Korean Reinsurance Company



Business Performance & Strategy

Separate Financial Result
as of September 2018

AGENDA

1 〉〉 Korean Re Profile

2 〉〉 Financial Highlights

3 〉〉 Insurance Operation Performance

4 〉〉 Investment Operation Performance

5 〉〉 Dividend Performance

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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
- **2017** : **Top 10th reinsurer**(FY2016) in the global reinsurance market

Employee

- **Total employee** : 350+

Organization

- **Headquarter** : Total 22 teams
  (7 underwriting teams / 1 investment team / 14 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**
  - Waiting for license approval of Shanghai branch
  - Setting up a subsidiary in Switzerland(2019)

1.3 Global Reinsurers [FY 2016 Gross Premiums]

(Unit : USD Bil.)

Ranking	Organized Name	Gross Premiums	A.M. Best Rating	S&P Rating
1	Swiss Re (Switzerland)	35.6	A+	AA-
2	Munich Re (Germany)	33.2	A+	AA-
3	Hannover Re (Germany)	17.2	A+	AA-
4	SCOR SE (France)	14.6	A+	AA-
5	Berkshire Hathaway (USA)	12.7	A++	AA
6	Lloyd's (UK)	11.6	A	A+
7	RGA Inc. (USA)	10.1	A+	AA-
8	China Reinsurance Group (China)	7.9	A	A
9	Great West Lifeco (Canada)	6.2	A+	A+
10	**Korean Re (South Korea)**	**5.6**	**A**	**A**

※ Source : A.M. Best, S&P (Sep. 2017)

- **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-**	KCC	BBB
Hyundai / Kia Motors	A-	E-MART	BBB
Hyundai Mobis	A-	S-Oil	BBB
SK Telecom	A-	GS Caltex	BBB
KT	A-	Hyundai Steel	BBB
LG Chemical	A-	SK E&S	BBB
POSCO	BBB+	LG Electronics	BBB
SK Innovation	BBB+	SK Hynix	BBB-
SK Global Chemical	BBB+	Doosan Bobcat Inc.	BB-

※ Source : S&P (2017)

