Business Performance & Strategy

July 2017

KOREAN RE

Agenda

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 & Poor's「A-」to「A (Stable)」in Oct. 2014

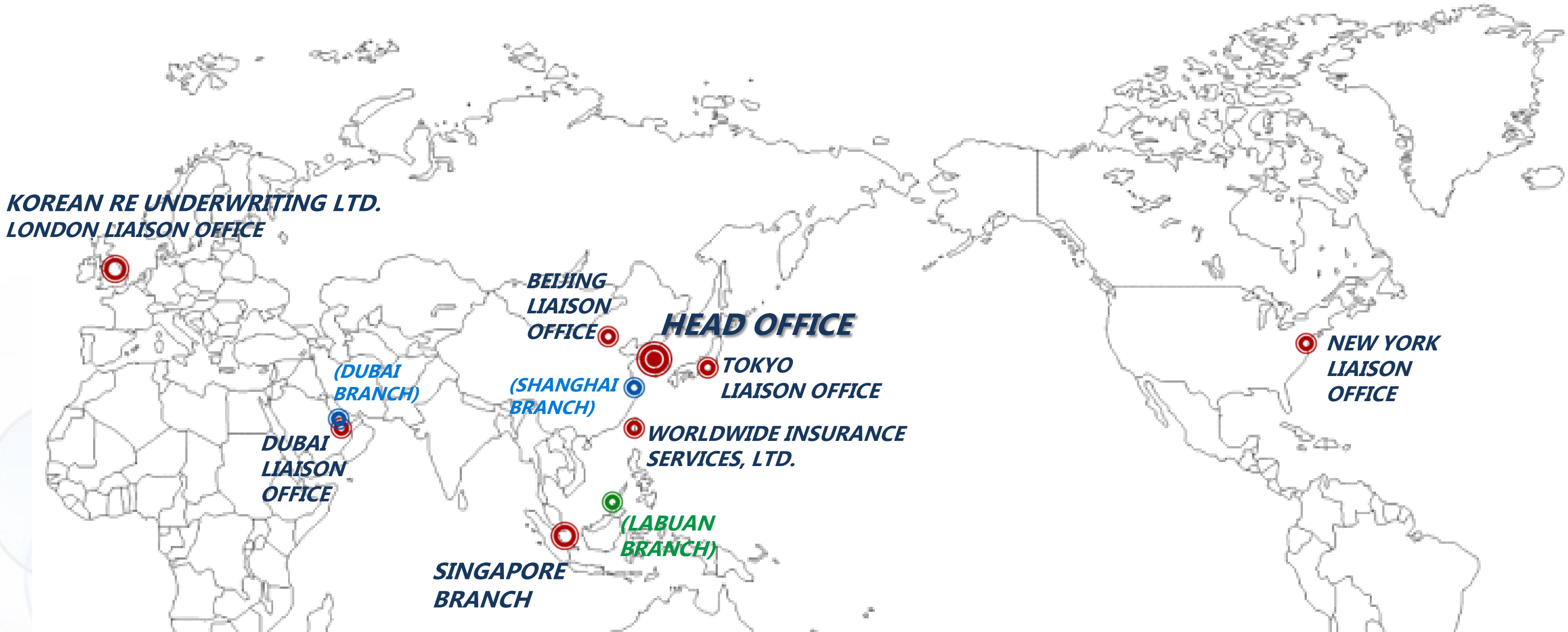
Employee

- **Total employee** : 330+

Organization

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

Global Network Channel at a glance



- **Continuous expansion of global network to explore new market opportunities**
  - Newly set up “Global Project Team” which is exclusively responsible for overseas establishment plans in July 2017
- **Korean Re U/W Ltd. newly set up for Lloyd’s SPS in Mar. 2015**
- **Ongoing Overseas branch establishment plans**
  - Malaysia Labuan (Starting operation since July 2017)
  - Dubai (Jan 2018), Shanghai (waiting for license approval)

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 : 32^{nd} → '05 : 15^{th} → '08 : 13^{th} → '12 : 9^{th} → **'14 : 11^{th}**

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+

※ Source : S&P (2016)

