Korean Reinsurance Company



Business Performance & Strategy

Separate Financial Result
as of June 2020

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 25 teams
  (8 underwriting teams / 1 investment team / 16 administrative teams)
- **International** : 4 branches (Singapore, Labuan, Dubai, Shanghai)
  3 subsidiaries (Hong Kong, London, Zurich)
  5 liaison offices (Beijing, Tokyo, New York, London, Bogota)

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 Switzerland subsidiary(June 2019), Shanghai branch office(Jan. 2020), Bogota liaison office(Feb. 2020)**
  - Bogota liaison office in Colombia recently has been established in Feb. 2020, which will support underwriting in the Central and South America region

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

Insurance

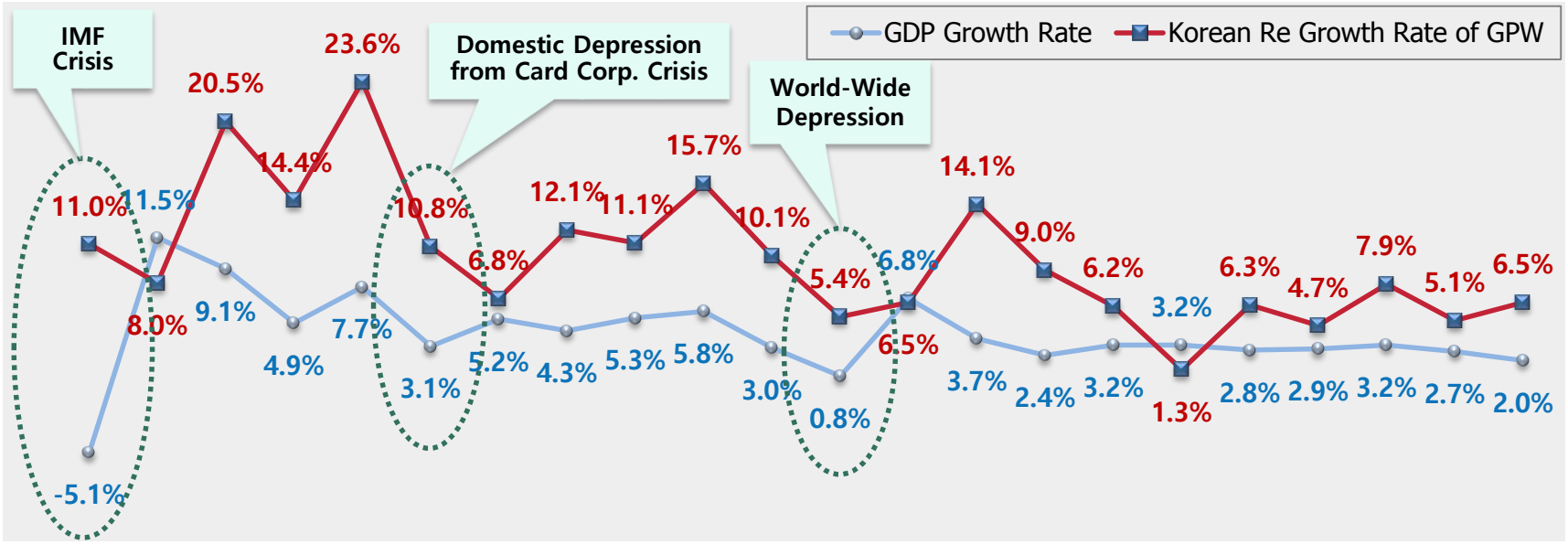
Corporate Name	S&P Rating
Samsung F&M	**AA-**
Seoul Guarantee Ins.	**A+**
Korean Re	**A**
Hanwha General Ins.	A
DB Insurance	A
Hyundai M&F	A-
KB Insurance	NR
Samsung Life	NR
Hanwha Life	NR
Kyobo Life	NR

※ Source : S&P (Aug. 4, 2020)

- **Companies focusing on global business require global 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



※ Source : BOK, ECOS (May 2020)