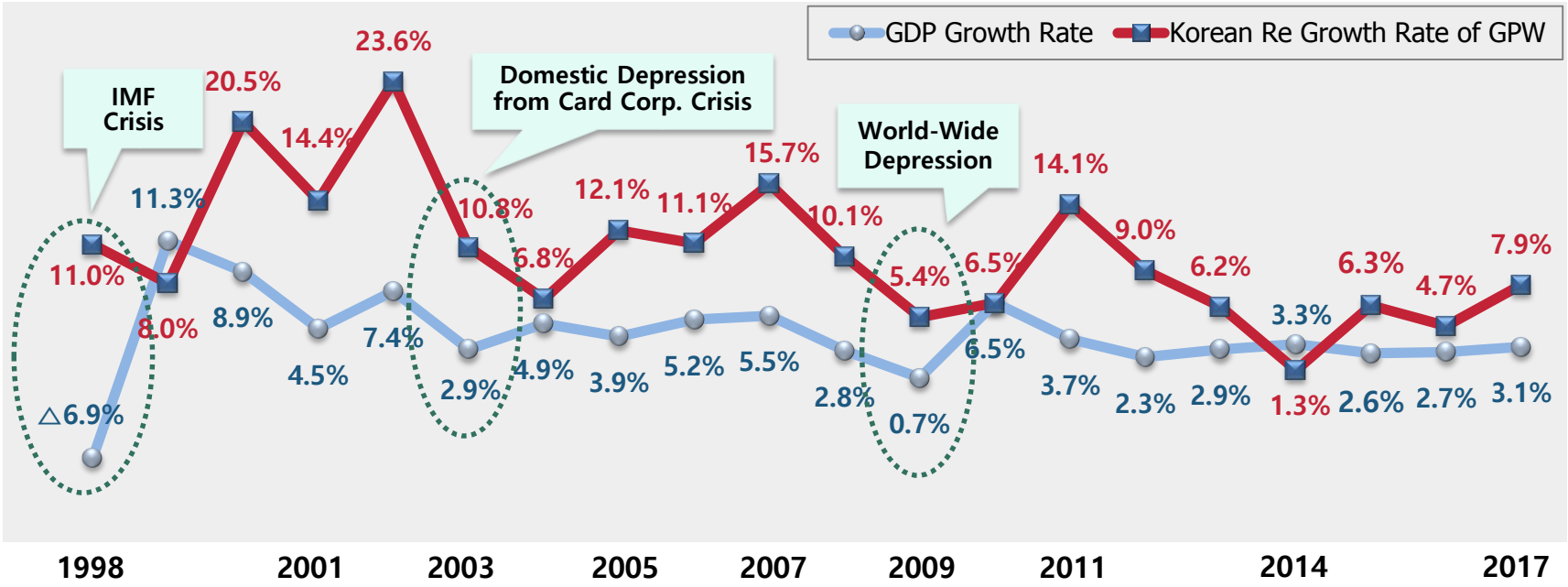
Insurance

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

- **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**

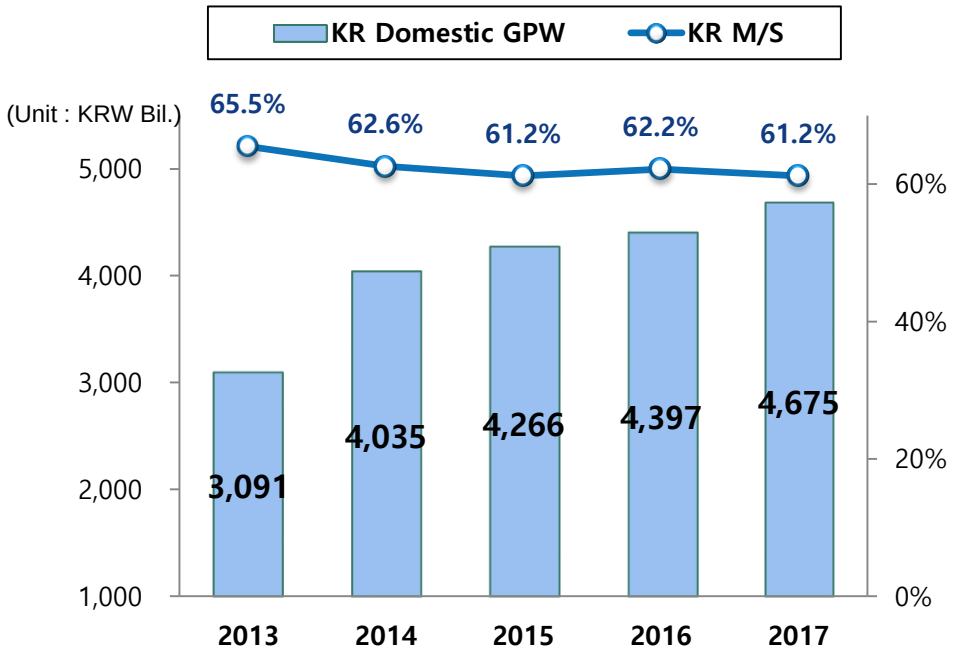
- 2017 Korean Re GPW Growth Rate : 7.9%

  ⇒ 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



* FY 2013 : based on 9 months

(Unit : KRW Bil.)

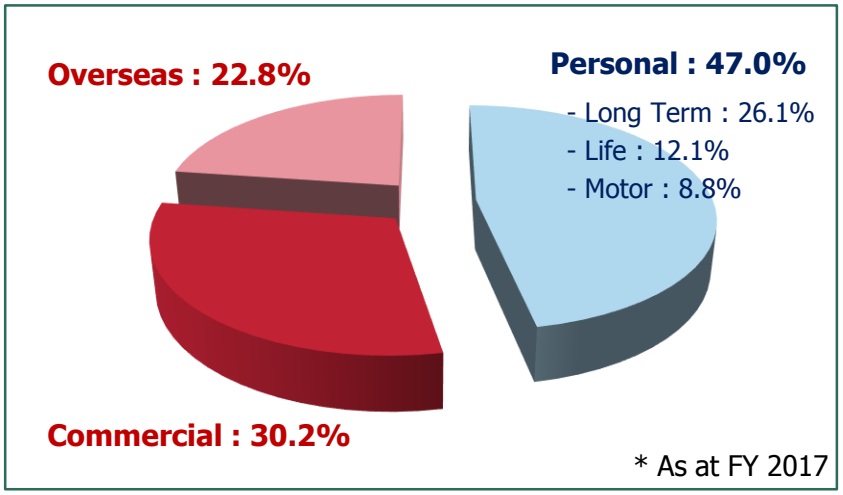
Item	2013 (9 months)	2014	2015	2016	2017
Korean Reins. Mkt.	4,717	6,448	6,966	7,070	7,637
Korean Re's share	**3,091**	**4,035**	**4,266**	**4,397**	**4,675**
Korean Re M/S	**65.5%**	**62.6%**	**61.2%**	**62.2%**	**61.2%**

■ Dominant market position in Korean non-life reinsurance

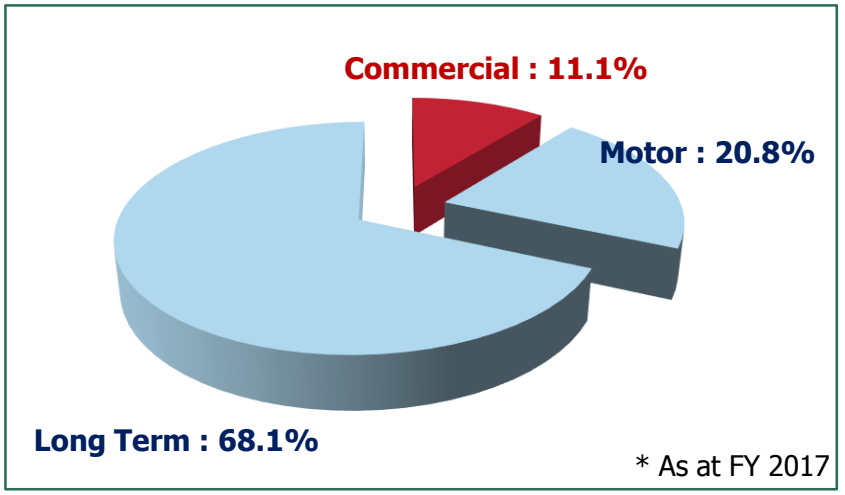
- Korean Re's domestic GPW shows a stable growth (5 year average : 5.1%)
- Reduction of M/S in 2014 caused by increased rates regarding primary insurers' non-proportional reinsurance programs in which Korean Re does not participate due to risk accumulation management
- Expect to maintain the dominant position with M/S of over 60%

1.7 Underwriting Portfolio Distribution

GPW Portion by Line of Business



[Korean Re]



[Korean non-life market]

- **The commercial and overseas comprises 53% of the total portfolio**
- **Further diversification has been brought into the business portfolio by the expansion of the overseas portion**

  ⇒ **Overseas : [FY'07] 18.3% (KRW 672 Bil.) → [FY'17] 22.8% (KRW 1,640 Bil.)**
- **The portfolio of personal lines, which has a low possibility of major loss, comprises 47% of the total portfolio**

