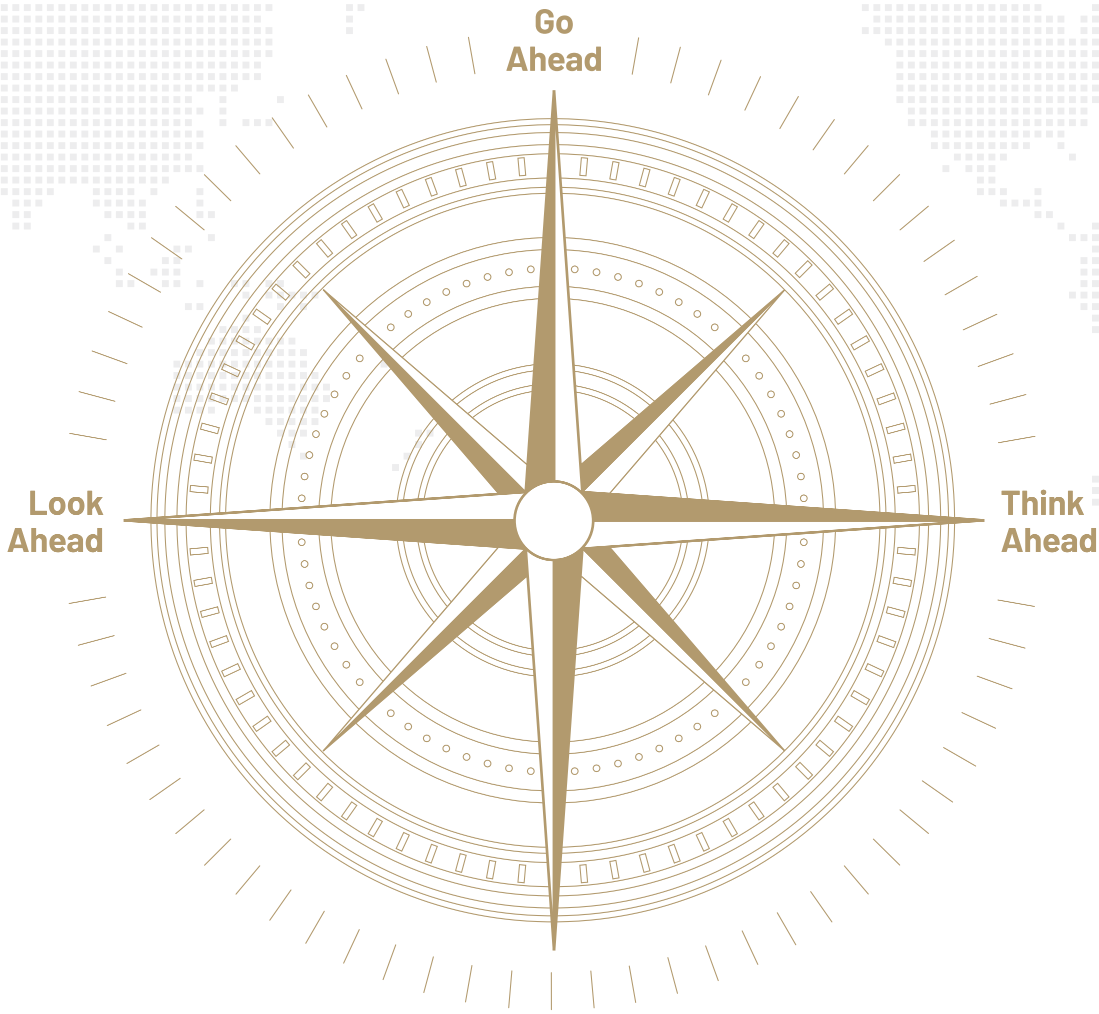
ANNUAL REPORT 2020

Dealing Better with Hard Times to

Keep Ahead



KOREAN RE

Contents

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Dealing Better with Hard Times to

Keep Ahead

Korean Re, the one and only Korean professional reinsurer, started its operations 58 years ago. We now deal with most 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 27% of our business comes from overseas.

Despite extraordinary circumstances involving the COVID-19 outbreak in 2020, Korean Re delivered relatively encouraging results for the year, with gross written premiums increasing by 4.9% to KRW 8,447.1 billion and net written premiums growing by 6.6% to KRW 5,900.1 billion. We reported decent net income results of KRW 142.1 billion after tax, albeit below the strongest level achieved in the previous year. These achievements clearly demonstrate our ability to deal better with hard times and keep ahead of the competition.

We have also maintained an RBC ratio above 200% and strong credit ratings of A from A.M. Best and Standard & Poor's. As evidenced by these facts, Korean Re is a financially strong and stable reinsurer. While we will continue to solidify our position in Korea, we will also push ourselves to become a competent and competitive leader in the global market going forward.

KOREAN RE


Knowledge
Analysis
Insight

Look Ahead

It is more important than ever for a business to have the ability to see around corners. The coronavirus pandemic has brought about drastic changes in all aspects of our lives and businesses, forcing us to prepare ourselves for the upcoming post-corona era and swiftly adapt to this world of uncertainty. Despite market volatility and business uncertainty throughout 2020, Korean Re has remained steady by delivering on its commitment to providing reinsurance protection to insurers in ways that bring value to our clients and business partners and support our business growth. With a constantly shifting business environment in mind, we will make sure that our business strategies are reviewed regularly to set a direction for our business growth based on our analysis and insight as to how market situations are evolving and where our business should be heading.


Risk
Portfolio
Management

Think — Ahead

Another important attribute that a successful company needs to have is being able to think ahead. As a reinsurer, we are always focused on identifying risks beforehand and thinking about how we should respond, that is, what financial, personnel and organizational resources we might need to keep our business competitive and profitable. In this regard, we remain committed to making sure that our risk management is proactive, not reactive.

We also take a proactive approach to our portfolio management based on our capabilities to make assumptions and projections on how the market might develop in the future. Improving our portfolio management capabilities will continue to be an important task for us to steer through future challenges that lie ahead.


New
Direction
Connect

Go — Ahead

For Korean Re, 2020 was another year of significant progress in global expansion. In January, Korean Re expanded its global reach by setting up a new branch in Shanghai, China. The new branch in Mainland China will help us strengthen our presence in China and capitalize on the country's rapidly growing insurance market. In February, we also opened a new representative office in Bogotá, Colombia as our first foothold in Latin America and the Caribbean.

Our commitment to expanding into global markets remains solid. Korean Re plans to set up a reinsurance intermediary in the United States to help diversify its offerings to the world's biggest insurance market. This plan is in line with its global expansion strategy. The reinsurance intermediary will help Korean Re build stronger brand recognition in the U.S. by serving the interests of insurance companies in the U.S. and securing more flexible and creative reinsurance solutions.

Global Network Expansion

Korean Reinsurance Switzerland AG (KRSA)

Korean Reinsurance Switzerland AG (KRSA) started its operations in 2019 and has achieved remarkable growth over the last two years in line with its long-term business plan. The Zurich-based subsidiary is subject to supervision by the Swiss Financial Market Supervisory Authority (FINMA). Based on its independent credit rating of A (stable) from S&P, it has built business relationships with almost 90 clients in Continental Europe. KRSA aims to continuously strengthen its presence in the region and to provide its clients with comprehensive reinsurance solutions in all major lines of business in ways that best meet their needs.

The Swiss subsidiary is dedicated to supporting its clients as their valued partner as well as a stable capacity provider in a dynamic reinsurance market. The company will also help Korean Re diversify its global business portfolio and build a leading position in Europe, the second largest reinsurance market in the world.

Korean Re Underwriting Limited (KRUL)

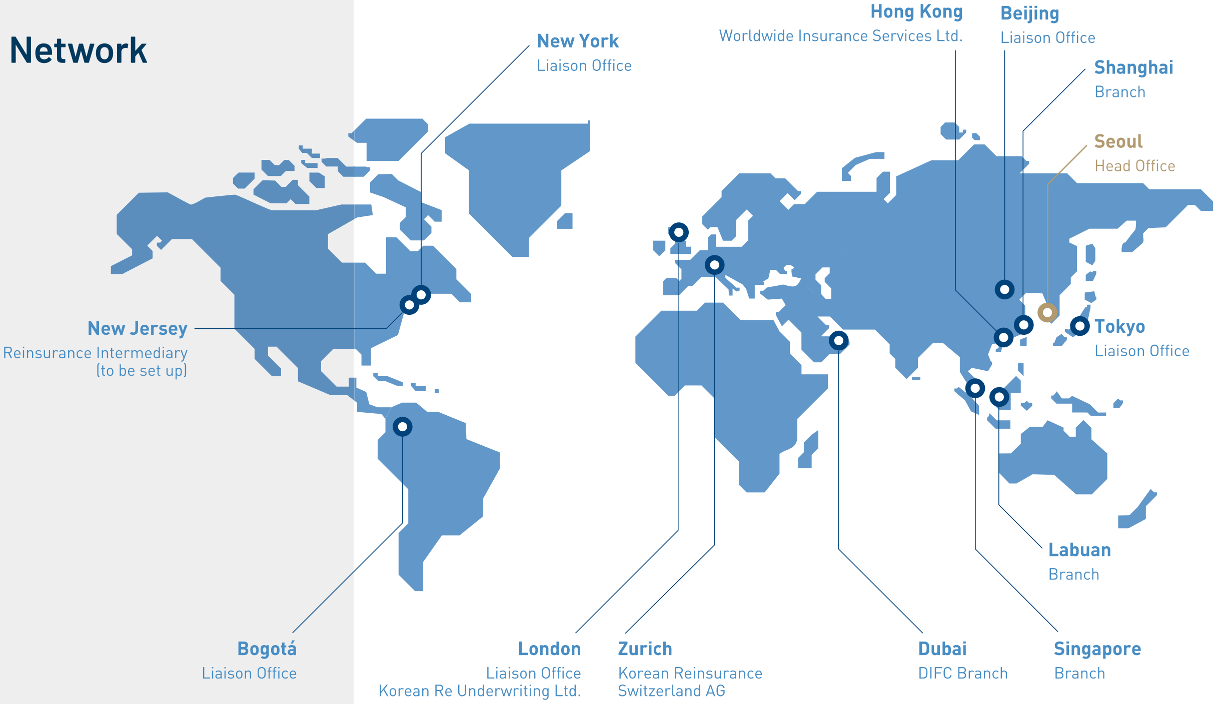
Korean Re Underwriting Limited (KRUL) was established in 2015 as a subsidiary of Korean Re and has been deploying its capacity to selected syndicates as a corporate member of Lloyd's. Since its beginning in 1688, Lloyd's has been a pioneer in insurance and has grown over 330 years to become the world's leading market for specialist insurance. It now ranks as the 6th biggest reinsurance market in the world, with 90 syndicates. As a market that specializes in unusual risks, Lloyd's has built a leadership position in providing capacity for specialty lines including satellites, terrorism, cyber and other emerging risks.

KRUL shares the operating results of various syndicates through investments. It also seeks strategic cooperation with major players in the market to monitor the latest trends of product development, pricing and capacity in advanced markets. By doing so, KRUL supports Korean Re with its initiative to expand into overseas markets and strengthen its global network.

Worldwide Insurance Services (WIS)

Worldwide Insurance Services (WIS), based in Hong Kong, has been mainly conducting a reinsurance broking business since 1995 as a wholly-owned subsidiary of Korean Re. As an in-house broker of Korean Re, WIS has access to Korean Re's treaty and facultative businesses. This puts it in an excellent position to support (re)insurers who have limited opportunities to tap into the Korean insurance market. In addition to giving (re)insurers the chance to utilize Korean Re's capacity, its strengths mainly lie in decades of accumulated know-how and expertise in reinsurance, not to mention the insightful knowledge necessary to provide practical value-added services. Moreover, as a licensed broker in both Hong Kong and Lloyd's UK, WIS has a strong worldwide network to conduct both Korean and non-Korean businesses. Based on those advantages, WIS works closely with Korean Re to offer the best solutions that meet the increasingly diverse and sophisticated needs of its clients across Asia, Europe, South America and South Africa.

Global Network



Shanghai Branch

Korean Re opened its Shanghai Branch in January 2020 after obtaining approval from the China Banking and Insurance Regulatory Commission on December 27, 2019.

