



Korean Reinsurance Company

Business Performance and Strategy

– Separate Financial Result as of September 2020 –

A top-down view of a wooden desk. In the top right corner, a portion of a silver laptop is visible, showing keys like 'tab', 'Q', 'W', 'E', 'caps lock', 'A', 'S', 'Z', 'shift', 'control', and 'option'. Below the laptop, a pair of black-rimmed glasses lies horizontally. To the right of the glasses is a white ceramic cup filled with dark coffee, with a yellow handle. In the bottom right corner, the corner of a tablet or another laptop is visible. In the top center, a small green succulent plant sits in a dark pot. The background is a light-colored wooden surface with a prominent grain pattern.

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2. Financial Highlights

3. Reinsurance Performance

4. Investment Performance

1-1 History and Organization

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
- 2020 : Top 11th reinsurer in the global reinsurance market (A.M. Best, FY2019)

Organization

- Headquarters : Total 25 teams (8 U/W 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 International Network



- Continuous expansion of international network to explore new market opportunities
- New international operations in 2020 : Shanghai branch(Jan.), Bogota liaison office(Feb.)
 - A new establishment plan for a reinsurance intermediary in the USA has been announced recently
 - An increase in profitable business from the USA and diversification of profit sources through brokerage are expected

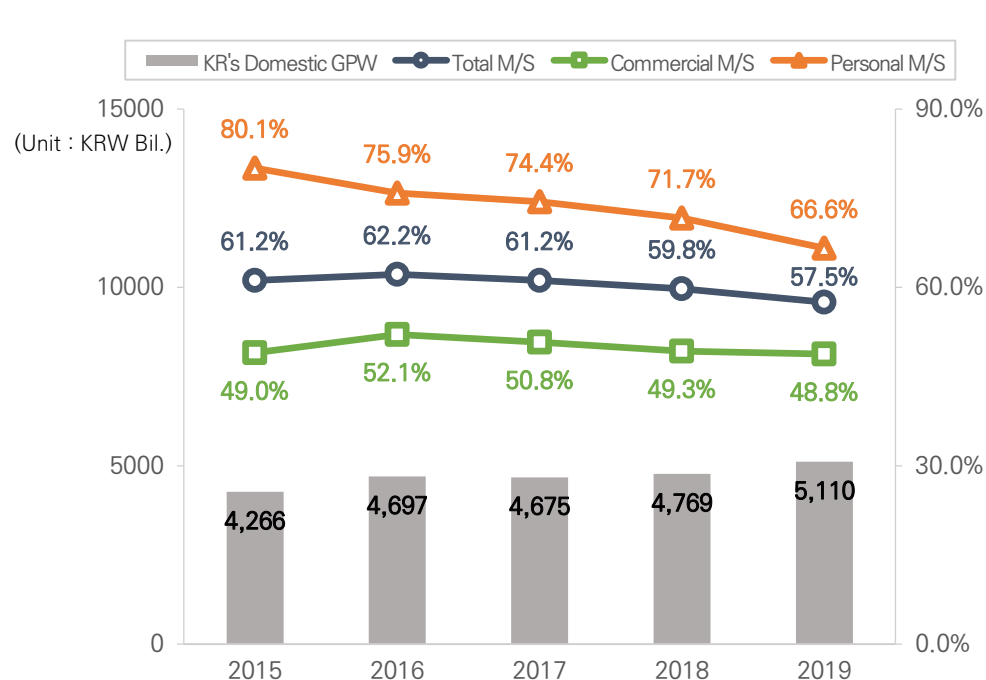
1-3 Global Reinsurers (FY2019 Gross Premiums)

(Unit : USD Bil.)

Ranking	Name	Gross Premiums	A.M. Best Credit Rating	S&P Credit Rating
1	Swiss Re (Switzerland)	42.2	A+	AA-
2	Munich Re (Germany)	37.9	A+	AA-
3	Hannover Re (Germany)	25.3	A+	AA-
4	SCOR (France)	18.3	A+	AA-
5	Berkshire Hathaway (USA)	16.1	A++	AA+
6	Lloyd's (UK)	15.0	A	A+
7	China Reinsurance Group (China)	13.2	A	A
8	RGA (USA)	12.2	A+	AA-
9	Great West Lifeco (Canada)	10.1	-	A+
10	Partner Re (USA)	7.3	A+	A+
11	Korean Re (South Korea)	7.0	A	A

※ Source : A.M. best and S&P (Sep. 2020)

1-4 Korean Non-life Reinsurance Market



(Unit : KRW Bil.)