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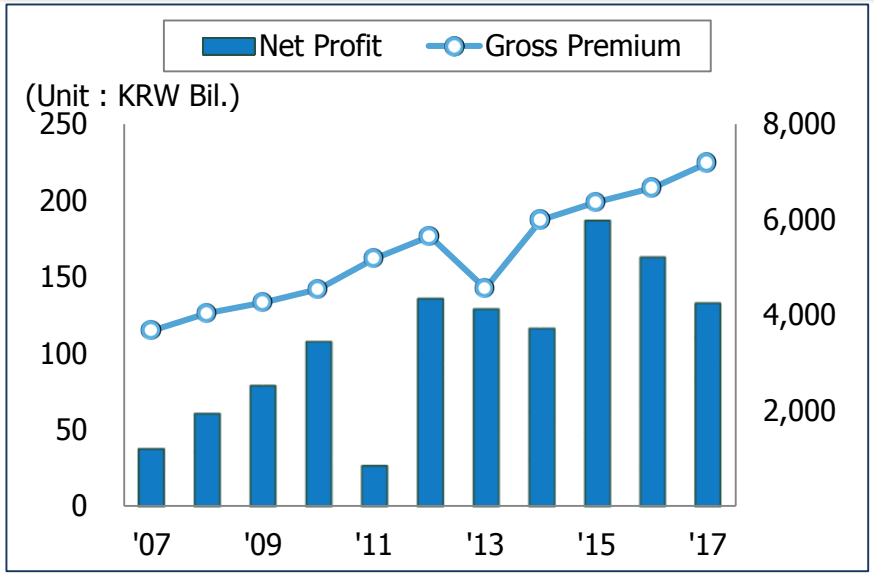
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2.1 Business Results

Financial Snap Shot (2007 ~ 2017)



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

■ **Gross Premium** : 6.9% (10 year average growth)

o Consistent growth by pioneering new markets

■ **Net Profit** : KRW 113.6 Bil. (10 year average)

o Profit-oriented growth and strengthening underwriting guideline

* FY2011 : reduced profit by Thai Flood losses
* FY2017 : reduced profit by US Hurricanes losses

■ **Total Asset** : 11.0% (10 year average growth)

o KRW 3.5 Tril. (FY2007) ➔ KRW 10.0 Tril. (FY2017)

(Unit : KRW Bil., %)

Item	2007	2009	2011	2013	2015	2017
Gross Premium (Growth Rate)	3,672 (15.7)	4,261 (5.4)	5,181 (14.1)	4,556 (6.2)	6,364 (6.3)	7,185 (7.9)
Net Profit	37.7	79.0	26.6	128.8	186.2	132.5
Total Asset	3,533	4,327	6,964	7,684	9,023	10,036
S&P Rating	A-	A-	A-	A-	A	A

2.2 Financial Highlights as of September 2018

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

Classification	FY 2017	2017.9	2018.9	YoY change	
				Amount	Rate
Gross Premiums	**7,184.7**	**5,345.4**	**5,574.3**	**228.9**	**4.3**
Net Premiums	**5,001.6**	**3,741.8**	**3,924.2**	**182.4**	**4.9**
Underwriting Income	79.4	116.9	△12.7	△129.6	-
Combined Ratio	98.3	96.5	99.9		3.4
- Loss Ratio	80.0	78.8	82.1		3.3
- Expense Ratio	18.3	17.7	17.8		0.1
Investment Income	132.9	109.8	128.1	18.3	16.7
Operating Income	194.9	219.2	126.9	△92.3	△24.2
Net Income	**133.0**	**159.8**	**95.0**	**△64.8**	**△40.6**
Operating Assets	**5,626.3**	**5,637.9**	**5,843.1**	**205.2**	**3.6**
Total Assets	**10,035.8**	**9,908.5**	**10,436.8**	**528.3**	**5.3**
Shareholder's Equity	**2,167.1**	**2,217.2**	**2,227.2**	**10.0**	**0.5**
Return on Equity(ROE)	**6.4**	**10.2**	**5.9**		**△4.3**

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

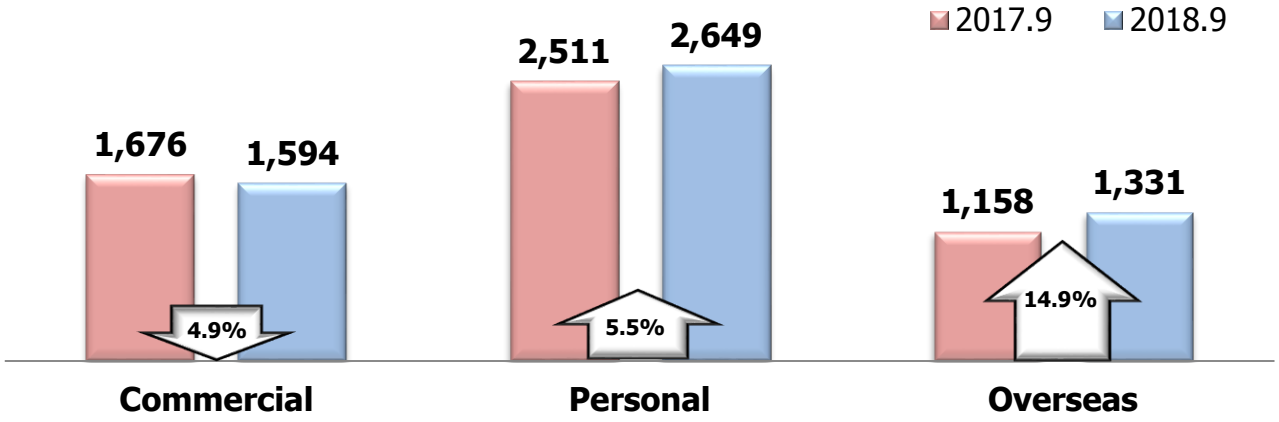
※ Based on Separate Financial Statements