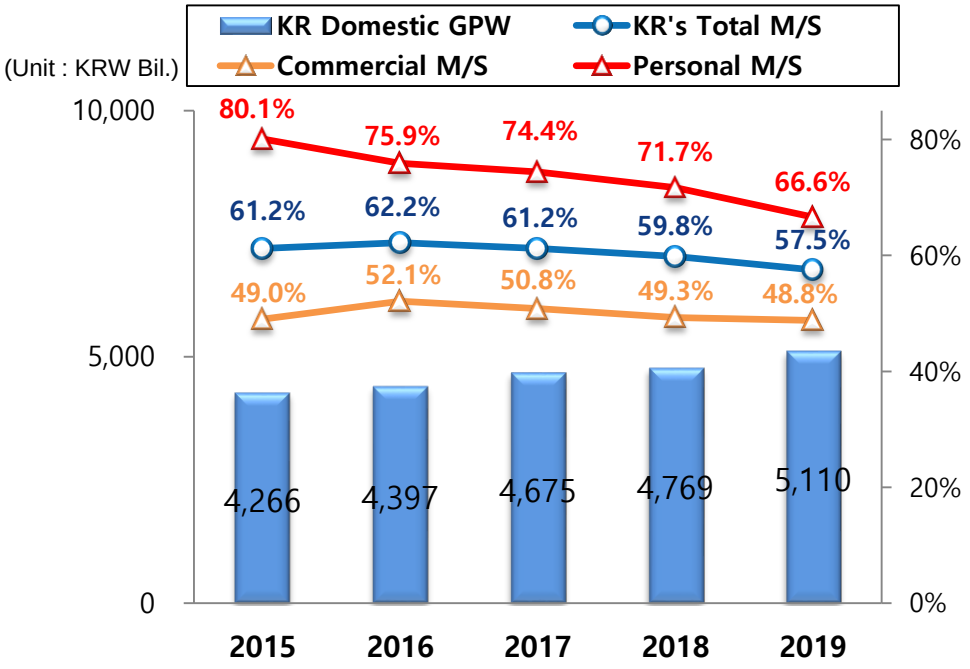
■ **Consistently maintained growth momentum amid a low GDP growth trend**

- Industry property of less sensitive to economic fluctuations and new opportunities from overseas and personal lines of 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.)

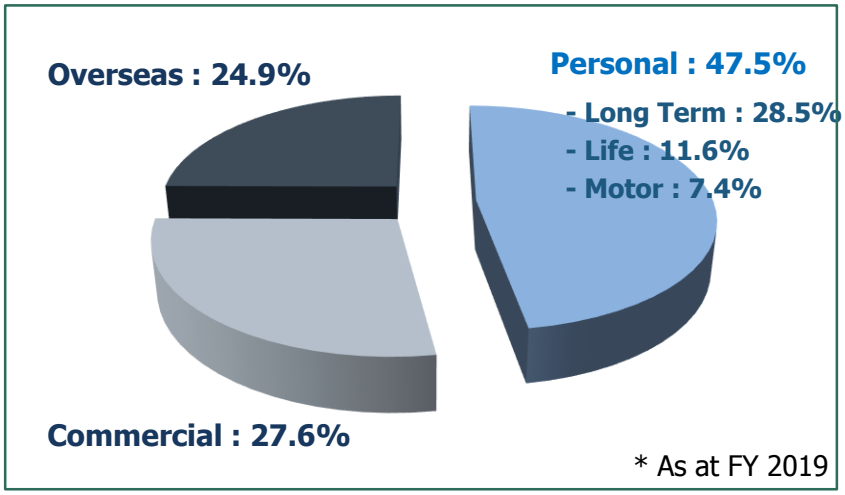
Item	2015	2016	2017	2018	2019
Korean Reins. Mkt.	6,966	7,070	7,637	7,980	8,892
Korean Re's GPW	4,266	4,397	4,675	4,769	5,110
Korean Re M/S	**61.2%**	**62.2%**	**61.2%**	**59.8%**	**57.5%**
Commercial	49.0%	52.1%	50.8%	49.3%	48.8%
Personal	80.1%	75.9%	74.4%	71.7%	66.6%

■ Dominant position in Korean non-life reinsurance market

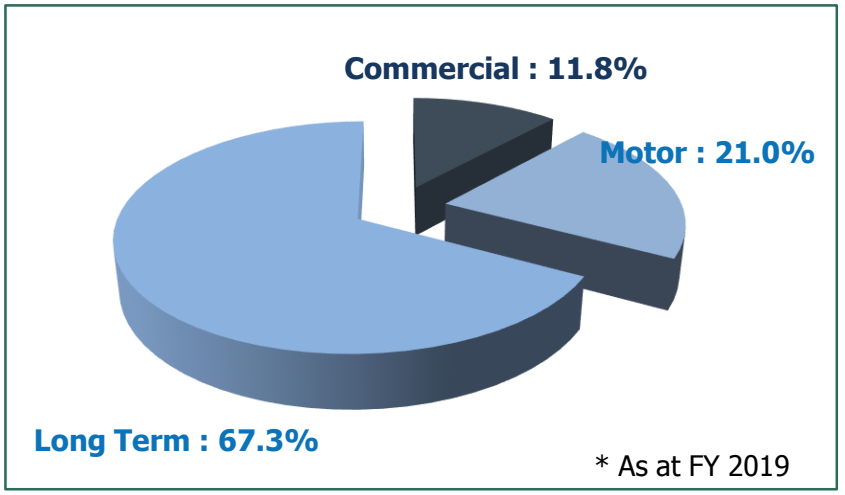
- Korean Re's domestic GPW shows a stable growth (5 year average : 4.8%)
- Expect to maintain a dominant position M/S larger than 50%
- Reduction of Personal M/S for the recent years
  - · Set a limit of growth in personal lines to improve profitability based on portfolio modification
  - · Thoroughly selective underwriting of high-risk products (ex. dementia, dental and pets)
  - · Some of underperforming businesses in commercial lines are reduced for quality control