In its first year of operation, the Shanghai Branch has run its business successfully in terms of both operational infrastructure setup and underwriting. The goal of the branch is to build a stable business portfolio in the Chinese market, backed not only by traditional business lines but also by new business lines. To reach that goal, the branch has been exploring various segments of the insurance market in China and analyzing innovative products that are currently available in the market.

As an onshore reinsurer in China, the Shanghai Branch is planning to solidify its presence in the market, building on the track record that Korean Re has established in China over the past number of years. The branch will also strengthen its services to existing clients as well as explore new opportunities in casualty and personal lines to seek sustainable growth.

Bogotá Office

The Korean Re Bogotá Representative Office was set up in February 2020 after gaining approval from local authorities in Colombia, with which Korea had signed an FTA agreement in 2016. From this new operating base in Bogotá – the capital city of Colombia, Korean Re will cover the entire Latin American region, including the Caribbean, where the company has built business relationships with a number of (re)insurers for more than 20 years. The new office was established as part of Korean Re's ongoing initiative to increase its overseas business based on a diversified geographic portfolio. With this office, we will provide improved services to our local clients, explore new business opportunities, and further diversify our overseas portfolio.

Financial Highlights

	FY 2020 (KRW billion)	FY 2020 (USD million)	FY 2019 (KRW billion)	FY 2019 (USD million)
FOR THE YEAR				
Gross Written Premiums	8,447.1	7,087.8	8,051.5	6,843.5
Net Written Premiums	5,900.1	4,950.7	5,533.0	4,702.9
Net Income	142.1	119.2	188.7	160.4
AT THE YEAR END				
Total Assets	12,519.9	11,396.2	11,733.1	10,036.0
Insurance Contract Liabilities	6,703.0	6,101.4	5,974.6	5,110.4
Total Shareholders' Equity	2,455.9	2,235.5	2,456.0	2,100.8
FINANCIAL RATIO (%)				
RBC Ratio*	201.6		217.8	
Combined Ratio**	100.6		100.1	
ROA	1.2		1.7	
ROE	5.8		8.0	
Payout Ratio	32.4		30.4	
EPS (KRW, USD)	1,252	1.05	1,550	1.32

* 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 for information purposes only.

Financial Strength Ratings

A Stable

A.M. Best • S&P

RBC Ratio*

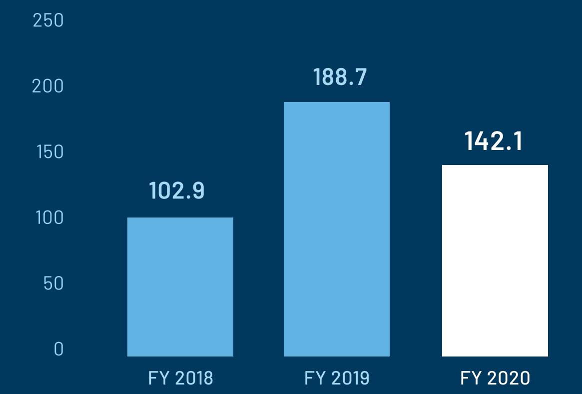
201.6%

* Solvency Margin Ratio

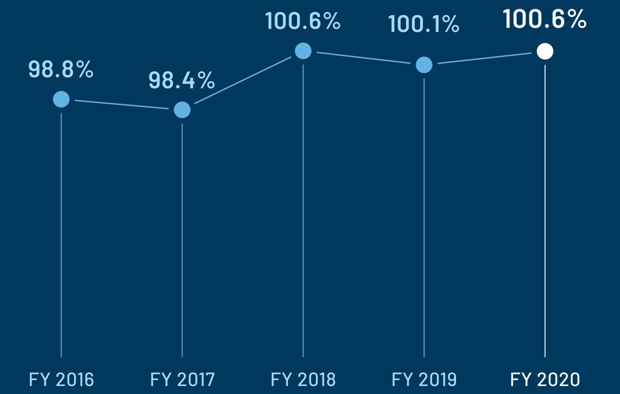
(As of the end of 2020)

Net Income

(Unit: KRW billion)



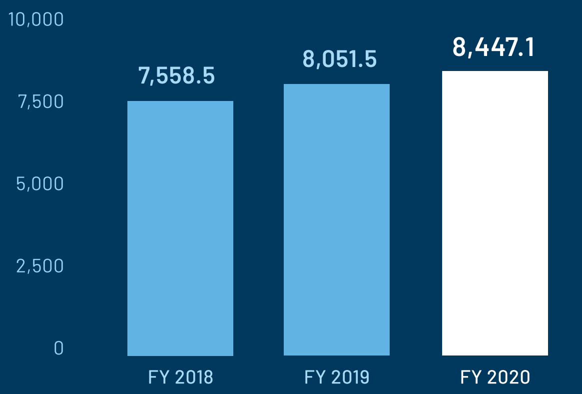
Combined Ratio (FY 2016 - 2020)



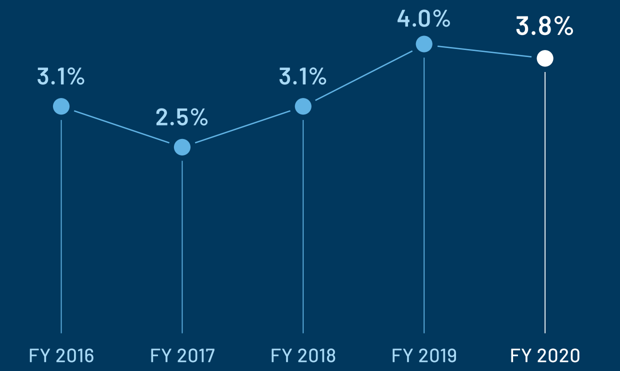
* Excluding foreign currency evaluation effects

Gross Written Premiums

(Unit: KRW billion)



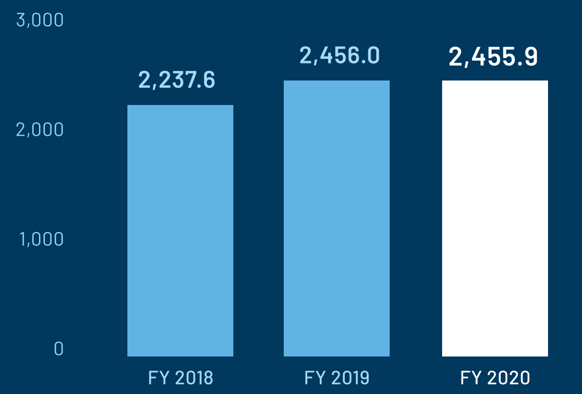
Investment Yield (FY2016 - 2020)



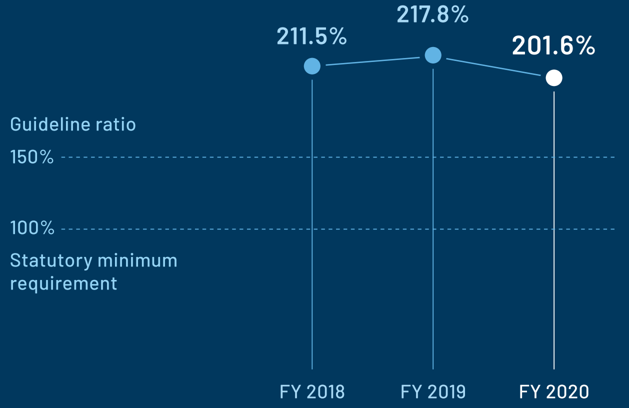
* Based on the Separate Financial Statements of Korean Re (Gains and/or losses from foreign exchange hedging for insurance liabilities have been excluded.)

Total Shareholders' Equity

(Unit: KRW billion)



RBC Ratio



Message from the CEO

In 2021, we will make sure that our business stays on the right track despite some disrupting effects of the pandemic. As we did respond to external changes in a proactive and swift manner in 2020, we will continue to demonstrate our resilience and agility in response to any future changes.

Looking back on 2020, it was a year like no other. The year began with the outbreak of COVID-19, which turned rapidly into a global pandemic crisis. This unexpected pandemic situation has changed many aspects of our daily lives, with social distancing becoming the norm. What seemed like mundane daily activities have now become a cause for concern.

The world of business is also being reshaped as the economy has been under pressure, with financial markets going through excessive swings. The (re)insurance industry has not been free from the effects of the global pandemic, which arrived at a time when the industry was already struggling with the double whammy of low interest rates and slowing growth. The challenges facing the industry have been further compounded by rising economic uncertainty in the midst of the COVID-19 pandemic.

We at Korean Re have been taking every possible action to keep our employees and clients safe from the pandemic crisis and to mitigate any adverse impacts on our business. Most importantly, we have responded to the pandemic swiftly in accordance with our Business Continuity Plan (BCP). Under the BCP, we implemented an efficiently organized remote working scheme and made the most of video conferencing to make sure that our daily work and business operations were conducted in the most consistent way possible. We canceled almost every overseas business trip and face-to-face gathering, turning most in-person meetings into virtual ones.

We also issued an official statement on our website to make sure that our clients, shareholders and other stakeholders should stay informed of how we were responding to the COVID-19 pandemic and its possible impacts on our business. It set out the measures we had been taking under the BCP and highlighted our efforts to serve our clients with as much confidence and stability as ever. We also underscored our commitment to ensuring that the company's operational direction and shareholder-friendly policies would remain unchanged in the face of setbacks from the pandemic.

Given these extraordinary circumstances, we are proud that Korean Re delivered relatively encouraging results in 2020, with gross written premiums increasing by 4.9% to KRW 8,447.1 billion and net written premiums growing by 6.6% to KRW 5,900.1 billion. We reported decent net income results of KRW 142.1 billion after tax, albeit below the strongest level achieved in the previous year. As of the end of 2020, our total assets increased by KRW 786.8 billion to KRW 12,519.9 billion, while there was a rise of KRW 215.9 billion in invested assets, which totaled KRW 6,438.1 billion. These achievements clearly demonstrate our ability to deal better with hard times and keep ahead of the competition.

A number of large losses in domestic commercial lines pushed up the loss ratio, but our combined ratio for personal lines of business improved thanks to price increases in the primary motor insurance market and strengthening of reinsurance terms and conditions. We also delivered better results in our overseas business, backed by our efforts to readjust the portfolio and global market hardening.

We are also pleased to note that 2020 was another year of significant progress in global expansion. In January, Korean Re expanded its global reach by setting up a new branch in Shanghai, China. The new branch in Mainland China will help us strengthen our presence in China and capitalize on the country's rapidly growing insurance market. In February, we also opened a new representative office in Bogotá, Colombia as our first foothold in Latin America and the Caribbean.

Our commitment to expanding into global markets remains solid, although we may have a bumpy road ahead due to the coronavirus pandemic. We will continue to push forward our initiatives to explore new overseas markets, while setting our sights on achieving sustainable growth and profitability.

As we move into 2021, we are cautiously optimistic that our business environment will improve in line with positive pricing momentum in the global reinsurance market. It is not clear yet when the coronavirus pandemic will end, and we still have to deal with uncertainty related to COVID-19. However, some progress will be expected when vaccines are deployed as swiftly as we hope.

Over the past one year, we have experienced tremendous changes in the wake of the pandemic, and some say they are so drastic and sweeping that it would have taken half a decade for such changes to occur if it had not been for COVID-19. This means that we may be able to turn the pandemic-induced crisis into a new opportunity for a paradigm shift in the way we think, work and do business. No matter how hard this time may look, it would be good for us to be reminded that the Black Death in the European medieval era and its disruptive impacts on society led to the emergence of the Renaissance – the start of a great cultural renewal.

In 2021, we will make sure that our business stays on the right track despite some disrupting effects of the pandemic. As we did respond to external changes in a proactive and swift manner in 2020, we will continue to demonstrate our resilience and agility in response to any future changes.

To our clients, partners and shareholders, we wish you all the best and good health and thank you for putting your trust in Korean Re. We always bear in mind the responsibility that comes with this trust. We will remain strongly committed to improving our business performance and supporting our clients so that we can continue to drive value for all stakeholders involved.

Thank you.