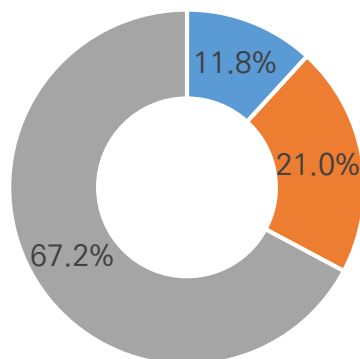
Item	2015	2016	2017	2018	2019
Korean Non-life Reinsurance Mkt.	6,966	7,070	7,637	7,980	8,892
Korean Re's Domestic Non-life GPW	4,266	4,397	4,675	4,769	5,110
Korean Re M/S	61.2%	62.2%	61.2%	59.8%	57.5%
Commercial	49.0%	52.1%	50.8%	49.3%	48.8%
Personal	80.1%	75.9%	74.4%	71.7%	66.6%

■ Dominant position in the Korean non-life reinsurance market

- Korean Re's domestic GPW shows a stable growth (5-year average : 4.8%)
- We expect to maintain a dominant position with an M/S larger than 50% despite a reduction in personal-line M/S in recent years
 - A growth limit has been set for 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 have been reduced for quality control

1-5 Underwriting Portfolio Composition

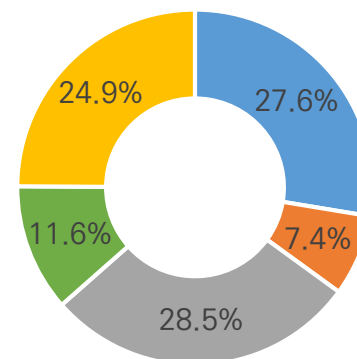
GPW Portion
(Korean Non-life Market)



■ Commercial ■ Motor ■ Long-term

※ As at FY 2019

GPW Portion
(Korean Re)



■ Commercial ■ Motor ■ Long-term ■ Life ■ Overseas

※ As at FY 2019

■ Commercial and overseas businesses comprise 52.5% of the total portfolio

- More volatile underwriting results but with thicker profit margins than primary insurers
- The enterprise-wide portfolio has been diversified based on the expansion of overseas business
 - Overseas portion : 18.2% (FY2010) → 24.9% (FY2019)

■ Personal lines comprise 47.5% of the total portfolio

- Low possibility of a major loss mainly due to an effective sliding scale commission structure, etc.

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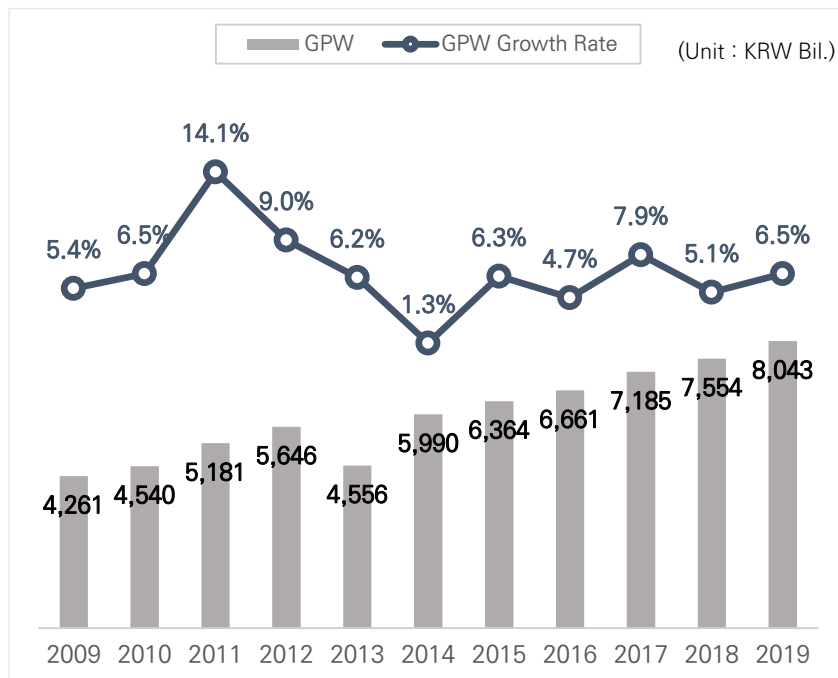
1. Korean Re Profile