※ Modified ROE (excluding hybrid securities from equity) : 6.5%

2.3 Financial Highlights by business lines

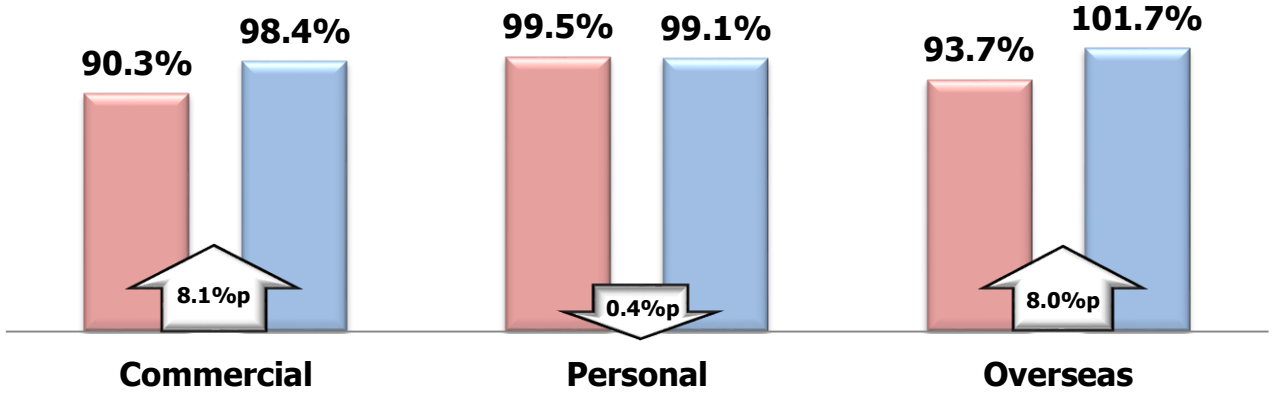
■ Gross Premiums : +4.3%

(Unit : KRW Bil.)



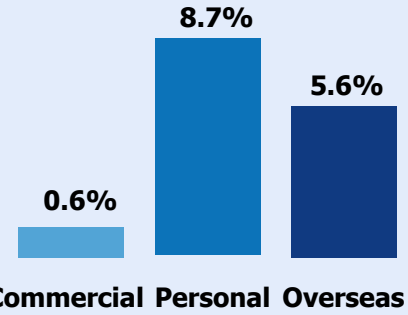
※ Negative growth of commercial line due to one-off effect from new accounts of satellite launcher and offshore windfarm insurance in the previous year

■ Combined Ratio : 96.5% → 99.9% (3.4%p ↑)

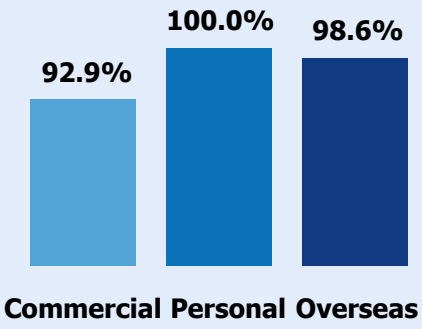


※ Overseas : Japan's Typhoon 'JEBI' (KRW 28.1Bil) / Multiple Engineering large losses (KRW 35.7Bil)

