



Commercial Personal Overseas

5 year('11~'15) average Combined Ratio

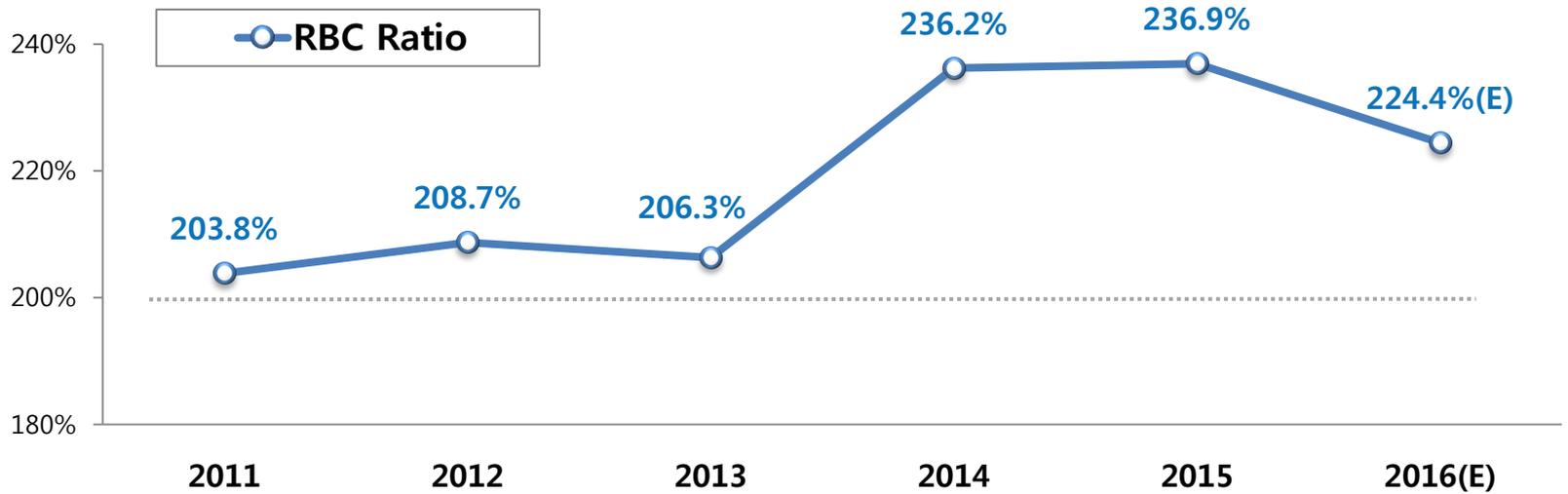


Commercial Personal Overseas

Stable RBC Ratio

■ Strong local solvency ratio

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



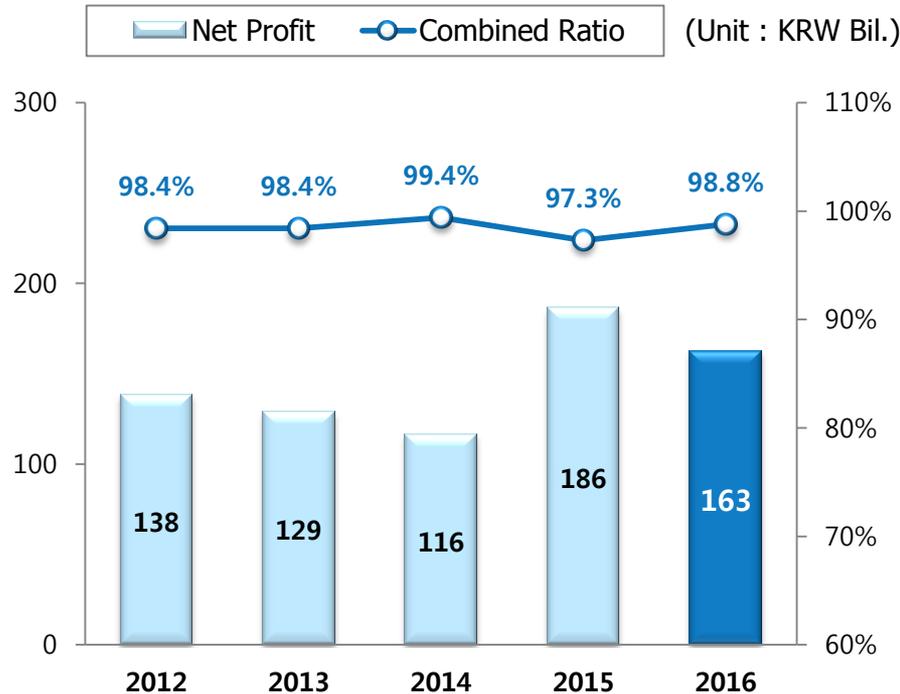
(Unit : KRW Bil., %)