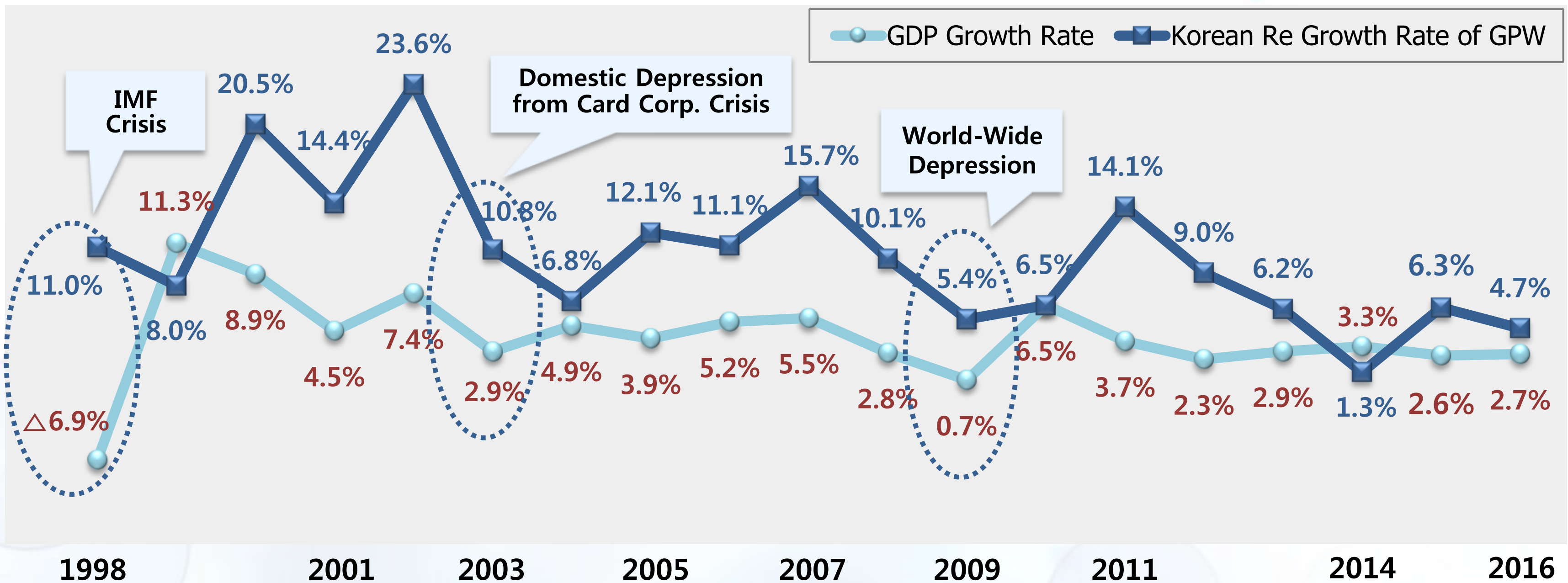
Insurance

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

- **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 GPW growth rate > Average Korea GDP growth rate

- 2016 Korean Re GPW Growth Rate : 4.7%

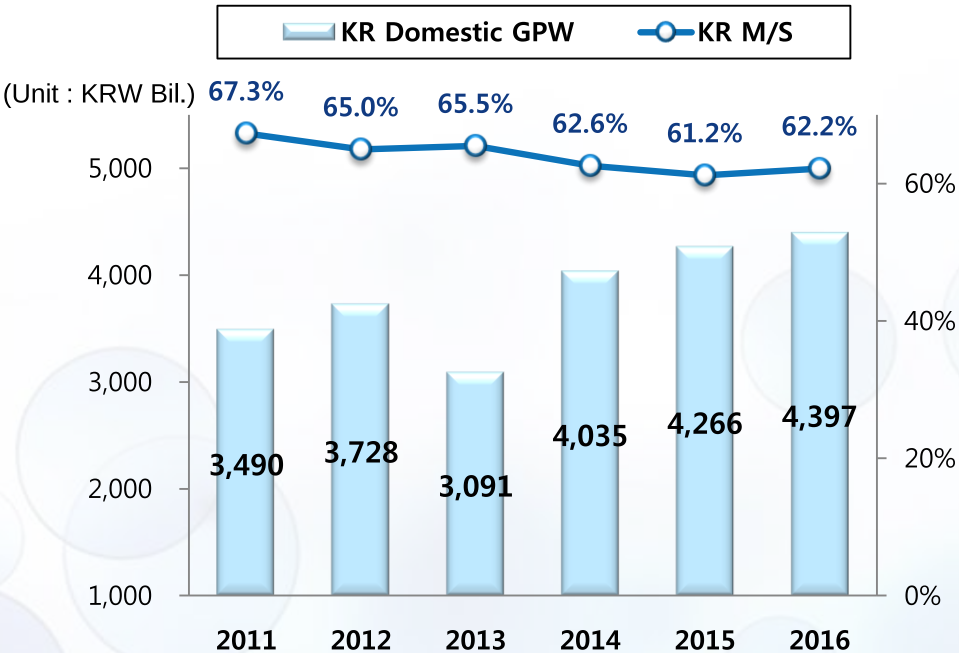
⇒ Despite persisting low domestic growth & soft market trend, Korean Re increased new accounts from personal & overseas business

■ Main growth engines

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

Dominant Domestic Market Position

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



* FY 2013 : based on 9 months

(Unit : KRW Bil.)

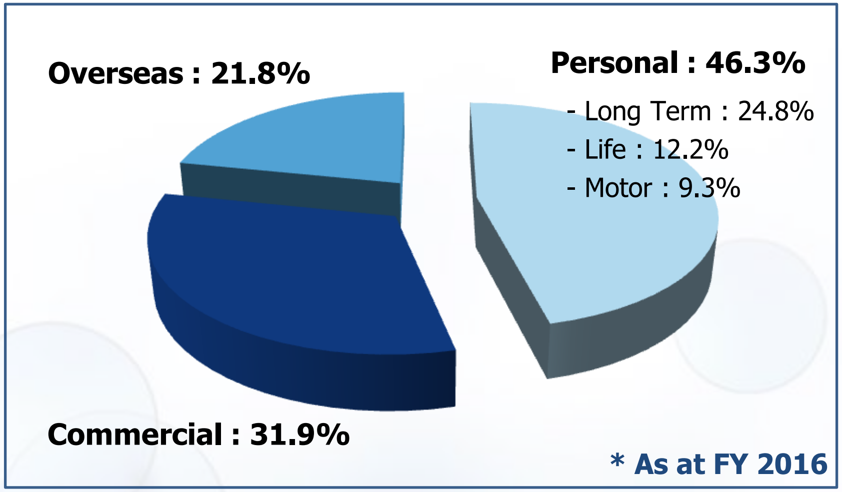
Item	2012	2013 (9 months)	2014	2015	2016
Korean Reins. Mkt.	5,740	4,717	6,448	6,966	7,070
Korean Re's share	**3,728**	**3,091**	**4,035**	**4,266**	**4,397**
Korean Re M/S	**65.0%**	**65.5%**	**62.6%**	**61.2%**	**62.2%**