Wonjonggyu

Jong-Gyu Won
President and CEO

Board of Management

Jong-Ik Won
Chairman

Jong-Gyu Won
President & CEO

Moo-Seop Lee
Executive Managing Director

Joon-Taik Cheong
Chief Audit Officer

Chul-Min Jang
Managing Director

Yung-Heub Song
Managing Director

Yong-Nam Kim
Managing Director

Seok-Yeong Heo
Managing Director

Kwang-Shik Jeong
Managing Director

Hyeon-Soo Chun
Managing Director

Jin-Hyung Lee
Managing Director

Inside Korean Re

Korean Re New Year's Concert in 2020

Korean Re employees and their families gathered together at a dinner party to celebrate the new year on January 10, 2020. CEO Jong-Gyu Won took the stage with a gentle smile, delivering good news to the audience that the company was expecting excellent net income results for the past year. Mr. Won praised and thanked the hard work and support rendered by all employees amid difficult challenges.

Soon a surprisingly amusing moment came when the labor union leader and the CEO started to sing "One Fine Autumn Day." The duo's harmony appeared to represent the current friendly labor-management relations at Korean Re. The annual function also served as a welcoming party for new employees and their parents. Eye-catching and energetic dance performances and eloquent speeches by young talents made the night's event all the more enjoyable.

After the dinner, they also enjoyed an annual concert of classical music performed by the Seoul Philharmonic Orchestra. The classical music performance was the highlight of the night. The Seoul Philharmonic Orchestra, conducted by Mr. Thierry Fischer, performed Beethoven's Concerto for Violin in D major, Op. 61, with its solo part played by Mr. Leonidas Kavakos, a world-renowned violinist from Athens.

Strategic Alliance with The Carlyle Group for Coinsurance Business

On July 31, 2020, Korean Re signed an MOU with The Carlyle Group, one of the top private equity fund managers in the world in a bid to form a strategic alliance to provide coinsurance solutions and related services to insurance companies in Korea.

In the first half of 2020, coinsurance was permitted by Korean regulators to help domestic insurers adjust or reduce insurance liabilities before the upcoming implementation of IFRS 17 and the Korean Insurance Capital Standards (K-ICS). Using this new option, primary insurers are allowed to transfer all the risks associated with acquiring insurance contracts, including underwriting risk and interest rate risk, to reinsurers.

Both parties agreed to develop coinsurance solutions that are best suitable for primary insurers in the domestic market. The two global players are going to collaborate in a wide range of areas from product design, structuring, and pricing to reinsurance asset management, required capital management, and new capital funding.

Since it was incorporated in 1987 in Washington D.C., The Carlyle Group has been building its global investment business with 32 local operations around the world. Currently, the Group's assets under management are worth USD 221 billion. In late 2019, it acquired Fortitude Re from AIG by purchasing a 71.5% ownership interest in Fortitude Re, and then announced its strategic focus on legacy life run-off lines.

Korean Re's robust business network, knowledge and experience in the domestic market, combined with Carlyle's capital strength and asset management skills, are expected to create a powerful synergy in delivering advanced and more sophisticated financial solutions to Korean insurance providers who are trying to stay above new regulatory solvency requirements to be implemented.

Opening of the Shanghai Branch and the Bogotá Office in 2020

In line with its global expansion strategy, Korean Re obtained two business licenses in early 2020. One was for its Shanghai Branch in Mainland China on January 15, and the other was for a liaison office in Bogotá, Colombia on February 18.

The new office in Shanghai is Korean Re's second presence in China after the Beijing Liaison Office, which was established in 1997. Korean Re set its sights on operating in Shanghai as part of its strategic initiative to strengthen its presence in China and capitalize on the country's rapidly growing insurance market.

Currently, leading reinsurers such as Hannover Re, RGA, and Gen Re, and many other insurers from across the world have operations in Shanghai, the financial hub of China. Korean Re is expecting that its new operation in Shanghai will bring increased access to the country's vast pool of quality contracts. While the office in Beijing carries out market research and non-transactional operations, the new one in Shanghai is intended to conduct underwriting business activities in the country.

In addition, Korean Re obtained approval to open a liaison office in Bogotá, Colombia in February. This move to build a new presence in Bogotá was also in line with our corporate strategy to further diversify into Latin America and the Caribbean. Business operations officially kicked off during the first half of 2020. Its primary business areas for the initial period were property, casualty, and bouquet treaty lines. It will then expand into life, facultative and other areas.

"The new branch in Shanghai will help us build a robust foundation to strengthen our presence in this giant market of China, and the new office in the Latin American region will push us further into new markets," said CEO Jong-Gyu Won. "Going Global" has been one of the key priorities since he took office in 2013. To gain greater access to quality business and seek portfolio diversification, a continued focus will be placed on this global expansion strategy.

Korean Re's Plan to Start a Reinsurance Intermediary in the U.S.

Korean Re plans to set up a reinsurance intermediary in the United States to help diversify its offerings to the world's biggest insurance market. This plan is in line with its global expansion strategy. The reinsurance intermediary will help Korean Re build stronger brand recognition in the U.S. by serving the interests of insurance companies in the U.S. and securing more flexible and creative reinsurance solutions. It will also seek to support its U.S. clients in driving product innovation, ensuring the stability of earnings and/or improving profit margins. In addition, it will build a new income stream of brokerage earnings, independent of Korean Re's reinsurance income.

The stronger brand recognition cemented by the activities of the reinsurance intermediary in the U.S., which has a global market share of 40% in terms of premium income, would help Korean Re raise its business profile and drive its business growth in the region. We expect our gross written premiums from the U.S. to increase to over USD 300 million by 2025 from the current USD 220 million.

In Korean Re's 58-year long history, the past five years have been particularly remarkable in terms of overseas expansion. Half of our current global presences were established over the last five years. In 2015, we made our way into Lloyd's of London, followed by the establishment of a branch in Labuan, Malaysia in July 2017. We also successfully switched our Dubai office into a branch in December 2017. Another important milestone was set in June 2019 when Korean Re set up a new European subsidiary in Zurich, Switzerland. Moreover, our initiatives to expand into China and South America gathered further momentum over the course of the year, leading to the opening of a new branch in Shanghai, China and a new representative office in Bogotá, Colombia in early 2020.

The reinsurance intermediary is likely to be established in the eastern part of the U.S., and New Jersey is one of the most attractive candidates. Unless any delay is made due to the coronavirus pandemic, Korean Re targets to obtain a reinsurance intermediary license from U.S. authorities by the end of the third quarter of 2021 and have the reinsurance intermediary start operations during the fourth quarter.

Korean Re Insurance Webinar 2020

Korean Re held an insurance webinar on November 10, 2020 to promote discussion about the latest market issues and trends including blockchain and coinsurance. The webinar was designed for both internal and external audiences interested in the topics. Its aim was to help participants improve their understanding of key topics for the insurance market and provide insights into important market developments.

The webinar consisted of three sessions in which each speaker gave an informative presentation on a different topic. The first session was about the emergence of blockchain and how to deal with a blockchain ecosystem and stay ahead of the game. A prominent professor from the School of Cybersecurity at Korea University gave a lecture on what blockchain is, how it works, why it is revolutionary and how it represents the way forward. He also discussed the possibilities of using blockchain in various industries and public sectors as well as related challenges.

For the second session, a manager from the Financial Solutions Team at Korean Re gave a presentation on coinsurance, one of the hottest topics in the Korean insurance industry. He discussed the background of the local financial authorities allowing coinsurance as a type of reinsurance arrangement and potential benefits of coinsurance such as providing a new source of capital for primary insurers in light of a new risk-based capital adequacy regime called the Korean Insurance Capital Standards (K-ICS).

The third session was about climate change and catastrophe (CAT) modeling, which was discussed by a deputy general manager from the Risk Management Team at Korean Re. He provided an introduction to the framework of CAT modeling and its applications in the (re)insurance industry. He also shared his knowledge and expertise regarding how to make the most use of CAT modeling.

Korean Re Recruitment Drive in 2020

Korean Re implemented its regular recruitment plan and welcomed 14 new employees in December 2020. Although many companies were freezing or adjusting their hiring plans for the year due to the coronavirus pandemic, Korean Re went ahead with its annual hiring plan based on current and future workforce needs and carried out its recruiting campaign with strict safety protocols in place.

Instead of holding face-to-face recruiting campaign events on university campuses, the company utilized an online-video-sharing platform to communicate its hiring needs and attract talent. A set of marketing videos were put up on its renovated recruiting website that has an easy to follow navigation structure and provides a more intuitive interface. The company also embraced a digital solution based on artificial intelligence technology as part of the comprehensive candidate evaluation process.

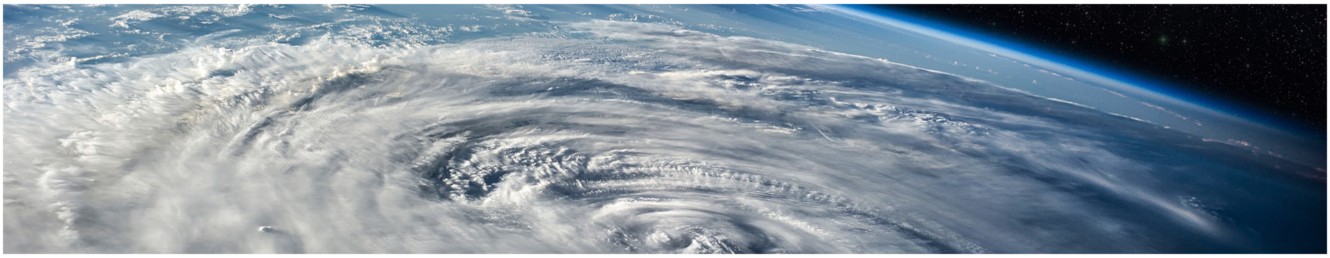
The new employees are planned to start to work in late February 2021 after going through orientation and onboarding processes where they would learn about the organization's environment, culture, corporate policies and procedures.

In addition to the annual recruitment program that mostly target those who are fresh out of college or soon-to-be graduates, Korean Re also hires experienced and skilled workers from diverse backgrounds on an as-needed basis.

A group of Korean Re employees shooting a video clip to communicate the company's hiring plan for 2020.

Review of Operations

Property



Domestic Business

In 2020, the Korean property insurance market was severely impacted by unprecedented large-loss events. They included the Lotte Chemical plant explosion, the leakage at a pumped-storage hydroelectric power plant of Korea Hydro & Nuclear Power and a series of losses involving LG Chemical. Furthermore, heavy rainfalls during a record-long monsoon season from July through August and Typhoons Maysak and Haishen in September took a heavy toll on market profitability. As a result, the loss ratio of the property insurance market soared from 47.6% in 2019 to 143.8% in 2020. This was the worst loss ratio in the last 20 years.

In terms of market growth, premium income expanded by 9.0% to KRW 1,923 billion in 2020. This solid growth was mostly driven by an increase in comprehensive insurance premiums, which grew by 13.7% to KRW 1,698 billion. The fire insurance market, on the other hand, continued to show a downward trend, with premiums decreasing by 16.8% to KRW 225 billion.

As the market experienced a series of large and catastrophe losses, primary insurers have become more cautious about retention, relying more on reinsurance capacity. The retention ratio of primary insurers went down from 48.8% in 2019 to 45.1% in 2020. This trend has resulted in market hardening, increased rates and strengthened underwriting guidelines in the primary market.

Thanks to the favorable rating environment and greater dependency of primary insurers on reinsurance, Korean Re's domestic property business saw its premium income increase by 11.2% to roughly KRW 528 billion in 2020. Premium income from fire insurance rose by 9.1% to KRW 107 billion, while premiums from comprehensive insurance increased by 11.7% to KRW 420 billion. However, our underwriting performance was heavily impacted by large and catastrophe losses, with the combined ratio before management expenses going up by 30.6%p to 109.7%.

In 2021, our focus will remain on improving profitability. In order to do so, we have tightened our underwriting guidelines for both facultative and treaty businesses. Considering the economic downturn caused by COVID-19, higher rates and deductibles have been imposed on renewal accounts, and we make sure that this applies more strictly to economy-sensitive risks such as warehouses. Risks that require higher standards of management such as petrochemical and power plants are also being handled with increased underwriting discipline.

For treaty renewals in 2021, we have continued our focus on strengthening reinsurance terms and conditions by inserting the Communicable Disease Exclusion, reducing commission rates and minimizing exposure to risks that are sensitive to the economy and prone to natural catastrophes, including warehouse and home insurance risks. We will continue to exercise highly disciplined underwriting in order to build a profit-oriented portfolio and drive improved underwriting performance throughout 2021 and beyond.

