ANNUAL REPORT 2019

AIMING HIGHER

Even during recent challenges around the world, Korean Re achieved strong results. We are now poised to become even more reliable than ever.

KOREAN RE

CONTENTS

AIMING HIGHER

Korean Re, the one and only Korean professional reinsurer, started its operations 57 years ago.

We now operate core lines of reinsurance business including property, engineering, marine, casualty, motor, life and health.

Our vision to become a global player has led us to a point where 25% of our business comes from overseas.

In 2019, Korean Re realized stable growth, with KRW 8,051.5 billion in gross written premiums increasing by 6.5% that generated KRW 188.7 billion in net income—the highest figure in our history.

We also steadfastly maintained an RBC ratio above 200% and strong credit ratings ("A") from A.M. Best and Standard & Poor's.

Korean Re is officially one of the most profitable and stable reinsurers in the world.

As a leading corporation in Korea, we are fully engaged in our efforts to remain a competent and competitive leader in the global market.

KOREAN RE

FINANCIAL HIGHLIGHTS 2019

	FY 2019 (KRW billion)	FY 2019 (USD million)	FY 2018 (KRW billion)	FY 2018 (USD million)
FOR THE YEAR				
Gross Written Premiums	**8,051.5**	**6,843.5**	7,558.5	6,801.5
Net Written Premiums	**5,533.0**	**4,702.8**	5,318.0	4,785.4
Net Income	**188.7**	**160.4**	102.9	92.6
AT THE YEAR END				
Total Assets	**11,733.1**	**10,036.0**	10,750.9	9,522.5
Insurance Contract Liabilities	**5,974.6**	**5,110.5**	5,578.5	4,941.1
Total Shareholders' Equity	**2,456.0**	**2,100.8**	2,237.6	1,981.9
FINANCIAL RATIO (%)				
RBC Ratio*	**217.8**		211.5	
Combined Ratio**	**100.1**		100.6	
ROA	**1.7**		1.0	
ROE	**8.0**		4.7	
Payout Ratio	**30.4**		30.7	
EPS (KRW, USD)	**1,550**	**1.32**	810	0.73

* Solvency Margin Ratio
** Excluding foreign currency evaluation effects
Note: All figures are based on K-IFRS and the Consolidated Financial Statements of Korean Re. The conversion from KRW to USD is shown here and in the rest of this report for information purposes only.

Financial Strength Ratings

A — **A.M. Best**
S & P

Stable

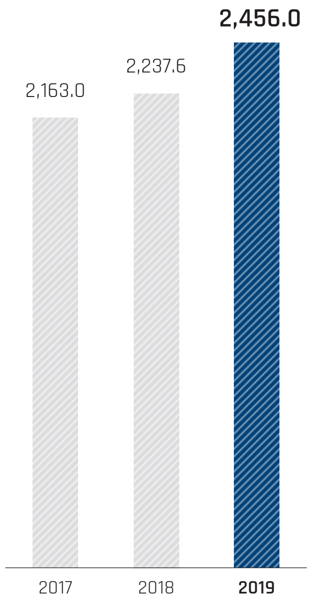
RBC Ratio*

217.8 %

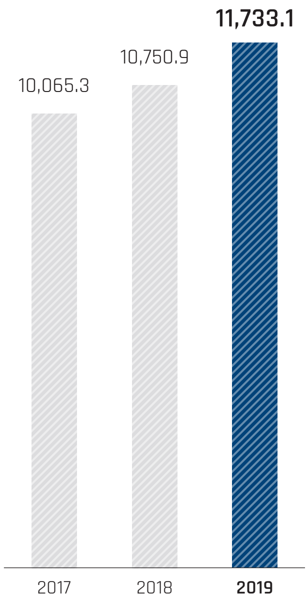
*** Solvency Margin Ratio**

(As of the end of 2019)

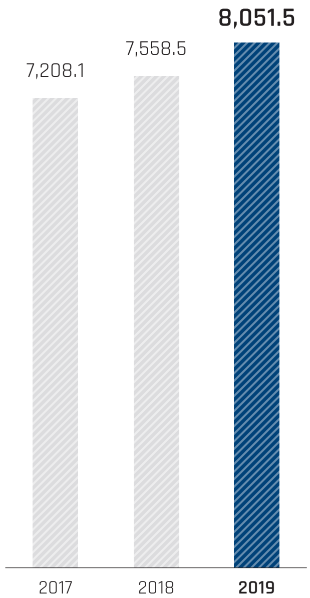
Total Shareholders' Equity
(Unit: KRW billion)



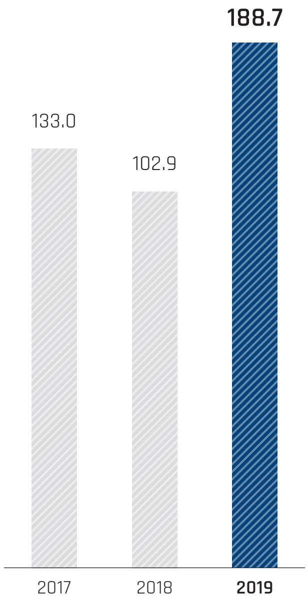
Total Assets
(Unit: KRW billion)



Gross Written Premiums
(Unit: KRW billion)



Net Income
(Unit: KRW billion)



MESSAGE FROM THE CEO

Throughout 2019, we lived through a more heightened sense of crisis. Insurance companies grappled with persistent low growth, low interest rates, and aging populations in this already saturated market. Adding to that, Korean insurance companies have had to seek capital solutions for the past few years as they prepare for the upcoming IFRS 17 rollout in 2023.

Amid unfavorable market conditions, Korean Re delivered meaningful results in 2019. By consistently pushing ourselves to develop new opportunities abroad on one side and staying focused on enhancing our corporate values on the other side, we have consistently pursued a two-track strategy. As a result, we saw a subsidiary in Zurich, Switzerland incorporated and start operations in June, 2019. Later that year, in December 2019, our application to establish a branch office in Shanghai, China was approved.

Our strategic success can also be explained through numbers. On a consolidated basis, Korean Re achieved 83.3% growth in net income, totaling KRW 188.7 billion as at the end of 2019. Our gross written premiums increased by 6.5%, to KRW 8,051.5 billion, and net written premiums by 4%, to KRW 5,533.0 billion. Meanwhile, we paid KRW 4,424.6 billion in net claims, up KRW 373.1 billion compared to a year earlier. The overall loss ratio stood at 86.1%, up by 2.5%p, while net expenses fell by KRW 108.1 billion year on year, to KRW 803.8 billion.

Our total assets amounted to KRW 11,733.1 billion, up KRW 982.3 billion year on year, and invested assets reached KRW 6,222.2 billion, up KRW 342.6 billion compared to a year earlier.

Stable financial performance results enabled us to pay out dividends at an increased rate of 5.3%. Korean Re will stay committed to delivering more value to our shareholders in line with our shareholder-friendly corporate philosophy.

We entered 2020 with both positive expectations and concerns over the future, and now the world is faced with unprecedented challenges caused by the coronavirus pandemic, as well as mounting tensions in the Middle East and uncertainties in Europe after Brexit. Nevertheless, we would like to believe in an optimistic view that the economy will eventually rebound in the years to come.

In a business climate clouded by challenge after challenge, Korean Re started the new year with the slogan "New Start 2020 for New Value Creation." On the back of profitable growth supported by optimized capital efficiency, we will continue to work to sustain a virtuous cycle of this strong performance. We will also stay committed to developing new growth engines to further diversify our business portfolio and strengthen our global capabilities. After years of efforts toward this global expansion, we saw our liaison office in Bogota finally approved by the Colombian government early this year. This marks a new foothold in Latin America and the Caribbean. We will continue to make new attempts for growth by expanding our global presence.

In 2020, Korean Re will keep up with self-improvement efforts to strengthen itself so that it can become a leading global reinsurer. Aiming even higher, we will keep moving forward amid all the present challenges and stay focused on our vision. We thank you for your unwavering support of Korean Re and look forward to delivering even more value to our clients, partners, shareholders, and all other stakeholders in 2020 and beyond.

Thank you.

Jong-Gyu Won
President and CEO

BOARD OF MANAGEMENT

Jong-Gyu Won

President & CEO
Mr. Won is the Chief Executive Officer of Korean Re. He took office in June 2013.

Since joining Korean Reinsurance Company in 1986, Mr. Won has served the company for more than 30 years in various capacities including as Executive Managing Director from 2011 to 2013 and Chairman of the Korean Re Risk Management Special Committee. He was promoted to Managing Director in September 2007 and supervised the Accounting, Marine, and Claims & Survey Departments for three years. Between 2005 and 2007, he headed the Accounting Department as General Manager, prior to which he served as Representative of New York Liaison Office from 1998 to 2001. Mr. Won holds an M.B.A degree from Yonsei University in Seoul.

Moo-Seop Lee

Executive Managing Director

2019. 6 Executive Managing Director
2015. 6 Managing Director

Team
· Property Team 1
· Engineering Team
· Casualty Team
· Accounting Team

Joon-Taik Cheong

Chief Audit Officer

2019. 6 Korean Re Auditing Director
2017. 4 NH Life Insurance Co.,Ltd. Auditing Director
1999 Financial Supervisory Service
1983 Korea Insurance Corporation

Team
· Auditing Team

Chul-Min Jang

Managing Director

Yung-Heub Song

Managing Director

Yong-Nam Kim

Managing Director

Phil-Won Jeong

Managing Director

Seok-Yeong Heo

Managing Director

Kwang-Shik Jeong

Managing Director

Expanding Our Global Presence

We are continuously expanding our global presence in strategically important locations, while also making them more competitive.

In 2015, we successfully became a member of Lloyd's of London, the birthplace of insurance undertakings, through a special purpose syndicate, Korean Re Underwriting Ltd.

The hard work of the Global Project Team—a dedicated group created in 2017 tasked with the mission of expanding our global network—paid off almost immediately. Our Labuan branch was established in Malaysia that same year, and a year later our Dubai liaison office in the UAE was successfully converted into a branch, broadening our network and presence worldwide.

Under the goal of raising our overseas business portion up to 80% in line with our "Vision 2050," which we set in 2014, we have now spent more than five years strengthening our global competitiveness and extending our reach across the world.

KRSA, a new subsidiary in Switzerland, was given an "A" rating by global credit rating agencies.

Approval for our Shanghai branch establishment was obtained.

Preparatory works in progress for setting up a liaison office in Bogota, Colombia.

EXPANDING OUR GLOBAL PRESENCE

In 2019, we made a firm commitment to broaden our overseas networks. We have established strongholds in Europe and China, both of which are important reinsurance markets, and also secured an entry point to access the South American and Central American markets, an area of huge growth potential.

KRSA Awarded with an "A" Rating from S&P

Our subsidiary Korean Re Switzerland AG (KRSA) was established in June 2019 in Zurich, Switzerland, and has already obtained an "A" credit rating from Standard & Poor's (S&P), one of the top credit rating agencies in the world.

S&P forecast that KRSA can run a stable business in Europe on the back of excellent operational resources and risk management capabilities of the parent company, and is expected to play a pivotal role in expanding Korean Re's business overseas.

An "A" credit rating allows for easier and greater access to profitable accounts. KRSA is more likely to bring us closer to profitable accounts in advanced markets, and has the strong potential to grow into a key hub among all of Korean Re's affiliates worldwide.

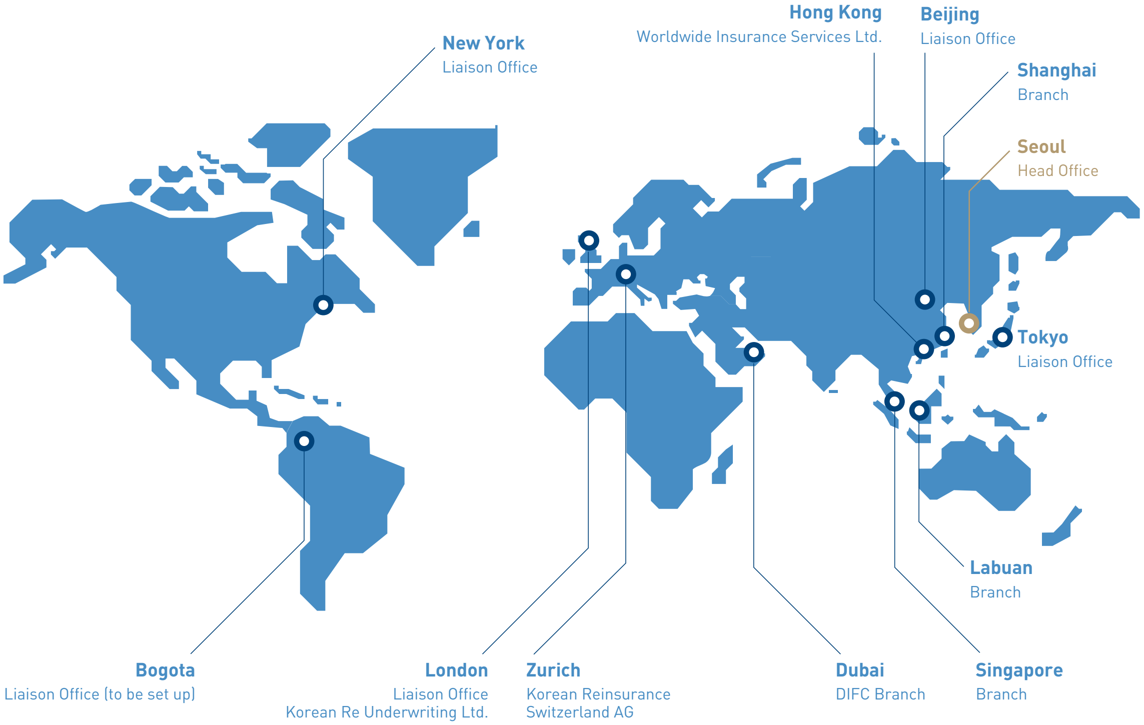
Shanghai Branch Approved

We learned from Chinese financial supervisory authorities on December 30, 2019 that Korean Re was finally authorized to establish a branch office in Shanghai. That marked our second office in Mainland China after the Beijing office was opened in 1997.

While the Beijing Office has carried out market research and support functions for our head office, the Shanghai Office is tasked with leading business activities across China.

China represents the largest insurance market in Asia, and the second largest in the world. In 2018, this vast market grew 3.92% from a year earlier, generating USD 570 billion in gross written premiums that accounted for 11.6% of the world's total production. Thus, it has enormous growth potential for us.

GLOBAL NETWORK



Bogota Office in Colombia Coming Soon

We are going to see the opening of a liaison office in Bogota, the capital of Colombia, in the first half of 2020. When all preparatory work is completed, we will jump-start efforts to explore new opportunities across Latin America and the Caribbean from the second half of the year.

Compared to other continents, South America has a lower insurance penetration rate. According to Swiss Re Sigma 2018, the penetration rate for non-life and life insurance stood at 1.91% and 0.88%, respectively. Thus, there is a great deal of room to expand in this untapped market.

Setting up a new operation in this region aims at broadening our business coverage and adding geographical diversity to our portfolio. This bold move is expected to contribute to our profitability and help us expand from an Asia-centric portfolio.

Enhancing Capabilities

GRO

We were able to achieve significant volume growth in 2019, while also delivering bottom-line growth driven by enhanced capabilities.

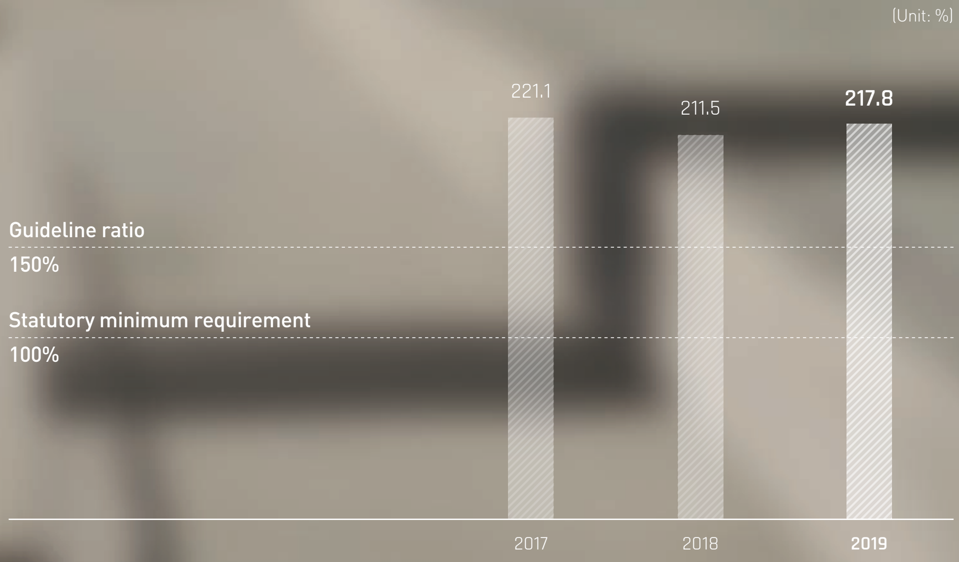
Even though the world is regularly affected by natural catastrophes, Korean Re's seasoned team is able to deliver strong underwriting results. Against almost every probable risk, we have been able to secure profit-based growth.

In addition, despite the ever-intensifying regulatory environment, our RBC ratio has always stayed above 200%, much higher than the local regulatory guidelines of 150%.

Backed by stable track records and capital strengths, we have upgraded our underwriting skills, thus making us capable of assuming risks at an optimal level and attaining a reduced combined ratio. Furthermore, by reinforcing our investment capabilities, we have secured a stable income stream from overseas bonds, and redirected assets into more profitable loans and alternative instruments, resulting in a stronger performance in 2019.


WTH

RBC Ratio


(Unit: %)
221.1
211.5
217.8
Guideline ratio
150%
Statutory minimum requirement
100%
2017
2018
2019

ENHANCING CAPABILITIES

Underwriting Results Improved

By fully utilizing our accumulated risk database and analysis expertise, we have strengthened underwriting and reduced losses to a significant degree. As a result, the total combined ratio declined by 0.5%p, to 100.1%, from a year earlier.

Domestic commercial lines drove down their combined ratio by 3.2%p, to 93.2% from the prior year by tightening risk management on their retention. Despite frequent natural catastrophes, international lines also reduced their combined ratio significantly by 5.5%p, to 99.1%.

As a result, underwriting results improved by KRW 9.8 billion year on year to KRW -40.2 billion.

Strong Investment Results

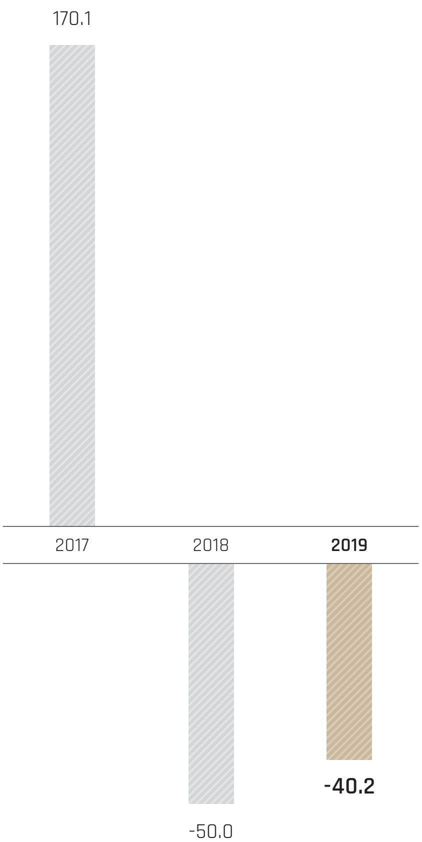
To strengthen investment performance, Korean Re brought in specialists from outside and restructured our investment portfolio, which led to a year-on-year 41.1% surge in investment income worth KRW 277.4 billion.

Additionally, our invested assets have grown at roughly 7% on average over the past 5 years, resulting in a 4% yield from our reinforced investment portfolio.

Further to that, portfolio rebalancing—raising the proportion of lucrative loans and alternative investment vehicles from 23.2% in 2018 to 26.6% in 2019—generated KRW 70.1 billion in gains, up 36.6% year on year.