5 year CAGR Gross Premiums



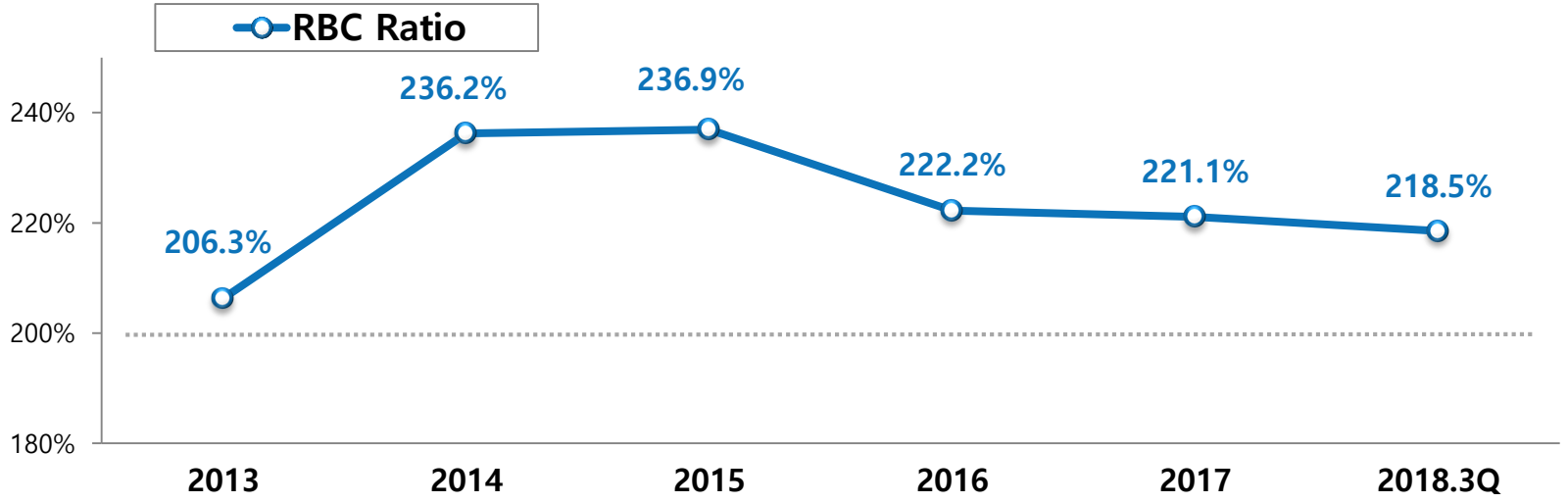
5 year average Combined Ratio



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	2013	2014	2015	2016	2017	2018.3Q
Solvency Capital	1,611.0	1,967.9	2,158.8	2,283.4	2,375.9	2,494.1
Risk Based Capital	781.0	833.1	911.3	1,027.5	1,074.8	1,141.5
RBC ratio	**206.3**	**236.2**	**236.9**	**222.2**	**221.1**	**218.5**

※ 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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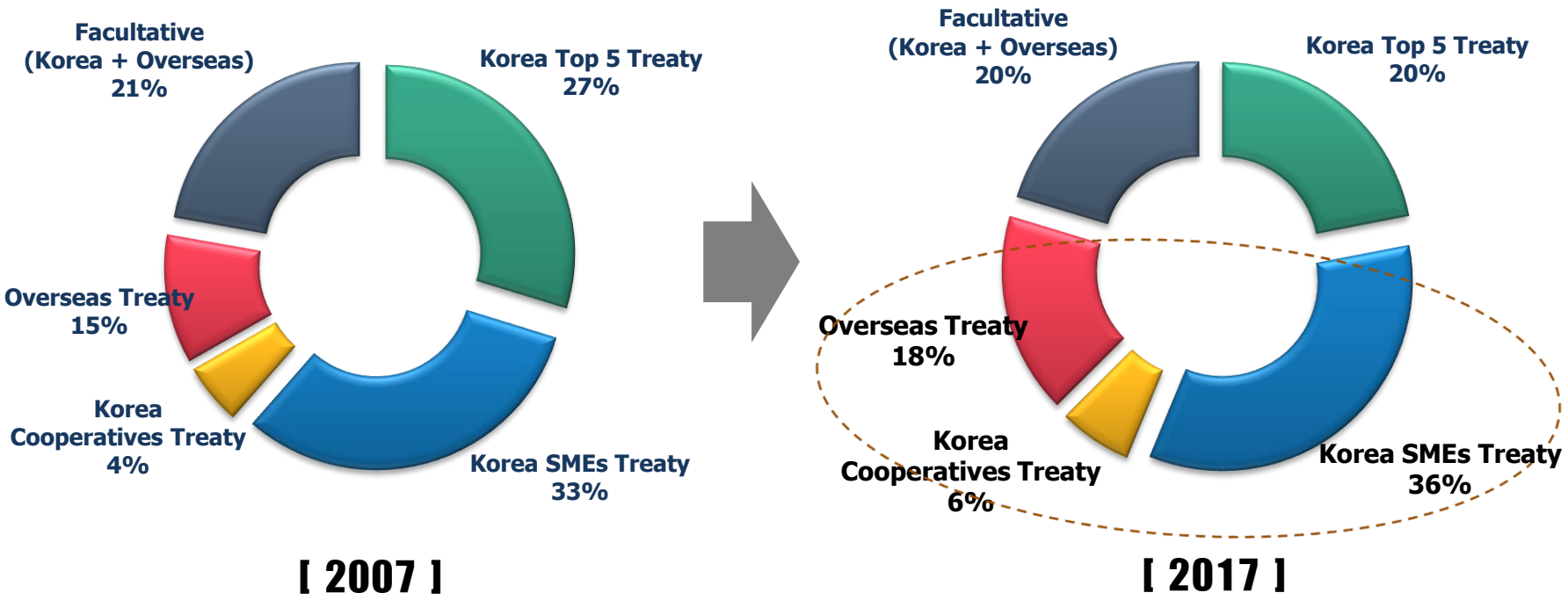
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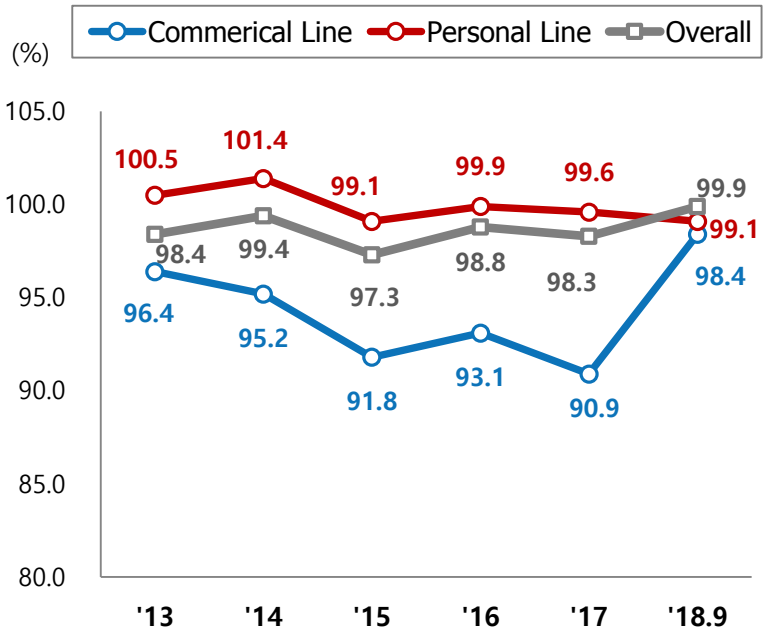
3.1 Portfolio Diversification