Gross Written Premiums: Domestic Property Business

(Units: KRW billion, USD million)

	FY 2020 (KRW)	FY 2020 (USD)	FY 2019 (KRW)	FY 2019 (USD)
Fire	107.3	90.0	98.3	83.6
Comprehensive	420.4	352.8	376.3	319.8
Total	**527.7**	**442.8**	**474.6**	**403.4**

International Facultative Business

It was another year of profitable growth in 2020 for our international property facultative business. We achieved a 13.7% increase in our book of business, with gross written premiums reaching KRW 123.5 billion. The combined ratio before management expenses went noticeably down to 62.0% in 2020 from 91.3% in 2019.

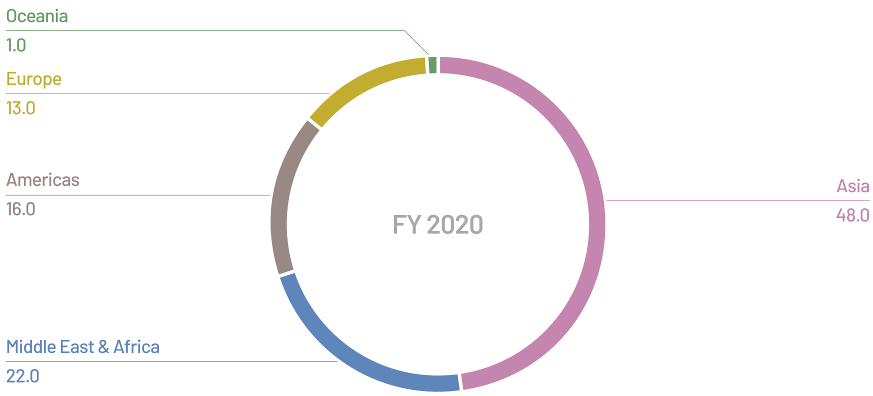
These outstanding results were driven by our ongoing efforts to take customized approaches to underwriting guidelines for different regions. We have continuously tightened our underwriting guidelines to minimize exposure in catastrophe-prone areas. We have also increased our participation in proportional reinsurance programs with strong track records of profitability. The portfolio restructuring that we have sought over the past years also helped us improve our bottom-line results.

Meanwhile, the strategic initiative to grow our book of business in less developed territories has contributed a great deal to the increase in gross written premiums. In terms of premium breakdown by territory, 48% of the entire international property facultative business came from Asia in 2020. This means that the Asian region is still our biggest market, followed by the Middle East and Africa (22%), the Americas (16%), and Europe (13%). While our commitment to serving the Asian market remains as solid as ever, we will strive to expand our business in other regions, further diversifying our geographical business portfolio. The expansion of business will be accompanied by meticulous risk assessment to identify the target markets that are worth further tapping into.

The remarkable achievements we made over the past year let us head into 2021 with a bit of optimism and confidence in terms of our business prospects. Although there are some factors that may put our business on a risky path, such as how the pandemic situation will evolve, an unexpected regulatory intervention, and any catastrophe losses, we are positive that we will remain steady to support our clients on the back of our strong credit ratings, sufficient capacity and underwriting expertise. We will continue to leverage those strengths to deliver long-term growth for our company and create value for our clients and business partners going forward.

International Facultative Portfolio by Geography

(Unit: %)



Gross Written Premiums: International Facultative Business

(Units: KRW billion, USD million)

	FY 2020 (KRW)	FY 2020 (USD)	FY 2019 (KRW)	FY 2019 (USD)
International Facultative	123.5	103.6	108.6	92.3

International Treaty Business

In 2020, global insured losses derived from natural disasters reached USD 97 billion, representing an increase of 26% compared to the previous year. It marked the fifth costliest year on record behind 2017, 2011, 2005, and 2018. Insured losses were dominated by events that occurred in the U.S., and the largest insured loss event for the season was Hurricane Laura, which was estimated to cost insurers USD 10 billion.

Due to record-setting hurricane landfalls in the U.S. and COVID-19 loss experience in Europe, January 2021 renewals for these markets witnessed a few signs of market hardening.

In 2020, we continued to place a great deal of focus on portfolio management to get our international treaty business back on track to a profitable position. Active portfolio management led to a decrease in unprofitable proportional business. As a result, our book of business shrank by 7.6%, with gross written premiums standing at KRW 537.6 billion in 2020.

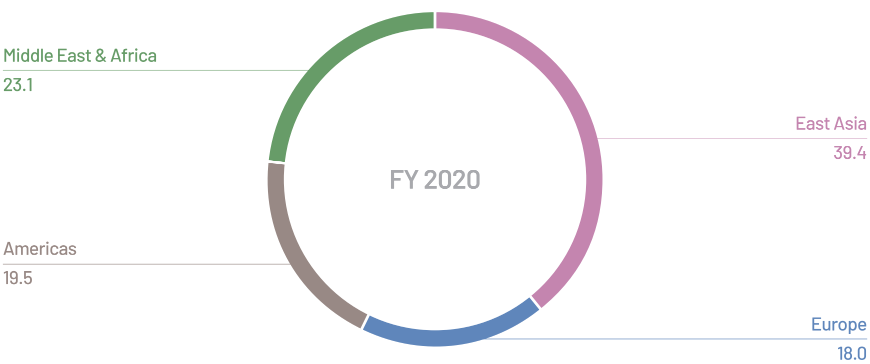
Geographically, East Asia still made up the largest portion of our international treaty portfolio at 39.4%, followed by the Middle East and Africa at 23.1%, the U.S. at 19.5%, and Europe at 18.0%. The portions of East Asia and Europe were slightly adjusted downward due to the reassessment of certain large proportional accounts and portfolio transfers to our overseas subsidiary and branch. Meanwhile, there was an increase in the portions of the Middle East and Africa, and the U.S. The overall picture was well in line with our strategy to pursue growth only when it is supported by stable bottom-line prospects.

The COVID-19 pandemic has presented a huge challenge to reinsurers across the world, and it will take many years to fully understand the impact of the pandemic on the reinsurance markets in different regions. At Korean Re, we had our share of losses due to increased claims experience, but the losses related to COVID-19 events contributed about 3.4%p to the combined ratio before management expenses, which remained quite controlled and manageable compared to other reinsurers.

In 2021, we will seek sustainable growth in target regions and continue to optimize our portfolio in a way that ensures stable business results and helps us manage the volatility of catastrophe losses. As in 2020, effective portfolio management will remain an important initiative to put our overseas property treaty business on a stronger footing.

International Treaty Portfolio by Geography

(Unit: %)



Gross Written Premiums: International Treaty Business

(Units: KRW billion, USD million)

	FY 2020 (KRW)	FY 2020 (USD)	FY 2019 (KRW)	FY 2019 (USD)
East Asia	211.9	177.8	236.2	200.8
Middle East & Africa	124.0	104.1	113.8	96.7
Europe	96.9	81.3	111.7	95.0
Americas	104.8	87.9	120.1	102.1
Total	**537.6**	**451.1**	**581.8**	**494.5**

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

Engineering

Domestic Business

In 2020, our domestic engineering business recorded double-digit growth for the second consecutive year. We reported premium income of KRW 184 billion, representing a remarkable 25% growth compared to the previous year. This strong growth marked a significant breakthrough from the long recession of the domestic engineering insurance market especially considering the harsh conditions over the last year due to COVID-19.

In the year ahead, there is much to be optimistic about. Firstly, the government plans to increase the nation's social overhead capital (SOC) in order to help the economy recover from the pandemic-induced slump. The government has increased this year's budget for SOC by 14.1% to KRW 26.5 trillion. In addition to the government's direct spending in infrastructure development, many pending mega projects will likely be approved sooner than planned, facilitated by the government's infrastructure drive, with some projects getting off the ground in 2021.

Secondly, the government announced plans to boost the renewable energy sector over the years to come. Renewable energy capacity in Korea stood at 21.3GW in 2020, and the government intends to bring this number up threefold to 60.8GW by 2030.

Since Korean Re is offering reinsurance programs that encompass coverage for construction and operation of renewable power plants, the upcoming growth of the renewable energy sector can be a positive signal for our business growth as well as for the expansion of the domestic engineering insurance market.

We at Korean Re will strive to take these favorable market conditions to our full advantage and drive our top-line growth while also seeking to maintain profitability based on rigorous risk analysis and management in the coming year.

Overseas Business

When it comes to the overseas construction business, Korean construction companies have been struggling with low oil prices and intensified competition for the past several years. However, the slump in the construction business appears to have bottomed out. The total value of Korean builders' overseas construction orders rebounded to USD 35 billion in 2020, after reaching their lowest level in 2019.

In order to respond quickly to this market improvement, Korean Re focused on rebuilding its portfolio and implemented selective underwriting guidelines. Although the size of our overseas book of business decreased slightly in 2020 compared to the previous year as a result of portfolio rebalancing, its profitability is expected to improve in the long run through qualitative business growth.

We also expect to benefit from a positive pricing environment where upward momentum is building continuously. Following an unprecedented number of large losses in recent years, the market size has been greatly reduced in some regions, pushing up premium rates. Moreover, the global engineering insurance market has been faced with extraordinary circumstances due to the COVID-19 pandemic, which has been accelerating market hardening.

In the current engineering insurance market where challenges and opportunities coexist, Korean Re will remain focused on improving profitability by strengthening risk engineering and tightening underwriting standards. At the same time, we will continue to cooperate with many strategic partners and key clients across the globe so that we can deliver value to them while promoting our business growth.

Gross Written Premiums: Engineering

(Units: KRW billion, USD million)

	FY 2020 (KRW)	FY 2020 (USD)	FY 2019 (KRW)	FY 2019 (USD)
Domestic	184.5	154.8	148.1	125.9
Overseas	103.2	86.6	114.2	97.1
Total	**287.7**	**241.4**	**262.3**	**223.0**

Agriculture and Other Specialty Lines

In 2020, the primary agriculture insurance market continued to grow steadily. In terms of original gross premiums, the crop insurance market increased by 38% to KRW 682 billion, while the livestock insurance market grew by 5% to KRW 220 billion.

However, profitability deteriorated as the loss ratio of crop insurance soared to 155% in the wake of spring frost, torrential rainfalls in the monsoon season, and three consecutive typhoons. Despite the heavy losses that the market experienced, our crop insurance business managed to minimize the retained loss ratio to 110% due to the government's loss sharing and stop loss protection.

On the other hand, our livestock insurance business continued to perform fairly well, with the loss ratio falling to 70% as we have strengthened loss assessment and underwriting guidelines since 2019. Smaller heatwave losses and price improvements in the primary market also enabled us to maintain momentum for robust business results.

The primary market for natural perils insurance recorded a 20% growth in 2020 thanks to effective sales strategies and growing demand for coverage against natural perils. This led to a growth in our gross written premiums from natural perils insurance to KRW 23.1 billion.

However, the market suffered severe losses from typhoons as the Korean peninsula was hit by three typhoons in a row - Bavi, Maysak and Haishen – in late August and early September. It was highly unusual that three strong typhoons made landfall in rapid succession in Korea. Moreover, the market was already reeling from heavy rain during the longest period of the monsoon season from late July to mid-August, which brought losses of KRW 3.7 billion to the natural perils treaty. The three typhoons and torrential rainfall drove our loss ratio up to 114% for the year.

Our overseas agriculture business had a challenging year as loss creep from 2019 continued to affect business results for 2020, pushing the loss ratio up to an all-time high of 99%. Premium income for the year slightly decreased to KRW 107 billion compared to KRW 114 billion in the previous year.

In response to these unfavorable conditions, we have exited non-profitable markets to stay focused on delivering profit over top-line growth based on selective underwriting. Our efforts toward geographical diversification have continued in a bid to ensure sustainable portfolio growth.

Heading into 2021, Korean Re will make sure that our portfolio management effort plays a key role in delivering better results for our overseas business. Domestically, we will remain well-positioned to foster markets for government-sponsored insurance as a reliable provider of reinsurance capacity. We will continue to lead 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.