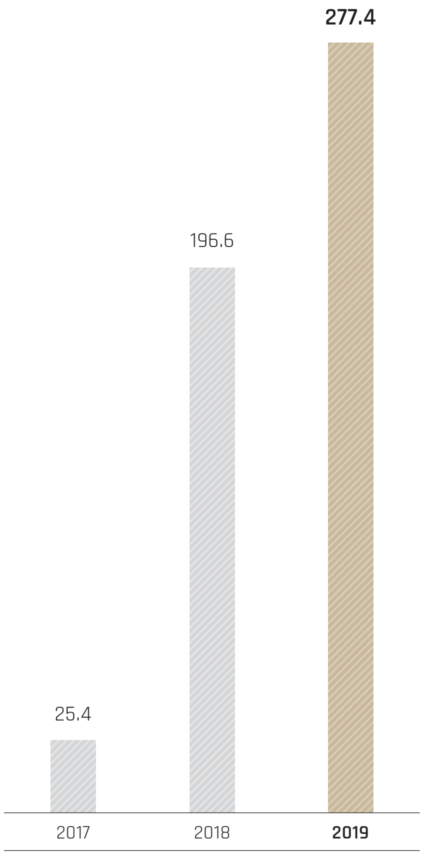
Underwriting Results

(Unit: KRW billion)



Investment Income

(Unit: KRW billion)



INSIDE KOREAN RE

Korean Re's 2019 New Year's Concert

Charitable Donation for a Regional Trauma Center

The 8th Korean Re Risk Management Seminar


The 38th Korean Re Seminar

January

Korean Re's 2019 New Year's Concert

On January 10, 2019, and in celebration of the New Year, Korean Re hosted a dinner party, followed by an annual concert of classical music performed by the Seoul Philharmonic Orchestra. All the employees and their families were invited to a New Year's party where CEO Jong-Gyu Won expressed his appreciation to everyone for their hard work and support throughout the year, saying, "We have come through a year that was filled with difficult challenges, but each and every one of you worked tirelessly in your respective positions. I sincerely thank you all for your great work."

The annual function also served as a welcoming party for new employees, and they shared their feelings and thoughts as they were about to embark upon a new career. They also delighted the audience with their dance performances, which made the event all the more enjoyable.

The classical music performance was the highlight of the night. The Seoul Philharmonic Orchestra, conducted by Soo Yeoul Choi, performed Beethoven's Concerto for Violin, Cello and Piano in C major, Op. 56 (the Triple Concerto)—the only concerto the composer ever completed for more than one solo instrument. The concert culminated with Symphony No.9 in E minor, "From the New World", one of the most popular symphonies composed by Antonín Dvořák.

Charitable Donation for a Regional Trauma Center

Korean Re signed a donation agreement with Ajou University Medical Center on January 28, 2019 to donate funds for the cause of improving local health care services. We initially pledged to donate KRW 50 million for 2019 to the regional trauma center of the hospital dedicated to providing care for patients suffering from major traumatic injuries from accidents like motor vehicle collisions and falls. Regional trauma centers are open 24/7 and play a critical role in saving the lives of patients in critical condition.

During the signing ceremony, CEO Jong-Gyu Won stressed the value of reinsurance in terms of its role in helping to ensure public safety and reinforce the social safety net, saying, "We are pleased to be a part of efforts to improve access to quality life-saving care services provided by the regional trauma center." The funds we donate will be used for purchasing medical equipment and supporting patients from low-income families.

The 8th Korean Re Risk Management Seminar

Korean Re held its 8th Risk Management Seminar on March 29, 2019. Risk management officials and property/engineering underwriters from local insurers gathered to discuss various risk management issues. The seminar was attended by roughly 100 people from a number of insurers, businesses, and associations. This year, four expert speakers from the insurance industry—and other industries—delivered presentations on different topics, including the maintenance and safety inspection of the Energy Storage System (ESS), analysis of loss events arising from ESS and related countermeasures, fire preventative features of finishing materials of construction structures and testing methods for such features, and major property loss cases in 2018. The annual seminar, which was launched in 2012, aims to provide participants with the opportunity to learn about risk factors, loss events, and risk management practices in specific industry sectors, as well as to share information and ideas about related issues.

The 38th Korean Re Seminar

We hosted the 38th Korean Re Reinsurance Management Seminar (Korean Re Seminar) from May 12 to 17, 2019. The opening ceremony was held at our head office in Seoul on May 13. CEO Jong-Gyu Won said during his opening remarks that Korean Re takes great pride in the 38-year-old seminar, whose standing in the (re)insurance industry is rising annually.

This year, 21 insurance professionals from 21 insurers in 16 jurisdictions were invited to the seminar, where the latest market trends and issues were discussed. Among the countries represented were Bolivia, Canada, China, India, the Netherlands, Thailand, Turkey and the United Kingdom.

Celebrating the 50th Anniversary of Korean Re's Tokyo Liaison Office

Building Homes of Hope


Celebrating the 40th Anniversary of Korean Re's Singapore Branch

December

During the seminar, Korean Re employees gave presentations on the company's underwriting techniques and major developments in the Korean insurance market, as well as an analysis of large-loss events over recent years. Field trips to local industrial sites were also arranged to help participants gain a better understanding of underwriting practices that Korean Re had shared at the seminar. There were other sessions, such as lectures on the latest insurance market issues, and a cultural program that gave participants the opportunity to enjoy and experience Korean culture firsthand.

The Korean Re Seminar was launched in 1979 as a platform for the exchange of information and discussions on key issues in the global insurance industry. Since then, this annual event has been attended by more than 620 professionals from over 250 insurance companies. It is now widely recognized among insurance market participants as one of the most prestigious reinsurance seminars in Asia.

Celebrating the 50th Anniversary of Korean Re's Tokyo Liaison Office

In celebration of the 50th anniversary of the opening of Korean Re's Tokyo Office, Korean Re held a ceremony on September 30, 2019 at the Imperial Hotel Tokyo. This event was attended by 200 participants, from partners to clients. The Tokyo Office has now grown to become one of Korean Re's most important and vibrant overseas offices, with the longest history of all our overseas office.

The half-century journey of relentless efforts to be a trusted partner in the Japanese insurance market has successfully enabled the Tokyo Office to have made tremendous achievements over the years. This endeavor will continue under the mission of "We serve to protect your future," and contribute to drive business growth for our clients and partners going forward.

Building Homes of Hope

Habitat for Humanity Korea has welcomed volunteers from Korean Re this year yet again. Over the course of the last seven years, we have been actively participating in the program, with 110 of our employees having taken part in Habitat for Humanity Korea's mission to foster strength, stability and self-reliance through shelter for underprivileged people.

CEO Jong-Gyu Won and a group of Korean Re employees volunteered to help build a series of residences called "Homes of Hope" in the village of Mokcheon, South Chungcheong Province from September 17 to 18, 2019. This year's project mostly involved cement siding that was required for heat insulation as part of interior and exterior finishing work for the "Hope and Dream House," which is scheduled to welcome new families at the end of the year.

Korean Re has continued to partner with Habitat for Humanity Korea by both participating in homebuilding projects and making gradually increased donations for the past seven years in a row to improve the quality of life in the communities across the nation. This year alone, we made a donation of KRW 130 million to Habitat for Humanity Korea.

Korean Re will stay committed to being the helping hands of the community by giving back to society and improving the living standards of the underserved. On this subject, CEO Jong Gyu Won has said, "The core value of insurance goes back to the idea of helping each other when in need, so this will serve as a good opportunity for us to experience the spirit of sharing and helping others."

Celebrating the 40th Anniversary of Korean Re's Singapore Branch

In celebration of the 40th anniversary of our Singapore branch, Korean Re hosted a cocktail party for its clients on the sidelines of the Singapore International Reinsurance Conference (SIRC), which was held from October 29 to November 1, 2019. In the toast speech, CEO Jong-Gyu Won expressed his deep appreciation to more than 300 clients attending the event that day for the 40-year journey built upon a strong partnership, and wished continued success in its future endeavors for sharing prosperity together with loyal supporters of Korean Re. Since January 1979, the Singapore branch has been able to establish a strong foothold in the Southeast Asian market through a broad network of clients, solid brand power, and a highly respected reputation.

REVIEW OF OPERATIONS

Innovation is a critical force that can lead our clients (insurers) to surpass their competitors.

By providing new solutions and innovative platforms, Korean Re strives to support our clients at home and abroad through our innovative efforts.

Continuously engaged in research and development, each business line at Korean Re endeavors to devise efficient solutions.

On top of that, we are flexibly adapting to changes in the industry, thereby creating the future of insurance together with our clients.

PROPERTY

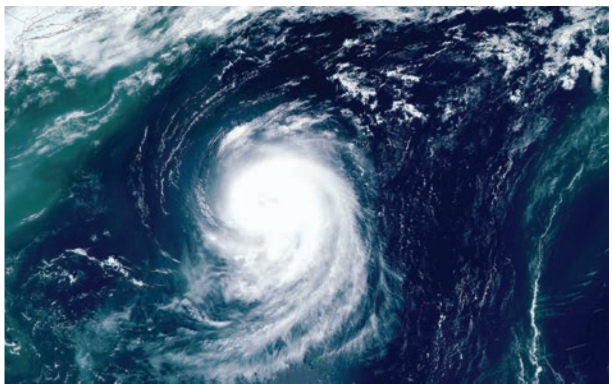

Head of Property Team 1 **Kiy-Sung Lee**

Domestic Business

In 2019, the Korean property insurance market experienced a small increase in claims in the wake of several mid-sized typhoons, such as Lingling, Tapah, and Mitag. Nonetheless, the loss ratio has remained relatively stable at 46.7%. In terms of premium growth, the market slightly rebounded from the continuous downward trend over the past several years. Premium income went up by 2.63%, to KRW 1,737 billion in 2019, mostly owing to comprehensive insurance premiums, which grew by 3.3%, to KRW 1,467 billion. On the other hand, fire insurance premiums went down by 1.1%, to KRW 270 billion, as rates continued to be softening.

Adverse market conditions made 2019 another challenging year for Korean domestic property markets. Korean Re, however, has been successful in limiting the negative impacts on the profitability of the book. Our premium income from domestic property insurance went down in 2019 by 7.2 percent, to KRW 474.6 billion, amid an increase in retention by local primary insurers. Our premium income from fire insurance shrank by 13.2 percent, to KRW 98.3 billion, while comprehensive insurance went down by 5.5 percent, to KRW 376.3 billion. Yet our bottom line remains outstanding, with our combined ratio before management expense improving to 81.58% from 87.31% in 2018. This outcome is largely due to our dedication to underwriting strategy, which is focused on profitability.

Premium growth for Korean domestic property insurance market is expected to be sluggish again in 2020, and primary insurers are likely to maintain their increased retention levels. Despite the strain from these unfavorable market conditions, we will continue to rebalance our portfolio to maximize our profit levels through selective underwriting based on exhaustive risk analysis for writing quality risks.



Gross Written Premiums: Domestic Property Business

(Unit: KRW billion, USD million)

	FY 2019 (KRW)	FY 2019 (USD)	FY 2018 (KRW)	FY 2018 (USD)
Fire	98.3	83.6	113.3	102.0
Comprehensive	376.3	319.8	398.1	358.2
Total	**474.6**	**403.4**	**511.4**	**460.2**

International Facultative Business

Our international property facultative business recorded another outstanding year, with gross written premiums remaining stable at KRW 108.6 billion, up 4.1% from the previous year, and a reduced combined ratio before management expense noticeably down to 91.3% in 2019 from 98.9% in the previous year. The outcome was achieved through customizing underwriting guidelines better responding to each region and restructuring portfolio where necessary.

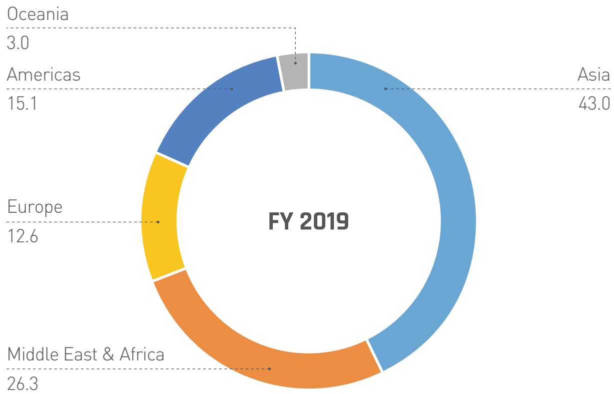
Geographically, Asia is still the biggest market for us, comprising 43% of the total international property facultative business, followed by the Middle East and Africa (26.3%), the Americas (15.1%), and Europe (12.6 %). The overall composition has not changed dramatically from the previous year.

Following a series of large losses in 2019, our underwriting guideline has been reinforced to minimize exposure in catastrophe-prone areas. We have also focused on enhancing profitability by increasing our participation in proportional reinsurance businesses with strong risk management and healthy loss records. Meanwhile, the strategic initiative to expand the book in less developed territories has contributed a great deal to the increase in gross written premium income. The expansion of business will continue to play a part and will be accompanied by thorough risk assessment to identify markets which are worth further tapping into.

An unexpected regulatory intervention, fierce competition, and large catastrophe losses may continue to pose a challenge in 2020. Nonetheless, over the past number of years, our underwriting results have proven to be profitable through stable growth rates. In addition, our credit rating from both S&P and A.M. Best, which is backed up by large capacity, is instrumental in serving our clients with industry-leading practices. We will continue to take advantage of the aforementioned strengths in an effort to distinguish our presence both in existing and new markets.

International Facultative Portfolio by Geography

(Unit: %)



Gross Written Premiums: International Facultative Business

(Unit: KRW billion, USD million)

	FY 2019 (KRW)	FY 2019 (USD)	FY 2018 (KRW)	FY 2018 (USD)
International Facultative	108.6	92.3	104.3	93.9

Head of Property Team 2 **Se-Koan Oh**

International Treaty Business

In 2019, insured losses from natural catastrophes worldwide stood at USD 71 billion, much lower than their peak of USD 157 billion in 2017, USD 100 billion in 2018. The top 10 insured loss events that occurred in 2019 were concentrated in Japan (Typhoon Hagibis and Typhoon Faxai) and the United States (floods in Mississippi and Missouri and Hurricane Dorian in Florida).

Overall capacity remains sufficient in the global reinsurance market. Despite two consecutive years of above-average catastrophe losses, the overall rate increase could not meet market expectations. January 2020 renewals addressed the demand for rate increases only in the areas hardest hit by catastrophe losses, mainly in the U.S. and Asia.

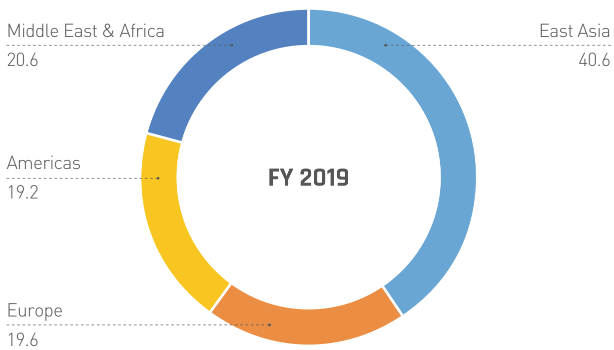
In 2019, our international treaty business saw a 2.4% growth in gross written premiums, reaching KRW 581.8 billion. Our target was achieved, and driven by a moderate growth in the U.S. and the Middle East & Africa.

Geographically, East Asia still makes up the largest portion of our international treaty portfolio at 40.6%, followed by the Middle East & Africa at 20.6%, Europe at 19.6%, and the U.S. at 19.2%. Compared to the previous year, Europe's portion was slightly adjusted downward due to a reassessment of certain large proportional accounts, whereas those of the Middle East & Africa and the U.S. increased. Overall, we are well in line with our strategy to achieve steady growth.

In 2020, we will continue to optimize our portfolio so as to withstand the volatility of catastrophe losses, while pursuing sustainable growth in target regions.

International Treaty Portfolio by Geography

(Unit: %)



Gross Written Premiums: International Treaty Business

(Unit: KRW billion, USD million)

	FY 2019 (KRW)	FY 2019 (USD)	FY 2018 (KRW)	FY 2018 (USD)
East Asia	236.2	200.7	229.9	206.9
Middle East & Africa	113.8	96.8	107.4	96.6
Europe	111.7	95.0	120.6	108.5
Americas	120.1	102.1	110.0	99.0
Total	**581.8**	**494.5**	**567.9**	**511.0**

* Individual figures may not add up to the total shown due to rounding.


Head of Engineering Team **Yong-Jin Jung**

ENGINEERING

After three consecutive years of negative growth, our domestic engineering business surged ahead in 2019, reporting KRW 148.1 billion in gross written premiums, up 17% from the previous year's total of KRW 126.6 billion. This is mainly because large-scale infrastructure projects in the public and private sectors that were initially pending were finally authorized by the Korean government. This marked a recent shift toward infrastructure expansion by increasing its budget for infrastructure construction by 4.2% after three years of cuts. Market hardening and raised rates also contributed to delivering strong numbers in 2019.

In 2020, experts believe it will be another promising year for the engineering insurance market. To revitalize stagnant economic activities, the government increased its 2020 SOC budget by a staggering 17.6%.

Nearly KRW 30 trillion worth of infrastructure projects for constructing roads and railways—which up until now have been left in the planning stages—are projected to be reactivated. Given the government's drive to commence these public works as early as possible, most of these projects are likely to get started and become insured sometime within 2020.

Korean Re expects to secure a leading position in providing reinsurance for officially launched mega-scale projects, such as construction of the privately owned GTX (Great Train Express) lines, high-speed inter-city trains, and the New Ansan Line, another high-speed subway line between Seoul and Ansan, a suburban industrial city just outside of the nation's capital. We will work hard to ensure the rebound we achieved in 2019 will continue into 2020 and beyond.

Since the peak in overseas construction orders worth USD 71 billion in 2010, Korean builders have suffered from a slump in oil prices and increased competition. In 2019, we saw a steep fall in overseas orders for Korean construction projects, to USD 22 billion, down 31% year on year. Despite the years of downturn weighing on our portfolio growth, we did not lose focus on portfolio diversification and restructuring. As a result, we reorganized the occupational and territorial mix of our overseas portfolio, while also producing gross written premiums consistently at around USD 100 million.

Over the past two years, the international construction insurance market has undergone a profound transformation. After being impacted by unprecedented numbers of large loss events, we have seen a significant outflow of capacity from direct and facultative insurers, followed by hardening across the market.

Against these changing market dynamics, Korean Re will continue to focus on quality accounts and long-term profitability based on stricter risk assessment and more stringent underwriting. At the same time, to grow our business in a healthier and more sustainable way, we will pay greater attention to long-term relationships with strategic partners and key clients across the globe.

Gross Written Premiums: Engineering

(Unit: KRW billion, USD million)

	FY 2019 (KRW)	FY 2019 (USD)	FY 2018 (KRW)	FY 2018 (USD)
Domestic	148.1	125.9	126.6	113.9
Overseas	114.2	97.6	106.7	96.3
Total	**262.4**	**223.5**	**233.2**	**210.2**

* Individual figures may not add up to the total shown due to rounding.

AGRICULTURE AND OTHER SPECIALTY LINES

In 2019, the primary agriculture insurance market continued to expand. In terms of gross written premiums, our crop business increased by 90.7%, to KRW 333.1 billion, while the livestock business increased by 50.9%, to KRW 94.7 billion.

However, our profitability deteriorated as the loss ratio of crop insurance soared to 195% in the wake of spring frost and several typhoons. Meanwhile, we managed to minimize our retained loss ratio to 110% due to the government's loss sharing and stop loss protection. On the other hand, our livestock insurance business substantially recovered from the costly previous year on the back of the improved original rate and strengthened loss assessment and underwriting guidelines. Without suffering severe damage from heatwaves, our livestock loss ratio decreased to 79%.