Item	2011	2012	2013	2014	2015	2016(E)
Solvency Capital	1,402.4	1,552.0	1,611.0	1,967.9	2,158.8	2,285.1
Risk Based Capital	688.2	743.7	781.0	833.1	911.3	1,018.3
RBC ratio	203.8	208.7	206.3	236.2	236.9	224.4

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

※ RBC ratio in 2016 is estimated to be decreased by unrealized loss on available for sale assets from the rise of interest rates and tightened RBC regulation

FY 2017 Business Guidance (preliminary)



Item	2015	2016	2017(T)
Gross Premiums (Growth Rate)	6,363.9 (6.3%)	6,661.2 (4.7%)	TBA (6.0%)
Net Premiums	4,368.8	4,677.6	TBA
Combined Ratio(%)	97.3%	98.8%	TBA
Underwriting Income	95.7	51.6	TBA
Investment Income	128.9	155.5	TBA
Net Profit	186.2	162.5	195.0

※ Excluding foreign currency evaluation effect

■ Main strategies for FY 2017

- ▶ Maintain leading-reinsurer's position in domestic market through co-developing new business for growth engines and providing outstanding services to primary insurers
- ▶ Improve U/W profitability through retention of profitable accounts, reduction of under-performing accounts* and profit-oriented growth of overseas business

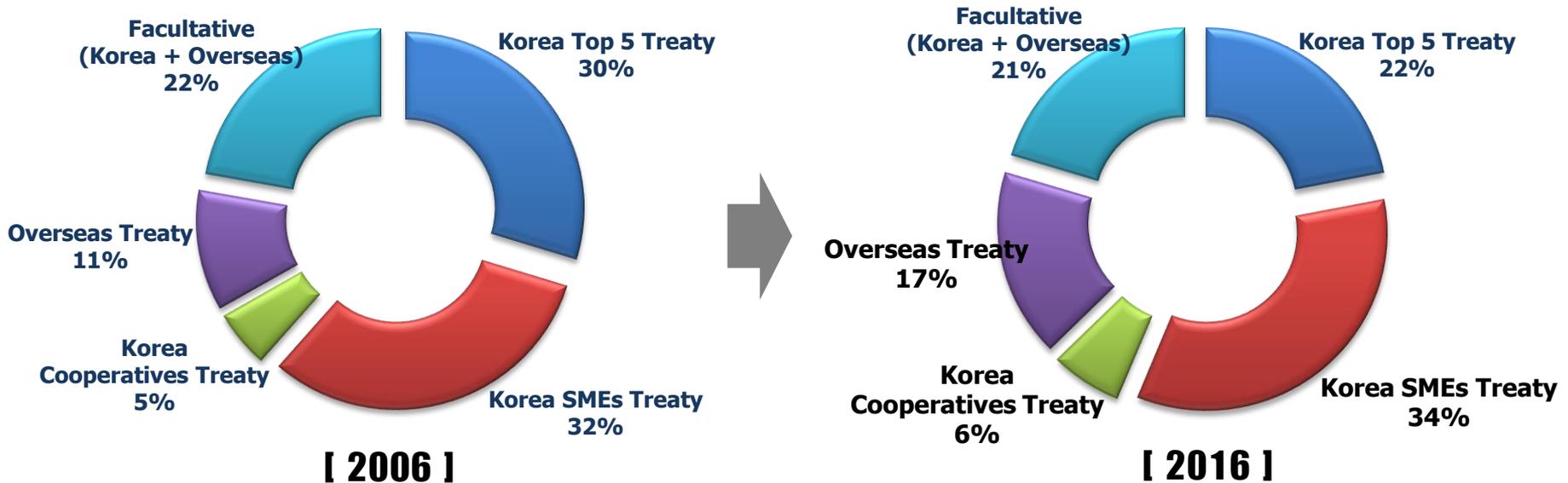
* UY 2017 Korean Insurance Companies' US Branch Treaties and Chinese major Q/S Treaties