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'10] 18.2% (KRW 827 Bil.) → [FY'19] 24.9% (KRW 2,001 Bil.)**

■ **The portfolio of personal lines, which has a low possibility of major loss, comprises 47.5% of the total portfolio**

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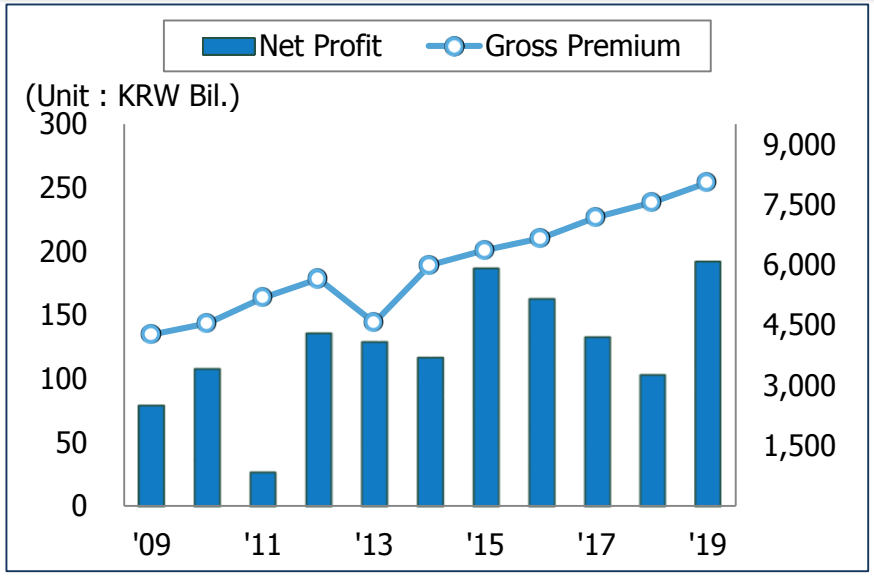
3 〉〉 Insurance Operation Performance

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2.1 Business Results

Financial Snap Shot (2009 ~ 2019)



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

■ **Gross Premium** : 6.6% (10 year average growth)

o Consistent growth by pioneering new markets

■ **Net Profit** : KRW 129.3 Bil. (10 year average)

o Profit-oriented growth and strengthening underwriting guideline

* FY2011 : reduced profit by Thai Flood losses

■ **Total Asset** : 10.5% (10 year average growth)

o KRW 4.3 Tril. (FY2009) ➔ KRW 11.7 Tril. (FY2019)

(Unit : KRW Bil., %)

Item	2009	2011	2013	2015	2017	2019
Gross Premium (Growth Rate)	4,261 (5.4)	5,181 (14.1)	4,556 (6.2)	6,364 (6.3)	7,185 (7.9)	8,043 (6.5)
Net Profit	79.0	26.6	128.8	186.2	132.5	191.2
Total Asset	4,327	6,964	7,684	9,023	10,036	11,709
S&P Rating	A-	A-	A-	A	A	A