Dominant market position in Korean non-life reinsurance

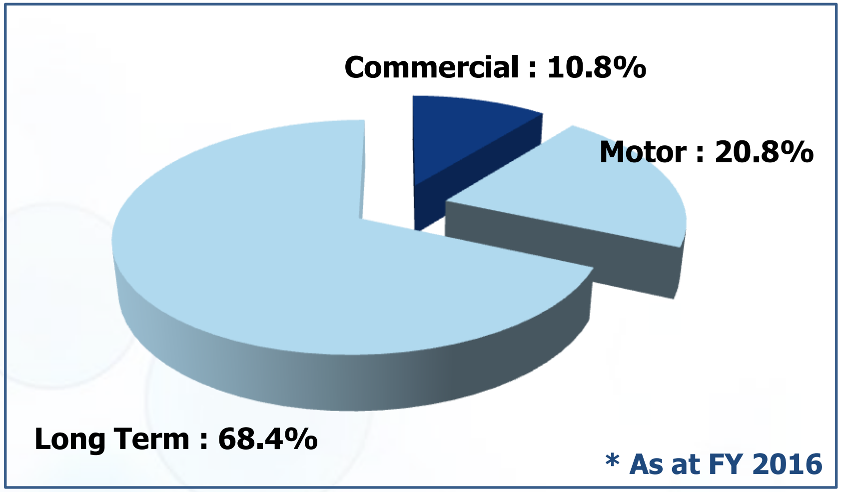
- Korean Re's domestic GPW shows a stable growth (5 year average : 4.2%)
- Recent reduction in M/S caused by primary insurers' increased non-proportional rates which Korean Re does not participate due to risk accumulation management
- Expect to maintain dominant position with over 60% M/S

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 : [FY'06] 14.5% (KRW 460 Bil.) → [FY'16] 21.8% (KRW 1,453 Bil.)**

- **The portfolio of personal lines, which has a low possibility of major loss, comprises 46.3% of the total portfolio**

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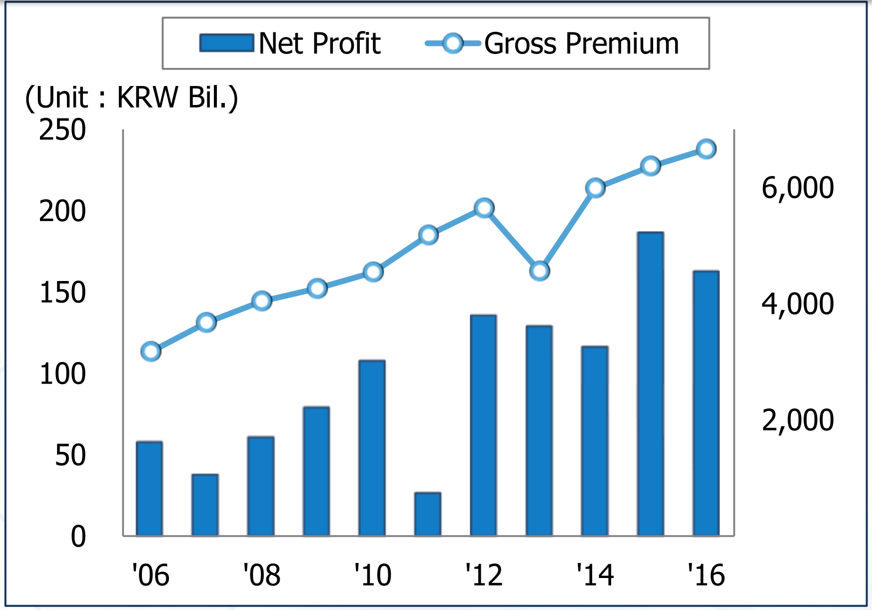
Business Results

Financial Snap Shot (2006 ~ 2016)



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

- **Gross Premium** : 7.7% (10 year average growth)
  - o High growth in overseas & pioneering new markets
- **Net Profit** : KRW 104.1 Bil. (10 year average)
  - o Profit-oriented underwriting guideline
  - o Stable investment profit
- **Total Asset** : 11.8% (10 year average growth)
  - o KRW 3.1 Tril. (FY 2006) ➔ KRW 9.6 Tril. (FY 2016)

(Unit : KRW Bil., %)

Item	2006	2008	2010	2012	2014	2016
Gross Premium (Growth Rate)	3,175 (11.1)	4,041 (10.1)	4,540 (6.5)	5,646 (9.0)	5,990 (1.3)	6,661 (4.7)
Net Profit	57.7	60.8	107.6	135.5	116.3	162.5
Total Asset	3,144	4,177	4,751	7,339	8,555	9,556
S&P Rating	A-	A-	A-	A-	A	A