- **Low dependency on top non-life Korean insurers**
  - ex) Samsung Fire & Marine Treaty : 7% (2007) → 3% (2017)
- **Exploration of new markets such as cooperatives & overseas business**
- **Provide full reinsurance support to various SMEs**

3.2 Overall Results

The nearest trend of stable Combined Ratio



(Unit : %)

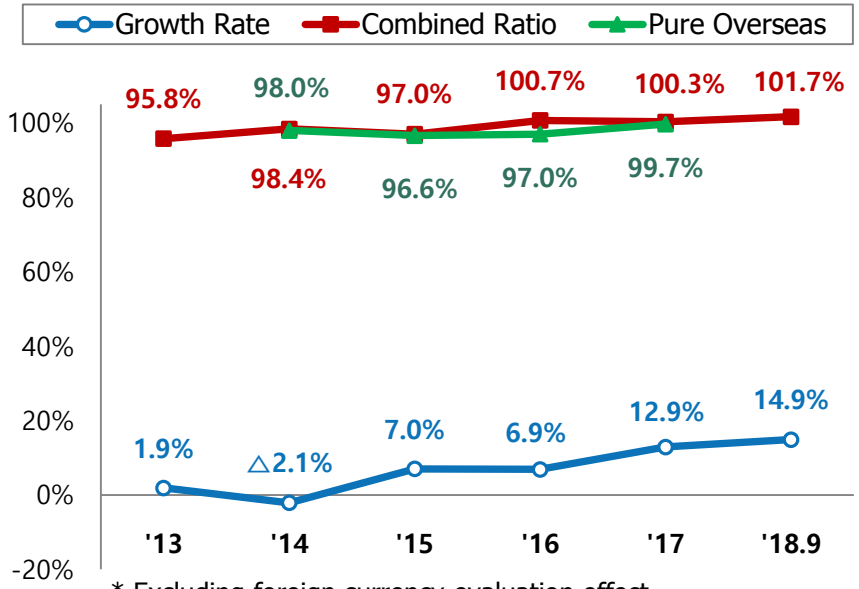
Item	2013 (9 months)	2014	2015	2016	2017	2018.9
Commercial	96.4	95.2	91.8	93.1	**90.9**	**98.4**
Personal	100.5	101.4	99.1	99.9	**99.6**	**99.1**
Overseas	95.8	98.4	97.0	100.7	**100.3**	**101.7**
Combined Ratio	98.4	99.4	97.3	98.8	**98.3**	**99.9**
- Loss Ratio	80.2	81.8	80.3	81.4	**80.3**	**82.1**
- Expense Ratio	18.2	17.6	17.0	17.4	**18.0**	**17.8**

※ Excluding foreign currency evaluation effect

- Profitability-oriented treaty structure : Effective sliding scale and profit commission
- Diversified class portfolio [FY 2017] :
  Commercial (30%) / Long term (26%) / Motor (9%) / Life (12%) / Overseas (23%)
- Effective risk optimization per risk & event : Adequate retention with XOL cover by LOB

3.3 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 : US Hurricanes (Harvey, Irma, Maria), Hongkong Typhoon, Vietnam Typhoon, China Flood

(Unit : KRW Bil.)

Item	2013 (9 months)	2014	2015	2016	2017*	2018.9
Gross premiums written	985.0	1,270.0	1,359.2	1,452.9	1,640.1	1,330.6
(Growth rate)	(1.9%)	(△2.1%)	(7.0%)	(6.9%)	(12.9%)	(14.9%)
Underwriting profit	23.5	15.9	15.1	△6.4	△12.5	△32.4
Combined ratio	**95.8%**	**98.4%**	**97.0%**	**100.7%**	**100.3%**	**101.7%**
- Loss ratio	64.6%	68.4%	65.9%	69.3%	71.6%	72.4%
- Expense ratio	31.2%	30.0%	31.1%	31.4%	28.7%	29.3%

* Overseas result in FY2017 as-if excluding US hurricanes(H.I.M.) losses(KRW 47.6 Bil.) → Underwriting result : KRW 35.1 Bil., C/R : 96.5%

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	2012	2013	2014	2015	2016	2017
Fire & Engineering	54.3%	54.2%	49.5%	44.9%	44.8%	44.0%
Marine	18.2%	16.8%	16.0%	15.7%	14.1%	12.5%
Life	**16.0%**	**15.3%**	**19.8%**	**19.3%**	**19.2%**	**20.4%**
Casualty	**8.7%**	**10.4%**	**11.1%**	**13.5%**	**14.8%**	**12.8%**
Motor	2.8%	3.3%	2.7%	4.4%	3.5%	4.5%
Others*	-	-	0.8%	2.2%	3.6%	5.8%
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 life & casualty lines
- Reduced dependency on property & marine lines

3.6 Overseas Portfolio by Region

■ Overseas P/F Change

(Unit : %)

Region	2012	2013	2014	2015	2016	2017
Far East Asia	37.7	38.0	37.6	36.1	31.5	30.0
Middle East Asia	15.8	16.3	15.1	12.2	11.2	12.3
South East Asia	6.5	6.8	6.6	11.2	13.9	11.7
Asia Total	**60.0**	**61.1**	**59.3**	**59.5**	**56.6**	**54.0**
North America	12.7	14.2	16.4	18.9	21.8	19.6
Latin America	3.7	3.3	3.0	2.9	3.3	6.6
America Total	**16.4**	**17.5**	**19.4**	**21.8**	**25.1**	**26.2**
Europe	15.9	15.2	15.1	13.6	14.8	15.9
Africa	2.9	1.4	1.1	0.9	0.7	0.7
Others*	4.8	4.8	5.1	4.2	2.8	3.2
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 : 60.0% (2012) → 54.0% (2017)
- US market comprises the largest portion leading ahead of China since FY2016