2.2 Financial Highlights as of June 2020

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

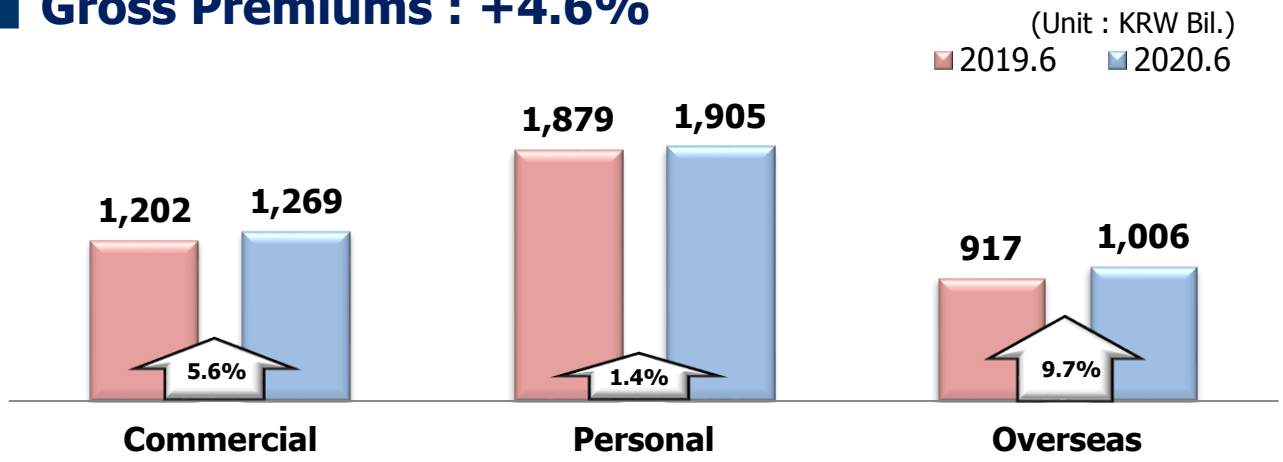
Classification	FY 2019	2019.6	2020.6	YoY change	
				Amount	Rate
Gross Premiums	**8,043.4**	**3,998.5**	**4,180.5**	**182.1**	**4.6**
Net Premiums	**5,527.0**	**2,725.2**	**2,829.4**	**104.2**	**3.8**
Underwriting Income	-4.2	39.7	22.6	-17.1	-
Combined Ratio	100.0	98.2	98.8	-	0.6
- Loss Ratio	85.6	84.7	86.0	-	1.3
- Expense Ratio	14.4	13.5	12.8	-	-0.7
Investment Income	235.8	122.7	125.0	2.3	1.9
Operating Income	238.7	161.2	150.6	-10.6	-6.6
Net Income	**191.2**	**132.6**	**118.2**	**-14.5**	**-10.8**
Operating Assets	**6,220.7**	**6,003.7**	**6,307.4**	**303.7**	**5.1**
Total Assets	**11,708.7**	**11,113.8**	**12,429.8**	**1,316.0**	**11.8**
Shareholder's Equity	**2,461.1**	**2,357.2**	**2,466.1**	**108.8**	**4.6**
Return on Equity(ROE)	**8.1**	**11.5**	**9.6**	**-**	**-1.9**

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

※ 5.2% increase YoY for net income as if basis excluding one-off effect of profit gains from 'Koramco Reits and Trust' last year

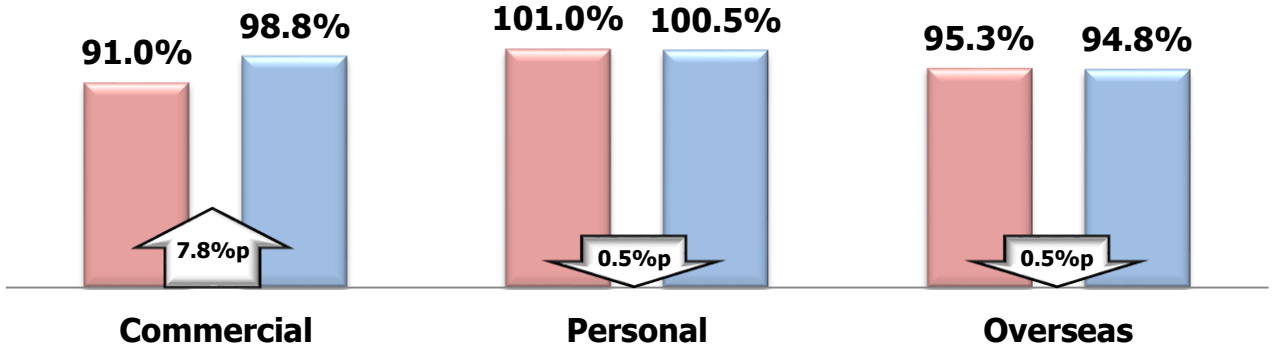
2.3 Financial Highlights by business lines

■ Gross Premiums : +4.6%



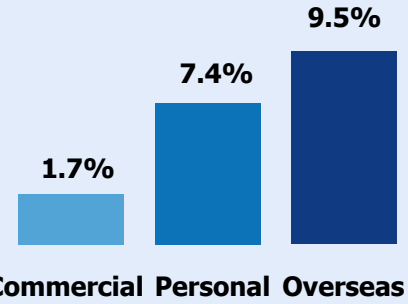
※ Personal : Lower growth aiming at profitable P/F mix by reduction of unfavorable business lines

■ Combined Ratio : 98.2% → 98.8% (0.6%p ↑)

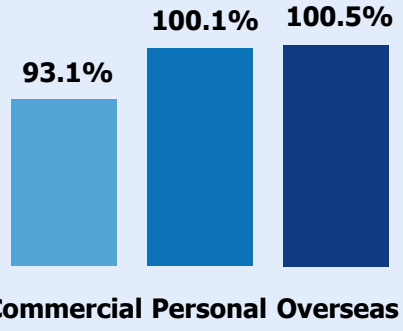


※ Commercial : Higher C/R due to a increase of large losses in property and hull insurance