After a few years of rapid expansion, our overseas agriculture business moved into a stable growth phase in 2019. Premium income for the year moderately climbed to KRW 114.0 billion, up 2.7%. Highly frequent natural catastrophes across the globe, such as torrential rainfalls in India and typhoons and the African Swine Fever outbreak in China, resulted in the worst-ever loss ratio of 82% since we started our inward business. Surrounded by unfavorable conditions, however, we made our way into two new markets-Italy and Turkey-and our efforts towards geographical diversification will continue further for stable growth going forward.

In 2019, the primary market for natural perils insurance contracted due to sluggish sales, which adversely affected the growth of this line of business. Furthermore, three big typhoons (Lingling, Tapah and Mitag) drove our loss ratio up to 84% for the year.

Korean Re has successfully led the domestic reinsurance market for crop, livestock, and natural perils insurance by exclusively providing local insurers with access to ample capacity in the global reinsurance market. As a reliable provider of reinsurance capacity, we have contributed to market development for government-sponsored insurance.

Gross Written Premiums: Agriculture and Other Specialty Lines

(Unit: KRW billion, USD million)

	FY 2019 (KRW)	FY 2019 (USD)	FY 2018 (KRW)	FY 2018 (USD)
Domestic Crop	333.1	283.1	174.6	157.1
Livestock	112.2	95.4	74.4	66.9
Natural Perils	18.0	15.3	19.7	17.7
Overseas Agriculture	114.0	96.9	111.0	99.9
Total	**577.2**	**490.6**	**379.7**	**341.7**

* Individual figures may not add up to the total shown due to rounding.

KOREA ATOMIC ENERGY INSURANCE POOL(KAEIP)

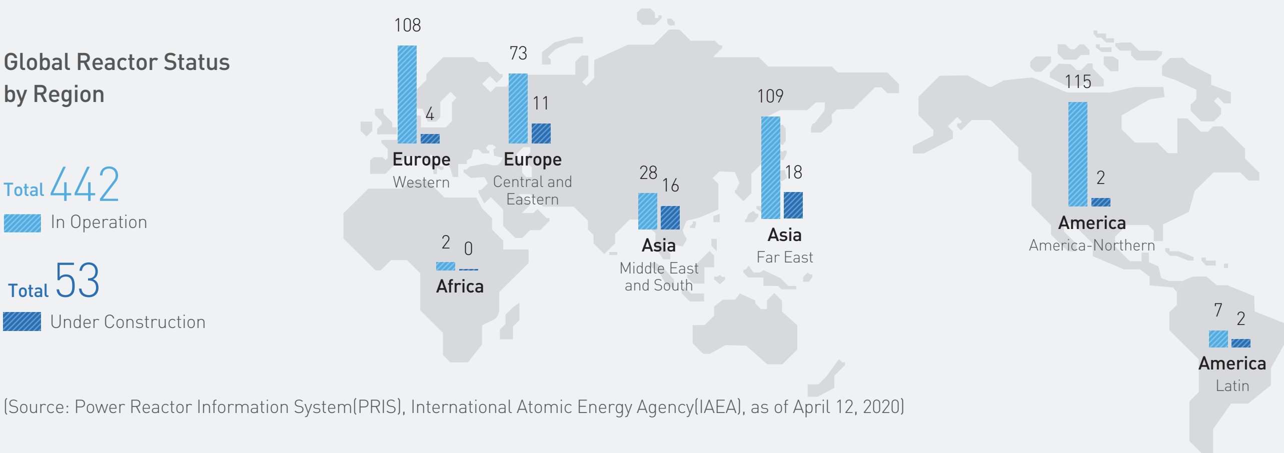
The Korea Atomic Energy Insurance Pool (KAEIP) is a voluntary, unincorporated association of non-life insurance and reinsurance companies led by Korean Re.

Korea has 26 nuclear power plants (NPPs) across the nation, with 25 NPPs in operation and one NPP permanently shut down (Kori Unit 1, shutdown in June 2017). Currently, an additional 4 units are under construction. Globally, a total of 442 reactors are commercially operational, and 52 reactors are currently being built. Major countries with nuclear reactors are China (10 units), India (7 units), and Russia (4 units).

In 2019, our domestic direct premiums reached KRW 38.5 billion, whereas inward overseas reinsurance premiums stood at KRW 16.7 billion. The domestic primary business has been steadily growing in line with the continued construction of nuclear reactors. In contrast, the overseas reinsurance business is faced with market softening and declining rates, as a greater number of pools, mutual, and captives are scrambling for a dominant position in this highly competitive market, and some nuclear plants remain uninsured for cost reduction.

KAEIP will continue to solidify its position to build up its domestic business. In addition, for further expansion into overseas businesses with improved profitability, we will stay focused on areas where new reactors are being built or local laws governing nuclear liability and compensation are going to be amended.

Global Reactor Status by Region



(Source: Power Reactor Information System(PRIS), International Atomic Energy Agency(IAEA), as of April 12, 2020)

Gross Written Premiums: Korea Atomic Energy Insurance Pool (KAEIP)

(Unit: KRW billion, USD million)

	FY 2019 (KRW)	FY 2019 (USD)	FY 2018 (KRW)	FY 2018 (USD)
Domestic Direct	38.5	32.8	32.5	29.3
Overseas Reinsurance Inward	16.7	14.2	18.5	16.6
Total	**55.3**	**47.0**	**51.0**	**45.9**

✻ Individual figures may not add up to the final shown due to rounding.

MARINE AND AVIATION

Head of Marine and Aviation Team **Jae-Moon Lee**

Our marine and aviation business recorded KRW 380.4 billion in gross written premium, which was down 26.5% from the previous year. The decrease was an inevitable outcome of portfolio restructuring to increase profitability.

Hull and energy premiums fell by 32.9% to KRW 243.8 billion, which is also attributable to the portfolio adjustment. Cargo insurance volume rose by 10.2% to KRW 90.8 billion, driven by an increase of war premiums due to an escalating risk of war in the Strait of Hormuz. Aviation insurance premiums declined by 36.7% to KRW 45.8 billion, due to the impact of overseas portfolio restructuring.

The marine insurance market in 2020 is expected to regain momentum on the back of increased shipbuilding orders in recent years, and benefit from market hardening and following rise in rates. The reinsurance market for this segment is anticipated to see an improved profitability driven by the growing primary market and declining commissions.

Korean Re will maintain its strategic focus on building a profit-oriented portfolio and disciplined underwriting. Furthermore, stable growth will be sought from builder's risks of naval vessels, marine liability insurance, and fine arts, and efforts to find new growth engines such as offshore windfarm insurance will be continued.

Gross Written Premiums: Marine and Aviation

(Unit: KRW billion, USD million)

	FY 2019 (KRW)	FY 2019 (USD)	FY 2018 (KRW)	FY 2018 (USD)
Hull	243.8	208.3	363.2	326.8
Cargo	90.8	77.4	82.4	74.2
Aviation	45.8	38.9	72.3	65.1
Total	**380.4**	**324.6**	**517.9**	**466.1**

✻ Individual figures may not add up to the final shown due to rounding.


Head of Casualty Team **Byoung-Ki So**

CASUALTY

The domestic casualty insurance market marked 4% growth in 2019 on the back of a steady expansion in liability lines of business. Driven by the government-led implementation and revision of compulsory insurance plans, we saw growing demand for liability insurance products such as disaster liability insurance, cyber insurance, personal data leakage liability insurance, and used vehicle inspection liability insurance. However, premium rates have decreased due to intensifying price competition in commercial insurance and workers' compensation segments. Primary insurers continue to raise their retention level for liability lines.

Under these unfavorable conditions in the reinsurance industry, Korean Re reported a 10.1% increase in gross written premiums from casualty lines for 2019. Even after 9.5% of our personal accident business was slashed as part of a casualty portfolio adjustment, we were able to deliver this result by focusing on profitable special risks insurance and overseas business accounts. Special risks made up the largest part of the total casualty premiums, at 27.7%, followed by liability lines of business, at 22.8%, and personal accidents, at 17.9%.

We have also intensified cooperation with clients for our timely response to emerging needs in developing markets around the Fourth Industrial Revolution and environmental protection initiatives. Furthermore, we launched Warranty and Indemnity Insurance in 2019 to take advantage of the opportunities arising from growing domestic M&A activity.

On the back of steady growth, our overseas business accounted for 13.4% of the entire casualty portfolio in 2019. We will maintain our conservative approach to risk and market, and continue incremental expansion into the U.S. and Europe.

The domestic casualty reinsurance market in 2020 does not look much different from the previous year, as primary insurers are expected to stick to an aggressive retention strategy. Despite the challenging environment, we will keep working on to strengthen our portfolio and swiftly react to market needs to ensure profitable growth.

Gross Written Premiums: Casualty

(Unit: KRW billion, USD million)

	FY 2019 (KRW)	FY 2019 (USD)	FY 2018 (KRW)	FY 2018 (USD)
Liability	268.8	228.5	261.5	235.3
Workers' Compensation	17.5	14.9	21.8	19.6
Personal Accident	211.5	179.8	233.6	210.2
Surety & Credit	191.6	162.8	146.1	131.5
Special Risks & Other	327.8	278.6	284.5	256.0
Overseas Inward Business	164.3	139.6	125.6	113.0
Total	**1,181.5**	**1,004.2**	**1,073.1**	**965.6**

* Individual figures may not add up to the final shown due to rounding.

LONG-TERM

Head of Long-term & Motor Team **Jun-Dong Kim**

In 2019, the long-term insurance market in Korea grew by 5.0% in terms of direct premiums. This was led by persistently rapid growth of long-term personal accident (PA) and disease insurance products. Savings-type insurance sales suffered a slowdown due to stricter requirements for tax benefits and the upcoming rollout of IFRS17. Frequent fires in winter for some years and a massive wildfire occurred in the country's northeastern region in April last year, drawing more attention to long-term property insurance.

Korean Re's written premium in long-term business reached KRW 2,277.7 billion in 2019, up 12.2% year on year, while the combined ratio before management expense increased by 1.3%p to 100.6%. Even though we strategically co-developed new products with direct insurers to write more profitable risks, the combined ratio was deteriorated due to the rising loss ratio of medical indemnity products.

The long-term insurance business in 2020 is expected to show a similar pattern of growth in direct premiums, and that will be driven by a greater focus on new business from PA and disease products as well as a potential hike in medical expense insurance rates. More specifically, competition in developing new products targeting the elderly or people with chronic or pre-existing conditions, and ensuing sales and marketing to increase new business, will become more intensified among direct insurers.

To support the long-term insurance industry, Korean Re intends to provide its analytical research of domestic and global trends for product development, underwriting services, and reinsurance programs. With these efforts, we are seeking a proper level of growth in premium volume and profits, thus strengthening our reinsurance portfolio.

Gross Written Premiums: Long-term

(Unit: KRW billion, USD million)

	FY 2019 (KRW)	FY 2019 (USD)	FY 2018 (KRW)	FY 2018 (USD)
Long-term	2,277.7	1,936.0	2,030.7	1,827.3

* Individual figures may not add up to the final shown due to rounding.

MOTOR

In 2019, direct premiums from motor insurance increased by 2.4% from the previous year. The main reasons for this result were premium rate increases resulting from loss ratio aggravation, and the growing popularity of online distribution channels. The loss ratio stood at 92%, up 6%p year on year. Key factors behind the deterioration were auto parts and repair cost increases, as well as a greater number of post-accident medical indemnity claims.

Our motor reinsurance business reported KRW 679.8 billion in gross written premiums in 2019, down 2.7% from a year earlier, with the loss ratio increasing by 7.2%p to 86.1%. In the domestic market, we maintained existing programs and covered higher risks along with both proportional and non-proportional treaties, and continuously provide solutions catering to the needs of direct insurers. We also saw an increase in transactions from mutual associations based on strengthened relationships with them. In overseas markets, we successfully acquired a greater number of profitable non-proportional treaties in the Mediterranean and Eastern Europe, thereby diversifying our business portfolio.

In 2020, the primary motor insurance market in Korea is expected to grow by 0.9%, to KRW 17.3 trillion, in direct premium income. Positive factors will be increasing car registrations and a reduction in premium discount offers, while online channel expansion is likely to limit premium volume growth. Fortunately, the loss ratio is anticipated to decline as gross premium growth in 2019 will lead to an earned premium increase in 2020.

In 2020, Korean Re, based on its downside outlook of the primary market, aims to achieve KRW 645 billion in gross written premiums, 1.4% less than the previous year. To achieve this goal amid a difficult market environment, we will increase the number of highly profitable non-proportional treaties and tighten up our current reinsurance conditions. Furthermore, we will do our best to build a solid overseas portfolio focused on diversity and profitability.

Gross Written Premiums: Motor

(Unit: KRW billion, USD million)

	FY 2019 (KRW)	FY 2019 (USD)	FY 2018 (KRW)	FY 2018 (USD)
Motor	679.8	580.4	698.5	628.5

* Individual figures may not add up to the final shown due to rounding.

LIFE

Head of Domestic Life Team **Dong-Hyun Jung**

Domestic Life

In 2019, the life insurance premium volume is estimated to increase 5.8%, boosted by a 46.0% surge in retirement annuities amid the continuous decline of savings policy sales and a slowing increase in protection insurance volume. The growth of protection policies is estimated at 4.2%, driven by huge sales promotions and while preparing against potential regulatory changes. The savings segment is forecast to suffer a 5.7% drop due to continuously shrinking general savings life insurance and a decrease in investment-linked variable savings volume due to a stagnant stock market.

The overall trend in the Korean life insurance market will persist throughout 2020, likely to post a 3.7% drop in premium income. Specifically, the protection segment is likely to see a 2.4% increase, which will be propped up by a mid- to lower-priced health insurance sales hike, while general and variable savings insurance plans are expected to decline by 9.9% and 5.4%, respectively.

In recent years, extremely low interest rates and an aging population have weakened the growth momentum of domestic life insurers, and the upcoming implementation of IFRS17 and K-ICS (Korean Insurance Capital Standard) is posing a serious threat to profitability. Evaluation of insurance liabilities on a mark-to-market basis will require companies to reserve a much greater amount of capital, and will put an enormous burden on those who sold higher-guarantee rate products in the past. Furthermore, medical reimbursement policy providers will have to improve to make them more sustainable and get their lapse and loss ratios under control.

In 2019 the Korean life reinsurance premium income is expected to reach roughly KRW 2,070 billion, up 5% year on year. Korean Re's market share slightly declined to near 41% due to portfolio readjustment last year. A total of KRW 932.3 billion in gross written premiums was generated from our life insurance operation, up 1.0% from a year earlier. By cutting off short-term, low-margin treaties by KRW 26 billion, we improved profitability, and volumes from general reinsurance categories increased by KRW 35 billion (4.5% growth) based on increased businesses from life and health insurance and the new simplified-issue policies that were jointly developed with our clients. However, due to an aggravated loss ratio from medical expense insurance products, our net operating income ended up being KRW 15.1 billion, nearly 50% of the previous year.

In 2020, Korean Re's Domestic Life Team will continue to work hard to improve its business portfolio, further strengthening its underwriting discipline to become more stable and profitable. As a leader in the industry, we will provide our expertise in risk management and product development, while taking advantage of our financial strength to upgrade the insurance industry for the long term. In order to help our clients to respond to a rapidly changing environment for the life (re)insurance business, we will increase our joint efforts with primary insurers to develop new life insurance products, such as life and health policies that are issued simply, and low-refund type whole life insurance products. In addition to increasing our reinsurance capacity, we will also stay committed to our business partners by offering training programs, seminars on regulatory changes, medical underwriting services, and research and development of non-traditional reinsurance solutions. By doing so, our aim is to largely contribute to the profitable growth of Korea's life insurance market and broaden our presence as a leading life reinsurance provider.

Gross Written Premiums: Domestic Life

(Unit: KRW billion, USD million)

	FY 2019 (KRW)	FY 2019 (USD)	FY 2018 (KRW)	FY 2018 (USD)
Domestic Life	932.3	792.4	923.1	830.7

※ Individual figures may not add up to the final shown due to rounding.

Head of Overseas Life & Health Team **Hang-Yoon Shin**

Overseas Life & Health

As of July 1, 2019—and as a result of the organizational change to divide the previous Life & Health Team into two teams for covering domestic and overseas markets—the Overseas L&H Team embarked upon a new start as a standalone team. Furthermore, a new EMEA (Europe, the Middle East and Africa) section was created within the team to broaden the existing portfolio, which was traditionally focused on Asia and America, and now includes the EMEA region. With this expansion, our Overseas L&H Team is now geared toward contributing added value to strengthen Korean Re so that it can sustain its growth well into the future.

In the global life reinsurance market, mature markets are expected to continue to see modest growth, but there is still a lot of room for expansion in emerging markets. Traditional reinsurance segments are faced with a historically low cession rate, while solvency II capital requirements and low investment returns present opportunities for meaningful growth for reinsurers.

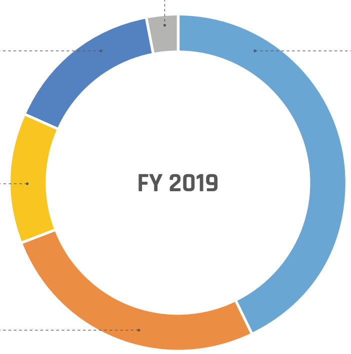
In 2019, our overseas L&H business achieved 13.3% growth in gross written premiums, reaching KRW 460.5 billion. Signing more treaties from North America and LATAM has also contributed to this positive result.

Geographically, Northeast Asia, the largest market, generates 33% of our total L&H premium volume, followed by North America at 29%, and LATAM and Southeast Asia at 16% and 15%, respectively. Compared to the previous year, EMEA's share rose from 6% to 7%, and from now on stable growth is anticipated from this region on the back of dedicated EMEA resources within the team.

Throughout 2020, our efforts to diversify our portfolio will continue as we apply strong regulations to the underwriting process. In addition, we will actively support our clients by providing our medical underwriting guidelines and acquiring high-net-worth facultative contracts.

International Portfolio by Geography

(Unit: %)



Gross Written Premiums: Overseas L&H

(Unit: KRW billion, USD million)

	FY 2019 (KRW)	FY 2019 (USD)	FY 2018 (KRW)	FY 2018 (USD)
Asia	222.0	188.7	212.8	191.5
Americas & LATAM	205.7	174.8	169.0	152.1
EMEA	32.8	27.8	24.7	22.2
Total	**460.5**	**391.4**	**406.5**	**365.8**

* Individual figures may not add up to the total shown due to rounding.

ASSET MANAGEMENT


Head of Asset Management Team **Seok-Yeong Heo**

In 2019, South Korea's GDP growth rate declined to a 10-year low of 2.0%, primarily due to a fall in construction and equipment investment and a slowdown in exports and private consumption. The consumer price index marginally increased by 0.4%, reflecting the sluggish economy. The Bank of Korea cut its policy interest rate two times, to 1.25%, a record low and keeping pace with the Federal Reserve Board's rate cuts for its last three announcements. The yield on three-year Korea treasury bonds dropped by 45.7 basis points to 1.36%, reflecting weak economic conditions. However, the Korea Composite Stock Price Index (KOSPI) closed the year at 2,197.67, up 7.7% from a year earlier, on expectations that a rebound in semiconductors will lead to higher profits next year.

In 2019, our invested assets generated KRW 235.8 billion (excluding foreign exchange gains/losses) in investment income, with an investment return of 4.0%, up 0.9%p from the prior year. From that total, 33.2% of investment income came from our foreign bond holdings, which amounted to KRW 78.2 billion. Income from alternative investments and domestic bond holdings accounted for 29.7% (or KRW 70.1 billion) and 21.6% (or KRW 51.0 billion), respectively.

Throughout 2019, Korean Re has focused on investment portfolio stability, while at the same time searching for opportunities to maximize the profitability of our invested assets. We saw our invested assets increase by 5.8%, to KRW 6,220.7 billion, due to the stable inflow of investment and premium income. Our investment portfolio remained dominated by domestic fixed income securities composed of government bonds and other high-credit quality bonds, representing 31.0% of total invested assets. To help increase our overall investment performance, we increased the proportion of alternative investments (including loans) up to 26.5% of total invested assets. Most of our alternative investment vehicles are loans—real estate loans and acquisition finance—and loan-linked products.