2. Financial Highlights

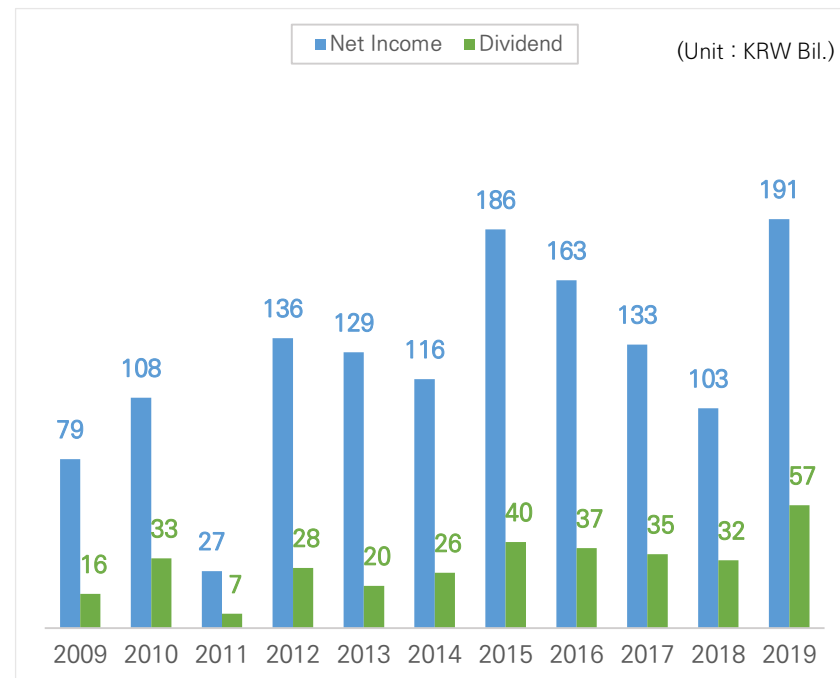
3. Reinsurance Performance

4. Investment Performance

2-1 Financial Snapshot (FY2009-FY2019)



※ FY2013 : 9 months (2013.4~12) / Since FY2011 : IFRS



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- Premium Growth : Consistent growth by pioneering new markets
- Net Income : Profit-oriented growth and strengthening underwriting guidelines
 - Net income severely reduced in FY 2011 due to Thai Flood losses
- Dividend : Continuous dividend payments despite reinsurance operation volatility

2-2 Dividend Performance

(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

■ Supporting a favorable dividend policy for shareholders

- The total dividend amount was a record high in FY2019 based on significantly increased net income with a high payout ratio, which has been gradually lifted up to 30% to raise shareholder value

Classification		Dec 2019	Dec 2019 – Feb 2020	Feb – Apr 2020	Apr – May 2020	June – July 2020	Aug – Sep 2020
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%

- ### ■ Since the end of 2019, continuous share buybacks have been implemented, raising treasury stock holdings up to 15.0% of the total shares as of September 2020