5 year CAGR Gross Premiums



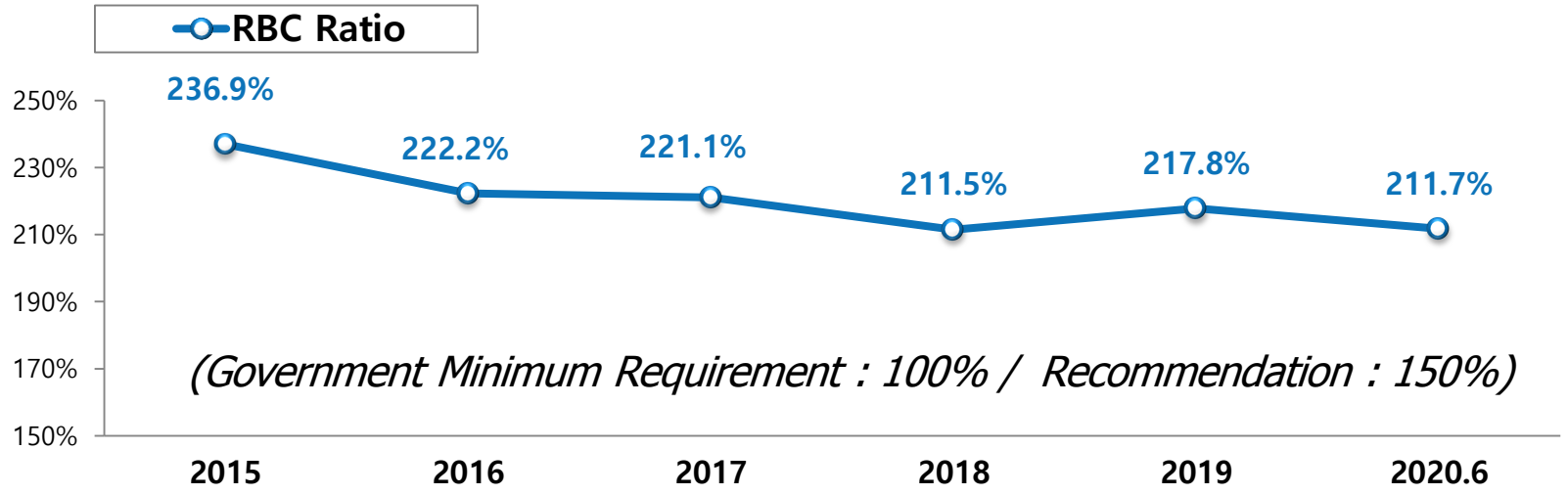
5 year average Combined Ratio



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	2015	2016	2017	2018	2019	2020.6
Solvency Capital	2,158.8	2,283.4	2,375.9	2,480.2	2,695.8	2,757.6
Risk Based Capital	911.3	1,027.5	1,074.8	1,172.9	1,238.0	1,302.5
RBC ratio	**236.9**	**222.2**	**221.1**	**211.5**	**217.8**	**211.7**

※ 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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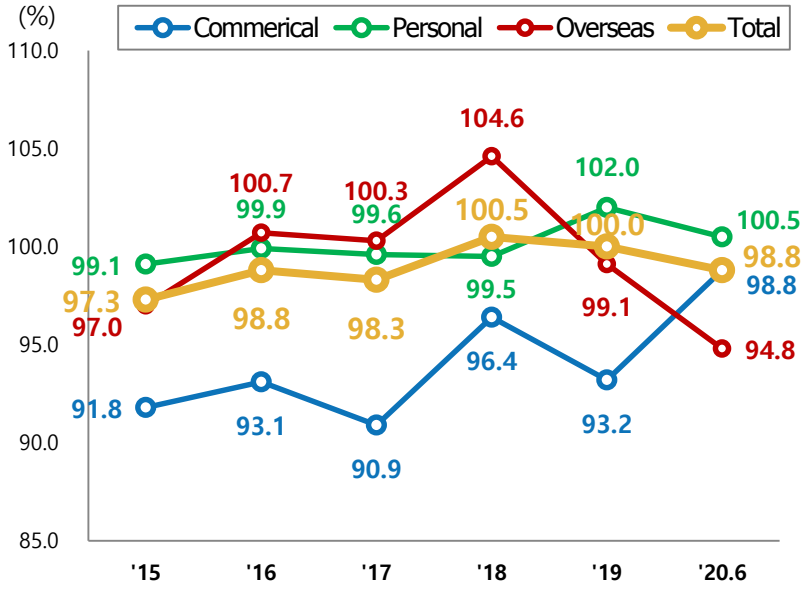
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3.1 Overall Results

[Combined Ratio]



(Unit : %)