Financial Highlights as of July 2017

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

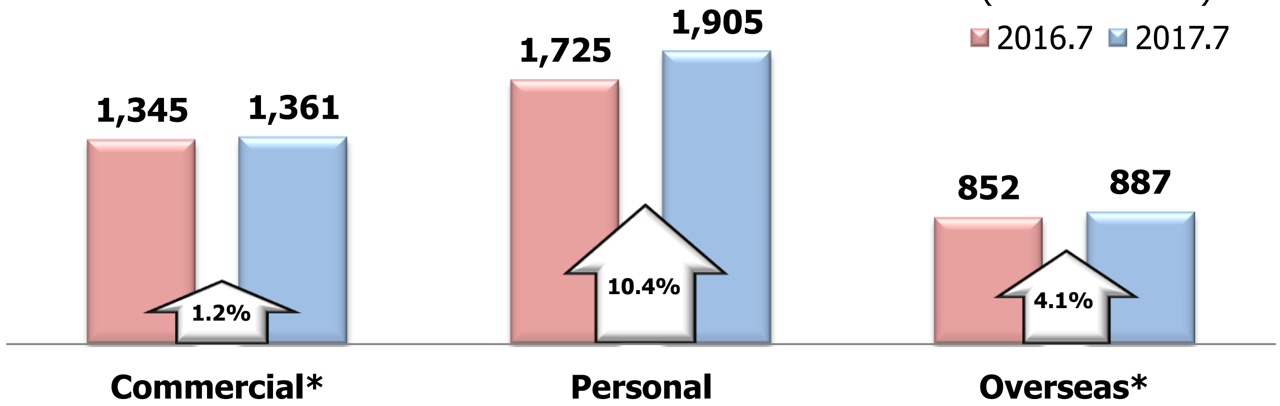
Classification	FY 2016	2016.7	2017.7	YoY change	
				Amount	Rate
Gross Premiums	**6,661.2**	**3,921.6**	**4,153.6**	**232.0**	**5.9**
Net Premiums	**4,677.6**	**2,708.0**	**2,872.4**	**164.4**	**6.1**
Underwriting Income	51.6	77.2	117.2	40.0	51.8
Combined Ratio	98.8	96.7	95.3	-	△1.4
- Loss Ratio	81.4	79.8	77.2	-	△2.6
- Expense Ratio	17.4	16.9	18.1	-	1.2
Investment Income	155.5	94.3	87.7	△6.6	△7.1
Operating Income	217.8	168.3	194.5	26.2	15.6
Net Income	**162.5**	**118.6**	**138.4**	**19.8**	**16.7**
Operating Assets	**5,314.0**	**5,178.3**	**5,496.5**	**318.2**	**6.1**
Total Assets	**9,555.7**	**9,337.5**	**9,844.4**	**506.9**	**5.4**
Shareholder's Equity	**2,114.9**	**2,159.6**	**2,209.5**	**49.9**	**2.3**
Return on Equity(ROE)	**8.2**	**10.0**	**11.3**	**-**	**1.3**

※ Excluding currency evaluation effect : underwriting income, investment income, combined ratio, loss ratio
※ Based on Separate Financial Statements
※ Modified ROE (excluding hybrid securities from equity) : 12.6%

Financial Highlights by Business Line

Gross Premiums : +5.9%

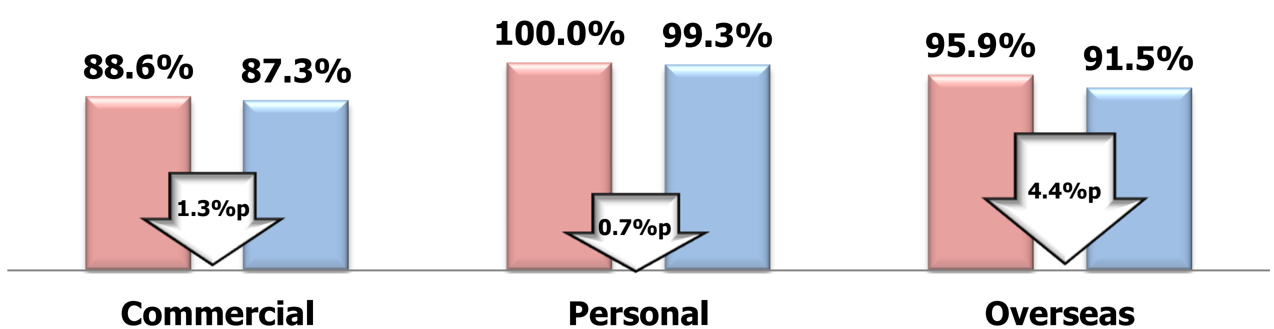
(Unit : KRW Bil.)



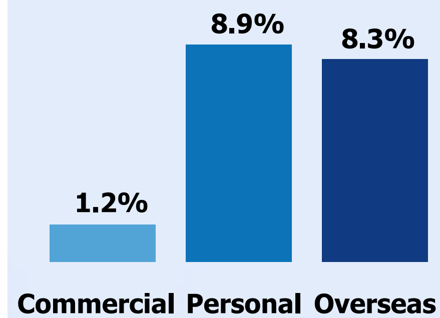
* Overseas : change over to positive growth in June due to the increase of property and life treaties

- Main cause of low growth :
  1) Reduction of under-performing US liability and Chinese property treaties (KRW 20.0 Bil.)
  2) Cessation of the last year's one-off life treaty (KRW 33.5 Bil.)
  3) Temporary delay of Statement of Account regarding Chinese treaties due to the amendment of Chinese V.A.T. regulation (KRW 22.0 Bil.)