Gross Written Premiums: Agriculture and Other Specialty Lines

(Units: KRW billion, USD million)

	FY 2020 (KRW)	FY 2020 (USD)	FY 2019 (KRW)	FY 2019 (USD)
Domestic Crop	216.4	181.6	333.1	283.1
Livestock	127.1	106.7	112.2	95.4
Natural Perils	23.1	19.4	18.0	15.3
Overseas Agriculture	107.1	89.9	114.0	96.9
Total	473.7	397.5	577.3	490.7

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

Korea Atomic Energy Insurance Pool (KAEIP)

Korean Re manages the Korea Atomic Energy Insurance Pool (KAEIP), which is a voluntary, unincorporated association of non-life insurance and reinsurance companies. On behalf of its members, we support the operation of KAEIP based on our expertise in risk management and underwriting so that the pool can provide risk transfer solutions to the nuclear industry that would otherwise be unable to obtain insurance coverage.

There are 26 nuclear power plants (NPPs) in Korea, with 24 NPPs in operation and two NPPs permanently shut down (Kori Unit 1 in June 2017 and Wolsong Unit 1 in December 2019). Currently, one unit is under review for commercial operation, and three additional units are under construction. Globally, a total of 444 reactors are commercially operational, and 53 reactors are currently being built. Major countries with nuclear reactors in construction are China (15 units), India (6 units), the UAE and Russia (3 units each).

In 2020, KAEIP wrote premiums of KRW 34.4 billion from the domestic direct business and KRW 16.6 billion from the overseas inward reinsurance business. The domestic primary business is expected to grow in line with the continued construction of nuclear reactors.

Meanwhile, the significant market hardening trend in the global insurance industry has had some impact even on the nuclear insurance market, resulting in a slight increase in premium rates in several countries. These modest rate increases are expected to be sustained, considering market conditions are set to remain firm in the years to come.

As a provider of specialist insurance coverage for the nuclear industry, KAEIP will continue to support nuclear power plants in terms of insurance capacity and risk management services. In addition to ensuring that stable insurance capacity is provided domestically, it will also keep exploring new growth opportunities across the globe by focusing on areas where new reactors are being built or local regulations governing civil liability for nuclear damage and compensation have been or will be reinforced.

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

(Units: KRW billion, USD million)

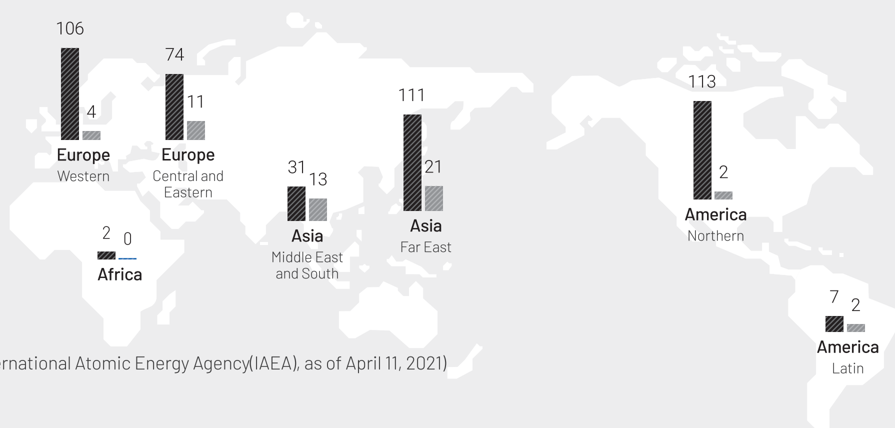
	FY 2020 (KRW)	FY 2020 (USD)	FY 2019 (KRW)	FY 2019 (USD)
Domestic Direct	34.4	28.9	38.5	32.7
Overseas Reinsurance Inward	16.6	13.9	16.7	14.2
Total	**51.0**	**42.8**	**55.3**	**47.0**

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

Global Reactor Status by Region

Total 444
In Operation

Total 53
Under Construction



(Source: Power Reactor Information System(PRIS), International Atomic Energy Agency(IAEA), as of April 11, 2021)

Marine and Aviation

After a contraction in 2019, we reported a 10% increase in our marine and aviation business, writing KRW 418.6 billion in gross premiums in 2020. The growth was mainly derived from two new satellite launch insurance programs. Market-wide rate hardening also supported overall premium growth.

Hull and energy premiums recovered in 2020, growing by 1.7% to KRW 247.9 billion. That was the outcome of our profit-oriented underwriting approaches, such as adequate pricing and an increase in retention for profit-making accounts. We saw our cargo insurance premiums fall by 7.2% to KRW 84.3 billion due to a drop in the war premium rate in the Strait of Hormuz. Meanwhile, aviation insurance premiums surged by 88.7% to KRW 86.4 billion as two new satellites were launched amid hardening of the broader aviation and space insurance market, generating a large bulk of premium income.

Our strategy to become more selective and focus on quality risks over the past several years has turned out to increase our profitability. The combined ratio before management expenses for our marine and aviation business significantly improved to 93.1% in 2020. We have substantially restructured our portfolio and retention scheme in tandem with our profit-oriented underwriting discipline. According to our conservative underwriting guidelines, we have focused not only on ensuring price adequacy and commission readjustments but also on improving the terms and conditions of the coverage provided.

The marine insurance market is expected to grow moderately in 2021 thanks to market hardening and the following rises in premium rates. Accordingly, the reinsurance market for this segment is also anticipated to grow with improved profitability driven by tighter terms and conditions and declining commissions.

These positive market movements will give Korean Re further momentum to optimize its marine and aviation business portfolio and make it more profitable. Our disciplined underwriting and strong capacity mean that we are well placed to take advantage of favorable market conditions and take new business opportunities as they arise. We will continue our efforts to find new sources of growth such as offshore windfarm insurance, while ensuring that stable growth is achieved through marine liability insurance and coverage for builders' risks of naval vessels.

Gross Written Premiums: Marine and Aviation

(Units: KRW billion, USD million)

	FY 2020 (KRW)	FY 2020 (USD)	FY 2019 (KRW)	FY 2019 (USD)
Hull	247.9	208.0	243.8	207.2
Cargo	84.3	70.7	90.8	77.2
Aviation	86.4	72.5	45.8	38.9
Total	**418.6**	**351.2**	**380.4**	**323.3**

Casualty

In 2020, the casualty insurance market in Korea grew by 8% despite a pandemic-triggered economic recession. Amid the hardening of the global casualty reinsurance market, renewal prices have been increasingly under upward pressure in the domestic market as well. Still, primary insurers continue to maintain their aggressive yet selective retention strategies due to favorable market returns.

Although those retention strategies by primary insurers worked against the domestic reinsurance industry, Korean Re reported a 12.7% increase in gross written premiums from casualty lines for 2020. Main drivers behind the growth were the growing volume of the domestic casualty insurance market and our rapidly expanding overseas business.

Special risks made up the largest part of our total casualty premiums at 28.6% in 2020, followed by liability lines of business at 23.8% and personal accidents at 14.3%. As we have consistently focused on writing more profitable business in the global markets, the share of overseas inward premiums jumped to 18.3% of the casualty portfolio. We will continue to identify target risks in a way that expands our global presence by employing both risk and market centered approaches.

As a result of steadily strengthened underwriting guidelines, we have improved our profitability. In particular, our bond insurance business maintained a stable loss ratio despite a deteriorating real economy, helping to bring profitable underwriting results to our overall casualty business.

We have also strengthened cooperation with our clients on product development so that we could support our clients effectively in response to evolving market trends. Our client engagement will be continuously enhanced to enable our clients to better respond to ongoing market developments accelerated by the COVID-19 pandemic, especially with regard to the Fourth Industrial Revolution, growing demand for cyber security and increasing awareness of environmental sustainability.

Looking ahead to 2021 and beyond, the casualty reinsurance market in Korea may have to deal with an unprecedented level of uncertainty in the post-pandemic era. In spite of greater uncertainty, we will continue to seek profitable growth and stay dedicated to providing stable reinsurance capacity and services through our ceaseless efforts to improve our risk management and minimize the unexpected.

Gross Written Premiums: Casualty

(Units: KRW billion, USD million)

	FY 2020 (KRW)	FY 2020 (USD)	FY 2019 (KRW)	FY 2019 (USD)
Liability	316.8	265.8	286.4	243.4
Personal Accidents	190.5	159.8	211.5	179.8
Surety & Credit	200.4	168.2	191.6	162.9
Special Risks & Others	381.0	319.7	327.8	278.6
Overseas Inward Business	243.0	203.9	164.3	139.7
Total	**1,331.7**	**1,117.4**	**1,181.5**	**1,004.3**

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

Long-term

The domestic long-term insurance market continued its growth in 2020, with direct premiums increasing by 5.3%. The growth of the market was largely driven by rising sales of long-term personal accident and disease insurance products. The market also witnessed greater interest in long-term property insurance in the wake of an unusually long rainy season in the summer and a series of typhoons that hit Korea in 2020.

Of particular note, COVID-19 has had a positive impact on the long-term insurance market, lowering the loss ratio to some degree. This was presumably because there was a drop in outpatient visits to hospitals for non-urgent and elective medical treatments amid worries over possible exposure to the coronavirus.

In 2020, Korean Re reported KRW 2,408 billion in long-term insurance premiums, up 5.7% year on year. The combined ratio before management expenses improved by 0.4%p to 100.2% as we continued to focus on writing more profitable risks by working closely with direct insurers to develop new products. However, the loss ratio of the medical expense insurance business remained high, leading the combined ratio to exceed 100%.

The outlook for the long-term insurance market in 2021 does not look much different from the previous year. Market growth will be supported by an increase in medical expense insurance rates and intensive marketing efforts by insurers to sell newly developed products, especially those that target the elderly or people with chronic or pre-existing conditions.

Heading into 2021, Korean Re remains ready to provide appropriate reinsurance programs in a way that supports the sustainable growth of insurers offering long-term insurance coverage. As insurers have been working to brace themselves up for the upcoming implementation of IFRS 17, we will stay more responsive than ever to their needs by providing necessary risk transfer solutions and solvency capital relief. We will also continue to support the market with analytical research for product development and underwriting services. These efforts will put us on a solid footing to achieve growth and enhance profitability based upon our sound business portfolio.

Gross Written Premiums: Long-term

(Units: KRW billion, USD million)

	FY 2020 (KRW)	FY 2020 (USD)	FY 2019 (KRW)	FY 2019 (USD)
Long-term	2,408.0	2,020.5	2,277.7	1,936.0

Motor

The motor insurance market in Korea experienced an 11.6% growth in 2020 compared to the previous year as insurers were pressed to raise premium rates in order to keep pace with rising claims costs. The increased number of registered vehicles also led to the expansion in premium income.

There was also an improvement in market profitability, with the loss ratio declining by 6%p year on year to 85% in 2020. The key factor that brought down insurance claims was a significant decrease in driving activity following the COVID-19 outbreak. Although a lockdown was never mandated in Korea, many companies turned to remote working, with people spending most of their time staying at home amid mandatory social distancing measures. This resulted in a drop in car traffic on the roads and less insurance claims activity.

Korean Re also reported an improved loss ratio of 79.2% in 2020 compared to 86.1% in 2019. Our premium income, however, shrank by 11% to KRW 605.4 billion in 2020 due to a decrease in the volume of proportional treaties. The contraction in premiums also reflected market dynamics in which small and medium-sized companies experienced a reduction in market shares because they were forced to reduce their motor business amid continuously high loss ratios and cumulative operating losses.

Domestically, Korean Re maintained existing programs that cover higher risks along with proportional and non-proportional treaties. We also strengthened our business relationships with mutual associations and continued to increase transactions with them by offering various reinsurance solutions.

Across overseas markets, we achieved great success in diversifying our business portfolio by increasing the number of proportional treaties for reliable insurers in the Mediterranean and Eastern European regions. In addition, we signed new contracts with insurers in countries such as the UK, helping to expand our overall book of business.

In 2021, the Korean motor insurance market is expected to grow by 2.9% to over KRW 20 trillion in direct premiums, led by an increasing number of cars and a decreasing share of endorsements offering premium discounts. However, a growing portion of online distribution channels that offer lower rates will put downward pressure on overall premium growth. The loss ratio is forecast to go up when the spread of COVID-19 starts to be kept in check and the use of cars picks up again. Higher auto repair costs may also have an adverse impact on the loss ratio.