Item	2015	2016	2017	2018	2019	2020.6
Commercial	91.8	93.1	90.9	96.4	93.2	**98.8**
Personal	99.1	99.9	99.6	99.5	102.0	**100.5**
Overseas	97.0	100.7	100.3	104.6	99.1	**94.8**
Combined Ratio	97.3	98.8	98.3	100.5	100.0	**98.8**
- Loss Ratio	80.3	81.4	80.0	83.4	85.6	**86.0**
- Expense Ratio	17.0	17.4	18.3	17.1	14.4	**12.8**

※ Excluding foreign currency evaluation effect

- Treaty structure mitigating volatility : Effective sliding scale, profit commission & loss sensitive T&C
- Diversified portfolio (FY2019) : Commercial 28%; Long-term 28%; Overseas 25%; Life 12% and Motor 7%
- Effective risk optimization per risk & event : Adequate retention with XOL cover by LOB

※ Overseas Major Loss Events

- FY2016 : Increase of O/S loss and IBNR regarding Korean Insurance Companies' US Branch Treaties
- FY2017 : US Hurricanes (Harvey, Irma, Maria), Hongkong Typhoon, Vietnam Typhoon, China Flood
- FY2018 : Typhoons in Asia (Jebi, Trami, Mangkhut), Increase of a number of sizable losses from engineering side
- FY2019 : Typhoons in Asia (Faxai, Hagibis)

3.2 Post Thai Flood Measures

Reduction of Aggregate Risk

- Q/S treaties on North America (30.5%), Latin America (13.0%), Middle East (5.0%) accounts
- Q/S treaty on facultative accounts (25.0%)
- 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 (UY2020)
- 4 Countries : USD 50m ~ 90m (UY2011) → USD 200m ~ 240m (UY2020)
- Worldwide : USD 50m (UY2011) → USD 140m (UY2020)
- 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

3.3 Overseas Portfolio by Business Line

■ Overseas P/F Change

(Unit : %)

Line of biz	2014	2015	2016	2017	2018	2019
Fire & Engineering	49.5%	44.9%	44.8%	44.0%	45.2%	43.7%
Marine	16.0%	15.7%	14.1%	12.5%	9.4%	8.1%
Life	19.8%	19.3%	19.2%	20.4%	21.8%	23.0%
Casualty	11.1%	13.5%	14.8%	12.8%	12.1%	13.8%
Motor	2.7%	4.4%	3.5%	4.5%	5.5%	5.7%
Others*	0.8%	2.2%	3.6%	5.8%	6.0%	5.7%
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 underperforming accounts and improvement of reinsurance condition
- Increase the volume of the profitable lines such as life, casualty & motor with a decrease of dependency on unprofitable marine line
- Expanding more profitable non-proportional treaty accounts in property line

3.4 Overseas Portfolio by Region

■ Overseas P/F Change

(Unit : %)

Region	2014	2015	2016	2017	2018	2019
Far East Asia	37.6	36.1	31.5	30.0	33.0	30.5
Middle East Asia	15.1	12.2	11.2	12.3	11.7	13.1
South East Asia	6.6	11.2	13.9	11.7	11.2	11.4
Asia Total	**59.3**	**59.5**	**56.6**	**54.0**	**55.9**	**55.0**
North America	16.4	18.9	21.8	19.6	17.5	17.4
Latin America	3.0	2.9	3.3	6.6	7.9	9.9
America Total	**19.4**	**21.8**	**25.1**	**26.2**	**25.4**	**27.3**
Europe	15.1	13.6	14.8	15.9	15.4	14.9
Africa	1.1	0.9	0.7	0.7	0.7	0.9
Others*	5.1	4.2	2.8	3.2	2.6	1.9
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 : 59.3% (2014) → 55.0% (2019)
- Continuous growth on America : 19.4% (2014) → 27.3% (2019)