2-3 Financial Highlights as of September 2020

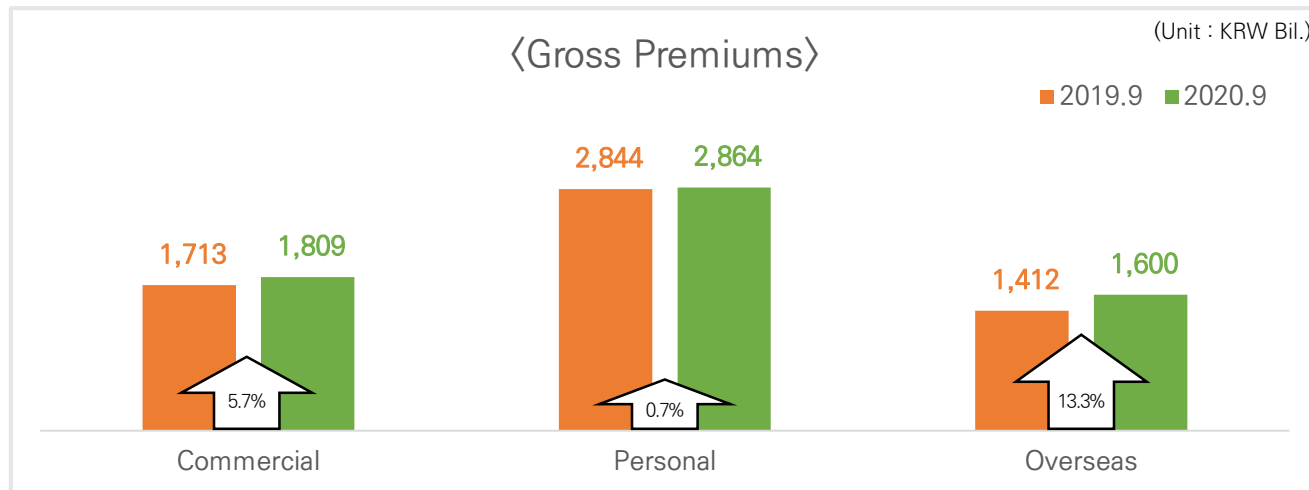
(Unit : KRW Bil., %, %p)

Classification	FY 2019	2019.9	2020.9	YoY change	
				Amount	Rate
Gross Premiums	8,043.4	5,968.4	6,272.9	304.5	5.1
Net Premiums	5,527.0	4,115.8	4,344.7	228.9	5.6
Underwriting Income	-4.2	24.7	-4.0	-28.7	-
Combined Ratio	100.0	99.2	99.8	-	0.6
- Loss Ratio	85.6	85.0	87.1	-	2.1
- Expense Ratio	14.4	14.2	12.7	-	-1.5
Investment Income	235.8	173.9	182.7	8.8	5.1
Operating Income	238.7	204.9	180.9	-24.0	-11.7
Net Income	191.2	170.6	137.0	-33.6	-19.7
Operating Assets	6,220.7	6,328.2	6,474.3	146.1	2.3
Total Assets	11,708.7	11,601.1	12,621.5	1,020.4	8.8
Shareholders' Equity	2,461.1	2,404.0	2,464.3	60.3	2.5
Return on Equity(ROE)	9.8	9.8	7.4	-	-2.4

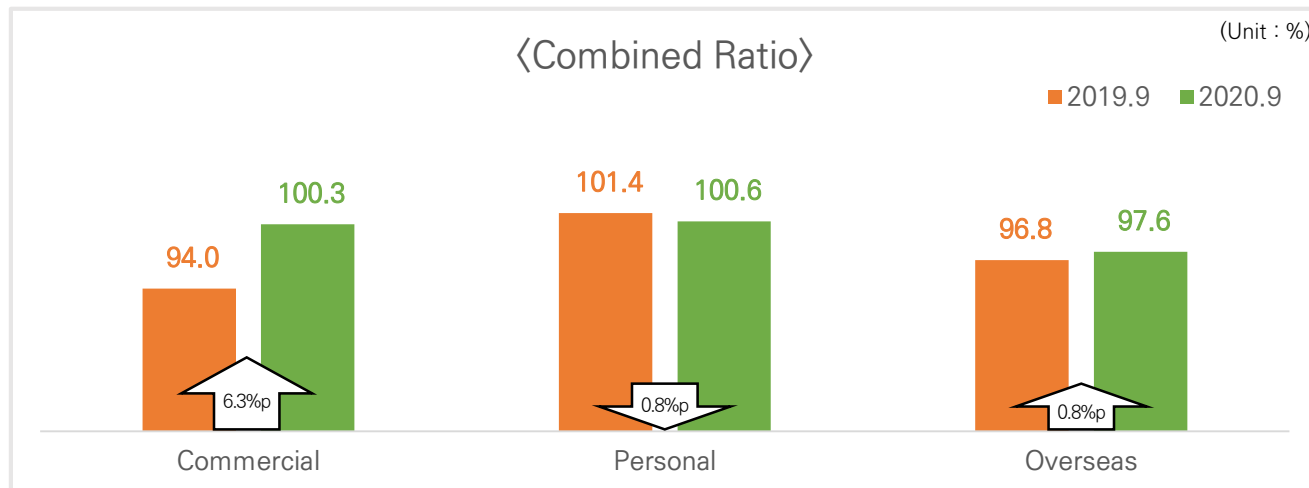
※ Excluding foreign currency evaluation effect : underwriting income, investment income, combined ratio, loss ratio