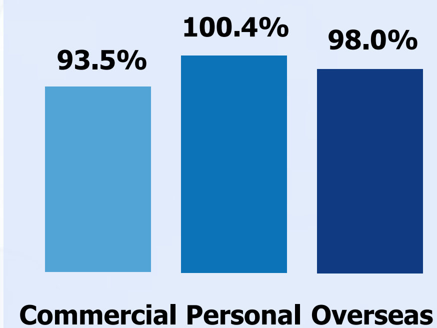
Combined Ratio : 96.7% → 95.3% (1.4%p↓)



5 year CAGR Gross Premiums



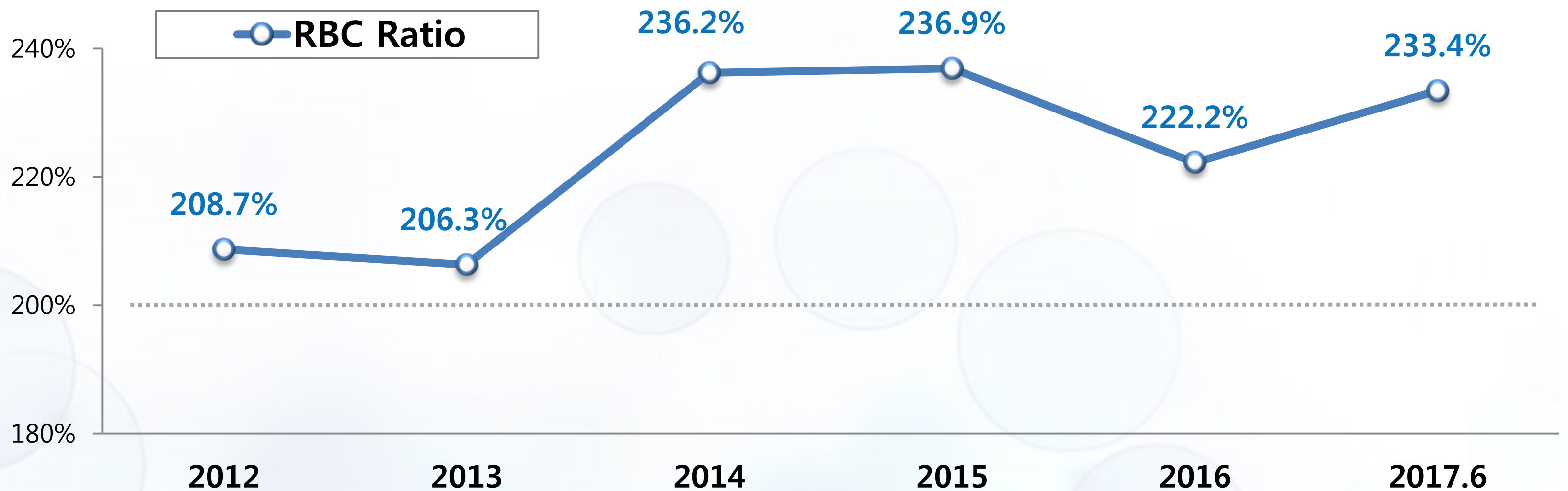
5 year average Combined Ratio



Stable RBC Ratio

Strong local solvency ratio

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



(Unit : KRW Bil., %)

Item	2012	2013	2014	2015	2016	2017.6
Solvency Capital	1,552.0	1,611.0	1,967.9	2,158.8	2,283.4	2,426.8
Risk Based Capital	743.7	781.0	833.1	911.3	1,027.5	1,039.7
RBC ratio	**208.7**	**206.3**	**236.2**	**236.9**	**222.2**	**233.4**

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

※ RBC ratio in 2016 is decreased by unrealized loss on available for sale assets from the rise of interest rates and tightened RBC regulation regarding credit risk and alteration of basis on the consolidated financial results

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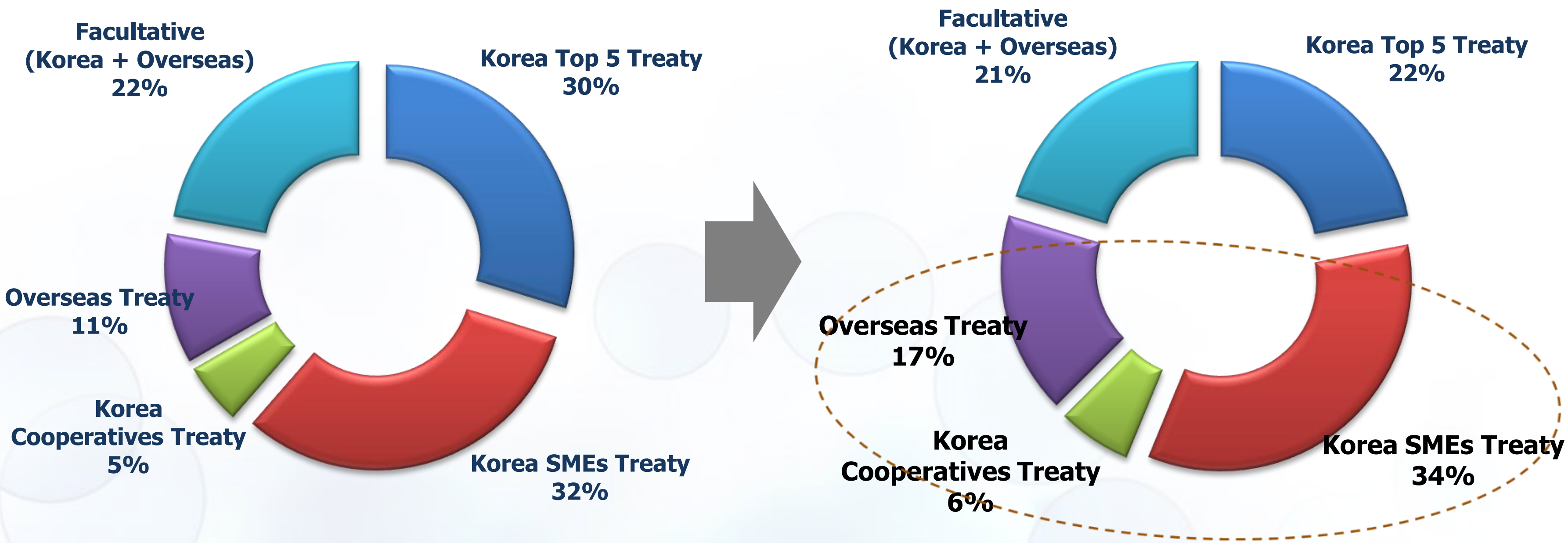
1. Korean Re Profile
2. Financial Highlights
3. **Insurance Operation Performance**
4. Investment Operation Performance
5. Dividend Performance
6. Prospects