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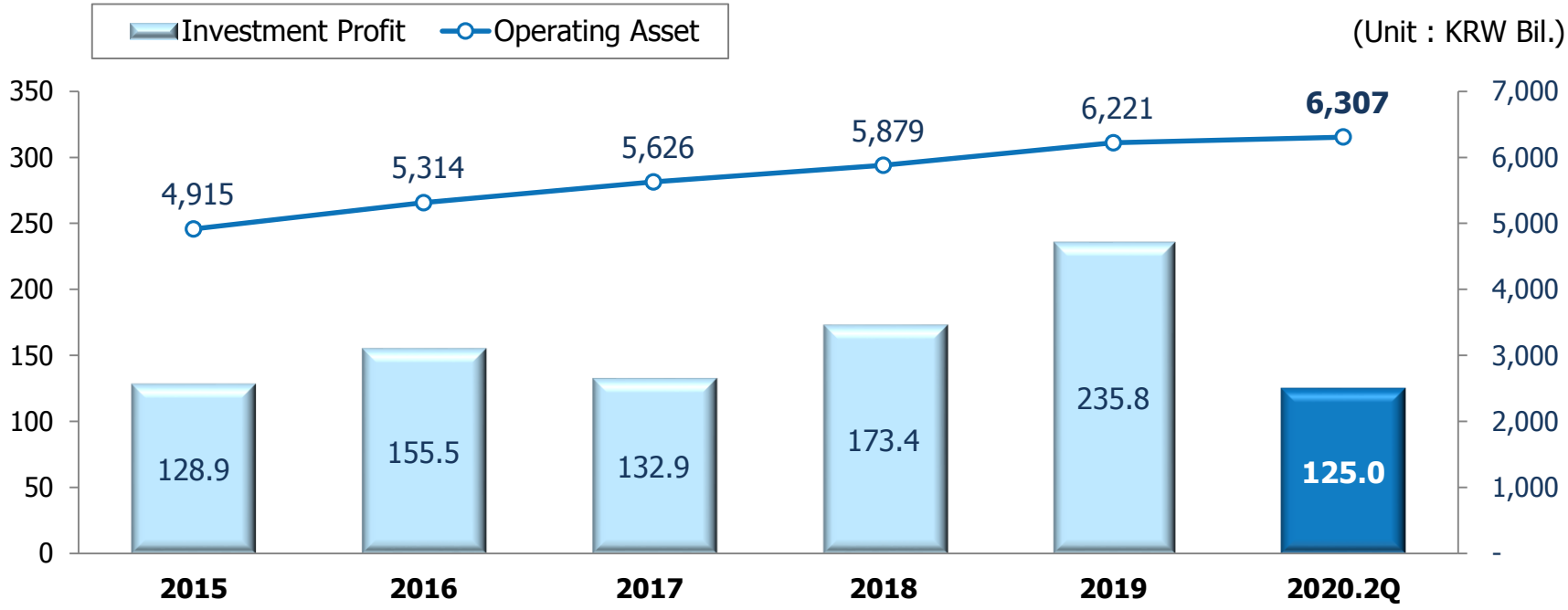
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4.1 Overall Results

■ The Maintenance of Stable Investment Strategy



(Unit : KRW Bil.)

Item	2015	2016	2017	2018	2019	2020.2Q
Investment Profit	128.9	155.5	132.9	173.4	235.8	125.0
Investment Yield	2.8%	3.1%	2.5%	3.1%	4.0%	4.0%

* 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%
  Investment profit in FY2019 : gains from selling of Koramco Reits and Trust (KRW 26.7 Bil.)

4.2 Investment Portfolio Result

Investment Portfolio

(Unit : KRW Bil.)

Classification	2018		2019		2020.6	
	Amount	Portion	Amount	Portion	Amount	Portion
Stock*	122.7	2.1%	147.1	2.4%	141.5	2.2%
Domestic Bond	1,882.4	32.0%	1,929.4	31.0%	1,629.0	25.8%
Overseas Bond	1,631.3	27.8%	1,507.0	24.2%	1,600.8	25.4%
Short Term	691.6	11.8%	800.1	12.9%	1,060.4	16.8%
Loan	902.1	15.3%	993.1	16.0%	994.6	15.8%
Alternatives*	461.3	7.8%	657.3	10.6%	695.0	11.0%
Others*	187.1	3.2%	186.4	2.9%	186.1	3.0%
Total	**5,878.5**	**100.0%**	**6,220.7**	**100.0%**	**6,307.4**	**100.0%**

* Stock : most of stock investments are related with subsidiaries and associates
* Alternatives : PEF, Infra etc. / Others : Real Estate etc.

Investment Profit

(Unit : KRW Bil.)

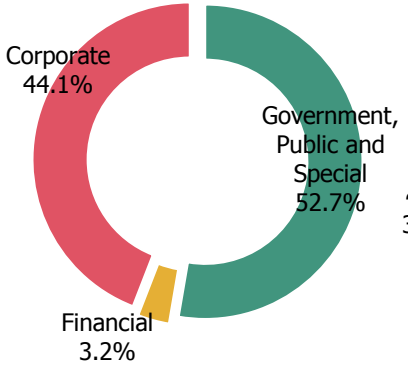
Classification	2018		2019		2020.6	
	Amount	Yield	Amount	Yield	Amount	Yield
Stock	2.2	1.9%	29.2	24.2%	2.3	1.8%
Domestic Bond	57.3	3.0%	51.0	2.7%	37.2	4.3%
Overseas Bond	51.1	3.5%	78.2	5.1%	47.8	6.0%
Short Term	10.6	1.3%	8.8	1.2%	5.7	1.3%
Loan	34.4	4.6%	43.7	4.7%	22.3	4.8%
Alternatives	16.9	4.6%	26.4	4.8%	10.3	3.6%
Others	0.9	0.5%	-1.5	-0.8%	-0.6	-0.6%
Total	**173.4**	**3.1%**	**235.8**	**4.0%***	**125.0**	**4.0%**