Early in 2020, we expected the global economy to show modest growth, as the trade dispute between the U.S. and China dissipates. This is in spite of uncertainties related to the upcoming presidential election in the U.S. and monetary policy directions of major central banks. However, the world encountered an unprecedented challenge because of the COVID-19 outbreak. Financial markets are now in great turmoil. Nonetheless, we will continue to maintain an investment policy that focuses on ensuring the stability of our investment results. Also, a significant focus will remain on generating stable returns and meeting our diversification needs.

Investment Results

(Unit: KRW billion, USD million)

	FY 2019 (KRW)	FY 2019 (USD)	FY 2018 (KRW)	FY 2018 (USD)
Invested Assets	6,220.7	5,320.9	5,878.5	5,206.8
Investment Income	275.6	234.3	199.7	179.7
Investment Income*	235.8	200.4	173.4	156.0
Yield (%)	4.7	4.7	3.5	3.5
Yield* (%)	4.0	4.0	3.1	3.1

* Gains and/or losses from foreign exchange hedging for insurance liabilities have been excluded.

Invested Assets

(Unit: KRW billion, USD million)

	FY 2019 (KRW)	FY 2019 (USD)	FY 2018 (KRW)	FY 2018 (USD)
Domestic bonds	1,929.4	1,650.3	1,882.4	1,667.3
Foreign bonds	1,507.0	1,289.0	1,631.3	1,444.9
Stocks	147.4	126.1	121.5	107.6
Alternative investments (including loans)	1,650.4	1,411.7	1,363.4	1,207.6
Short-term funds	800.1	684.4	692.8	613.7
Others	186.4	159.4	187.1	165.7
Total	**6,220.7**	**5,320.9**	**5,878.5**	**5,206.8**

※ Individual figures may not add up to the total shown due to rounding.

Investment Income

(Unit: KRW billion, USD million)

	FY 2019 (KRW)	FY 2019 (USD)	FY 2018 (KRW)	FY 2018 (USD)
Domestic bonds	51.0	43.3	57.3	51.6
Foreign bonds	118.0	100.4	77.4	69.6
Foreign bonds*	78.2	66.5	51.1	45.9
Stocks	29.2	24.8	2.2	2.0
Alternative investments (including loans)	70.1	59.6	51.3	46.2
Short-term funds	8.8	7.5	10.6	9.5
Others	-1.5	-1.3	0.9	0.8
Total	**275.6**	**234.3**	**199.7**	**179.7**
Total*	**235.8**	**200.4**	**173.4**	**156.0**

* Gains and/or losses from foreign exchange hedging for insurance liabilities have been excluded.

RESPONSIBLE COMPANY FOR SOCIETY

We have long been committed to corporate social responsibility (CSR) in making society a place where everybody is healthier, safer, and happier. Trying to uphold a spirit of mutual aid, we have participated in numerous volunteer programs and support activities.

Recognizing that social value creation is a corporate responsibility and essential for our future, Korean Re has been involved in numerous actions to improve the lives of all employees and communities.

Social Contribution | Korean Re employees are always willing to lend a helping hand for those in need. In fact, we often take the time to join disaster relief efforts and support charity activities for neighborhoods that are struggling financially.

Employees | We promote a healthy work-life balance philosophy across the board, and are doing our best to make Korean Re the best place to work. Employees are given diverse job training, while also being provided with the opportunity to engage in global talent nurturing programs to increase their competence. In addition, we have enhanced benefits for our employees to ensure they are satisfied with their jobs and workplace.

EMPLOYEES

Korean Re actively supports a healthy work-life balance for our employees, with the aim of nurturing a creativity-driven corporate culture.

More Satisfied with Working & Personal Lives

Korean Re has implemented diverse measures to help employees maintain a heathier state of mind and body. In 2019, "Refresh Vacation" was introduced, granting long-term employees to take time off for a month or more while being supported financially by the company. After taking advantage of this time off, our colleagues can come back to work refreshed and then focus more productively on their jobs. Furthermore, under our policy for employees with young children, working moms can use flexible working hours to strike a balance between work and childrearing. "PC-Off" is another program we have established, one whose mandate is to guarantee life-after-work for employees. As such, Korean Re is doing its best—and still seeking further room for improvement—to enhance the work-life balance of employees and thus improve the quality of their work and personal lives.

A Pleasant Atmosphere and a Time to Recharge

A healthy mind is as important as a healthy body. We have designed our work spaces in a way to soothe people's minds and induce their creativity. In order to ensure a "green office," we have placed plants in working areas both for aesthetic purposes and peace of mind.

We have installed a special staircase called "Stairways to Health" from B1 to the 12th floor so that everyone is encouraged to get more exercise. Each frequent user's mileage can be converted into cash for donation so that they can take part in a social contribution program called "Hope-Sharing Donation."

The 12th floor features a stress-free zone called "Employee Lounge," an area only accessible to our employees. We also set up our "Exciting Zone" with exercise machines, a pool table, a ping-pong table, a foosball table, and an electronic dart set. In the "Employee Lounge," there are coffee machines available for everyone in the company. This gives colleagues a chance to enjoy a coffee break with others, or spend time alone while relaxing in massage chairs or in rooms designed to rest, and which are separated for men and women.

These various resting and activity zones help facilitate the creativity of employees, leading them to improve the quality of their work output.

Supporting Personal Development

Korean Re's online library was launched in 2019. All employees at the head office and overseas branches, as well as other offices, can access online books by computer, personal tablet, mobile phone, or other mobile devices.

We at Korean Re strongly encourage employees to seek diverse activities for fun and socializing with colleagues. In addition to existing clubs for hiking, bowling, swimming, skiing, baseball, tennis, soccer, fishing, literature, band practice, marathons, and indoor golf. In 2017, we organized new clubs for dancing, magic performances, e-sports, cycling, table tennis, ceramic art, and book clubs. In 2018, we created DIY (Do It Yourself), charity volunteering, photography, indoor wall climbing, and board game (Genius) clubs. In 2019, we added a cooking club to this list. As a result, there are about 30 clubs that reflect the diverse interests of different generations of employees at Korean Re, all of which provide an opportunity for personal development as well as time to have fun with teammates and colleagues.

SOCIAL CONTRIBUTION

Giving back to the community has long been a guiding philosophy for Korean Re. We have never forgotten people in need of warm hearts and helping hands. Over the years, we have been there for them to ease their pain and hardships, while also sharing positive things with them.

Caring for the Basic Needs of Our Neighbors

Building Homes of Hope

Partnering with Habitat for Humanity Korea, Korean Re has been actively taking part in projects to build Homes of Hope for people living in homes that are in poor condition. In September 2019, almost 100 employee volunteers—led by CEO Jong-Gyu Won— participated on four different occasions to set up wooden houses in the village of Mokcheon, South Chungcheong Province. In 2020, we will continue to encourage more employees to take part in this project of sharing, and which aims to build up to five houses.

Total Hours Spent on Volunteering Activities

2,480 hours

Sharing Meals with Our Close Neighbors

Korean Re has long been sharing good things with communities where we do business. Through a program called "Sharing Hopes with Our Neighborhood", we share our warm hearts by serving food that is thoughtfully cooked by our employees. In October 2019, we organized four rounds of community food-sharing events at a local Red Cross volunteer center where groups of Korean Re employees cooked food and baked bread. The food was packed and then delivered to those underserved families living in the Jongno District of Seoul.

In addition, since 2004 Korean Re employees have helped financially disadvantaged families in Ihwa-dong, an inner city neighborhood in Seoul's Jongno District, which is where Korean Re's head office is located. This annual giving initiative was organized to make their winter a little warmer. Once again, in 2019, a group of Korean Re volunteers carried out door-to-door delivery of rice, noodles, kimchi and other necessities to single-parent households, elderly people living alone, and child-education centers.

Art & Culture

Nurturing the Dreams of Children & Teenagers with Developmental Disabilities

Korean Re has also been supportive of art and culture. Since entering into a sponsorship agreement with the Miral Welfare Foundation in 2017, Korean Re has continued to support a cello ensemble named Wing.

The ensemble is comprised of 20 autistic or intellectually challenged children and teenagers. Ever since becoming a new sponsor of the group in 2017, Korean Re has committed roughly KRW 100 million every year so that these young cello players can communicate with the world through music. The annual donation of funds has been used to pay for lessons and instrument repairs, as well as to organize concerts.

CEO Jong-Gyu Won said, "The (re)insurance industry was born out of a spirit of mutual aid. As a reinsurer, we have a social responsibility for paying attention to the happiness and safety of people all around us. This is particularly true with those who have developmental challenges, and deserve special care and attention from society so that they will not be isolated." He added, "I hope that their hopeful messages in the form of beautiful melodies will continue to spread across the world."

Overseas Disaster Relief in the Spirit of Mutual Aid

Every year since 2014, Korean Re has sent a group of employees primarily composed of new hires to help rebuild the typhoon-hit community of Ayutthaya, Thailand by taking part in projects that build houses for those who live in poor housing condition.

In 2019, our volunteer team stayed in the area for five days to participate in this project for a local village, doing everything from digging holes for septic tanks to mixing concrete and laying bricks for internal and external walls. Thanks to their firsthand experiences of being a part of the disaster relief effort, our young employees had an opportunity to practice the core value of insurance—helping each other in need. By continuing to implement the international corporate volunteering program to support the rehabilitation of communities devastated by natural disasters, we will put these CSR values into action at a level equivalent to our standing as a leading member of the global insurance industry.

Contribution Amount

KRW **1,033** million

Volunteering Employees

Number of **178** persons

FY 2019
MARKET OVERVIEW

KOREAN ECONOMY

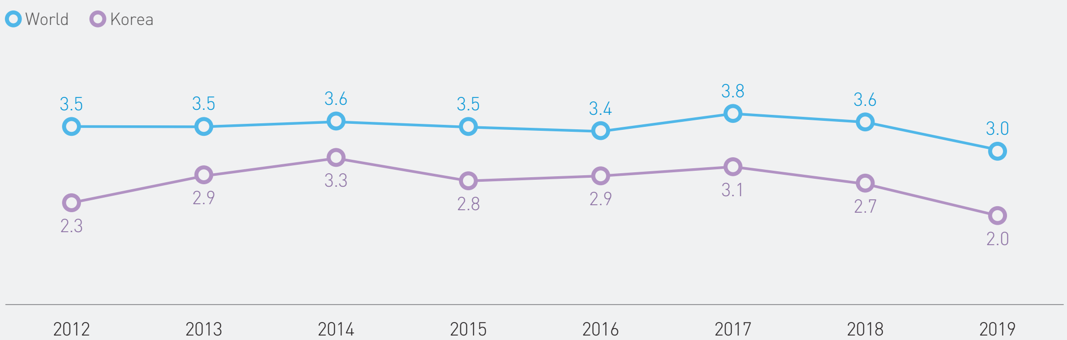
2019 in Review

GDP

Korea's GDP grew 2.0% in 2019, down from 2.7% in 2018. Throughout 2019, the Korean economy suffered a series of difficulties due to aggravating external conditions. Global trade has weakened due to the U.S.-China trade war, and thus the semiconductor industry, the nation's primary exporter, struggled as a result. Over the course of this time, financial and foreign currency markets have been highly volatile, thereby eroding the confidence of investors. As a result, consumption and exports showed only modest growth, and investments were considerably affected.

GDP Growth Trends

(Unit: %)



(Source: IMF World Economic Outlook (October 2019), Bank of Korea)

Consumer Spending

Consumer spending in 2019, despite improved job markets, recorded just a modest increase of 1.9%, affected by a slow-paced recovery in consumer confidence that was the result of negative economic conditions, both internal and external. Specifically, consumers spent more on medical and health care, food, and accommodation services, and less on buying durables such as cars and electronic devices. In the fourth quarter of the year, rising expenditures on durables like automobiles, food and entertainment services in the face of reduced spending on semi-durables such as clothes led to a slight increase of 0.9% compared to the prior quarter.

Equipment Investment

A deepening negative trend in investment for machinery, particularly those items required for the IT sector, as well as transportation equipment investment suffering a setback in 2019, drove total equipment investment down by 7.7% from a year earlier. However, fourth quarter results increased by 3.3%, which were mainly reflected by an 8.8% surge in machinery for manufacturing semi-conductor products and precise engineering machines, and a 9.2% drop in equipment for transporting aircrafts and trains.

KOREAN ECONOMY

Construction Investment

In 2019, construction investment fell by 3.1% year on year. Investment in civil works increased, but investment in building construction largely declined. By region, the total area of residential/commercial building construction in progress substantially decreased across the nation except for South Jeolla province, which is located in the southwest of Korea. In terms of quarterly growth, the fourth quarter of 2019 saw a 4.9% increase in building construction for residential and non-residential purposes, and a jump of 12.3% in civil construction, which was fueled by government SOC projects.

Employment

The job market in 2019 appears to have improved across the board, with the number of employed people significantly increased from the previous year. The number for the fourth quarter of the year rose by 422,000 compared to the same period last year. By industry, there was a huge increase in the service sector, mostly in healthcare and welfare, dining and hospitality. This was boosted by the government's job creation policy and a surge in incoming tourists to the country. Yet a further decline in the manufacturing sector is anticipated because electronics companies are in an economic slump. Affected by continued slowness in construction investment, the number of workers in the construction sector has declined.

Inflation

The annualized inflation rate in 2019 marginally increased by 0.4%, much lower from the previous year, which stood at 1.5%. This represented a significantly weakened inflationary pressure. Due to fair weather conditions in the first half of the year, the price of agricultural products and livestock rose modestly, but price levels in the second half were much lower compared to the same period in the previous year. Among industrial goods, petroleum product prices recorded negative growth due to fallen oil prices and relevant tax rates that were lower than the previous year, but non-petroleum product price rates increased slightly, to 0.7% from 0.5%. Boosted by City Gas price increases, utility prices went up 1.5%. Service prices increased 0.9%, a slowdown from 1.6% compared to the previous year.

Current Account Balance

Korea's current account surplus in 2019 stood at USD 60.0 billion, down USD 16.4 billion from the previous year. The decrease can be attributed to a steeply fallen surplus in merchandise account, which was adversely affected by global trade issues and declining prices of major export items. Korea's service account deficit was reduced mostly in the tourism sector. However, the country's primary income account surplus went up as domestic companies received more dividends from their overseas legal entities.

Interest Rate

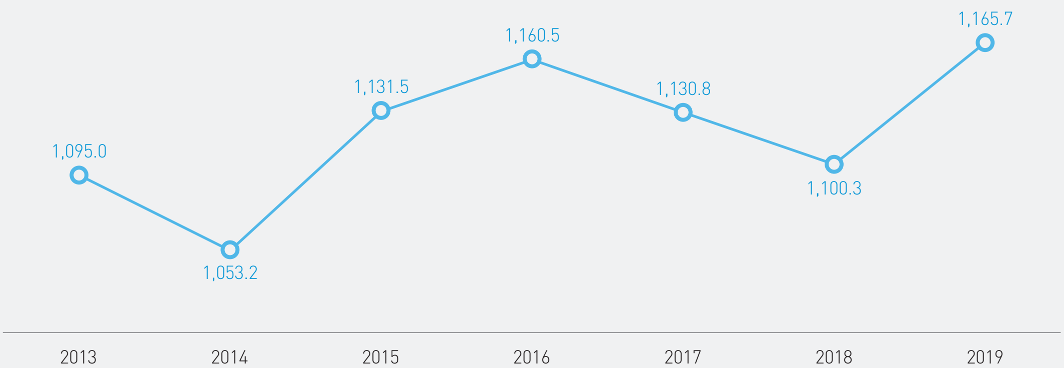
In 2019, the average three-year treasury yield decreased to 1.5%, down 0.6%p from the prior year. The yield plummeted to 1.09% in mid-August, a record low, over growing concerns of the gloomy outlook of the economy, as well as rising uncertainties caused by the negative outlook of the U.S.-China trade negotiations, and export restrictions imposed by the Japanese government. However, the Korean economy made a significant rebound that was boosted by pressure over a low interest rate and a concern over supply increase, as well as mitigated external risks. After October, in particular, due to improvements in external condition, such as a positive outlook over the trade talks between the U.S. and China, lowered expectations over further cuts of policy interest rates, as well as foreigners' increased short positions over Korea Treasury Bond futures, the yield increased by a large margin.

Foreign Exchange Rate

Throughout 2019, the Korean won fluctuated against the U.S. dollar, with the yearly average exchange rate rising to KRW 1,166 per U.S. dollar, up KRW 65. It was after July, the Korean won-U.S. dollar exchange rate has climbed up to 1,220, fueled by a growing concern over Japanese export restrictions and a deepening trade tension between the U.S. and China, and then from September the exchange rate came down when the U.S. and China returned to negotiations, and concerns over Brexit eased. In mid-November, the rate shot up again when trade talks between the U.S. and China seemed uncertain once more, and uncertainty in Hong Kong grew worse, giving rise to a geopolitical risk impact on the rate movement.

KRW/USD Exchange Rate Trends

(Unit: KRW)



(Source: Bank of Korea)

KOREAN ECONOMY

Prospects for 2020

GDP

As of the end of February 2020, the Bank of Korea (BOK) forecast the nation's GDP growth rate for 2020 would be 2.1%. However, unlike the earlier forecast, in which the BOK believed that COVID-19 may peak in March, the virus spread quickly across the world. Later, in mid-March, the BOK governor called a press conference and suggested that the domestic growth outlook may fall below 2.1%. He also added that it is not possible nor meaningful to forecast the economic outlook, and that it may become possible only when the coronavirus curve starts to flatten. As overall factors — consumption, production, and financial markets — are uncertain due to COVID-19, the Korean economy will be contracting for some time, yet when the virus is contained, and consumer spending and exports start rising again, a growing trend will resume gradually. Domestic demand is expected to increase by 1.6%, and exports by 0.5%, contributing to Korea's growth in 2020. Currently, it is highly uncertain where we can expect growth, as the country is faced with a growing possibility that COVID-19 may linger for some time, while the semi-conductor industry is not likely to recover anytime soon.

Consumer Spending

Consumer spending is anticipated to increase by 1.9% in 2020. Although spending will experience a short-term contraction due to COVID-19, it will pick up rapidly when the virus curve starts to flatten. In the short term, due to people avoiding outdoor activities and overseas travels, private consumption of services and spending overseas may decrease. At the same time, spending on semi-durables, including clothes, will be adversely affected. Meanwhile, expanded subsidies and stimulus packages from the government are likely to encourage lower-income families to spend more money.

Equipment Investment

In 2020, equipment investment is likely to bounce back to a 4.7% increase following a sharp decline (8.1% decrease) in 2019. Recovery in investment spending may be observed primarily in technology industries such as semi-conductors and display manufacturers. But the current COVID-19 crisis, if prolonged, will pose a downside risk to equipment investment, as the global semi-conductor recovery may be delayed. In non-IT sectors, maintenance and repair sectors are likely to see a modest increase, and carmakers and telecom service providers can expect new investments. However, the aviation sector, which has already suffered from underperformance and thus reduced purchase of aircrafts, was severely hit by travel restrictions due to COVID-19, and may face intensified hardship in equipment investment.

Construction Investment

Construction investment throughout 2020 is projected to decline by 2.2%, but the extent of the decrease may become lower than 3.3% in 2019. Although the downward trend will be continuously seen, particularly in residential building construction, but the pace of decline may be partly compromised by a likely improvement in activities in SOC projects. In the non-housing sector, investment in commercial building construction may go down, but in a much smoother way. Investment in civil engineering construction will most likely post better results based on an expanded SOC budget from the government and increasing investment from the public sector.

Employment

The job market will continue to grow in 2020, as new jobs are expected to increase in the service sector and partial improvement can be seen in the manufacturing sector. But the number of new jobs may decline to 230,000 from 300,000 in 2019. Prolonged slowness in the construction sector will be a restrictive factor. Employment in the service sector is likely to increase on the back of the government budget increase for job creation projects and R&D activities. Shortened mandatory working hours and growing awareness of a healthy work-life balance may demand more people in the workforce in the sectors of healthcare and welfare, arts, sports, and leisure activity services. Nevertheless, due to the spread of COVID-19, the hospitality and dining, transportation, wholesale and retail industries will inevitably struggle for the time, discouraging employment in the service job market.