- ▶ Improve ROI through continuous reorganization of P/F (Overseas bonds & alternative investments)

Profit Priority Strategy



Diversification



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

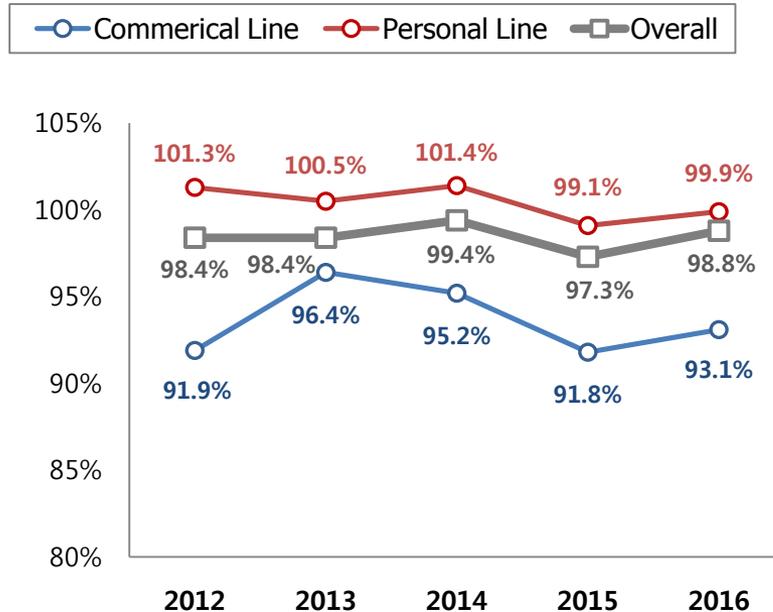
- Samsung Fire & Marine Treaty : 8% (2006) → 3% (2016)

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

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

Underwriting Performance (Overall)

■ Maintaining Stable Combined Ratio approx. 98.4%



(Unit : %)

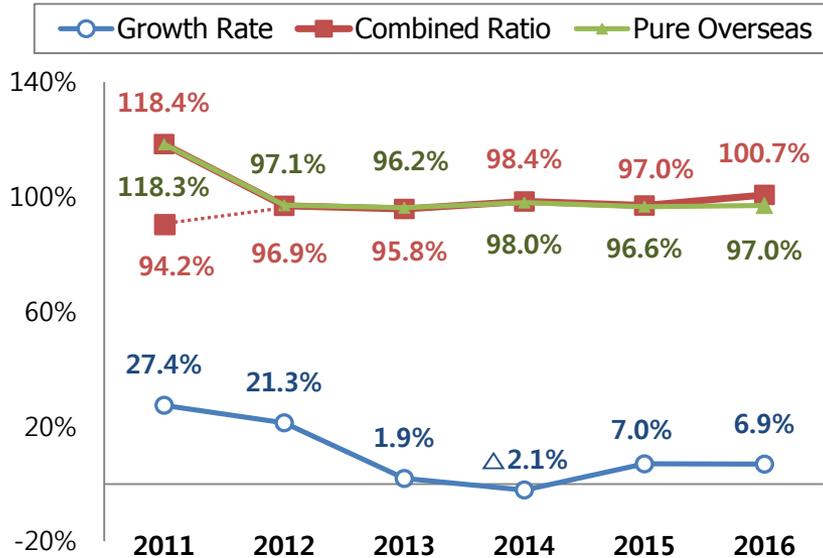
Item	2012	2013 (9 months)	2014	2015	2016
Commercial	91.9	96.4	95.2	91.8	93.1
Personal	101.3	100.5	101.4	99.1	99.9
Overseas	96.9	95.8	98.4	97.0	100.7
Combined Ratio	98.4	98.4	99.4	97.3	98.8
- Loss Ratio	80.6	80.2	81.8	80.3	81.4
- Expense Ratio	17.8	18.2	17.6	17.0	17.4