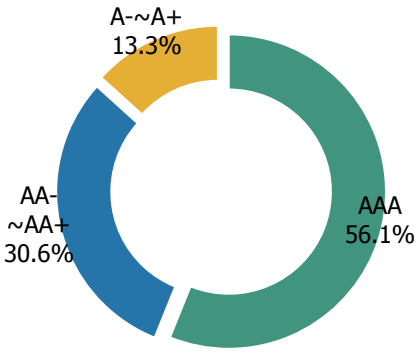
* 2019 total yield : Record high yield of 4.0% due to profit gains of KRW 26.7Bil from selling of 'Koramco Reits and Trust'.

4.3 Investment Portfolio Composition

Investment Portfolio Details (FY2019)

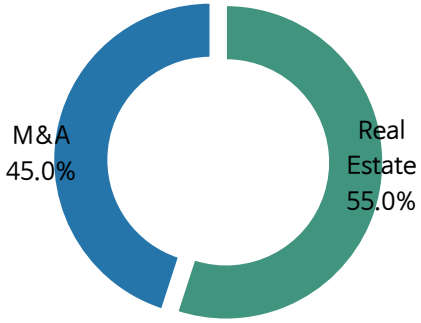
Domestic Bond



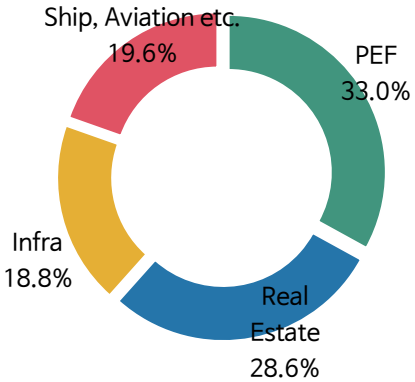


※ Local credit rating basis

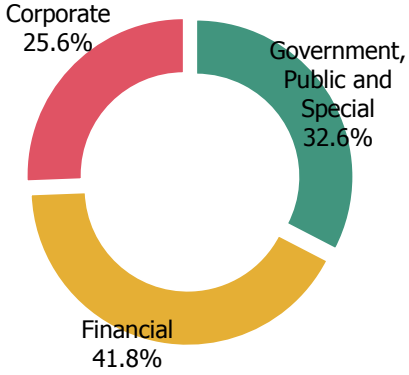
Loan

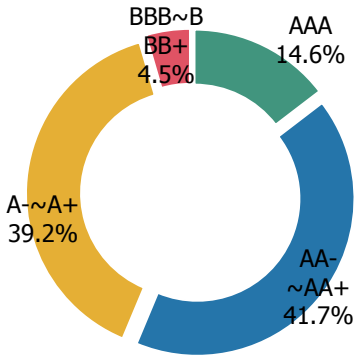


Alternatives



Overseas Bond





※ Global credit rating basis

☐ Bonds
- ☞ The portion of domestic and overseas bonds with ratings above A- are 100% and 96%, respectively

☐ Loan
- ☞ Senior-based portfolio with average LTV under 60%
  - Average LTV : 57% for Real Estate and 53% for M&A
- ☞ Underlying asset diversification by sector
  - M&A : 15 sectors with average exposure of 7%
  - Real Estate : 6 sectors with average exposure of 17%

☐ Alternatives
- ☞ Yield enhancement via stable cash flow from loan-like funds and selective equity-like investments with portfolio diversification such as Infra, Real Estate, Ship, etc.

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	2015	2016	2017	2018	2019
Net Income	186.2	162.5	132.5	102.7	191.2
Total Dividend Amount	40.2	37.3	34.5	31.6	57.4
Payout Ratio(%)	**21.6**	**23.0**	**26.0**	**30.8**	**30.0**
Dividend Per Share(KRW)	350	325	300	275	500
Dividend Yield(%)	**2.5**	**2.8**	**2.7**	**3.1**	**5.3**

■ **In FY 2019, total dividend amount was a record high based on significantly increased net income with high payout ratio, which has been lifted up to thirties percent with a gradual increase to raise shareholder value**

Clssification		2019.12	2019.12 ~2020.2	2020.2 ~2020.4	2020.4 ~2020.5	2020.6 ~2020.7	2020.8~
Treasury Stock	# of Purchased	-	2.5M	5.0M	2.0M	1.5M	1.6M
	# of Retained	5.5M	8.0M	13.0M	15.0M	16.5M	18.1M
	% of Retained	4.6%	6.6%	10.8%	12.5%	13.7%	15.0%

■ **Implemented continuous share buybacks since end of 2019 up to 15.0%**



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.