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2-4 Financial Highlights by Line of Business

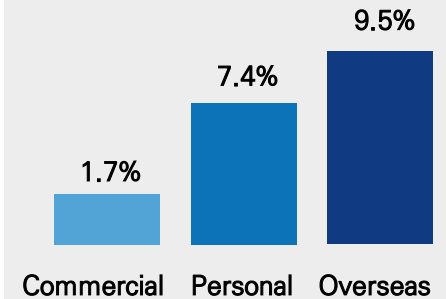


※ Personal : Restrained growth due to the effort to achieve a profitable P/F mix by reducing unfavorable business lines

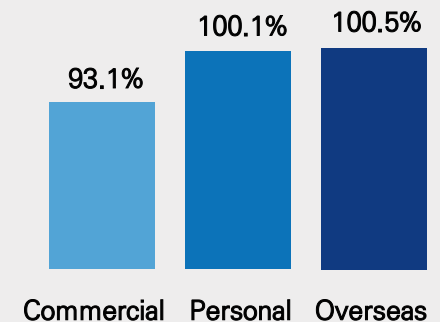


※ Commercial : Higher C/R due to an increase in large losses for property and hull insurance

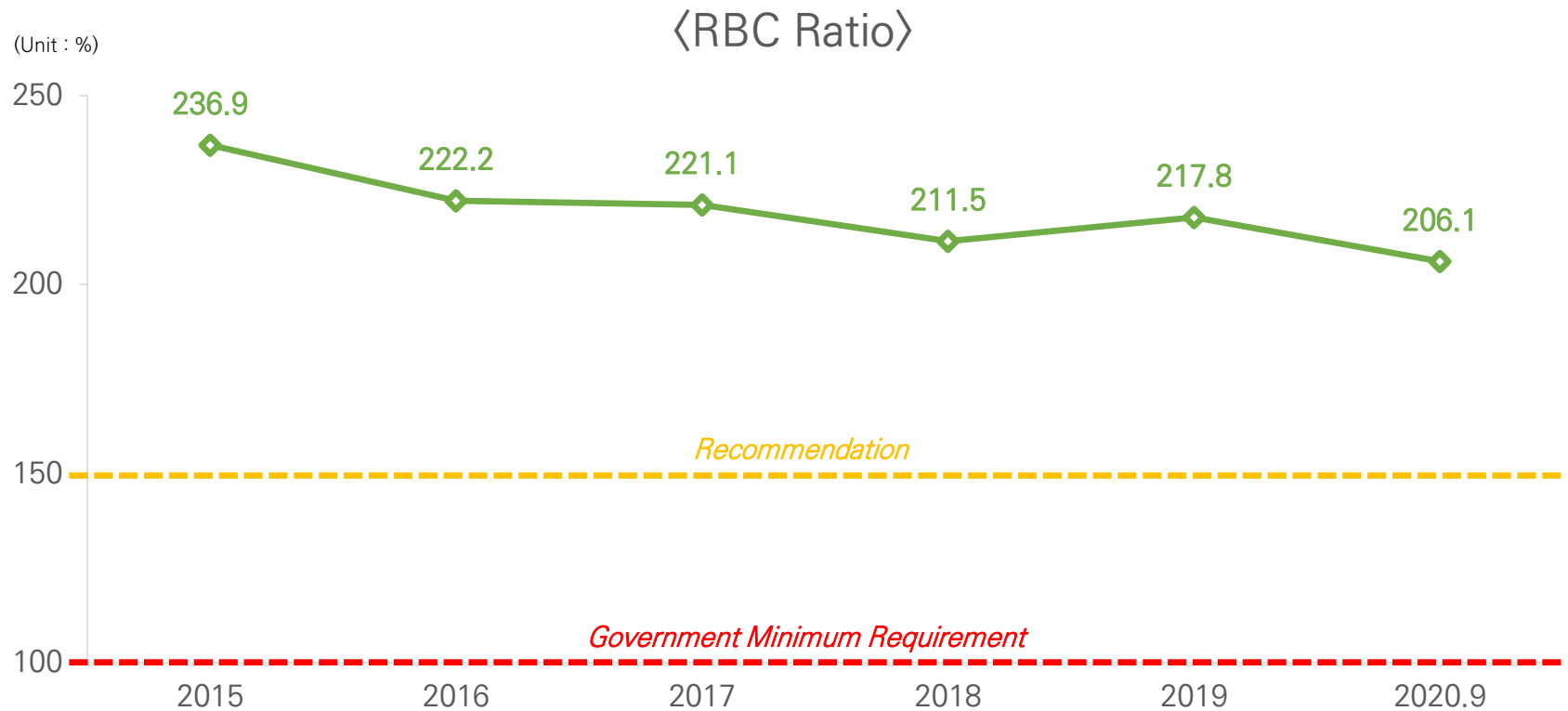
5-year CAGR Gross Premiums



5-year Average Combined Ratio



2-5 RBC Ratio



■ A strong local solvency ratio has been maintained despite continuously tightened regulations

- The RBC ratio decreased in 2016 mainly due to ① unrealized loss on available for sale assets(the rise of interest rates), ② tightened RBC regulations regarding credit risk, and ③ change from separate to consolidated financial results basis