■ **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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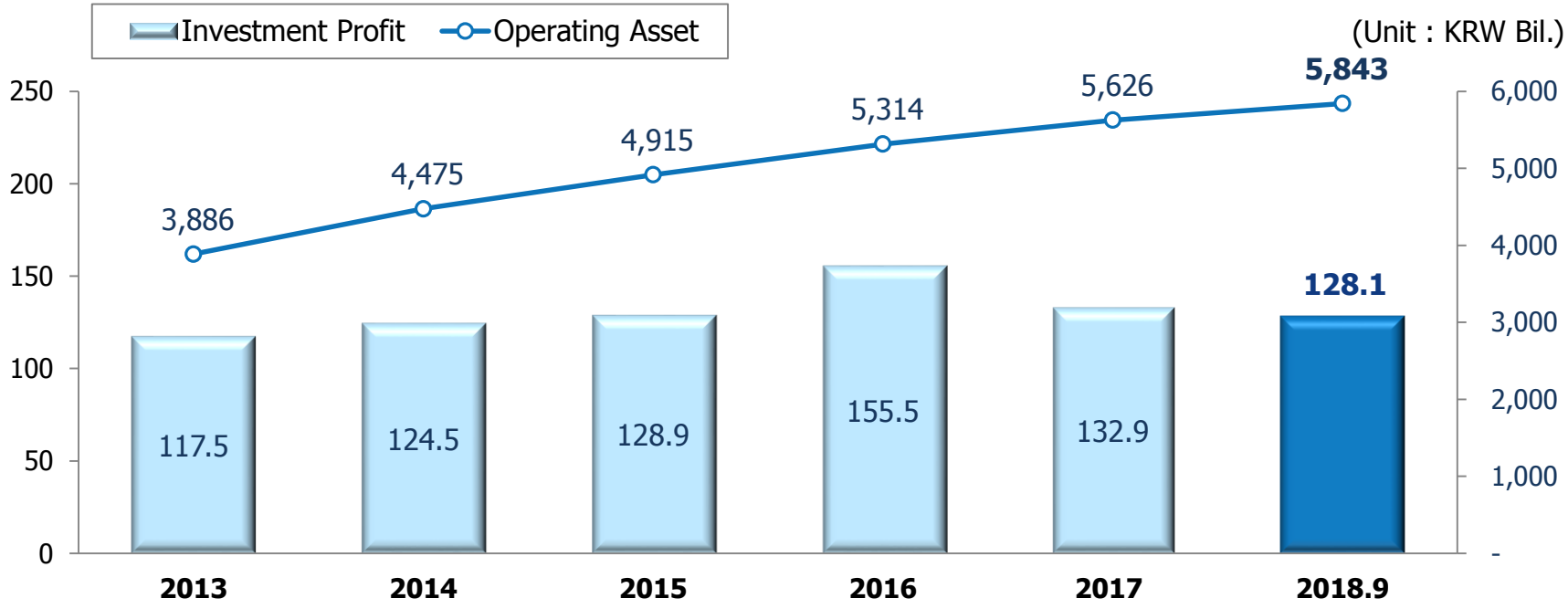
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4.1 Overall Results

■ The Maintenance of Stable Investment Strategy



(Unit : KRW Bil.)

Item	2013	2014	2015	2016	2017	2018.9
Investment Profit	117.5	124.5	128.9	155.5	132.9	128.1
Investment Yield	4.2%	3.0%	2.8%	3.1%	2.5%	3.0%

* 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		2018.9	
		Amount	Portion	Amount	Portion	Amount	Portion
Domestic	Bond	1,971.7	37.1%	2,037.5	36.2%	1,943.1	33.3%
Overseas	Bond	1,103.9	20.8%	1,369.8	24.3%	1,554.9	26.6%
	Others	378.7	7.1%	247.4	4.4%	170.4	2.9%
Short Term		1,181.9	22.2%	777.9	13.8%	758.2	13.0%
Alternatives*		400.4	7.5%	923.6	16.4%	1,138.6	19.5%
Stock		87.8	1.7%	81.6	1.5%	90.3	1.5%
Others*		189.6	3.6%	188.5	3.4%	187.6	3.2%
Total		**5,314.0**	**100.0%**	**5,626.3**	**100.0%**	**5,843.1**	**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		2018.9	
		Amount	Yield	Amount	Yield	Amount	Yield
Domestic	Bond	74.4	3.9%	54.8	2.8%	42.7	2.9%
Overseas	Bond	29.5	3.4%	47.1	3.9%	37.2	3.4%
	Others	11.3	2.7%	3.7	1.2%	1.4	0.2%
Short Term		16.7	1.4%	12.7	1.3%	6.4	1.1%
Alternatives*		25.7	8.4%	7.4	1.1%	38.6	5.1%
Stock		△5.6	△3.6%	6.0	7.3%	1.5	1.8%
Others*		3.5	1.9%	1.2	0.6%	0.3	0.2%
Total		**155.5**	**3.1%**	**132.9**	**2.5%**	**128.1**	**3.0%**

* 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	2013 (9 months)	2014	2015	2016	2017
Net Income	128.8	116.3	186.2	162.5	132.5
Cash Dividend Ratio(%)	**35**	**45**	**70**	**65**	**60**
Total Dividend Amount	19.7	25.8	40.2	37.3	34.5
Payout Ratio(%)	**15.3**	**22.2**	**21.6**	**23.0**	**26.0**
The Rate of Return(%)	**1.5**	**2.1**	**2.5**	**2.8**	**2.7**
Stock Dividend(%)	2.0	-	-	-	-