Portfolio Diversification

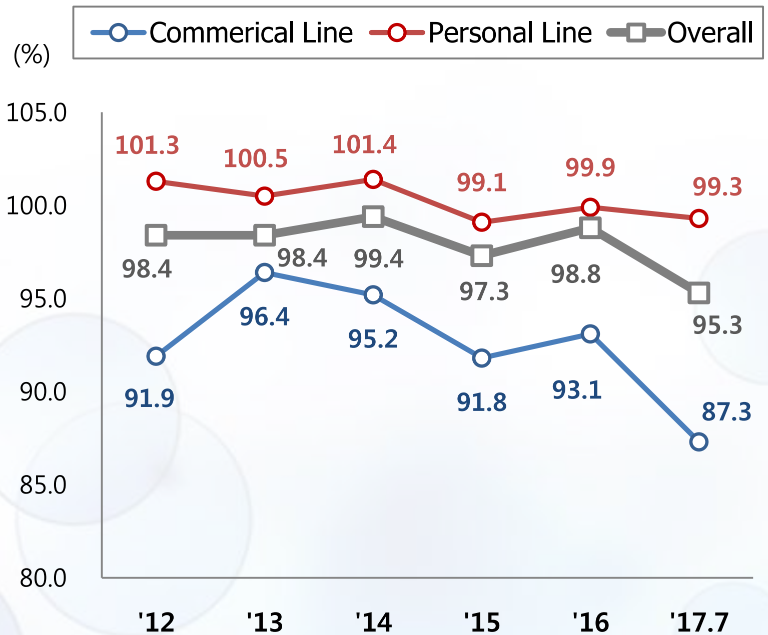


[2006] [2016]

- **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**

Overall Results

The nearest trend of improved and stable Combined Ratio



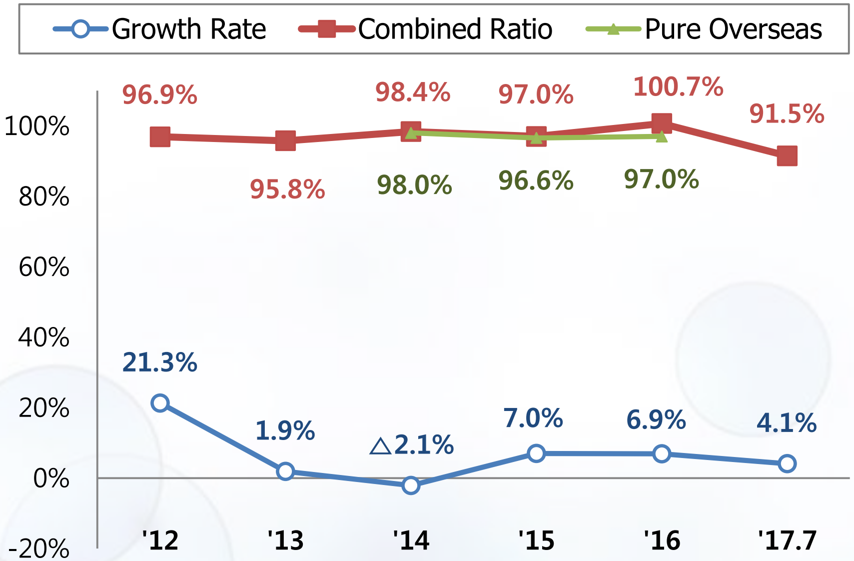
Item	2012	2013 (9 months)	2014	2015	2016	2017.7
Commercial	91.9	96.4	95.2	91.8	93.1	**87.3**
Personal	101.3	100.5	101.4	99.1	99.9	**99.3**
Overseas	96.9	95.8	98.4	97.0	100.7	**91.5**
Combined Ratio	98.4	98.4	99.4	97.3	98.8	**95.3**
- Loss Ratio	80.6	80.2	81.8	80.3	81.4	**77.2**
- Expense Ratio	17.8	18.2	17.6	17.0	17.4	**18.1**

※ 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

Overseas Results

■ Maintenance of low volatility after Thai Flood Loss in FY2011



* Excluding foreign currency evaluation effect
* Pure Overseas : excluding Korean Insurance Companies' US Branch Treaties

Major Loss Events

- FY 2014 : Japan Snow, Belgium Ela Storm
- FY 2015 : China Tianjin Explosion
- 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 : China Flood

(Unit : KRW Bil.)