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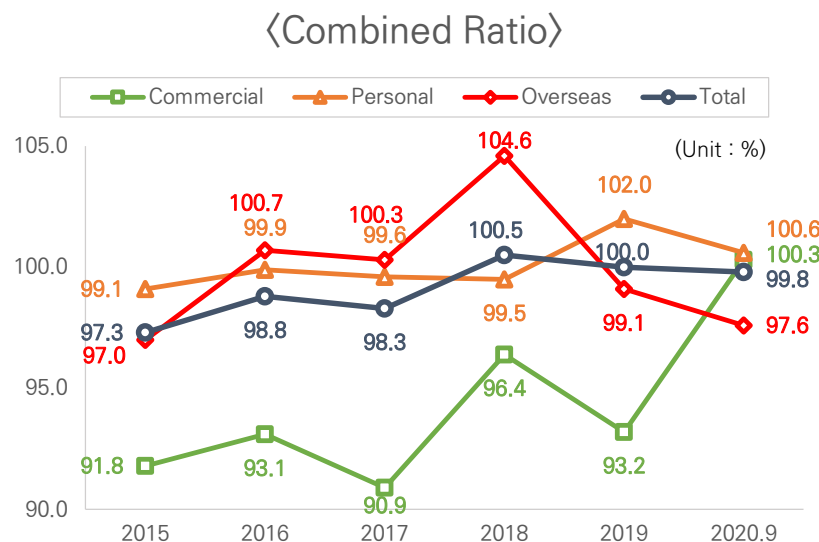
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3-1 Combined Ratios by Line of Business



(Unit : %)

Item	2015	2016	2017	2018	2019	2020.9
Commercial	91.8	93.1	90.9	96.4	93.2	100.3
Personal	99.1	99.9	99.6	99.5	102.0	100.6
Overseas	97.0	100.7	100.3	104.6	99.1	97.6
Combined Ratio	97.3	98.8	98.3	100.5	100.0	99.8
- Loss Ratio	80.3	81.4	80.0	83.4	85.6	87.1
- Expense Ratio	17.0	17.4	18.3	17.1	14.4	12.7

■ Diversified business portfolio and treaty structure mitigated performance volatility

- P/F diversification (FY2019) : Commercial 28%; Long-term 28%; Overseas 25%; Life 12% and Motor 7%
- Sliding scale, profit commission & loss sensitive T&Cs for loss alleviation against worsening loss ratios