Korean Re's motor business aims to achieve KRW 609.5 billion in gross written premiums in 2021, 0.7% higher than the previous year. To this end, we will further broaden our business relationships with mutual associations to bring business growth and value to our partners as well as to our company. We will also seek cooperation with insurtech startups to seize new business opportunities and enhance our client engagements. Furthermore, we will continue to do our best to build a more profitable and diversified overseas business portfolio as we expand our presence in global markets.

Gross Written Premiums: Motor

(Units: KRW billion, USD million)

	FY 2020 (KRW)	FY 2020 (USD)	FY 2019 (KRW)	FY 2019 (USD)
Motor	605.4	508.0	679.8	577.8

Life and Health

Domestic Business

Despite challenging market conditions amid the spread of COVID-19, the Korean life insurance market recorded KRW 119.6 trillion in direct premiums in 2020, up 2% from the previous year. At the beginning of the year, the life market got off to a relatively good start, with sales of protection policies growing fast. However, COVID-19 brought the economy to a standstill, curbing private consumption and having an impact on insurance market growth. From halfway through the year, the market started to recover to some degree, backed by sales of health and savings insurance products.

Protection life insurance showed a growth of 4.1%, driven by rising demand for health insurance products and last-minute purchases before insurers cut their estimated interest rates. Savings-type insurance premiums grew by 9.8% as sales of short-term savings insurance products increased due to widening gaps between interest rates on bank deposits and crediting rate on insurance products.

Korean Re reported gross premiums of KRW 925 billion for the domestic life and health (L&H) business in 2020, representing a 0.8% decline from the previous year. The slight decrease came in spite of our continued effort in joint product development with direct insurers to drive new business growth. The primary reason for the contraction was portfolio adjustments – a strategic reduction of loss-making or low margin treaties. Accordingly, our net underwriting results improved by KRW 10.8 billion to KRW 25.9 billion in 2020.

Our market share is estimated to have decreased slightly to around 40% in 2020. The domestic life reinsurance market increased by 8.4% to KRW 2,266.5 billion in 2020 on the back of primary insurance market growth.

In 2021, the life insurance market in Korea is expected to see an increase in premium income by 3.5% from the previous year. Premium growth of protection insurance will likely slow down to 2.9% due to a continued decline in demand amid economic woes and an aging population. Stronger regulations of market conduct may also pose some challenges to insurers in their efforts to drive premium income growth. Savings insurance premiums are expected to decline by 2.7% on the base effect of growth in 2020.

Along with a prolonged COVID-19 pandemic, the life insurance market will be facing a set of challenges: difficulties in traditional agent channel sales, the implementation of new regulations to modify the structure of low/no surrender value insurance products, changes to the commission scheme, and preparations for a soft landing in the introduction of IFRS 17. Life insurers also need to address longer-term challenges such as declining demand for death benefit products against the backdrop of increasing life expectancy and potential diversification of sales channels in tandem with the spread of so-called "untact culture" where technologies reduce the need for person-to-person interaction, allowing people to increasingly interact online.

In response to this changing business environment, our Domestic Life & Health Team will strive to stay ahead of all these changes. We will strengthen our expertise in providing risk management solutions to direct insurers through the newly introduced coinsurance business and supporting them under the upcoming IFRS 17 regime. We will also remain strongly committed to working with life insurers on the development of new health insurance products, while making sure that stable reinsurance capacity is provided with regard to simplified issue products and high-death-benefit life insurance.

In doing so, nothing is more essential than identifying client needs accurately. Korean Re will continue to engage closely with direct insurers to figure out the best way to serve them and actually deliver the underwriting services that meet their needs. The reinsurance training programs and underwriting seminars that we provide regularly are another important means of client engagement. These efforts to ensure the success of our clients will also ensure the success of Korean Re as the leading reinsurer in the Korean life insurance market.

Gross Written Premiums: Domestic Life and Health

(Units: KRW billion, USD million)

	FY 2020 (KRW)	FY 2020 (USD)	FY 2019 (KRW)	FY 2019 (USD)
Domestic Life and Health	925.0	776.2	932.3	792.4

Overseas Business

In 2020, the life reinsurance markets across the globe were significantly affected by an unprecedented health crisis arising from COVID-19. A number of leading life reinsurers suffered profit setbacks, driven particularly by heavy losses from elevated mortality claims in the U.S.

Despite this global pandemic situation, our overseas L&H business enjoyed a successful 2020 in terms of growth. We reported a 17.5% increase in gross written premiums to KRW 541.2 billion for the year. The major driving force was the growth of our business in North America and Latin America.

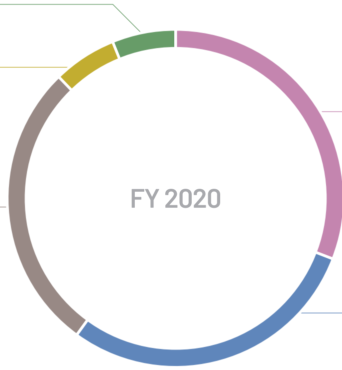
Our premium income portfolio by geography shows that Northeast Asia accounted for the largest share of our overseas L&H business at 31%, followed by Latin America and North America at 29% and 28%, respectively. We achieved remarkable business growth in Latin America, with premiums soaring by 110% in 2020 compared to the previous year. This clearly demonstrates that our relentless endeavors to diversify the portfolio paid off. Europe, the Middle East and Africa (EMEA) and Southeast Asia took up 6% each.

The portfolio rebalancing efforts will continue into 2021 in accordance with our profit-oriented growth strategy. To this end, we will keep working to increase the portions of non-proportional and group businesses. We will also seek to build strategic alliances with new clients as well as strengthen relationships with our existing clients and partners. Combined with these efforts, we expect to benefit from improved mortality rates in the coming years.

As evolving regulations and a persistently low interest rate environment drive demand for non-traditional reinsurance, we believe it is now more important than ever to dedicate ourselves to offering innovative solutions that can help reduce the required capital of insurers. We at Korean Re clearly understand the role we need to play in supporting our clients with optimizing their risk-based capital in a way that helps them meet their regulatory requirements and ensure their business growth. We are committed to living up to that role, which in turn may provide new business expansion opportunities for our company.

International Portfolio by Geography

(Unit: %)



Gross Written Premiums: Overseas Life and Health

(Units: KRW billion, USD million)

	FY 2020 (KRW)	FY 2020 (USD)	FY 2019 (KRW)	FY 2019 (USD)
Asia	200.8	168.5	222.0	188.7
Americas	307.7	258.2	205.7	174.8
EMEA	32.7	27.4	32.8	27.9
Total	**541.2**	**454.1**	**460.5**	**391.4**

Investment

At Korean Re, our Asset Management Team is committed to driving stable investment income over the long term in a way that supports the company's financial strength. Throughout 2020, we held steadfast to our prudent investment strategies in response to pandemic-induced shocks to the economy and heightened economic uncertainty. As a result, we demonstrated our ability to consistently deliver stable investment performance, achieving a return of 3.8% in the face of volatile economic and financial market conditions.

In 2020, the Korean economy slid into a recession as COVID-19 took its toll on economic output. Its GDP growth rate declined to 1%, representing the worst economic performance since the Asian financial crisis in 1998. Private consumption and employment tumbled as the coronavirus infection spread. Exports suffered a slump, although a recovery in outbound shipments managed to shore up the economy to some extent toward the end of the year.

For its part, the Bank of Korea cut its policy interest rate to a record low of 0.5%, following on the heels of rate cuts by the U.S. Federal Reserve and many other central banks in major economies. The yield on ten-year Korea treasury bonds hit a yearly low of 1.281% in July 2020, but it recovered to pre-pandemic levels in the final months of the year. The local stock market went through extreme swings from the beginning of the COVID-19 outbreak, but the Korea Composite Stock Price Index (KOSPI) closed the year at 2,873.47 up 30.5% from a year earlier on expectations of a rebound from the pandemic.

Against this challenging backdrop, our invested assets generated KRW 236.7 billion in investment income excluding foreign exchange gains/losses in 2020. We delivered a stable return on investments albeit down marginally from the previous year. As we continued to deploy capital into high-quality corporate bonds and government bonds, 39.6% of our investment income came from our foreign bond holdings, which amounted to KRW 93.7 billion. Income from alternative investments and domestic bond holdings accounted for 25.5% (or KRW 60.4 billion) and 29.7% (or KRW 70.4 billion), respectively.

Similar to 2019, our investment operation has been geared toward ensuring the stability of our investment portfolio and maximizing the profitability of our invested

Investment Results [1)]

(Units: KRW billion, USD million)

	FY 2020 (KRW)	FY 2020 (USD)	FY 2019 (KRW)	FY 2019 (USD)
Invested Assets	6,417.6	5,841.6	6,220.7	5,320.9
Investment Income	200.4	168.2	275.6	234.3
Investment Income*	236.7	198.6	235.8	200.4
Yield (%)	3.2	3.2	4.7	4.7
Yield* (%)	**3.8**	**3.8**	**4.0**	**4.0**

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

Invested Assets

(Units: KRW billion, USD million)

	FY 2020 (KRW)	FY 2020 (USD)	FY 2019 (KRW)	FY 2019 (USD)
Domestic Bonds	1,896.9	1,726.7	1,929.4	1,650.3
Foreign Bonds	1,585.8	1,443.5	1,507.0	1,289.0
Stocks	205.8	187.3	147.4	126.1
Alternative Investments (including loans)	1,955.7	1,780.2	1,650.4	1,411.7
Short-term Funds	587.5	534.8	800.1	684.4
Others	185.9	169.2	186.4	159.4
Total	**6,417.6**	**5,841.6**	**6,220.7**	**5,320.9**

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

[1)] Investment results in this investment section are based on the Separate Financial Statements of Korean Re, reflecting investment operation at the head office only.

assets throughout 2020. We reported a 3.2% growth in invested assets to KRW 6,417.6 billion as of the end of 2020, backed by stable inflows of investment and premium income. Compared to the previous year, there was little change in asset allocation in 2020. Our investment portfolio was dominated primarily by domestic fixed-income securities that were composed of government bonds and other high-quality corporate bonds, all of which accounted for 29.6% of the total invested assets. As we have been continuously compelled to search for new investment opportunities in the current low-yield environment, the proportion of alternative investments including loans stood at 30.5% of our total invested assets. Most of our alternative investment vehicles are loans - real estate loans and acquisition finance - and loan-linked products.

Looking forward to 2021, economic conditions are expected to improve somewhat, while the benchmark interest rate is likely to be maintained at the current level throughout the year, with one rate hike expected in 2022. As long as the low-yield environment is here to stay, we may have to continue our expansion into new and diversifying sources of investment return. Equally important is that we should stick to investment strategies that best fit our needs, such as achieving stable investment results and enhancing our financial strength to enable our business growth.

Investment Income

(Units: KRW billion, USD million)

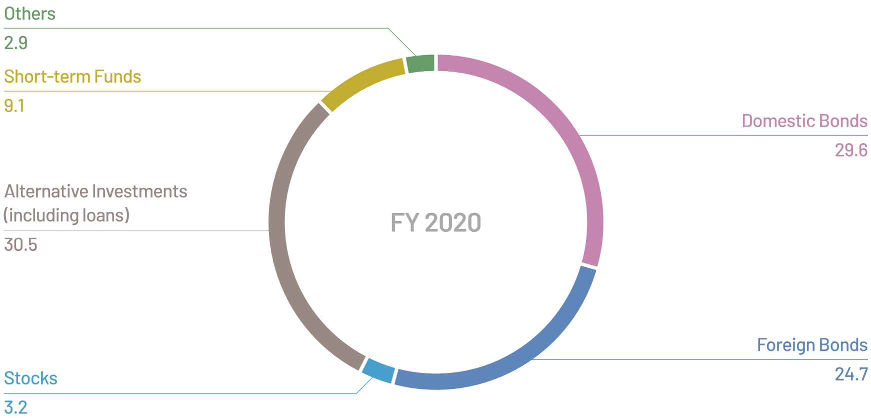
	FY 2020 (KRW)	FY 2020 (USD)	FY 2019 (KRW)	FY 2019 (USD)
Domestic Bonds	70.4	59.1	51.0	43.4
Foreign Bonds	57.4	48.2	118.0	100.3
Foreign Bonds*	93.7	78.6	78.2	66.5
Stocks	5.0	4.2	29.2	24.8
Alternative Investments (including loans)	60.4	50.7	70.1	59.6
Short-term Funds	9.4	7.9	8.8	7.5
Others	-2.2	-1.9	-1.5	-1.3
Total	**200.4**	**168.2**	**275.6**	**234.3**
Total*	**236.7**	**198.6**	**235.8**	**200.4**

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

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

Investment Portfolio Mix

(Unit: %)



Socially Responsible Company

Korean Re strongly upholds the value of corporate contributions to the protection of the environment and society. We also remain committed to promoting sound corporate governance practices so as to create enduring value for our business, clients, employees, and all other stakeholders. Our success as a company will be driven not just by how well our business is operated commercially, but also by how well we care for the wellbeing of our employees and support the communities in which we operate.