Item	2012	2013 (9 months)	2014	2015	2016*	2017.7
Gross premiums written	1,277.7	985.0	1,270.0	1,359.2	1,452.9	886.9
(Growth rate)	(21.3%)	(1.9%)	(△2.1%)	(7.0%)	(6.9%)	(4.1%)
Underwriting results	17.7	23.5	15.9	15.1	△6.0	53.4
Combined ratio	**96.9%**	**95.8%**	**98.4%**	**97.0%**	**100.7%**	**91.5%**
- Loss ratio	64.4%	64.6%	68.4%	65.9%	69.3%	62.5%
- Expense ratio	32.5%	31.2%	30.0%	31.1%	31.4%	29.0%

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

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 (39.0%)
- 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 (2017.4)
- 4 Countries : USD 50m ~ 90m (2011.4) → USD 140m ~ 200m (2017.4)
- Worldwide : USD 50m (2011.4) → USD 140m (2017.4)

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 by Business Line

(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
  * 2^{nd} 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 by 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 : 62.5% (2011) → 56.6% (2016)
- US market comprises the largest portion(21.3%) leading ahead of China(20.0%) in FY2016

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

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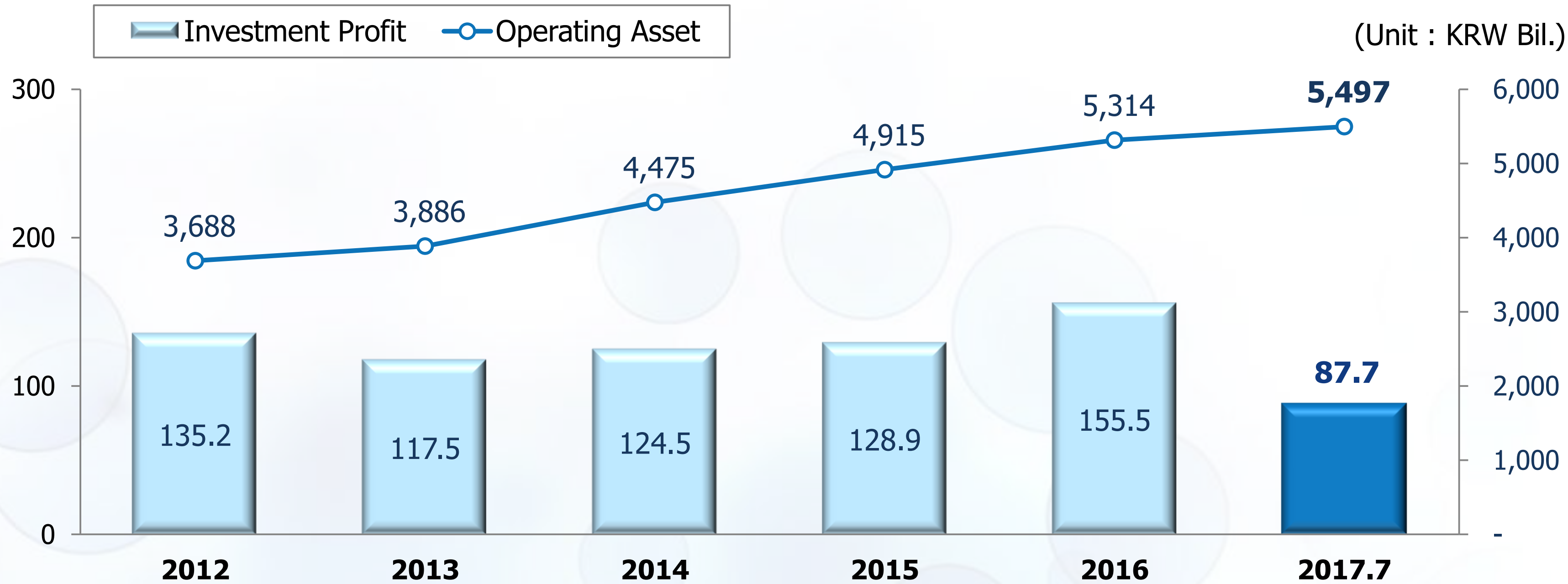
Overall Results

The Maintenance of Stable Investment Strategy



(Unit : KRW Bil.)

Item	2012	2013	2014	2015	2016	2017.7
Investment Profit	135.2	117.5	124.5	128.9	155.5	87.7
Investment Yield	3.8%	4.2%	3.0%	2.8%	3.1%	2.8%

※ Excluding foreign currency evaluation effect

Results by Asset Portfolio

Investment Asset Portfolio

(Unit : KRW Bil.)

Classification		2015		2016		2017.7	
		Amount	Portion	Amount	Portion	Amount	Portion
Domestic	Bond	1,928.3	39.2%	1,971.7	37.1%	1,915.6	34.8%
Overseas	Bond	642.1	13.1%	1,103.9	20.8%	1,393.9	25.5%
	Others	481.0	9.8%	378.7	7.1%	263.8	4.7%
Short Term		1,214.8	24.7%	1,181.9	22.2%	920.4	16.7%
Others*		428.8	8.7%	590.0	11.1%	912.3	16.8%
Stock		220.4	4.5%	87.8	1.7%	81.5	1.5%
Total		**4,915.4**	**100.0%**	**5,314.0**	**100.0%**	**5,496.5**	**100.0%**

Investment Profit

(Unit : KRW Bil.)