■ Risk optimization per risk & event : Adequate retention with XOL cover by LoB

- Overseas lines were affected by natural catastrophes and the major loss events were as follows:
 - FY2017 : US Hurricanes (Harvey, Irma, Maria), Hong Kong Typhoon, Vietnam Typhoon, China Flood
 - FY2018 : Typhoons in Asia (Jebi, Trami, Mangkhut), a number of sizable losses from engineering insurance
 - FY2019 : Typhoons in Asia (Faxai, Hagibis)

3-2 Overseas Portfolio by Line of Business

(Unit : %)

Line of business	2015	2016	2017	2018	2019
Fire & Engineering	44.9	44.8	44.0	45.2	43.7
Marine	15.7	14.1	12.5	9.4	8.1
Life	19.3	19.2	20.4	21.8	23.0
Casualty	13.5	14.8	12.8	12.1	13.8
Motor	4.4	3.5	4.5	5.5	5.7
Others*	2.2	3.6	5.8	6.0	5.7
Total	100.0	100.0	100.0	100.0	100.0

*Others : Crop, Livestock, etc.

■ Establishing a well-balanced and profit-oriented overseas portfolio

- Further diversification of P/F by line of business for securing a stable foundation for earnings
- Reduction of underperforming accounts and improvement of reinsurance terms and conditions
- Increasing the volume of the profitable lines such as casualty, motor and life with a decrease in marine
- Expanding more profitable non-proportional treaty accounts in property lines

3-3 Overseas Portfolio by Region

(Unit : %)

Region	2015	2016	2017	2018	2019
Far East Asia	36.1	31.5	30.0	33.0	30.5
Middle East Asia	12.2	11.2	12.3	11.7	13.1
Southeast Asia	11.2	13.9	11.7	11.2	11.4
<i>Asia Total</i>	<i>59.5</i>	<i>56.6</i>	<i>54.0</i>	<i>55.9</i>	<i>55.0</i>
North America	18.9	21.8	19.6	17.5	17.4
Latin America	2.9	3.3	6.6	7.9	9.9
<i>Americas Total</i>	<i>21.8</i>	<i>25.1</i>	<i>26.2</i>	<i>25.4</i>	<i>27.3</i>
Europe	13.6	14.8	15.9	15.4	14.9
Africa	0.9	0.7	0.7	0.7	0.9
Others*	4.2	2.8	3.2	2.6	1.9
Total	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 the concentration of exposure to Asia : 59.3% (FY2014) → 55.0% (FY2019)
 - Continuous growth on the Americas : 19.4% (FY2014) → 27.3% (FY2019)

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4-1 Investment Portfolio and Profit

(Unit : KRW Bil.)

Classification	2018		2019		2020.9	
	Amount	Portion	Amount	Portion	Amount	Portion
Stock	122.7	2.1%	147.1	2.4%	150.5	2.3%
Domestic Bond	1,882.4	32.0%	1,929.4	31.0%	1,702.8	26.3%
Overseas Bond	1,631.3	27.8%	1,507.0	24.2%	1,648.6	25.5%
Short Term	691.6	11.8%	800.1	12.9%	1,024.0	15.8%
Loan	902.1	15.3%	993.1	16.0%	1,036.9	16.0%
Alternatives	461.3	7.8%	657.3	10.6%	725.6	11.2%
Others	187.1	3.2%	186.4	2.9%	185.9	2.9%
Total	5,878.5	100.0%	6,220.7	100.0%	6,474.3	100.0%

* Stock : Most of investments are related with subsidiaries and associates

* Alternatives : PEF, Infra, etc. / Others : Real Estate, etc.

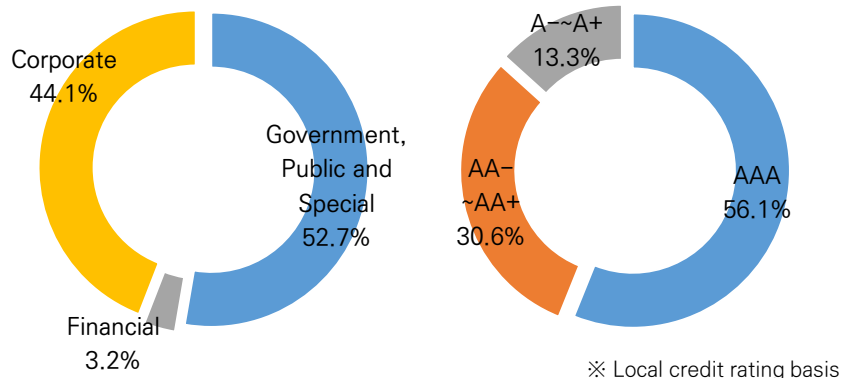
(Unit : KRW Bil.)