※ Excluding foreign currency evaluation effect

- Profitability-oriented treaty structure : Effective sliding scale and profit commission
- Diversified class portfolio [FY 2016] :
Commercial (32%) / Long term (25%) / Motor (9%) / Life (12%) / Overseas (22%)
- 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
 * Pure Overseas : excluding Korean Insurance Companies' US Branch Q/S Treaties

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. (8.0 Bil.), Japan Snow (7.5 Bil.), Belgium Ela Storm (7.2 Bil.)
 - FY 2015 : China Tianjin explosion (13.1 Bil.)
 - FY 2016 : Under-performance of KICUSB* treaties (42.2 Bil.)
 Taiwan E.Q. (13.9 Bil.), Japan Pharmaceutical Product Liab. (9.1 Bil.), Hurricane Matthew (6.6 Bil.)
- * KICUSB : Korean Insurance Companies' US Branch

(Unit : KRW Bil.)

Item	2011	2012	2013 (9 months)	2014	2015	2016*
Gross premiums written (Growth rate)	1,053.3 (27.4%)	1,277.7 (21.3%)	985.0 (1.9%)	1,270.0 (△2.1%)	1,359.2 (7.0%)	1,452.9 (6.9%)
Underwriting results	△154.5	17.7	23.5	15.9	15.1	△4.0
Combined ratio	118.4%	96.9%	95.8%	98.4%	97.0%	100.7%
- Loss ratio	87.5%	64.4%	64.6%	68.4%	65.9%	69.3%
- Expense ratio	30.9%	32.5%	31.2%	30.0%	31.1%	31.4%

* FY2016 : The best U/W result for pure overseas (U/W result : KRW 35.8 Bil.)

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

Overseas Portfolio Change (Line of Business)

■ Overseas P/F Change

(Unit : %)

Line of biz	2011	2012	2013	2014	2015	2016
Fire & Engineering	56.0%	54.3%	54.2%	49.5%	44.9%	44.8%
Marine	19.4%	18.2%	16.8%	16.0%	15.7%	14.1%
Life	14.4%	16.0%	15.3%	19.8%	19.3%	19.2%
Casualty	7.5%	8.7%	10.4%	11.1%	13.5%	14.8%
Motor	2.7%	2.8%	3.3%	2.7%	4.4%	3.5%
Others*	-	-	-	0.8%	2.2%	3.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(* 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

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

Overseas Portfolio Change (Region)

■ Overseas P/F Change

(Unit : %)

Region	2011	2012	2013	2014	2015	2016
Far East Asia	39.6	37.7	38.0	37.6	36.1	31.5
Middle East Asia	16.5	15.8	16.3	15.1	12.2	11.2
South East Asia	6.4	6.5	6.8	6.6	11.2	13.9
Asia Total	62.5	60.0	61.1	59.3	59.5	56.6
North America	11.4	12.7	14.2	16.4	18.9	21.8
Latin America	2.9	3.7	3.3	3.0	2.9	3.3
America Total	14.3	16.4	17.5	19.4	21.8	25.1
Europe	15.7	15.9	15.2	15.1	13.6	14.8
Africa	2.4	2.9	1.4	1.1	0.9	0.7
Others*	5.1	4.8	4.8	5.1	4.2	2.8
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

* Asia : 62.5% (2011) → 56.6% (2016)