■ **In FY 2017, payout ratio increased by 3.0%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**

※ Stock Dividend is not expected to continue in the future

AGENDA

1 〉〉 Korean Re Profile

2 〉〉 Financial Highlights

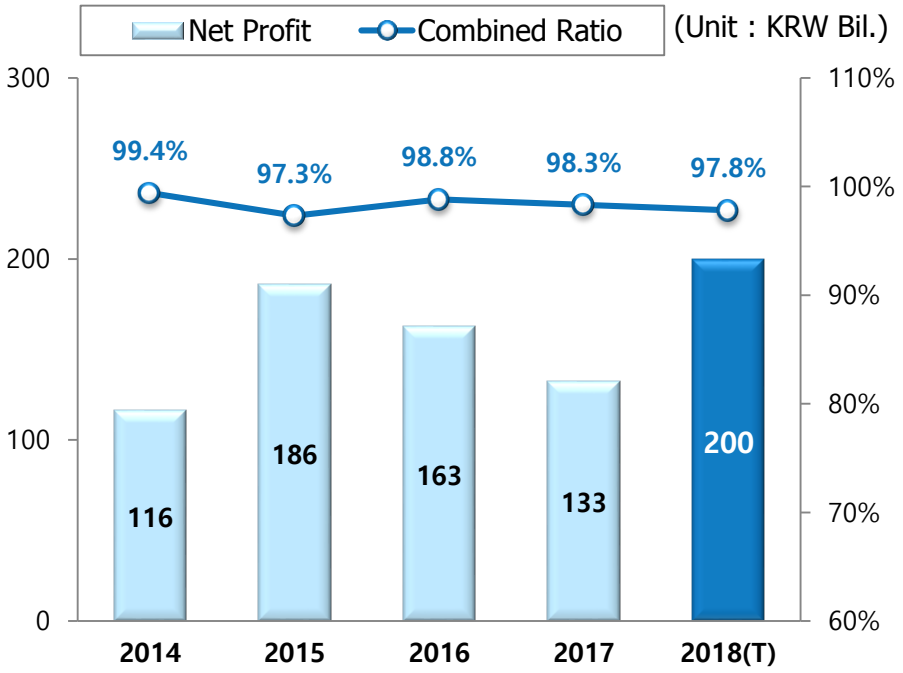
3 〉〉 Insurance Operation Performance

4 〉〉 Investment Operation Performance

5 〉〉 Dividend Performance

6 〉〉 Prospects

6.1 FY2018 Guidance



(Unit : KRW Bil.)

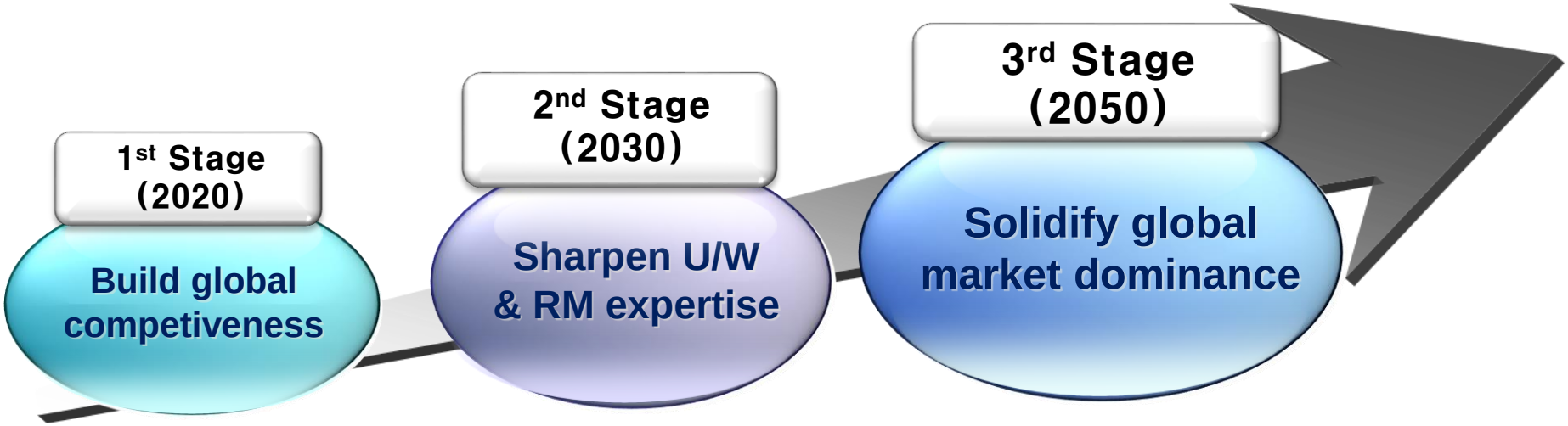
Item	2016	2017	2018(T)
Gross Premiums (Growth Rate)	**6,661.2 (4.7%)**	**7,184.7 (7.9%)**	**7,517.9 (4.6%)**
Net Premiums	4,677.6	5,001.6	5,259.2
Combined Ratio(%)	98.8%	98.3%	97.8%
Underwriting Income	51.6	79.4	96.3
Investment Income	155.5	132.9	180.0
Net Profit	**162.5**	**132.5**	**200.0**

※ Excluding foreign currency evaluation effect

■ Main strategies for FY 2018

- ▶ 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 by leveraging an upturn rate trend
- ▶ Improve ROI through continuous reorganization of P/F (alternative investments & overseas bonds)

6.2 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.