Inflation

Consumer price inflation is expected to be 1.0% in 2020, higher than the rate of 0.4% in 2019. Demand-side inflationary pressure is weak and the government's current welfare policy will continue, while downward pressure from the supply side, such as agricultural and livestock supply, is also expected to become weaker. The core inflation rate, which excludes volatile food and energy prices, is expected to be 0.7%, almost flat from the previous year. A high degree of uncertainty from COVID-19 has spread, and other unstable elements are making it difficult to foresee a price direction. Increased welfare support for telecommunication access and medical & health care services is likely to cause domestic demand to improve rather slowly, which will add downward pressure.

Current Account Balance

Korea's current account surplus is expected to decline to USD 57.0 billion, compared to USD 60.0 billion in 2019. The decrease is mainly driven by an increase in the service account deficit and a decrease in the primary income account surplus. The surplus in the merchandise account will rise on the back of rebounding exports that will mainly be tied to the semi-conductor sector's recovery. The service account deficit will rise driven by the struggling tourism sector, which was hit hard by the COVID-19 outbreak. The primary income account surplus amount will see a relative reduction following a sharp rise in dividend income in 2019.

KOREAN ECONOMY

Interest Rates

In 2020, the average three-year treasury yield is forecast to drop to 1.4%, down 0.1%p year on year. The current low interest rate is expected to persist due to a concern over the COVID-19's impact on the economy, and the U.S. Federal Reserve Board's benchmark rate cuts. However, it is likely there will be volatility in the yield movement depending on monetary policy changes from the U.S. government.

Foreign Exchange Rate

The yearly average exchange rate of the Korean won against the U.S. dollar is forecast to go up slightly, to KRW 1,169. Rising external risks mainly caused by the COVID-19 outbreak and consequent departure to safe and risk-free assets may drive the exchange rate to soar, but such a rising trend could be curbed by the Fed's rate cuts and a possible bounceback in emerging economies, and the Korean government's monetary expansion plan.

Key Economic Indicators

(Unit: %)

	2018	2019	2020(E)		
			First Half	Second Half	Annual
Real GDP	2.7	2.0	2.0	2.2	2.1
Consumer Spending	2.8	1.9	1.1	2.6	1.9
Equipment Investment	-1.7	-7.7	4.8	4.7	4.7
Construction Investment	-4.0	-3.1	-2.4	-2.0	-2.2
Unemployment Rate	3.8	3.8	4.0	3.4	3.7
Current Account Surplus (USD Billion)	76.4	60.0	18.0	39.0	57.0
Exports	4.0	0.4	1.4	2.3	1.9
Imports	1.9	-1.0	0.8	3.4	2.1
Consumer Price Inflation	1.5	0.4	1.0	0.9	1.0
Three-year Treasury Yield	2.1	1.5	1.4	1.5	1.4
USD/KRW Exchange Rate	1,100	1,166	1,175	1,163	1,169

(Source: Bank of Korea, Korea Institute of Finance)

KOREAN INSURANCE MARKET

2019 in Review

The Korean insurance market has been suffering due to prolonged low growth, interest, and fertility rates, as well as an aging population. It is now faced with greater hurdles amid the challenging economic conditions of the present. A steep rise in medical reimbursement and motor loss ratios—plus various regulatory requirements—are adding more challenges to the current insurance market.

In 2019, premium income generated by both life and non-life insurance is estimated at KRW 212.76 trillion, up 5.4% year on year. Overall profitability continued to decline, with the return on equity (ROE) falling to 4.41% in 2019, from 6.66 % in 2018.

Life insurance premium income in 2019 rose 5.8%, driven largely by an increase in premium incomes in protection and retirement annuities, while non-life insurance premiums grew 4.9% from the previous year backed by long-term, motor, retirement annuities, and general property and casualty (P&C) lines of business.

Premium Income

(Unit: KRW trillion)

	FY 2019	FY 2018	Change (%)
Life Insurers	117.26	110.84	5.8
Non-Life Insurers	95.50	91.07	4.9
Total	**212.76**	**201.91**	**5.4**

(Source: Financial Supervisory Service)

The entire insurance industry in Korea reported KRW 5.34 trillion in net income for 2019, plummeting 26.8% from a year earlier. Life insurers saw their net income fall by 22.8%, to KRW 3.11 trillion, mainly due to greater underwriting losses (KRW 782 billion). This was mainly the result of an increase in required capital reserve for guaranteed payments amid a drop in interest rates, as well as the underperformed investment income for the year after one-off gains from the Samsung Electronics share disposal by Samsung Life and Samsung Fire & Marine in 2018.

Non-life insurers, despite an increase in investment income totaling KRW 1.39 trillion, saw their net income drop by 31.7%, to KRW 2.22 trillion, mainly due to underwriting losses soaring to KRW 889 billion from the motor line's increased loss ratio and long-term insurance expenses.

KOREAN INSURANCE MARKET

Net Income

(Unit: KRW trillion)

	FY 2019	FY 2018	Change (%)
Life Insurers	3.11	4.03	-22.8
Non-Life Insurers	2.22	3.25	-31.7
Total	**5.34**	**7.29**	**-26.8**

※ Individual figures may not add up to the total shown due to rounding.
(Source: Financial Supervisory Service)

In 2019, the decline in net income negatively affected profitability indicators. The return on assets (ROA) ratio of the Korean insurance industry dropped slightly to 0.45%, while the return on equity (ROE) ratio dropped by 2.25%p, to 4.41%. As of the end of 2019, total assets of the insurance industry rose by 7.2% year on year, to KRW 1,238.92 trillion. Shareholders' total equity of the insurance industry swelled by 15.9%, to KRW 130.0 trillion, fueled by an increase in retained earnings and mark-to-market gains on AFS securities valuation in a declining interest rate environment. Meanwhile, Korea's insurance penetration rate fell slightly to 11.16% in 2019, but its ranking remained high at 5th place in the world.

ROA and ROE

(Unit: %)

		FY 2019	FY 2018	Change (%p)
ROA	Life Insurers	0.35	0.48	-0.13
	Non-Life Insurers	0.72	1.13	-0.41
	Total	**0.45**	**0.64**	**-0.19**
ROE	Life Insurers	3.87	5.55	-1.68
	Non-Life Insurers	5.48	8.86	-3.38
	Total	**4.41**	**6.66**	**-2.25**

(Source: Financial Supervisory Service)

Total Assets and Shareholders' Equity

(Unit: KRW trillion)

		FY 2019	FY 2018	Change (%p)
Total Assets	Life Insurers	918.17	857.20	7.1
	Non-Life Insurers	320.75	298.04	7.6
	Total	**1,238.92**	**1,155.24**	**7.2**
Shareholders' Equity	Life Insurers	87.04	74.00	17.6
	Non-Life Insurers	42.95	38.20	12.4
	Total	**129.99**	**112.20**	**15.9**

(Source: Financial Supervisory Service)

Insurance Penetration Rate

(Unit: %)

	FY 2019	FY 2018	Change (%)
Insurance Penetration Rate	11.16	11.60	-0.44

(Source: Korea Insurance Research Institute)

Prospects for 2020

Protectionism in global trade, along with many nations around the world that have aging populations, is holding back domestic economic growth. In addition, ever-intensifying challenges and structural changes—capital strains on balance sheets ahead of accounting method amendments in line with new global standards, market saturation, and interest rates nearing zero—are weighing on the insurance market's growth momentum.

Furthermore, a soaring loss ratio in motor and medical reimbursement products, as well as increasing expenses, appear to be putting more pressure on profitability. Most recently, due to the outbreak of the coronavirus pandemic, sales activity and volume have seriously been contracted. Consequently, as a result of this adverse development that calls on a policy rate cut by the Central Bank of Korea in response to limiting the economic damage from the coronavirus outbreak, market interest rates are feared to approach near the zero percent rate, posing a downside risk to insurers' investment yield.

In 2020, the entire insurance industry is forecast to remain static, with premium income growth rate assumed at 0.0%, largely affected by a -2.2% growth outlook on the life insurance segment, which is heading toward a contraction for the fourth consecutive year.

KOREAN INSURANCE MARKET

Insurance Market Growth Trends

(Unit: KRW trillion, %)

	FY 2017		FY 2018		FY 2019		FY 2020 (F)
	Premium	Growth Rate	Premium	Growth Rate	Premium	Growth Rate	Growth Rate
Life	113.97	-4.9	110.84	-2.7	117.26	5.8	-2.2
Non-Life	88.34	4.5	91.07	3.1	95.50	4.9	2.6
Total	**202.31**	**-1.0**	**201.91**	**-0.2**	**212.76**	**5.4**	**0.0**
Real Economic Growth	3.1		2.7		2.0		2.1

(Source: Korea Insurance Research Institute, Bank of Korea)

Non-Life Insurance

The non-life segment is expected to grow by 2.6%, a figure lower than the previous year. By business line, long-term insurance is expected to grow by 3.4% due to a slowdown in long-term accident and health premium volume increase, as well as a decrease in protection-type portion. Motor insurance, which is currently experiencing complex factors, including a falling increase rate in the number of registered motor vehicles, de-marketing of premium discount offers, and an increase of online channel proportion, is likely to slightly grow by 0.9%. Overall, general P&C insurance—despite an expected expansion in mandatory insurance, such as elevator liability insurance and cyber insurance—is forecast to grow marginally by 2.8% due to declining trends in trade, construction, and investment activities.

Non-Life Insurance Market Growth Trends

(Unit: KRW trillion, %)

	FY 2018		FY 2019		FY 2020 (F)
	Premium	Growth Rate	Premium	Growth Rate	Growth Rate
Long-term	50.57	3.0	53.10	5.0	3.4
Annuity	14.30	5.9	14.98	4.8	2.0
Individual Annuity	3.55	-5.0	3.38	-4.8	-5.1
Retirement Annuity	10.75	10.2	11.60	7.9	3.9
Motor	16.72	-0.8	17.57	5.1	0.9
General P&C	9.48	6.3	9.85	3.9	2.8
Fire	0.29	-7.2	0.28	-3.4	-4.2
Marine	0.65	-7.6	0.63	-3.1	-1.7
Guarantee	1.86	12.1	1.93	3.8	1.9
Casualty	6.67	6.8	7.01	5.1	3.7
Total	**91.07**	**3.1**	**95.50**	**4.9**	**2.6**

* Individual figures may not add up to the total shown due to rounding.
(Source: Financial Supervisory Service, Korea Insurance Research Institute)

Life Insurance

In 2020, the life insurance segment is expected to see a setback of -2.2% growth, marking its fourth year of decline. The negative growth is attributable to the decreasing rate of protection policies and a continued decline in savings insurance. Protection insurance, adversely affected by whole-life market saturation and a rise in surrenders, is expected to grow only 2.4% year on year. General savings insurance is anticipated to shrink by 9.9% from a year earlier, mainly due to guarantee rate cuts in sync with falling interest rates and strategic de-marketing against potential regulatory changes. Despite efforts to boost sales, variable savings lines are expected to decline by 5.4% year on year amid concerns over the financial market's rising volatility.

Life Insurance Market Growth Trends

(Unit: KRW trillion, %)

	FY 2018		FY 2019		FY 2020 (F)
	Premium	Growth Rate	Premium	Growth Rate	Growth Rate
Protection	41.48	2.1	43.21	4.2	2.4
Savings	33.65	-13.5	31.73	-5.7	-8.4
Retirement Pension	35.71	3.4	42.33	18.5	-1.4
Total	**110.84**	**-2.8**	**117.26**	**5.8**	**-2.2**

※ Individual figures may not add up to the total shown due to rounding.
(Source: Financial Supervisory Service, Korea Insurance Research Institute)

FY 2019
FINANCIAL REVIEW

MANAGEMENT'S DISCUSSION & ANALYSIS

Business Highlights

Sluggishness in the Korean insurance market continued in 2019 due to declining new business volume amid worsening conditions in the slowing Korean economy. The overall market profitability was restrained by deteriorated loss ratios from increased paid claims. The life insurance market remained stagnant due to declined savings and variable products sales despite an increase in protection products, and to make matters worse, paid claims also increased from a rise in surrender and maturity cases, eroding the bottom lines of life insurance companies. Non-life insurers managed to deliver top-line growth driven by intensified competition in long-term product marketing and a hike in motor insurance rates. However, combined factors from increased long-term insurance expenses, aggravated loss ratios in medical reimbursement products, and motor insurance drove down their profitability.

Another key challenge for insurers in Korea is the upcoming implementation of IFRS 17 and a new risk-based capital (RBC) regime called Korean Insurance Capital Standards (K-ICS). To maintain a healthy level of RBC ratios, Korean insurers have sought various ways to reinforce available and required capital positions. Subordinated debts and hybrid debts have been issued to strengthen available capital positions, and even rights issues are being considered as an option. Recently, the Financial Supervisory Commission (FSC) of Korea permitted co-insurance as another solution for easing the burden on required capital, so financial regulators and participants from the industry are now working together to swiftly implement regulatory changes.

Korean Re delivered stronger results in 2019, with gross written premiums increasing by 6.5%, to KRW 8,051.5 billion, and net written premiums growing by 4.0%, to KRW 5,533.0 billion. After-tax net income soared to KRW 188.7 billion, up KRW 85.8 billion from the prior year. As of the end of 2019, our total assets were valued at KRW 11,733.1 billion, up KRW 982.2 billion year on year, and our invested assets climbed to KRW 6,222.2 billion, up KRW 342.6 billion from a year earlier.

In 2019, we saw a greater improvement in underwriting results amid deteriorated loss ratios from natural catastrophes that included typhoons in Japan and in our domestic personal lines of business. The improvement can be attributed to a decline of high-loss events in general insurance and our unwavering stance for disciplined underwriting. At the same time, our investment operations delivered a robust performance in 2019, and produced a higher yield.

In 2020, the overall business is projected to keep growing on the back of a better outcome from profit-focused underwriting and strong yield-generating activities on the investment side.

Analysis of Operating Results

In 2019, Korean Re reported a 6.5% growth in gross written premiums that were worth KRW 8,051.5 billion. Our domestic portfolio grew by 6.1% and our overseas business expanded by 7.7%. In spite of a contraction in motor premiums, continued expansion in government-sponsored crop, livestock, and other insurance—and a rate increase in long-term products—brought about 6.1% growth in our domestic portfolio. The 7.7% growth

MANAGEMENT'S DISCUSSION & ANALYSIS

of our overseas businesses was mainly driven by an expanded volume in the casualty, motor, and life line sectors, all of which are less prone to natural catastrophes.

In line with the rise in gross written premiums, our net written premiums expanded by 4.0%, to KRW 5,533.0 billion, in 2019. The overall retention rate fell slightly, from 70.4% to 68.7%, as we ceded additional portion of premiums from government-sponsored insurance for the purpose of risk management.

Volume of Premiums

(Unit: KRW billion, USD million)

	FY 2019 (KRW)	FY 2019 (USD)	FY 2018 (KRW)	FY 2018 (USD)	YoY Change*
Gross Written Premiums	8,051.5	6,843.5	7,558.5	6,801.5	6.5%
Net Written Premiums	5,532.9	4,702.8	5,317.9	4,785.3	4.0%
Earned Premiums	5,512.5	4,685.4	5,264.8	4,737.5	4.7%
Ceded Premiums	2,518.5	2,140.6	2,240.5	2,016.1	12.4%

* YoY change is based on the value in KRW. The figures are rounded off.

Gross Written Premiums by Line of Business

(Unit: KRW billion, USD million)

	FY 2019 (KRW)	FY 2019 (USD)	FY 2018 (KRW)	FY 2018 (USD)	YoY Change*
Property	1,165.1	990.3	1,183.6	1,065.1	-1.6%
Engineering**	844.8	718.0	617.5	555.7	36.8%
Marine & Aviation	380.4	323.3	517.9	466.0	-26.5%
Casualty	1,181.5	1,004.2	1,073.1	965.6	10.1%
Long-term	2,277.7	1,936.0	2,030.7	1,827.2	12.2%
Motor	679.8	577.7	698.5	628.5	-2.7%
Life	1,392.7	1,183.7	1,329.6	1,196.4	4.5%
Overseas Operations	129.5	110.1	107.5	96.7	20.5%
Total	**8,051.5**	**6,843.5**	**7,558.5**	**6,801.5**	**6.5%**

* YoY change is based on the value in KRW. The figures are rounded off.
** Engineering includes nuclear, agriculture, and other specialty lines.

Gross Written Premiums: Domestic vs. Overseas

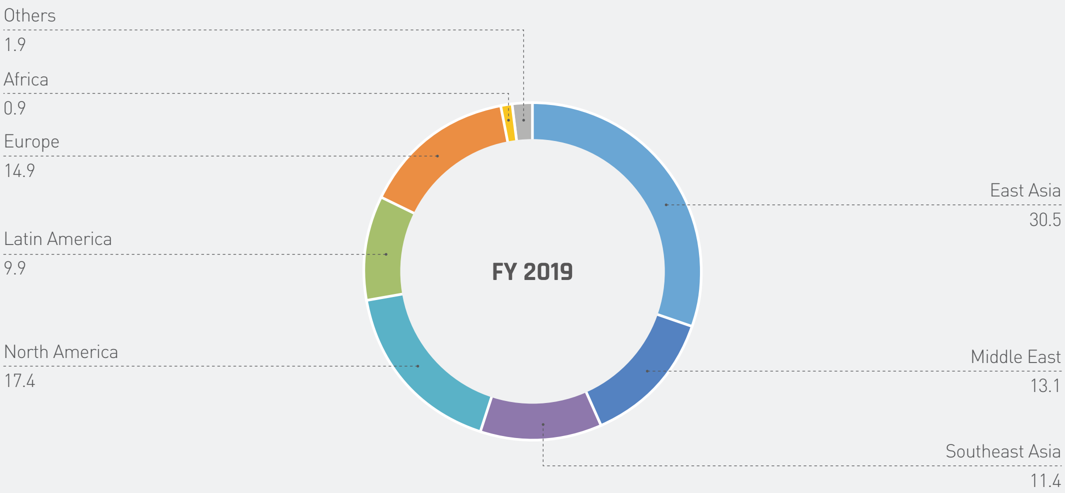
(Unit: KRW billion, USD million)

	FY 2019 (KRW)	FY 2019 (USD)	FY 2018 (KRW)	FY 2018 (USD)	YoY Change*
Domestic	6,041.9	5,135.4	5,691.9	5,121.8	6.1%
Overseas	2,009.6	1,708.1	1,866.6	1,679.7	7.7%

* YoY change is based on the value in KRW. The figures are rounded off.