Taking Actions in Response to COVID-19

It was a year of unprecedented social challenge in 2020 as the COVID-19 pandemic wreaked havoc on livelihoods and economies at an unprecedented scope and scale. We at Korean Re have been taking every possible action to keep our employees and businesses safe from the current crisis. Our top priority now is the protection of our employees, our business partners and our neighboring communities.

Korea as a nation has been recognized in the global community for its fast and well-organized response to the pandemic and transparent disclosure of infection/death statistics. It has one of the most vigorous and meticulous contact tracing systems in the world. Public health officials collect every piece of personal data possible to question people about who they have been in contact with since their first symptoms and find any connecting link between COVID-19 patients in order to mitigate the spread of the pandemic.

Protecting the Health of Our Employees

Based in Seoul, Korean Re has been able to respond to the pandemic swiftly in accordance with its Business Continuity Plan (BCP), which was built upon its experience with the outbreaks of novel influenza A virus and MERS infections in the recent past. Under the BCP, employees divided into two groups came to the office alternately in three types of working-hour schemes when the number of new confirmed cases spiked.

All employees have been in full compliance with basic rules for personal hygiene and social distancing. In the office, everyone is required to wear protective masks. Business trips, meetings, and all other face-to-face contacts are restricted and replaced by calls or video conferences. Head office entry/exit point controls and self-quarantine measures have been strengthened to protect our workplaces and keep them safe from external dangers. Face masks were at times in short supply at an early stage of the outbreak, so we provided them to employees to ensure their safety, with hand sanitizers being put in place in every corner of our offices.

Our overseas branches and offices have taken all necessary actions following their local authority's guidelines, and we at the head office have been constantly updated on any specific developments. Fortunately, until now, we have seen no infected cases among Korean Re employees. Still, we will not let our guard down under any circumstances. Rather, we will keep ourselves more vigilant under the leadership of our contingency management committee.

Providing Support to the Financially Distressed

As a responsible business, we strived to support our society and communities at a time of real need. To this end, we participated in a collective campaign to provide support to households suffering from financial distress in the aftermath of the pandemic outbreak. Under the campaign, relief funds were provided to college students from households struggling financially. This was one of the many social outreach programs led by the General Insurance Association of Korea, and we actively support its charity programs designed to help people in need and make a positive impact on society.

Ensuring Business Continuity

On the business front, multiple approaches have been deployed to make sure that our business is operated as stably as possible. In our view, there are no significant impacts on reinsurance operations both on domestic and overseas businesses, as communicable diseases or losses from pandemics are typically excluded from standard policies. Economic recession and inactive in-person sales of personal-line insurance products may lead to top-line growth being lowered than expected. However, underwriting results are likely to improve in some lines of business, given that auto and medical expense insurance claims have decreased due to fewer hospital visits and less driving.

Although the latest stress tests tell us that there would be no direct impact on the investment side, our Risk Management Team is taking proactive actions to protect against any market risk. More than half of our investment portfolio is composed of bonds with very limited stock exposure. Korean Re's investment portfolio is sound and stable, and we will continue to monitor market movements and take timely actions when needed for any upcoming changes.

Even if the COVID-19 situation is prolonged further, our investment yield may go down slightly, but not seriously. Korean Re has a sound bond portfolio, the fundamentals of which remain robust enough to sustain our risk appetite and tolerance. Even in a worse-case financial crisis, let alone the current COVID-19 impact, our capacity is sufficient to fully meet the required solvency level. Further to that, we are making progress in developing more sophisticated and upgraded models for pandemic risk at the moment.

We at Korean Re will ensure that our clients are to be served with confidence and stability. Our operational direction and shareholder-friendly policies will remain unchanged. Any potential changes related to COVID-19 circumstances will be communicated to all stakeholders as quickly as possible. Also, we will closely watch economic indicators linked with our business results, and any impact likely to arise from the deterioration of economic conditions will be reported to our clients and partners.

Supporting Our Communities

Volunteering to Help Build Houses for People in Need

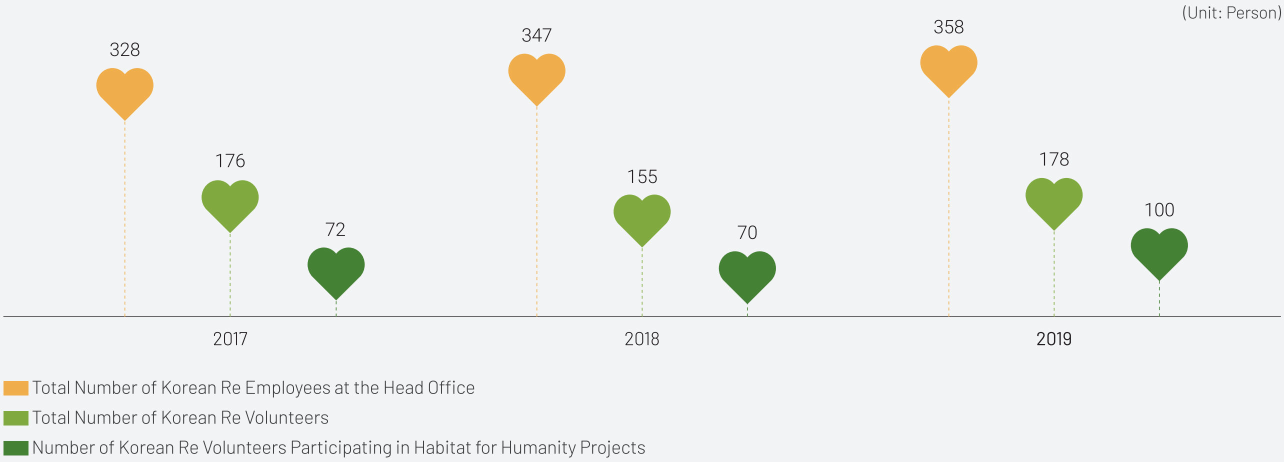
Since 2013, Korean Re has been taking part in the Building Homes of Hope initiative in partnership with Habitat for Humanity Korea to support families in poor housing conditions. Over the past eight years, our employees have participated in a number of home-building projects, helping to address people's need for safe and stable homes in many communities across the nation. In 2020, there was a temporary suspension of our participation in a home-building project due to concerns on the health of volunteering employees during the pandemic. We plan to resume our volunteer program in 2021 and engage in the building of mobile homes by organizing smaller groups of volunteers under strict safety precautions against COVID-19.

Caring for Our Close Neighbors

Korean Re has long been demonstrating what it means for a business to be good for society and the communities where it operates. Through a program called "Sharing Hopes with Our Neighborhood," we help our close neighbors by serving food that is personally cooked by our employees. Since 2015, we have organized many 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 is packed and then delivered to those underserved families living in the Jongno District of Seoul.

In addition, for the past 17 years, Korean Re employees have helped financially-strapped families in Ihwa-dong, an inner city neighborhood close to Korean Re's head office in Seoul. This annual charitable initiative is organized at the end of each year to help make our neighbors' winter a little warmer. In 2020, we were not able to make door-to-door deliveries due to COVID-19 but made sure that packages of rice, noodles, kimchi and other necessities were sent to single-parent households, elderly people living alone, and child education centers in the community.

Number of Korean Re Volunteers



Sponsoring a Youth Cello Ensemble

Art and culture is another important area of focus in our social contribution activities, as we at Korean Re believe that art and culture can be a powerful agent of community development. Since entering into a sponsorship agreement with the Miral Welfare Foundation in 2017, Korean Re has continued to support a cello ensemble named Wing, which is comprised of 20 autistic or intellectually challenged children and teenagers.

Korean Re has committed roughly KRW 100 million every year to the ensemble so that these young cello players can communicate with the world through music. Our annual donation of funds has been used to pay for lessons and instrument repairs, as well as to organize concerts.

Participating in Overseas Disaster Recovery Activities

As a reinsurer aiming to become a global leader, we also care for people and communities outside of Korea. Since 2014, Korean Re has sent a group of employees primarily composed of new hires to the typhoon-hit community of Ayutthaya, Thailand to support its recovery from the natural disaster. In particular, we took part in projects that build houses for those who live in poor housing condition.

In 2020, we were not able to send our volunteer team due to the pandemic, but our commitment to international disaster relief efforts remains solid. If conditions permit in the future, we will continue to implement our international corporate volunteering program to support the rehabilitation of communities devastated by natural disasters.

Investing in Our People and Culture

Positive Working Environment

Ensuring a healthy and positive working environment is not only the right thing to do for our employees, but also an essential element of our business success. It encourages creativity and a sense of belonging among employees and helps them perform at their best professionally. In this respect, Korean Re is committed to promoting a corporate culture that values a healthy work-life balance for our employees.

Korean Re has implemented diverse measures to help employees maintain a heathier state of mind and body. Since 2019, "Refresh Vacation" has been provided to long-term employees, allowing them to take time off for about a month 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, our policy for employees with young children allows them to use flexible working hours so that they can better manage their childcare and family lives. "PC-Off" is another program we have established to help our employees achieve a greater work-life balance. Korean Re upholds the notion that balanced employees tend to feel more motivated, become more productive, and feel less stressed out at work.

Training and Development

Employee training is one of the most important investments a business can make. Korean Re is dedicated to helping our employees at all stages of their career grow and develop continuously. Our investment in people aims to enable them to improve their job performance and gain insight into what and how they should do at work.

Korean Re has a wide range of training programs available for employees who want to develop both in their current roles and future careers. These programs take various forms, including competence-building workshops, foreign language training, lectures by outside experts, classroom training, on-the-job training, and self-study groups.

In 2020, COVID-19 has changed the way employees are trained and educated. The existing offline programs were made accessible via online attendance. Under this new online training initiative, employees at Korean Re can take one educational course every month. More than 270 subjects or courses are available, including economics, business administration, finance, accounting, and foreign languages.

In addition, international training opportunities are provided to our employees in partnership with outside expert institutes, which offer virtual programs and customized content. A select group of employees are also sent to our overseas offices for training purposes or given an opportunity to study at an overseas academic institute.

Korean Re employees are also encouraged to study for professional qualifications that help improve their job skills and benefit the company's business operations. By providing these various training opportunities, we will continue to help our people effectively fulfill their job responsibilities and build their careers, while making sure that training goals are well aligned with business needs and objectives to have a positive impact on our organization as a whole.