Classification		2015		2016		2017.7	
		Amount	Yield	Amount	Yield	Amount	Yield
Domestic	Bond	83.0	4.4%	74.4	3.9%	33.6	3.0%
Overseas	Bond	21.5	4.4%	29.5	3.4%	24.1	3.3%
	Others	7.1	1.2%	11.3	2.7%	2.4	1.3%
Short Term		16.8	1.7%	16.7	1.4%	7.5	1.2%
Others*		9.1	2.3%	29.2	5.9%	13.3	3.0%
Stock		△8.6	△3.7%	△5.6	△3.6%	6.6	8.4%
Total		**128.9**	**2.8%**	**155.5**	**3.1%**	**87.7**	**2.8%**

* Others : PEF, Loan, Real Estate etc.

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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 1.4%p (YOY) (highest in 5 years)
- Maintained over 20% payout ratio in order to raise shareholder value

※ Stock Dividend is not expected to continue in the future

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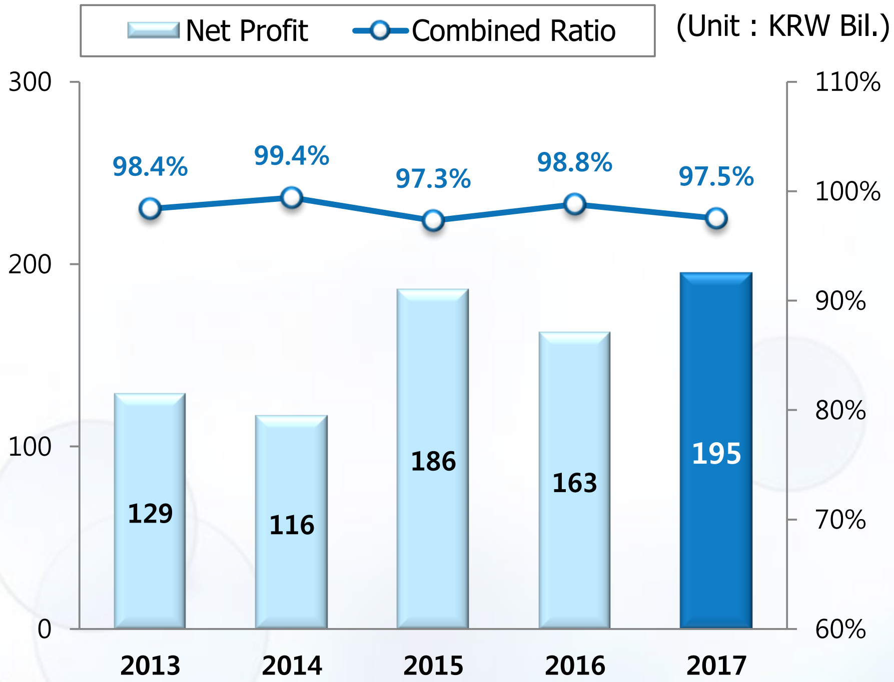
FY2017 Guidance



(Unit : KRW Bil.)

Item	2015	2016	2017(T)
Gross Premiums (Growth Rate)	**6,363.9 (6.3%)**	**6,661.2 (4.7%)**	**7,063.5 (6.0%)**
Net Premiums	4,368.8	4,677.6	5,003.0
Combined Ratio(%)	97.3%	98.8%	97.5%
Underwriting Income	95.7	51.6	99.2
Investment Income	128.9	155.5	170.0
Net Profit	**186.2**	**162.5**	**195.0**

※ Excluding foreign currency evaluation effect

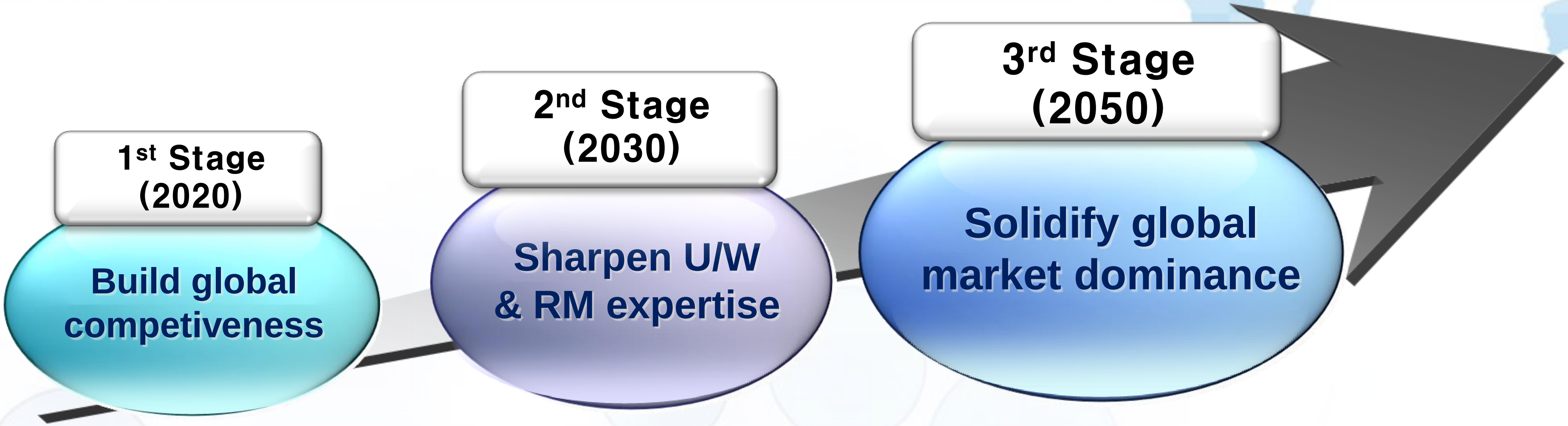
■ Main strategies for FY 2017

- ▶ 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)

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.