Overseas Business Portfolio by Region for 2019

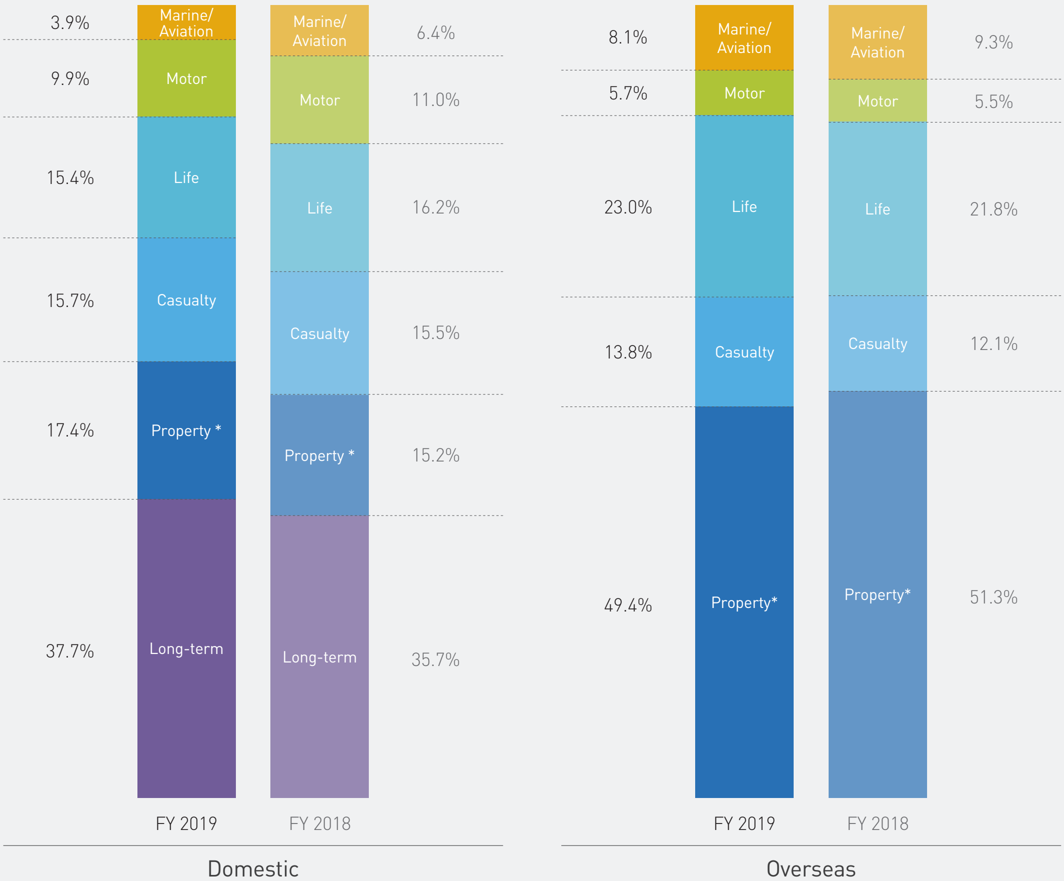
(Unit: %)



Looking at the figures geographically, the American and European markets accounted for 42.2% of the overseas business portfolio, up 2.3%p from 39.9% in 2016. Korean Re has continued to expand into advanced markets. East Asia's share fell by 2.5%p, which was a reflection of last year's adjustment of our China portfolio.

MANAGEMENT'S DISCUSSION & ANALYSIS

Premium Income Portfolio by Line of Business: Domestic vs. Overseas



* Property includes engineering, nuclear, agriculture and other specialty lines.

Combined Ratio

The overall combined ratio for 2019 dropped to 100.1%, down 0.5%p from a year earlier. With respect to domestic commercial lines, the combined ratio decreased by 3.2%p, to 93.2%. This was the result of less-frequent, high-loss events in the property sector, and a rise in livestock insurance rates. Domestic personal lines, as affected by increased losses in life, long-term, and motor insurance, experienced a 2.5%p increase in their combined ratio, to 102.0%. The combined ratio for overseas business improved to 99.1%, down 5%p year on year despite losses from high-loss natural events that included typhoons Faxai and Hagibis in Japan. The improvement is attributable to our ability in carving out underperforming accounts from marine & aviation, stricter underwriting, and a high-loss event decline in our engineering business.

Underwriting Results

(Unit: KRW billion, USD million)

	FY 2019 (KRW)	FY 2019 (USD)	FY 2018 (KRW)	FY 2018 (USD)	YoY Change*
Incurred Losses	4,716.2	4,008.6	4,385.4	3,946.2	7.5%
Net Operating Expenses	803.8	683.2	911.9	820.6	-11.9%
Earned Premiums	5,512.5	4,685.4	5,264.8	4,737.5	4.7%
Combined Ratio	**100.1%**		**100.6%**		**-0.5%p**

* YoY change is based on the value in KRW. The figures are rounded off.

Solvency Margin Ratio

	FY 2019	FY 2018	YoY Change
Solvency Margin Ratio	217.8%	211.5%	6.3%p

Our solvency margin, or RBC ratio, rose to 217.8%, up 6.3%p from the prior year. The increase in the ratio is an outcome of our strategic focus on stable growth, and actually improved profitability.

Net Income

Korean Re delivered very positive results in 2019, with a net income of KRW 188.7 billion. Although we posted an underwriting loss of KRW 40.2 billion, our investment income soared to KRW 277.4 billion. When excluding foreign exchange effects, our underwriting loss was KRW 4.2 billion, and net investment income amounted to KRW 235.8 billion, according to the Separate Financial Statements of the Company.

Our underwriting operations reported a loss despite improved numbers from domestic commercial lines and overseas business. Larger losses in long-term reimbursement products and motor insurance policies mainly contributed to a rise in the loss ratio for domestic personal lines.

Our investment operations delivered strong results in 2019 as well. Our net investment income, excluding foreign exchange effects, amounted to KRW 235.8 billion, up KRW 62.4 billion year on year, with an investment yield of 4.0%. The excellent results for the year were realized not just by one-off gains of KRW 26.7 billion from the sale of Koramco REITs & Trust, but also driven by yield improvement attained from portfolio diversification, such as by allocating more assets to loans and alternative investment vehicles. Our Asset Management Team is expected to generate a stable flow of returns on our assets based on a more structurally stable portfolio and more flexible management of bond positions.

MANAGEMENT'S DISCUSSION & ANALYSIS

KOREAN RE'S SHARE PRICE

Throughout 2019, the Korean stock market experienced frequent volatility, part of which was triggered by mounting tensions between the U.S. and China over trade issues amid a negative outlook of the global economy. The Korea Composite Stock Price Index (KOSPI) managed to close the year with a moderate rebound. KOSPI reached its peak on April 16, 2019, climbing to 2,248.63 points. By August 2019, escalating uncertainty over the reignited standoff between the U.S. and China, as well as the export ban imposed by Japan, caused KOSPI to drop below 2,000 points. On August 7, 2019, KOSPI hit its yearly low of 1,909.71. At the end of the year, the index had managed to inch up slightly upon news of a long-awaited initial trade deal between the U.S. and China, and the possible recovery of Korean companies.

The stocks of local insurers in 2019 moved in tandem with KOSPI. They continued rallies during the first quarter, nearing a 10% jump from opening market prices. The overall performance for the year, however, was more bearish than other industries. Rising uncertainty from the upcoming implementation of IFRS 17 and the K-ICS (Korea Insurance Capital Standard), and a negative spread burden due to the ongoing trend of low interest rates, deteriorated losses from motor and medical reimbursement products negatively affected earnings of insurance companies in Korea. As a result, insurance stock prices closed nearly 15% lower than the beginning of the year.

Unlike KOSPI, Korean Re's stock price started the year at KRW 8,560 per share and ended at KRW 9,110 per share, or a 6.4% rise over that period. Up until the end of the first half of the year, Korean Re moved in tandem with a bearish KOSPI. However, from the second half of the year forward, our share prices began gradually increasing, propped up by Korean Re's improved earnings potential and a substantial undervaluation of its stocks. The big jump in share prices came after a series of shareholder-friendly actions were announced in December 2019, including a stock repurchase decision and the company's stance on maintaining a higher dividend payout ratio. Market analysts released an optimistic outlook on our stock price movement. In their view, our profit-oriented underwriting was set to increase the profitability of our overseas businesses and domestic commercial lines, even though motor and medical reimbursement product lines suffered a setback due to an increased loss ratio. Furthermore, market analysts' positive outlook of a stable investment income generation model for Korean Re was based on our firm commitment to strengthening our investment portfolio. To optimize capital efficiency, more assets were allocated to profitable loan and alternative instruments, for instance. The current stock price of Korean Re has remained significantly undervalued, with its PBR standing at 0.44. This is yet another reason to remain optimistic about a future positive forecast.

RISK MANAGEMENT REPORT

Objectives

Korean Re implements enterprise risk management initiatives to achieve a stable set of risk management objectives. The objectives are as follows:

- Establishing risk management infrastructure to achieve "Vision 2050"
- Continuously enhancing shareholder value
- Maintaining a high level of credibility with stakeholders, credit rating agencies and supervisory agencies
- Diversifying insurance and investment portfolios, while also enhancing risk management with regard to overseas business growth

Strategic Risk Management

Korean Re's business strategy is aligned with its risk management strategy and risk appetite. The Risk Appetite Framework provides the main direction to steer the company as it moves forward, and all risks are managed under this framework. Based on the capital plan and financial targets linked to our risk appetite, we establish business plans and operate the business with stability by monitoring and evaluating business performance according to risk indicators.

Risk Appetite Framework

MANAGEMENT'S DISCUSSION & ANALYSIS

Korean Re's risk appetite framework is an enterprise-wide risk management guideline made up of three important components: risk appetite, risk tolerance, and risk limit.

Risk appetite defines the amount of risk we should accept in consideration of the company's vision and business objectives. The risk appetite statement is as follows:

- Maintain the solvency ratio within an optimal rage (190%-300%)
- Focus on our comparable advantage businesses and achieve an ROE more than 8%
- Maintain conservative risks at a medium-low level considering our capital level
- Improve capital efficiency by optimizing insurance and investment portfolio
- Continue to improve our RAROC (Risk-adjusted return on capital)

Risk appetite plays a significant role in maintaining our risk profile within the boundaries defined by different objectives, such as profitability, solvency, growth, and liquidity. Risk appetite also provides a solid foundation for decision-making: strategic asset allocation, capital planning, portfolio management, and more.

Risk tolerance represents a quantitative level of risk acceptance within the risk appetite and helps create macro guidelines for capital adequacy, liquidity, and concentration. The risk tolerance statement is as follows:

- Maintain the solvency ratio within a stable range (above 170%)
- Maintain a credit rating of "A" or above
- Annual natural catastrophe loss ≤ 15% of available capital
- Ability to fulfill continuous responsibilities (liquidity)

Risk limit describes the risk capacity constraints determined by capital and liquidity resources to ensure compliance with our risk appetite and risk tolerance.

Capital Management

Korean Re's capital is managed through a framework which provides a robust foundation for capital management. To ensure Korean Re's sound capital management, we align our risk management strategy with our long-term business strategy. Strategic objectives are examined from the perspective of risk management strategy to be certain if they are in accordance with our risk appetite, and the results are reflected in our business plans. We also have a detailed capital management plan in place based on the levels of solvency ratio in order to maintain the optimal range of solvency. Korean Re's capital management framework is comprised of three main modules: capital planning, business planning, and risk planning. Each module is structured to ensure full compliance with Korean Re's risk appetite and tolerance.

Optimized Portfolio

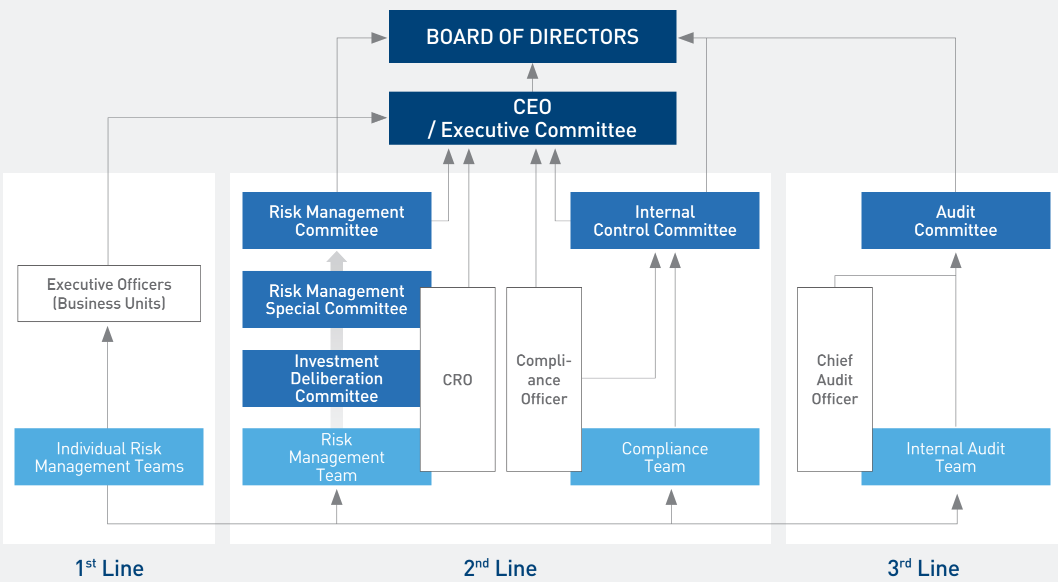
Korean Re performs business planning by analyzing the risks and profitability of its businesses. We measure return on risk-adjusted capital (RORAC) for each line of our insurance businesses and investment asset portfolio through our own internal model. Based on this, the Strategic Planning office draws up plans for optimal portfolios and then finalizes annual plans that can achieve capital efficiency with respect to risk appetite and improve our RORAC.

Risk Governance

Korean Re has built a comprehensive framework for risk governance based on central oversight and controls of risks with clear accountability. This structure supports risk-based decision-making and oversight across all operations of our businesses. Risk governance defines the roles and responsibilities of the board of directors, committees, management structures, and related teams. It also involves the implementation of three lines of defense as part of the structure.

The Three Lines of Defense model that we implement demonstrates our risk governance, laying out the roles of business and oversight organizations in managing our risk profile. The first line of defense includes front-line managers and staff who are responsible for day-to-day risk management and decision-making. (Office staff overseas are also a first line of defense.) Their primary responsibility is to maintain an effective control environment and ensure that all activities are within our risk appetite. The second line of defense deals with setting risk policies and overseeing our risk management status. This involves the Risk Management Team, Chief Risk Officer, risk management committees, and compliance functions such as the Compliance Team, Compliance Officer and Internal Control Committee. The third line of defense provides independent assurance through an internal audit and validates the effectiveness of the first and second lines of defense in fulfilling their responsibilities and managing our risk profile.

Three Lines of Defense



MANAGEMENT'S DISCUSSION & ANALYSIS

Key Risks

We manage five key risks— insurance risk, financial risk (credit & market), liquidity risk, and emerging risk & operational risk (which includes strategy, reputation, regulation, and legal risks—all of which are likely to have a significant impact on our financial results and/or operational viability. In doing so, we implement a series of procedures that include risk identification, measurement, control, analysis, and reporting.

Key Risks		
Insurance Risk	Financial Risk	Liquidity Risk
• Premium Risk • Reserve Risk • Nat. Cat. Risk	Market Risk • Interest Rate Risk • Equity Risk • Exchange Rate Risk Credit Risk	Operational Risk Emerging Risk

With regard to insurance, market and credit risks, we measure them on a regular basis using our internal model that takes a value-at-risk approach through stochastic simulation.

Insurance Risk

Korean Re defines insurance risk as the risk of unexpected financial losses arising from the inadequacy of premiums or reserves for natural catastrophe or non-catastrophe events, or from the unpredictability of biometric risks, such as the mortality rate.

We manage insurance risks in a consistent manner across the company by assessing and monitoring them in accordance with clearly defined underwriting guidelines.

Furthermore, we utilize a natural catastrophe modelling program and an accumulation management system to effectively control catastrophe risk at the corporate level.

Market Risk

Korean Re defines market risk as the risk of losses arising from fluctuations of the value of assets and liabilities due to changes in relevant factors such as interest rates, stock prices, and foreign exchange rates. We manage this risk in our day-to-day operations and, more specifically, hedge against foreign exchange risk using derivatives in order to keep our exposure at a safe level.

At the same time, we closely monitor global economic and financial market conditions and outlooks that can affect our investment performance in order to analyze their potential impact and come up with effective countermeasures.

Credit Risk

Our credit risk system focuses on any losses arising from the failure of the counterparty to a reinsurance contract to meet its contractual obligations or from deterioration in the credit quality of invested assets.

We conduct an analysis of potential losses before making any high-risk business decisions, such as whether to write new business contracts or invest in derivatives. When necessary, these decisions are made through the review process of the Risk Management Special Committee and the Investment Deliberation Committee. Identifying any abnormal signs related to the retained risks is also an essential element of our preemptive risk management system.

Liquidity Risk

We plan and manage our liquidity positions in order to deal with future claims payments and expenses as they arise. To this end, we set liquidity limits based on our future cash flow, and then monitor them regularly.

Operational Risk

Korean Re defines operational risk as the risk of potential losses arising from inadequate or failed internal processes, personnel or systems, or from external events. We have identified a set of operational risks that cover various business units and activities, including strategy, reputation, new product development, and claims management.

We manage these risks through effective policies and procedures that have a clear separation of duties, timely internal control, and reporting systems. Through the internal control system, operational risks are managed systemically based on our Code of Conduct, regulations and ethics.

Emerging Risk

Emerging risk involves new threats, key risks, and/or evolving risks that may adversely affect our business. We identify emerging risks through an internal Think Tank group made up of experts. We establish and implement risk mitigation initiatives and regularly monitor the residual risk with target risk.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31, 2019 and 2018

(Unit: KRW million, USD thousand)

	FY 2019 (KRW)	FY 2019 (USD)	FY 2018 (KRW)	FY 2018 (USD)
Assets				
Ⅰ. Cash and cash equivalents	360,117	308,029	175,567	155,507
Ⅱ. Financial assets:	8,942,817	7,649,317	8,320,168	7,369,504
1. Deposits	224,626	192,136	269,931	239,089
2. Financial assets at fair value through profit or loss	308,956	264,268	383,419	339,609
3. Available-for-sale financial assets	4,124,023	3,527,519	2,374,325	2,103,034
4. Held-to-maturity financial assets	-	-	1,560,885	1,382,538
5. Derivative financial assets designated as hedges	7,186	6,147	3,456	3,061
6. Loans	1,014,286	867,578	932,719	826,146
7. Receivables	3,263,740	2,791,669	2,795,434	2,476,027
Ⅲ. Investments in associates	5,920	5,064	-	-
Ⅳ. Property and equipment	95,000	81,259	77,298	68,466
Ⅴ. Investment properties	91,886	78,596	110,237	97,641
Ⅵ. Intangible assets	15,565	13,314	15,325	13,574
Ⅶ. Other non-financial assets	2,221,811	1,900,446	2,052,262	1,817,770
Total assets	**11,733,115**	**10,036,025**	**10,750,857**	**9,522,462**
Liabilities				
Ⅰ. Insurance contract liabilities	5,974,644	5,110,464	5,578,506	4,941,104
Ⅱ. Financial liabilities	2,840,530	2,429,672	2,585,810	2,290,354
Ⅲ. Other non-financial liabilities	461,926	395,113	348,926	309,058
1. Current income tax liabilities	729	624	157	139
2. Deferred income tax liabilities	379,166	324,323	316,543	280,375
3. Retirement benefit liabilities	16,171	13,832	13,061	11,569
4. Other liabilities	65,860	56,334	19,165	16,975
Total liabilities	**9,277,101**	**7,935,249**	**8,513,243**	**7,540,516**
Equity				
Ⅰ. Capital stock	60,185	51,480	60,185	53,308
Ⅱ. Capital surplus	176,375	150,864	176,375	156,222
Ⅲ. Hybrid equity security	229,439	196,253	212,286	188,030
Ⅳ. Capital adjustments	(60,579)	(51,817)	(35,311)	(31,276)
Ⅴ. Accumulated other comprehensive income	201,902	172,699	121,880	107,954
Ⅵ. Retained earnings	1,848,693	1,581,296	1,702,200	1,507,706
Total shareholders' equity	**2,456,015**	**2,100,775**	**2,237,614**	**1,981,945**
Total liabilities and shareholders' equity	**11,733,116**	**10,036,024**	**10,750,857**	**9,522,462**

Note: For the B/S section, Korean won amounts have been converted into the U.S. dollar based on the exchange rate of KRW 1,169.10 per USD 1 for FY 2019 and KRW 1,129.00 for FY 2018. For the I/S section, the applicable exchange rate was KRW 1,176.52 per USD 1 for FY 2019 and KRW 1,111.30 for FY 2018.