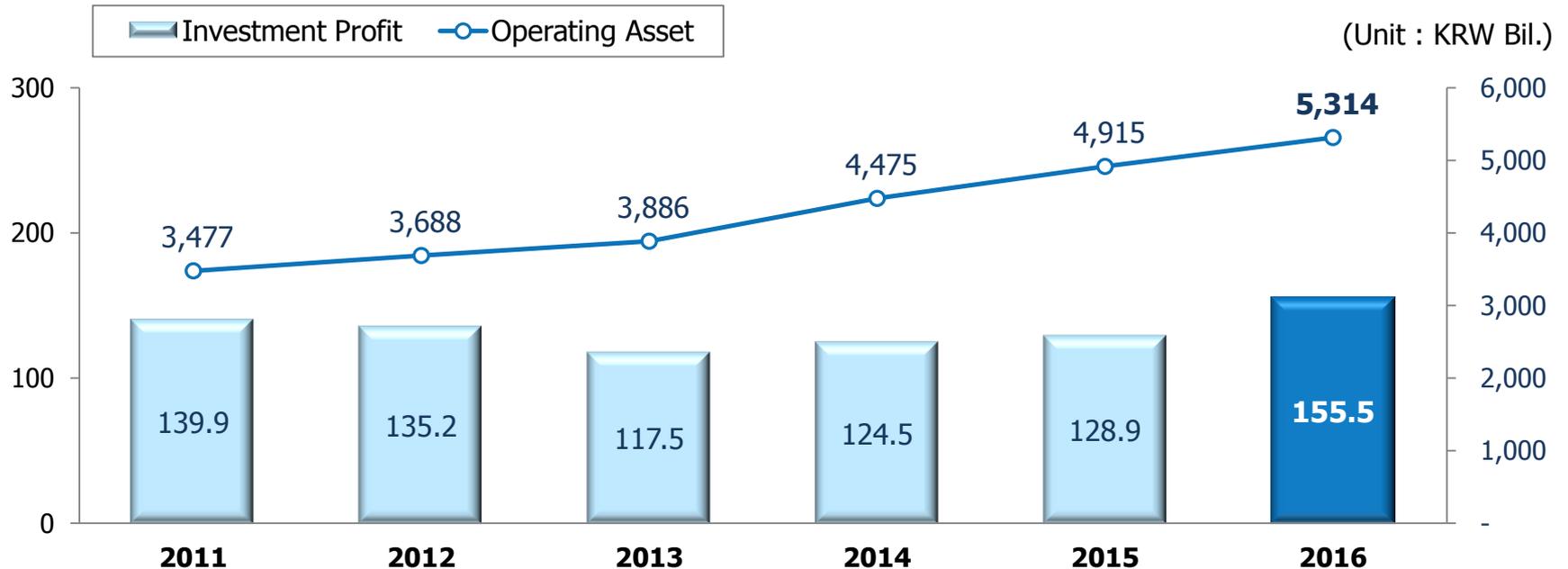
■ Continue to diversify the P/F through exploring new markets outside of Asia

Investment Performance



Investment Performance

■ The Maintenance of Stable Investment Strategy



(Unit : KRW Bil.)

Item	2011	2012	2013	2014	2015	2016
Investment Profit	139.9	135.2	117.5	124.5	128.9	155.5
Investment Yield	4.4%	3.8%	4.2%	3.0%	2.8%	3.1%

※ Excluding foreign currency evaluation effect

Investment Performance

Investment Asset Portfolio

(Unit : KRW Bil.)

Classification		2014		2015		2016	
		Amount	Portion	Amount	Portion	Amount	Portion
Domestic Bond		1,957.1	43.7%	1,928.3	39.2%	1,971.7	37.1%
Overseas	Bond	352.5	7.9%	642.1	13.1%	1,103.9	20.8%
	Others	751.5	16.8%	481.0	9.8%	378.7	7.1%
Short Term		785.0	17.6%	1,214.8	24.7%	1,181.9	22.2%
Others		385.9	8.6%	428.8	8.7%	590.0	11.1%
Stock		241.8	5.4%	220.4	4.5%	87.8	1.7%
Total		4,473.8	100.0%	4,915.4	100.0%	5,314.0	100.0%

Investment Profit

(Unit : KRW Bil.)