Classification	2018		2019		2020.9	
	Profit	Yield	Profit	Yield	Profit	Yield
Stock	2.2	1.9%	29.2	24.2%	2.5	1.7%
Domestic Bond	57.3	3.0%	51.0	2.7%	55.1	4.1%
Overseas Bond	51.1	3.5%	78.2	5.1%	72.2	6.2%
Short Term	10.6	1.3%	8.8	1.2%	7.8	1.1%
Loan	34.4	4.6%	43.7	4.7%	34.6	4.6%
Alternatives	16.9	4.6%	26.4	4.8%	11.5	2.2%
Others	0.9	0.5%	-1.5	-0.8%	-1.1	-0.8%
Total	173.4	3.1%	235.8	4.0%	182.6	3.9%

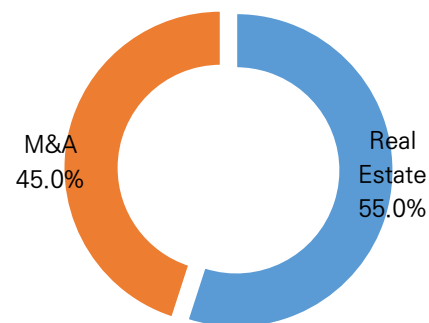
* 2019 total yield (4.0%) : Record high yield of 4.0% due to profit gains of KRW 26.7Bil from the sale of 'Koramco Reits and Trust'.

4-2 Investment Portfolio Mix (FY2019)

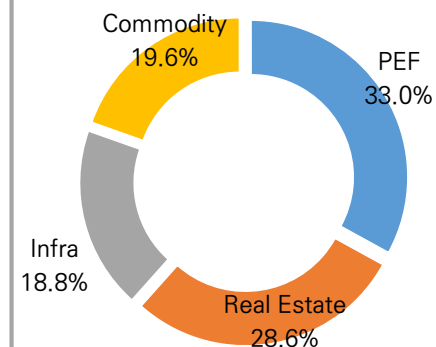
Domestic Bond



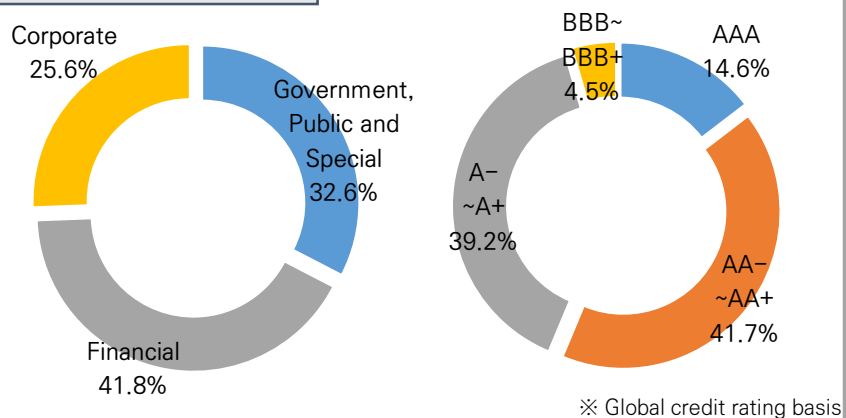
Loan



Alternatives



Overseas Bond



■ Loan : Senior-based portfolio with avg. LTV under 60%

- Average LTV : 57% for Real Estate and 53% for M&A
- Underlying assets are diversified by industrial 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 and selective capital gain opportunities



Those materials and data presented here are a mere reflection of Korean Re's current business policy based upon its past business experiences and market environment research, including outside sources.

Due to this reason, an accurate forecast of market movements or tendencies is not possible, and it may not bear any resemblance to the actual statistic figures.