※ Individual figures may not add up to the total shown due to rounding.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2019 and 2018

(Unit: KRW million, USD thousand)

	FY 2019 (KRW)	FY 2019 (USD)	FY 2018 (KRW)	FY 2018 (USD)
I . Operating revenue	**10,669,921**	**9,069,052**	**9,892,498**	**8,901,735**
1. Premium income	8,051,548	6,843,528	7,558,524	6,801,515
2. Reinsurance income	1,863,433	1,583,852	1,695,181	1,525,404
3. Expenses recovered	333,474	283,441	342,885	308,544
4. Interest income	158,493	134,713	148,104	133,271
5. Dividend income	32,061	27,251	17,081	15,370
6. Investment income from financial instruments	79,072	67,208	22,731	20,454
7. Other operating revenues	151,840	129,059	107,993	97,177
II . Operating expenses	**10,420,076**	**8,856,694**	**9,748,914**	**8,772,534**
1. Reinsurance expenses	2,518,565	2,140,690	2,240,563	2,016,164
2. Insurance claims and benefits expenses	6,322,130	5,373,585	5,766,243	5,188,737
3. Provision for insurance contract liabilities	211,758	179,987	281,391	253,209
4. Operating and administrative expenses	1,127,893	958,669	1,253,245	1,127,729
5. Claim handling expenses	122,676	104,270	106,534	95,864
6. Asset management expenses	4,405	3,744	3,060	2,754
7. Interest expenses	403	343	10	9
8. Investment expenses from financial instruments	56,863	48,332	50,687	45,611
9. Other operating expenses	55,383	47,074	47,182	42,457
III. Operating income	**249,845**	**212,358**	**143,584**	**129,201**
IV. Non-operating income	**656**	**558**	**1,004**	**903**
V . Non-operating expense	**3,483**	**2,960**	**10,154**	**9,137**
VI. Income before income taxes	**247,017**	**209,956**	**134,434**	**120,967**
VII. Income tax expenses	**58,307**	**49,559**	**31,490**	**28,336**
VIII. Net income	**188,710**	**160,397**	**102,944**	**92,631**
IX. Other comprehensive income (loss)	**80,022**	**68,016**	**15,997**	**14,395**
X . Total comprehensive income	**268,732**	**228,413**	**118,942**	**107,026**

Note: For the B/S section, Korean won amounts have been converted into the U.S. dollar based on the exchange rate of KRW 1,169.10 per USD 1 for FY 2019 and KRW 1,129.00 for FY 2018. For the I/S section, the applicable exchange rate was KRW 1,176.52 per USD 1 for FY 2019 and KRW 1,111.30 for FY 2018.

* Individual figures may not add up to the total shown due to rounding.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (KRW)

For the years ended December 31, 2019 and 2018

(Unit: KRW million)

	Capital stock	Capital surplus	Hybrid equity security	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total
As at January 1, 2018	**60,185**	**176,375**	**212,286**	**(35,311)**	**105,882**	**1,643,600**	**2,163,017**
Cash dividends	-	-	-	-	-	(34,461)	(34,461)
Dividends of hybrid equity security	-	-	-	-	-	(9,902)	(9,902)
Net income	-	-	-	-	-	102,944	102,944
Loss on valuation of available-for-sale financial assets	-	-	-	-	14,003	-	14,003
Loss on valuation of held-to-maturity financial assets	-	-	-	-	346	-	346
Exchange difference on translating foreign operations	-	-	-	-	2,701	-	2,701
Gain on valuation of derivative instruments designated as cash flow hedges	-	-	-	-	(671)	-	(671)
Revaluation surplus	-	-	-	-	(19)	19	-
Gain on remeasurement of the net defined benefit liabilities	-	-	-	-	(362)	-	(362)
Total comprehensive income	**-**	**-**	**-**	**-**	**15,998**	**102,963**	**118,961**
As at December 31, 2018	**60,185**	**176,375**	**212,286**	**(35,311)**	**121,879**	**1,702,200**	**2,237,614**
As at January 1, 2019	**60,185**	**176,375**	**212,286**	**(35,311)**	**121,879**	**1,702,200**	**2,237,614**
Cash dividends	-	-	-	-	-	(31,589)	(31,589)
Hybrid equity security repayment and issuance	-	-	17,153	(23,427)	-	-	(6,274)
Dividends of hybrid equity security	-	-	-	-	-	(10,629)	(10,629)
Treasury stock acquisition	-	-	-	(1,841)	-	-	(1,841)
Net income	-	-	-	-	-	188,710	188,710
Gain on valuation of available-for-sale financial assets	-	-	-	-	69,211	-	69,211
Gain on valuation of held-to-maturity financial assets	-	-	-	-	3,301	-	3,301
Exchange difference on translating foreign operations	-	-	-	-	9,155	-	9,155
Gain on valuation of derivative instruments designated as cash flow hedges	-	-	-	-	(448)	-	(448)
Loss on remeasurement of the net defined benefit liabilities	-	-	-	-	(1,197)	-	(1,197)
Total comprehensive income	**-**	**-**	**-**	**-**	**80,022**	**188,710**	**268,732**
As at December 31, 2019	**60,185**	**176,375**	**229,439**	**(60,579)**	**201,902**	**1,848,693**	**2,456,015**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (USD)

For the years ended December 31, 2019 and 2018

(Unit: USD thousand)

	Capital stock	Capital surplus	Hybrid equity security	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total
As at January 1, 2018	**51,480**	**150,864**	**181,581**	**(30,204)**	**90,567**	**1,405,868**	**1,850,156**
Cash dividends	-	-	-	-	-	(29,477)	(29,477)
Dividends of hybrid equity security	-	-	-	-	-	(8,470)	(8,470)
Net income	-	-	-	-	-	88,054	88,054
Loss on valuation of available-for-sale financial assets	-	-	-	-	11,978	-	11,978
Loss on valuation of held-to-maturity financial assets	-	-	-	-	296	-	296
Exchange difference on translating foreign operations	-	-	-	-	2,310	-	2,310
Loss on valuation of derivative instruments designated as cash flow hedges	-	-	-	-	(574)	-	(574)
Revaluation surplus	-	-	-	-	(16)	16	-
Gain on remeasurement of the net defined benefit liabilities	-	-	-	-	(310)	-	(310)
Total comprehensive income	**-**	**-**	**-**	**-**	**13,684**	**88,070**	**101,754**
As at December 31, 2018	**51,480**	**150,864**	**181,581**	**(30,204)**	**104,250**	**1,455,992**	**1,913,964**
As at January 1, 2019	**51,480**	**150,864**	**181,581**	**(30,204)**	**104,250**	**1,455,992**	**1,913,964**
Cash dividends	-	-	-	-	-	(27,020)	(27,020)
Hybrid equity security repayment and issuance	-	-	14,672	(20,038)	-	-	(5,366)
Dividends of hybrid equity security	-	-	-	-	-	(9,091)	(9,091)
Treasury stock acquisition	-	-	-	(1,575)	-	-	(1,575)
Net income	-	-	-	-	-	161,416	161,416
Gain on valuation of available-for-sale financial assets	-	-	-	-	59,200	-	59,200
Gain on valuation of held-to-maturity financial assets	-	-	-	-	2,824	-	2,824
Exchange difference on translating foreign operations	-	-	-	-	7,831	-	7,831
Loss on valuation of derivative instruments designated as cash flow hedges	-	-	-	-	(383)	-	(383)
Loss on remeasurement of the net defined benefit liabilities	-	-	-	-	(1,023)	-	(1,023)
Total comprehensive income	**-**	**-**	**-**	**-**	**68,449**	**161,415**	**229,864**
As at December 31, 2019	**51,480**	**150,864**	**196,253**	**(51,817)**	**172,699**	**1,581,297**	**2,100,775**

Note: Korean won amounts have been converted into the U.S. dollar based on the exchange rate of KRW 1,169.10 per USD 1.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2019 and 2018

(Unit: KRW million, USD thousand)

	FY 2019 (KRW)	FY 2019 (USD)	FY 2018 (KRW)	FY 2018 (USD)
Ⅰ. Cash flows from operating activities	**309,662**	**264,872**	**309,058**	**273,745**
1. Income before income taxes	247,017	211,288	134,434	119,074
2. Cash generated from operations	(169,110)	(144,650)	100,710	89,203
3. Receipt of interest	186,249	159,310	130,822	115,874
4. Payment of interest	(101)	(86)	(144)	(128)
5. Receipt of dividend	35,983	30,778	17,081	15,129
6. Refund(payment) of income taxes	9,624	8,232	(73,844)	(65,407)
Ⅱ. Cash flows from investing activities	**(59,014)**	**(50,479)**	**(219,439)**	**(194,366)**
1. Cash inflows	917,530	784,817	563,263	498,904
2. Cash outflows	(976,544)	(835,296)	(782,702)	(693,270)
Ⅲ. Cash flows from financing activities	**(61,758)**	**(52,825)**	**(44,545)**	**(39,455)**
1. Cash inflows	229,937	196,679	18	16
2. Cash outflows	(291,695)	(249,504)	(44,563)	(39,471)
Ⅳ. Net increase(decrease) in cash and cash equivalents (Ⅰ+Ⅱ+Ⅲ)	**188,890**	**161,568**	**45,074**	**39,924**
Ⅴ. Effects of changes in foreign exchange rates on cash and cash equivalents	**(4,341)**	**(3,713)**	**1,229**	**1,089**
Ⅵ. Cash and cash equivalents at the beginning of the year	**175,567**	**150,173**	**129,265**	**114,495**
Ⅶ. Cash and cash equivalents at the end of year	**360,116**	**308,029**	**175,567**	**155,507**

Note: For the B/S section, Korean won amounts have been converted into the U.S. dollar based on the exchange rate of KRW 1,169.10 per USD 1 for FY 2019 and KRW 1,129.00 for FY 2018. For the I/S section, the applicable exchange rate was KRW 1,176.52 per USD 1 for FY 2019 and KRW 1,111.30 for FY 2018.

✻ Individual figures may not add up to the total shown due to rounding.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

(1) Basis of financial statement preparation

The Company and its subsidiaries (collectively referred to as the "Group") prepare statutory financial statements in the Korean language in accordance with Korean International Financial Reporting Standards ("K-IFRS") enacted by the Act on External Audit of Stock Companies. The accompanying consolidated financial statements have been translated into English from the Korean language consolidated financial statements. In the event of any differences in interpreting the consolidated financial statements or the independent auditors' report thereon, the Korean version, which is used for regulatory reporting purposes, shall prevail.

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments at fair value through profit or loss ("FVTPL"), derivative financial instruments designated as hedges and available-for-sale ("AFS") financial instruments which are measured at fair value.

The carrying amounts of assets and liabilities designated as hedged items of fair value hedge are not recorded at amortized cost but recorded after reflecting the change in fair value corresponding to the risk hedged in effective hedge relationships.

The consolidated financial statements are presented in the Korean won ("KRW") and all values are rounded to the nearest millions, except when otherwise indicated.

The Group has changed the classification of some accounts in the prior year consolidated financial statements to be consistent with that in the current year consolidated financial statements for the purpose of easier comparison. The reclassification does not have any impact on the net income or net assets reported last year.

(2) Classification and measurement of financial assets

Financial assets within the scope of K-IFRS 1039 are classified as financial assets at FVTPL, available-for-sale financial assets, held-to-maturity financial assets, loans and receivables, or as derivative financial assets designated as hedges, as appropriate. The Group determines the classification of its financial assets at initial recognition.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date when the Group commits to purchase or sell the asset.

All financial assets are recognized initially at fair value plus transactions costs, except in the case of financial assets recorded at fair value through profit and loss.

(3) Foreign currency transactions

When preparing of the consolidated financial statements, the Group measures and recognizes all the transactions according to the functional currency. The term, functional currency, is defined as the currency used to conduct operating activities in the primary economic environment and trades in each entity between the functional currency and other currencies which are converted to the Group's functional currency to be measured and recognized.

(4) Reinsurance assets

Reinsurance assets are defined as a cedant's net contractual right under a reinsurance contract by K-IFRS 1104 "Insurance Contract" and are recorded in the amount a reinsurer assumed as insurance contract liabilities. Reinsurance assets are not offset against the relevant insurance contract liabilities, and reinsurance income or expense arising from the reinsurance arrangements are not offset against the relevant expense or income resulting from the relevant insurance contracts. The Group considers whether the reinsurance assets are impaired at each reporting date and if the reinsurance assets are impaired the Group reduces its carrying amount and accordingly, recognizes impairment loss in profit or loss.

(5) Property and equipment

Property and equipment are stated at cost, less accumulated depreciation and accumulated impairment in value. Such cost includes an expenditure which has directly occurred for the acquisition of the asset. The initial and subsequent costs are recognized as an asset when it is probable that future economic benefits associated with the asset will flow to the Group and the costs of the asset can be measured reliably. The other maintenances and repairs are expensed in the year in which they are incurred and the carrying amount of certain parts that are replaced is derecognized. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the related asset if the recognition criteria for a provision are met.

(6) Investment properties

Investment properties are recognized as assets only if it is probable that future economic benefits associated with the assets will flow to the Group and the costs of the assets can be measured reliably. Investment properties are initially recognized at cost and transaction costs are included in the initial measurement. The investment properties are also subsequently measured at cost.

Investment properties are derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising from the derecognition of the assets calculated as the difference between the net disposal proceeds and the carrying amount of the assets is recognized as profit or loss in the consolidated statement of profit or loss and other comprehensive income in the period in which the asset is derecognized. Transfers are made to or from investment properties only when there is a change in use.

(7) Insurance contract liabilities

In accordance with the Insurance Business Act ("IBA") and the Regulation on Insurance Supervision ("RIS"), the Group is required to maintain insurance contract liabilities validated by the Group's appointed actuary, and the details are as follows:

(a) Reserve for outstanding claims

The reserve for outstanding claims refers to a provision for claims received but not settled including claims on a lawsuit at the reporting date. It includes a provision for claims not received, and therefore not yet settled, on the insurance policies where the events causing the payment of claims have occurred at the reporting date. The amount collectible from exercising the compensation right or disposal of insured assets acquired by the Group is reported as a deduction from insurance contract liabilities.

(b) Unearned premium reserve

The Group is required to maintain an unearned premium reserve, which is the premium whose payment date belongs to the current year and whose applicable period has not yet commenced at the end of the reporting period.

(8) Hybrid equity security

Hybrid equity security is classified as an equity only if its contractual arrangements at the time of the issuance of the security meet the criteria to be classified as an equity.

2. Translation of Consolidated Financial Statement Indicated in Foreign Currencies.

Assets and liabilities, including equity indicated in the consolidated financial statements, are translated into the U.S. Dollar at the rate of KRW 1,169.10 to USD 1, the telegraphic transfer selling rate of exchange as at December 31, 2019. The profit and loss account is translated at KRW 1,176.52 to USD 1, the average exchange rate of the period.

3. Cash and Cash Equivalents

Cash and cash equivalents as at December 31, 2019 are as follows:

(Unit: KRW million, USD thousand)

	FY 2019 (KRW)	FY 2019 (USD)
Cash on hand	2	1
Short-term bank deposits	360,115	308,028
Total	**360,117**	**308,029**

4. Financial Assets

Carrying value and fair value of financial assets as at December 31, 2019 are as follows:

(Unit: KRW million, USD thousand)

	Carrying value		Fair value	
	(KRW)	(USD)	(KRW)	(USD)
Deposits	224,626	192,136	224,626	192,136
Financial assets at FVTPL	308,956	264,268	308,956	264,268
Available-for-sale financial assets	4,124,023	3,527,519	4,124,023	3,527,519
Held-to-maturity financial assets	-	-	-	-
Derivative financial assets designated as hedges	7,186	6,147	7,186	6,147
Loans	1,014,286	867,578	1,053,474	901,098
Receivables	3,263,740	2,791,669	3,263,716	2,791,648
Total	**8,942,817**	**7,649,317**	**8,981,981**	**7,682,817**

5. Deposits

Deposits as at December 31, 2019 are as follows:

(Unit: KRW million, USD thousand)

	FY 2019 (KRW)	FY 2019 (USD)
Term deposits	33,000	28,227
Overseas deposits	75,145	64,276
Other deposits	116,481	99,633
Total	**224,626**	**192,136**

6. Financial Assets at Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss as at December 31, 2019 are as follows:

(Unit: KRW million, USD thousand)

	FY 2019 (KRW)	FY 2019 (USD)
Stock	-	-
Beneficiary certificates	301,281	257,703
Derivative financial assets held-for-trading	-	-
Securities in foreign currencies	7,675	6,565
Total	**308,956**	**264,268**

7. Available-for-Sale Financial Assets

Available-for-sale financial assets as at December 31, 2019 are as follows:

(Unit: KRW million, USD thousand)

	FY 2019 (KRW)	FY 2019 (USD)
Stock	36,405	31,139
Equity investment	119,968	102,616
Government and public bonds	625,076	534,664
Special bonds	391,565	334,929
Financial bonds	61,511	52,614
Corporate bonds	751,235	642,575
Beneficiary certificates	611,647	523,178
Securities in foreign currencies	1,525,908	1,305,199
Others	708	605
Total	**4,124,023**	**3,527,519**

8. Held-to-Maturity Financial Assets

Held-to-maturity financial assets as at December 31, 2019 are as follows:

(Unit: KRW million, USD thousand)

	FY 2019 (KRW)	FY 2019 (USD)
Government and public bonds	-	-
Special bonds	-	-
Corporate bonds	-	-
Securities in foreign currencies	-	-
Total	**-**	**-**

※ For efficient asset management, the Group reclassified its Held-to-maturity financial assets as Available-for-sale financial assets for the year ended October 31,2019

9. Loans and Receivables

Loans and receivables as at December 31, 2019 are as follows:

(Unit: KRW million, USD thousand)

	FY 2019 (KRW)	FY 2019 (USD)
Loans		
Loans secured by securities	448,629	383,739
Loans secured by real-estate	322,567	275,911
Credit loans	1,017	870
Guaranteed loans	38,283	32,746
Other loans	209,282	179,011
Subtotal	**1,019,778**	**872,277**
(Allowance for possible loan losses)	(3,500)	(2,994)
(Present value discount)	(262)	(225)
(Deferred loan fee and costs)	(1,730)	(1,480)
Receivables		
Insurance receivables	3,242,991	2,773,921
Accounts receivables	601	514
Accrued income	52,399	44,820
Guarantee deposits	950	813
Subtotal	**3,296,941**	**2,820,068**
(Allowance for doubtful receivables)	(33,182)	(28,383)
(Present value discount)	(19)	(16)
Total	**4,278,026**	**3,659,247**

10. Other Non-Financial Assets

Other non-financial assets as at December 31, 2019 are as follows:

(Unit: KRW million, USD thousand)

	FY 2019 (KRW)	FY 2019 (USD)
Reinsurance assets	2,077,968	1,777,409
Compensation receivables	98,800	84,510
Current income tax assets	12,054	10,310
Deferred tax assets	173	148
Prepaid expenses	659	564
Advanced payments	23,123	19,778
Right of use assets	9,034	7,727
Total	**2,221,811**	**1,900,446**

11. Insurance Contract Liabilities

The Group recognizes insurance contract liabilities in accordance with the IBA and the RIS.
Insurance contract liabilities as at December 31, 2019 are as follows:

(1) Reserve for outstanding claims

(Unit: KRW million, USD thousand)

	FY 2019 (KRW)	FY 2019 (USD)
Fire insurance	39,205	33,534
Marine insurance	248,332	212,413
Automobile insurance	161,155	137,845
Surety insurance	28,345	24,245
Engineering insurance	186,741	159,731
Workers' compensation insurance	27,183	23,251
Liability insurance	202,582	173,280
Personal accident insurance	78,412	67,070
Comprehensive insurance	144,413	123,525
Other casualty insurance	251,266	214,923
Overseas inward insurance	1,832,452	1,567,405
Long-term insurance	803,902	687,625
Personal annuity	397	340
Total	**4,004,385**	**3,425,187**

(2) Unearned premium reserve

(Unit: KRW million, USD thousand)

	FY 2019 (KRW)	FY 2019 (USD)
Fire insurance	50,824	43,473
Marine insurance	65,632	56,139
Automobile insurance	303,818	259,873
Surety insurance	243,880	208,605
Engineering insurance	144,206	123,348
Workers' compensation insurance	6,630	5,671
Liability insurance	127,037	108,662
Personal accident insurance	83,286	71,239
Comprehensive insurance	176,129	150,653
Other casualty insurance	182,825	156,381
Overseas inward insurance	585,992	501,233
	1,970,259	**1,685,277**
Total	**5,974,644**	**5,110,464**

12. Equity

(1) Capital stock

Details of capital stock as at December 31, 2019 are as follows:

	FY 2019 (KRW)	FY 2019 (USD)
Number of common shares authorized (shares)	320,000,000	320,000,000
Par value (KRW, USD)	500	0.4
Number of common shares issued and outstanding (shares)	120,369,116	120,369,116
Capital stock (KRW million, USD thousand)	60,185	51,480

(2) Capital surplus

Capital surplus consists of the following as at December 31, 2019

(Unit: KRW million, USD thousand)

	FY 2019 (KRW)	FY 2019 (USD)
Paid-in capital in excess of par value	103,729	88,726
Other capital reserve	72,646	62,138
Total	**176,375**	**150,864**

(3) Capital adjustments

Capital adjustments consist of the following as at December 31, 2019

(Unit: KRW million, USD thousand)

	FY 2019 (KRW)	FY 2019 (USD)
Treasury stock	(37,152)	(31,778)
Other capital adjustment	(23,427)	(20,038)
Total	**(60,579)**	**(51,817)**

(4) Accumulated other comprehensive income

Accumulated other comprehensive income consists of the following as at December 31, 2019

(Unit: KRW million, USD thousand)

	FY 2019 (KRW)	FY 2019 (USD)
Gain on valuation of available-for-sale financial assets	136,181	116,484
Loss on valuation of held-to-maturity financial assets	-	-
Asset revaluation surplus	68,979	59,002
Exchange difference on translating foreign operations	29	25
Loss on valuation of derivative instruments designated as cash flow hedges	(1,104)	(944)
Re-measurement of the net defined benefit liabilities	(2,183)	(1,867)
Total	**201,902**	**172,699**

(5) Retained earnings

Retained earnings as at December 31, 2019 are as follows:

(Unit: KRW million, USD thousand)

	FY 2019 (KRW)	FY 2019 (USD)
Legal reserve	30,092	25,739
Bad debt reserve	19,385	16,581
Catastrophe reserve	1,207,454	1,032,806
Business rationalization reserve	2,033	1,739
Voluntary reserve	412,429	352,775
Unappropriated retained earnings	177,300	151,655
Total	**1,848,693**	**1,581,296**

(6) Hybrid equity security

Hybrid equity security as at December 31, 2019 is as follows:

	Description [1]
Date issued	October 21, 2019
Amounts issued	₩ 230,000,000,000
Maturity [2]	30 years, Revolving
Distribution term	3.40% per annum on a face value basis (redetermination of interest rate every 5 years, Step up 100bps once at 10th year)

(1) Hybrid equity securities have maturities, but they have capital requirements, such as that the Group's right to continue extending maturities.