Classification		2014		2015		2016	
		Amount	Yield	Amount	Yield	Amount	Yield
Domestic Bond		87.8	4.6%	83.0	4.4%	74.4	3.9%
Overseas	Bond	7.3	3.0%	21.5	4.4%	29.5	3.4%
	Others	8.3	1.2%	7.1	1.2%	11.3	2.7%
Short Term		12.4	1.8%	16.8	1.7%	16.7	1.4%
Others		5.3	1.3%	9.1	2.3%	29.2	5.9%
Stock		3.4	2.0%	△8.6	△3.7%	△5.6	△3.6%
Total		124.5	3.0%	128.9	2.8%	155.5	3.1%

Dividend Performance

■ Dividend Performance

(Unit : KRW Bil.)

Classification	2012	2013 (9 months)	2014	2015	2016
Net Income	138.2	128.8	116.3	186.2	162.5
Cash Dividend Ratio(%)	50	35	45	70	65
Total Dividend Amount	28.2	19.7	25.8	40.2	37.3
Payout Ratio(%)	20.4	15.3	22.2	21.6	23.0
The Rate of Return(%)	2.2	1.5	2.1	2.5	2.8
Stock Dividend(%)	-	2.0	-	-	-

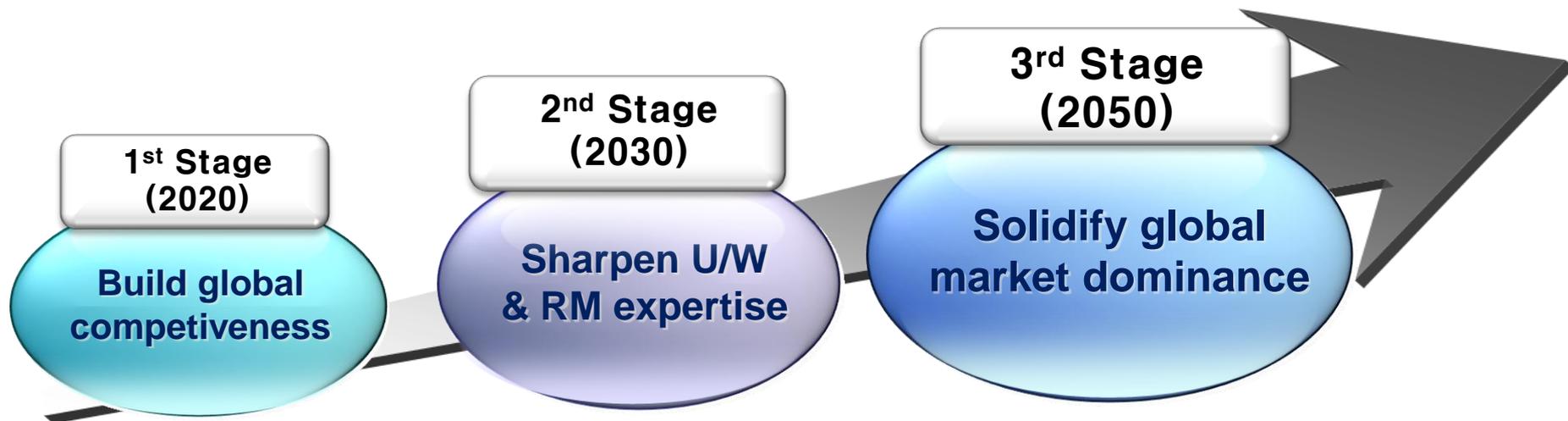
■ Supporting a favorable dividend policy toward shareholders

- In FY 2016, payout ratio increased by 1.2%p (YOY) (highest for the past 5 years)
- Maintain at least over 20% payout ratio pay out for raising shareholder value

※ 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.