(2) The Group would not pay interest if it decides not to pay dividend on the common shares.

INDEPENDENT AUDITOR'S REPORT

The Shareholders and Board of Directors
Korean Reinsurance Company and its subsidiaries

Opinion

We have audited the accompanying consolidated financial statements of Korean Reinsurance Company and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards (KIFRS).

Basis for opinion

We conducted our audit in accordance with auditing standards generally accepted in the Republic of Korea (KGAAS). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Assessment of the reserve for outstanding claims included in insurance contract liabilities

As stated in Note 2.3.14, in accordance with the Insurance Supervision Regulations and other related laws (the Regulations for Supervision), at the end of each financial year, the Group shall set aside a reserve for outstanding claims for amounts that have not yet been paid in relation to amounts that are to be paid or estimated to be paid for contracts that caused the reason for payment, i.e. insurance premiums. The reserve for outstanding claims are calculated by deducting recoverable profits (after applying the reimbursement rate) from amount estimated to be paid from contracts where the reason for the payment occurred but the amount of the insurance payment was not confirmed.

As noted in Note 20 Insurance Contract Liabilities, the carrying amount of the reserve for outstanding claims as of the end of the current financial year is KRW 4.0 trillion, accounting for 67% of the total insurance contract liabilities of KRW 5.97 trillion.

The reserve for outstanding claims was determined to be a key audit matter as the balance is significant in terms of the overall consolidated financial statements. It involves, to an extent, management estimates, is related to other financial statement accounts, and requires the use of an expert to perform the audit of the reserve for outstanding claims.

The primary audit procedures we have performed to address this key audit matter are as follows:

- Recalculated to evaluate whether the reserve for outstanding claims calculation was complete without omission of each category of items that make up the reserve.
- Individual estimates: Assessed if the sum of the individual estimates as notified by the ceded reinsurer corresponds to the sum of the individual estimates for each category at the time of settlement. Selected a sample from the accident notifications and analyzed whether the individual estimated amounts received by the original insurer corresponds to the amounts per the Group's system.
- Unreported damages: Analyzed the calculation method by category to determine if it conforms to the regulatory rules. Grouped amounts into domestic and overseas categories and assessed whether the recalculated amounts correspond to the amounts recognized by the Group.
- Future claim handling expenses: For costs attributable directly to the handling of claims, a sample was selected and verified if the costs corresponded to the amount notified by the ceded reinsurer. Indirectly incurred costs were compared with the ratio of the loss survey recalculated under the supervisory regulations and the percentage applied by the Group.
- Reimbursement rate: Assessed if the (reimbursable amount) recalculated in accordance with the supervisory regulations corresponds to the Group's (reimbursable amount).

- Evaluated the Group's design and operating effectiveness of the internal controls over financial reporting relating to the measurement of the reserve for outstanding claims.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with KIFRS, and for such internal control as management has determined as necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with KGAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users, which are made on the basis of these consolidated financial statements.

As part of an audit in accordance with KGAAS we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or to modify our opinion if such disclosures are inadequate. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Keum Cheol, Shin.

Ernst & Young Han Young

Ernst & Young Hanyoung
March 18, 2020

This audit report is effective as of March 18, 2020, the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the date of the independent auditor's report to the time this report is used. Such events and circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to this report.

FY 2019

CORPORATE INFORMATION

HISTORY

1963~

Mar. 19, 1963	Established as a state-owned company, the Korean Non-life Reinsurance Corporation
Mar. 02, 1978	Reorganized as a publicly owned company, Korean Reinsurance Company
Nov. 24, 1978	Opened Singapore Liaison Office
Jun. 26, 1984	Built new headquarters in Susong-dong
Dec. 31, 1996	Total assets surpassed KRW 1 trillion mark
May 27, 1999	Announced the mid to long term growth plan entitled ' Vision 2020 '

2001~

Jan. 04, 2001	Received the 10th Financial Award from M.O.F.E. and the Korea Economic Daily
Feb. 28, 2002	Operating assets surpassed KRW 1 trillion mark
May 28, 2002	Received an A- grade from A.M. Best
Jun. 27, 2002	Renamed Korean Re, with the launch of a new Corporate Identity (CI)
Oct. 12, 2002	Became the largest reinsurance company in Asia
Oct. 20, 2002	Nominated as Reinsurance Company of the Year by the Asia Insurance Review Magazine (Singapore)
Jan. 03, 2004	Received the 13th Financial Award from M.O.F.E. and the Korea Economic Daily
Jan. 27, 2005	Received the Most Admired CEO Award (from the President of the Federation of Korean Industries, 2005)
Nov. 23, 2005	Received the Most Innovative Management in Korea Award (2005)
Dec. 06, 2006	Acquired an A- rating from S&P
Dec. 31, 2006	Total assets surpassed KRW 3 trillion mark
Apr. 08, 2008	Opened Dubai Liaison Office
Apr. 28, 2008	Total assets surpassed KRW 4 trillion mark
Dec. 2009	Recognized by Reinsurance Magazine as 'Emerging Market Player of the Year'
Nov. 2010	Ranked the 11th reinsurer in the world and No. 1 in Asia (S&P)
	Received 'Young Entrepreneur Award of the Year' from Ernst & Young

2011~

Jan. 01, 2011	Received the Dasan Award
Feb. 2011	Acquired an A rating from A.M. Best
Sep. 2012	Ranked the 10th reinsurer in the world and No. 1 in Asia (A.M.Best)
Mar. 19, 2013	Celebrated 50th anniversary
Jun. 17, 2013	CEO Jong-Gyu Won was inaugurated
Sep. 2013	Ranked the 9th reinsurer in the world and No. 1 in Asia (A.M.Best)
Jan. 02, 2014	Declared 'Vision 2050'
Oct. 14, 2014	Issued subordinated capital securities worth USD 200 million
	S&P rating upgraded from A- to A
Feb. 09, 2015	Established Korean Re Underwriting Ltd. at Lloyd's in London
Feb. 24, 2017	Signed an MOU on business cooperation with IRB Brasil RE
Jul. 01, 2017	Opened Labuan Branch in Malaysia
Dec. 31, 2017	Total assets surpassed KRW 10 trillion mark
Dec. 29, 2017	Opened DIFC Branch in Dubai, the UAE
Jun. 28, 2019	Korean Re's subsidiary in Zurich, Switzerland received an "A" rating from S&P.
Sep. 30, 2019	Tokyo Liaison Office held its 50th anniversary ceremony.
Jan. 13, 2020	Established Shanghai Branch Office in the People's Republic of China
Feb. 17, 2020	Bogota Liaison Office was approved by financial authorities in Colombia

ORGANIZATION

President & CEO

Executive Managing Director

- Strategic Planning Office
- Financial Solutions Team
- General Affairs Team
- Finance & Actuarial Team
- Asset Management Team
- Global Business Team
- Global Project Team
- Research & Market Intelligence Team
- IT Team
- Risk Management Team
- Claims & Survey Team
- Accounting Team
- Product Development Team

Managing Directors

- Property Team 1
- Property Team 2
- Engineering Team
- Marine Team
- Casualty Team
- Long-term & Motor Team
- Domestic Life Team
- Overseas Life & Health Team

Chief Audit Officer

- Compliance Team
- Auditing Team

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GLOSSARY

Combined Ratio

The sum of the expense ratio and the loss ratio.

Earned Premium

The portion of the written premium that is equal to the expired portion of the time during which the insurance or reinsurance was in effect.

Expense Ratio

Expenses (other than loss adjustment expenses) incurred during a specific period of time, divided by premiums written during the same period.

Facultative Reinsurance

A form of reinsurance whereby each exposure the ceding company wishes to reinsure is offered to the reinsurer and is contained in a single transaction. The submission, acceptance, and resulting agreement is required on each individual risk that the ceding company seeks to reinsure. That is, the ceding company negotiates an individual reinsurance agreement for every policy it will reinsure. However, the reinsurer is not obliged to accept every or any submission.

Gross Written Premium

The gross premium income (i.e. written, instead of earned) of an insurance company, adjusted for additional or return premiums but before deducting any premiums for reinsurance ceded.

Incurred But Not Reported (IBNR)

Liability for future payments on losses that have already occurred but have not yet been reported in the reinsurer's records.

Investment Income

Money earned from invested assets. May also include realized capital gains or be reduced by capital losses over the same period.

Loss Ratio

Losses incurred, expressed as a percentage of earned premiums.

Non-Proportional Reinsurance

Reinsurance in which the reinsurer's response to a loss depends on its size. So named because the premium in non-proportional reinsurance is not proportional to the coverage limits.

Original/Direct/Primary Insurer

The insurer that writes a policy for a policyholder (which in turn may or may not create the need for reinsurance).

Proportional Reinsurance

A term describing quota share and surplus share reinsurance, in which the reinsurer shares a proportional part of the ceded insurance liability, premiums, and losses of the ceding company.

Retention

In reinsurance, the net amount of risk the ceding company keeps for its own account.

Risk

Defined variously as uncertainty of loss, chance of loss, or the difference of the actual results from the expected ones. The term is also used to identify the object of insurance protection, e.g., a building, an automobile, a human life, or exposure to liability. In reinsurance, each reinsured company customarily makes its own rules for defining a risk.

Risk-Based Capital (RBC)

The amount of capital needed to absorb the various risks of operating an insurance business. For example, a higher risk business requires more capital than one with lower risks. The calculation is unique to each company.

Shareholders' Equity

The value of a company which is the property of its ordinary shareholders (the company's assets less its liabilities).

Soft Market

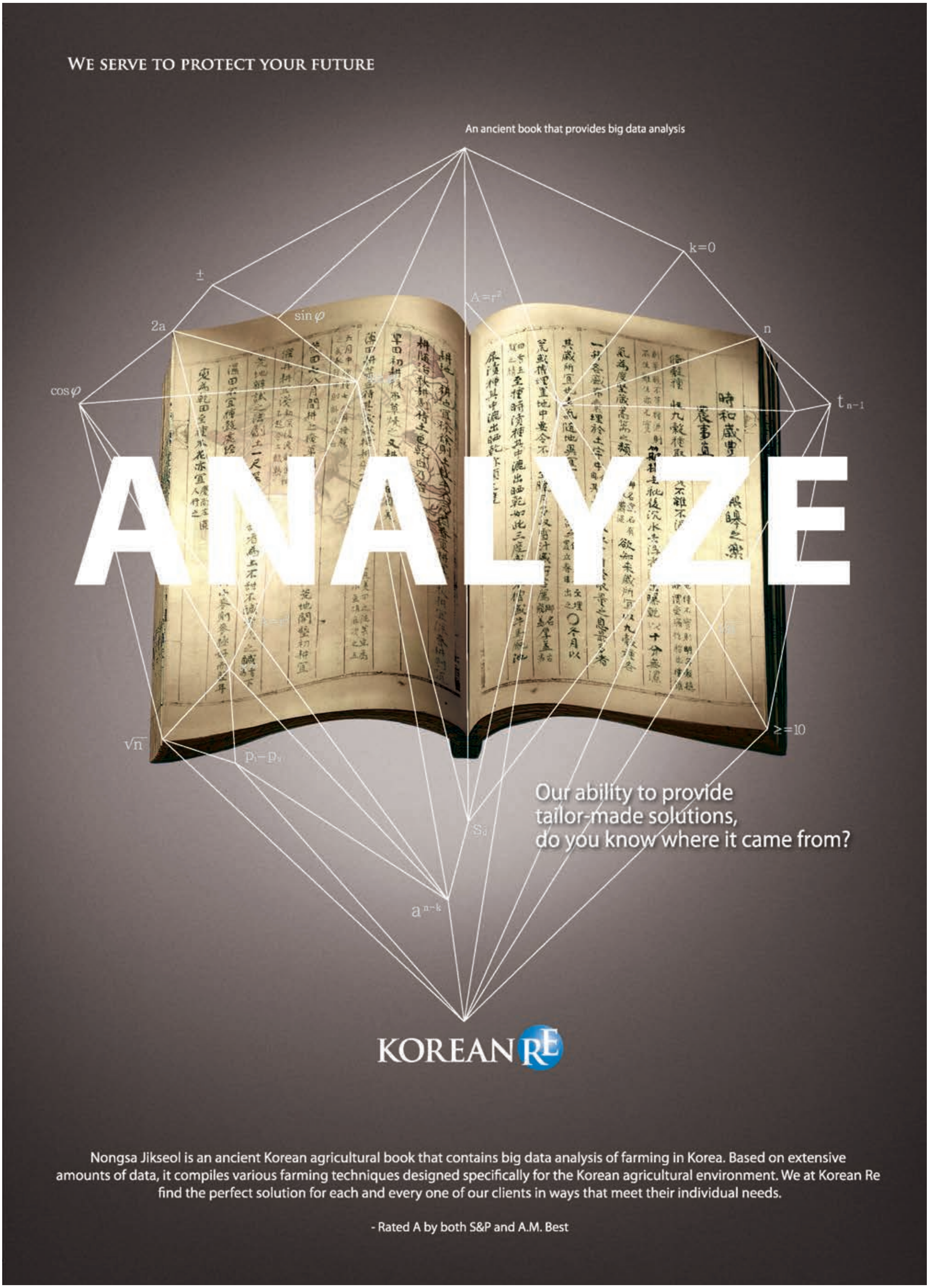
One side of the market cycle that is characterized by low rates, high limits, flexible contracts, and high availability of coverage.

Treaty Reinsurance

A form of reinsurance in which the ceding company makes an agreement to cede certain classes of business to a reinsurer. The reinsurer, in turn, agrees to accept all business qualifying under the agreement, known as the "treaty". Under a reinsurance treaty, the ceding company is assured that all of its risks falling within the terms of the treaty will be reinsured in accordance with treaty terms.

Underwriting Income

The excess of premiums earned by a reinsurer during any reporting period over the combined total of expenses and losses incurred during the same period.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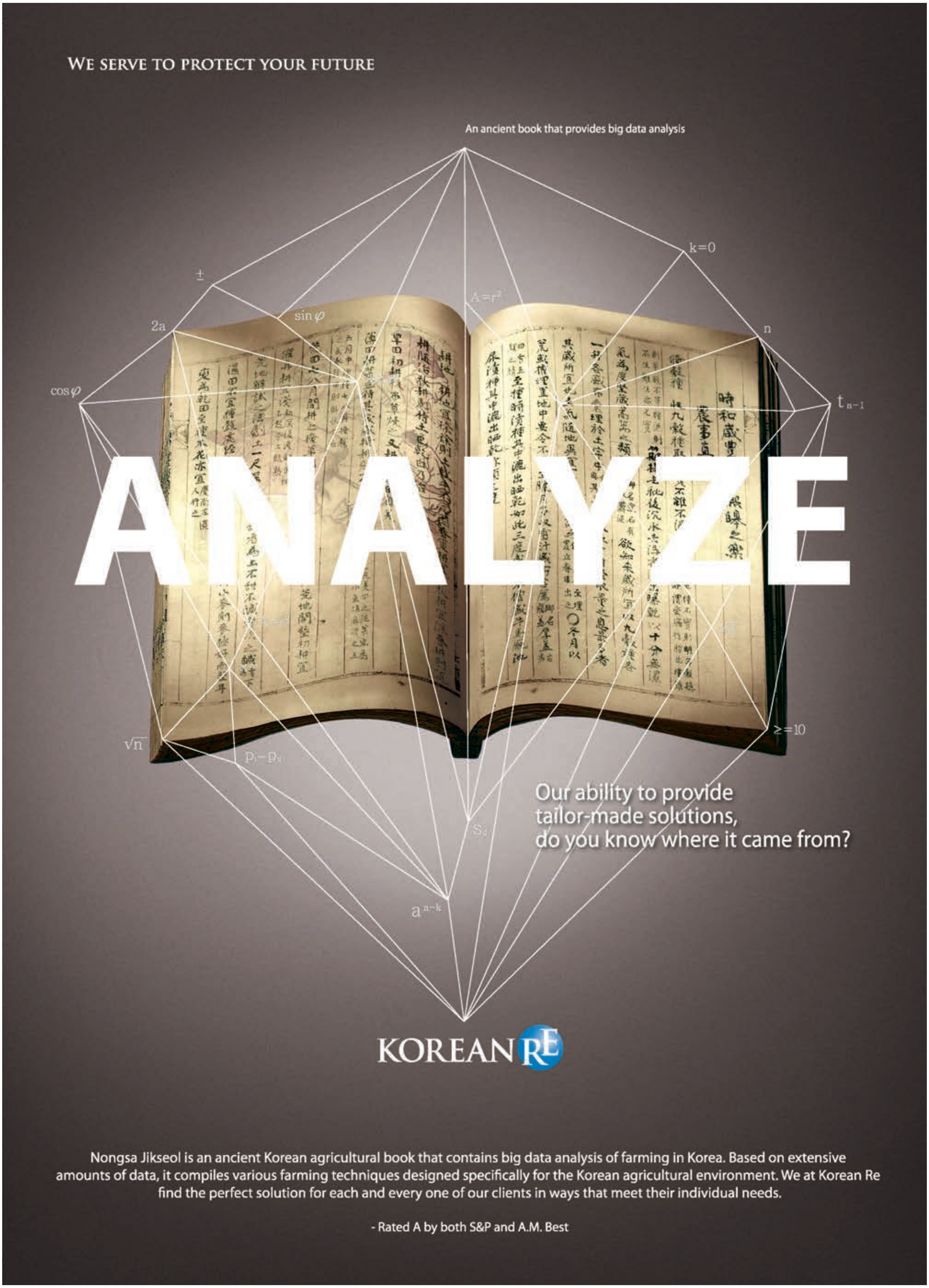
CONTENTS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