Market Overview

FY 2020

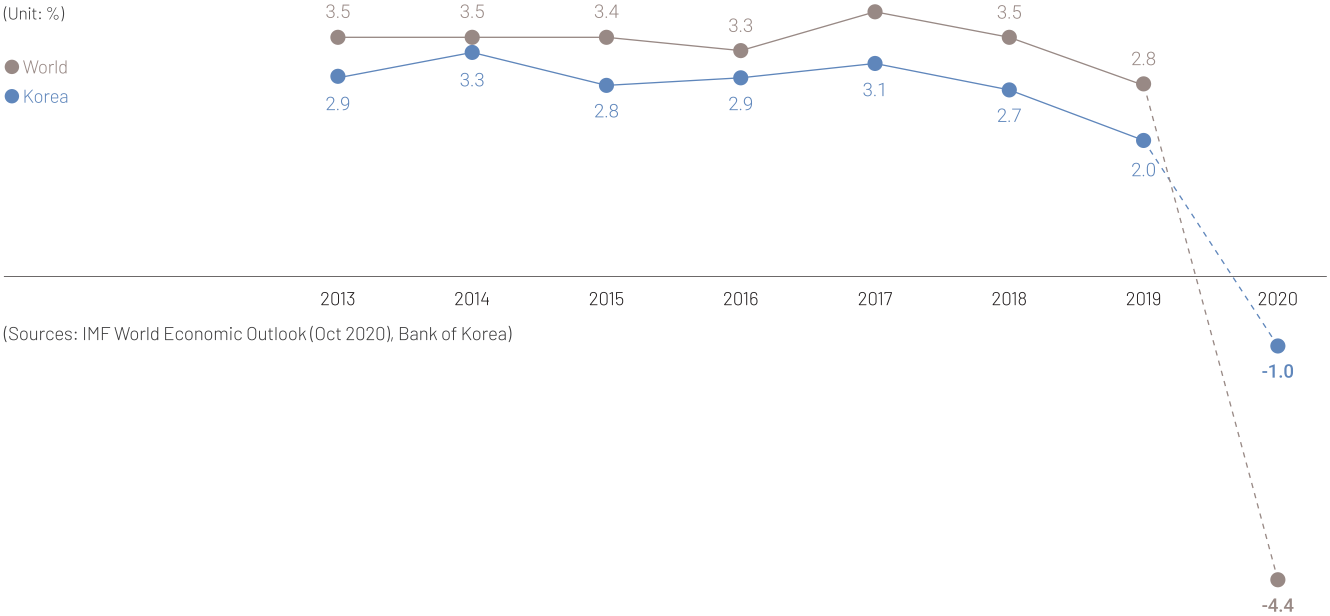
Korean Economy

2020 in Review

GDP

The coronavirus pandemic dealt an unexpected blow to the Korean economy, and 2020 was the worst year for its GDP growth since the Asian financial crisis. As the pandemic hurt consumer spending and business investment, Korea's GDP contracted by 1% in 2020 from a year earlier. That was the first time the economy has shrunk for the year since 1998 when GDP declined by 5.1%. Still, the economy remained surprisingly resilient compared to other economies, with the global economy contracting by 4.4% amid the fallout from the pandemic. Among major economies in the world, Korea is likely to be one of the best performers in terms of GDP growth.

GDP Growth Trends



(Sources: IMF World Economic Outlook (Oct 2020), Bank of Korea)

Consumer Spending

Consumer spending bore the brunt of the pandemic's impact on the economy. Private consumption plunged by 5% in 2020 due to an extended period of social distancing restrictions and worsening job market conditions. Expenditures on services and semi-durable goods took a greater hit than others. This disproportionate impact on services spending reflected a cutback on nonessential purchases that involved going to places where the risk of contracting the virus was relatively high due to physical proximity with others. In particular, consumers shied away from movie theaters, bars, theme parks and other recreational service venues.

Equipment Investment

Equipment investment sharply rebounded in 2020, growing by 6.8%. The growth was mostly driven by the semiconductor industry. There was explosive pandemic-induced demand for semiconductors and chips that power everything from personal computers and consumer electronics to communications and IT infrastructure such as data centers. On the other hand, investment spending on transportation equipment, particularly in the aviation industry, dipped due to travel restrictions being placed in many countries around the world.

Construction Investment

Construction investment decreased by 0.1% in 2020, showing some signs of recovery in construction activity. Although there seemed to be a limited direct impact of the pandemic on construction investment, most sectors of the construction industry appeared to suffer some setbacks due to the financial toll that was inflicted on businesses. Public spending on infrastructure increased, however, as the government expanded its investment in support of economic recovery. Infrastructure development has been one of the key focus areas of policymakers as a means to boost employment and economic output.

Employment

It was a painful year for the labor market in 2020 as many people were pushed out of work unexpectedly during the pandemic. The number of employed people fell by 218,000, the largest decline since the Asian financial crisis in 1998. Workers at retailers, restaurants, hotels and other accommodation services were the hardest hit as the government imposed strict social distancing measures, such as a ban on indoor restaurant dining after 9 pm. Jobs in manufacturing also took a hit as external trade conditions worsened, causing export growth to slow down.

Inflation

Consumer price inflation remained mostly subdued at 0.5% in 2020, far below the target rate of 2%. Demand-side inflationary pressure weakened after the onset of COVID-19, and plummeting international oil prices added to downward pressures. On the other hand, there was some upside momentum such as a rise in fresh food prices. In particular, the record-long rainy season in the summer drove up the prices of agricultural produce. The core inflation rate, which excludes volatile food and energy prices, dropped to 0.4% in 2020 from 0.7% in 2019.

Current Account Surplus

Korea's current account surplus rose by 26% to USD 75.3 billion as merchandise imports decreased more sharply than merchandise exports amid falling import prices of commodities, including crude oil. The nation's outbound shipments were significantly hit by the fallout from the pandemic outbreak, but picked up gradually toward the end of the year as major economies started to ease lockdowns and resume business activities.

Interest Rate

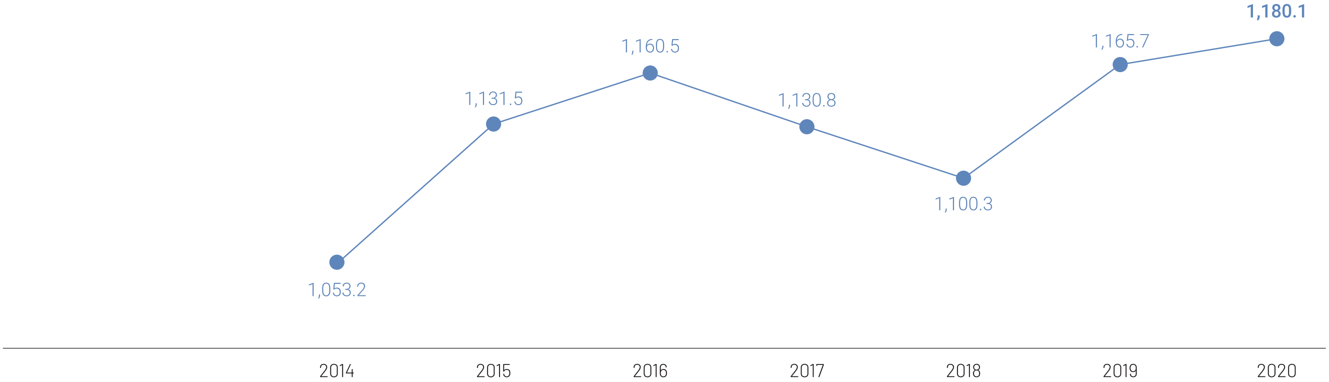
Since May 2020, the Bank of Korea has kept the benchmark interest rate at its record low of 0.5% as the coronavirus pandemic continued to weigh on economic activity, inflation, and employment. The central bank maintained its stance that it would be necessary to help foster accommodative financial conditions in a bid to support the flow of credit to households and businesses. The average three-year treasury yield fell to 1.0% in 2020 from 1.5% in 2019. The government bond market took investors on a bumpy ride in 2020, with yields plunging to historic lows early in the year before making some recovery in the second half when there were growing expectations of economic rebound and COVID-19 vaccine development.

Foreign Exchange Rate

The yearly average exchange rate of the Korean won against the U.S. dollar increased to KRW 1,180.1 in 2020 compared to KRW 1,165.7 in 2019. Following the outbreak of COVID-19, the exchange rate soared in March when the U.S. dollar rallied to a new high for the year amid anxiety-driven capital flight to safe assets, and then fell steeply on expectations of improvement in economic indicators and China's recovery. Economic stimulus measures in the U.S. and the resulting increase in the supply of the greenback led the U.S. dollar to slide against major currencies, providing a boost to a strengthening Korean won. News of progress in coronavirus vaccine development and Joe Biden's victory in the U.S. presidential election drove a windfall for equity markets and other riskier asset classes, causing the greenback to further weaken.

Korean Economy

KRW/USD Exchange Rate Trend
(Unit: KRW)



(Source: Bank of Korea)

Prospects for 2021

GDP

The Korean economy has proven relatively resilient even as the COVID-19 pandemic drags on. After the pandemic-induced shock in 2020, economic growth is expected to normalize in 2021. The economy is on track to deliver a 3% growth in 2021 following a contraction of 1% in 2020, according to a forecast released by the Bank of Korea in February 2021. It will gradually recover from a recession triggered by the outbreak of coronavirus infections, and the recovery will be characterized by three factors: global economic improvement, export rebound, and investment spending growth.

Consumer Spending

Consumer spending will return to growth in 2021, rising by 2%, after a pandemic-led reduction in 2020, but the pace of recovery may not be as fast as hoped for. The slower recovery may be attributed to delayed improvement in household income and the continued implementation of social distancing measures. Household savings have increased as the COVID-19 pandemic caused uncertainty regarding future income and employment prospects. These increased savings may turn into a driver of consumption growth once the pandemic is kept in check, but any resurgence of COVID-19 may further drive up household savings, putting pressure on consumption growth. Growing household debt amid an ultralow interest rate environment may also hold back the recovery of consumer spending. There are some other positive factors that boost consumption, such as the extension of the government's expansionary policy and measures to support job creation.

Equipment Investment

Equipment investment is expected to rise by 5.3%, driven by solid investment spending in the IT sector and a recovery in non-IT investment. COVID-19 has led to an exceptional surge in technology investment across the globe, and those investments are mostly focused on accelerating the rollout of 5G networks and building more data centers. In the non-IT sector, a growing amount of investment will be made in eco-friendly technologies involving electric vehicles and other mobility services. The inland transportation sector will also see a rise in equipment investment amid the growth of e-commerce, which is backed by growing demand for online purchases.

Construction Investment

Construction investment will rebound with a 0.8% growth being forecast for 2021. The civil engineering construction sector will continue to fare well thanks to the government's increased investment in infrastructure, while the severe contraction in residential construction is set to slow down. Leading indicators of building activity, such as new housing starts or construction orders, show some improvement in conditions for the housing construction sector. In particular, there will be an expansion in public-sector housing construction, driven by the government's policy measures to increase housing supply. On the other hand, investment in private-sector housing construction is expected to pick up slowly due to strengthened regulations in the housing market.

Employment

The job market has been severely disrupted by the COVID-19 pandemic, with the number of new jobs declining sharply. Sluggish labor market conditions are set to continue into early 2021 considering another massive outbreaks of coronavirus infections in late 2020. Once the surge in new cases is contained, a modest recovery is expected in the most impacted sectors, such as hospitality, brick-and-mortar retailers, restaurants, entertainment and recreation. Job reduction in the manufacturing industries will also slow down, backed by demand recovery at home and abroad. The unemployment rate is projected to be steady at 4.0% in 2021.

Inflation

Consumer price inflation will likely trend up from 0.5% in 2020 to 1.3% in 2021 due to base effects of low levels of inflation over the previous two years. Upward pressures may gather some strength in line with economic recovery. Slowly rising prices of oil and commodities and a hike in housing rental costs will also become factors that push inflation up. Other upside factors include improving consumer confidence amid expectations of the fast rollout of COVID-19 vaccines. At the same time, there will be weaker downward pressures coming from government policy measures, such as government subsidies for high school education and mobile phone bills. However, an extended delay in economic recovery and muted import prices in the midst of a weakening U.S. dollar against major currencies may put further downward pressure on inflation. Core inflation, which leaves out food and energy prices, is also forecast at 1% in 2021, up from 0.4% in 2020.

Current Account Surplus

Korea's current account surplus is projected to go down to USD 64 billion in 2021 from USD 75.3 billion in 2020 mostly due to growing imports amid rising international oil prices. The ratio of the country's current account surplus relative to its GDP is expected to decrease to the mid-3% range in 2021 from mid-4% in 2020. The nation's merchandise account surplus is likely to narrow in spite of increasing exports as higher oil prices are also set to push up the prices of imported goods. Korea is expected to see a decrease in its service account deficit on the back of a growing transport account surplus in tandem with rising global trade volume. Since the onset of the COVID-19 pandemic, many countries have imposed travel restrictions, and the resulting plunge in international travel has led to a decline in service account deficit. When the spread of the coronavirus is subdued, the amount of deficit may widen again.

Korean Economy

Interest Rate

The average three-year treasury yield is projected to rise slightly to 1.1% in 2021. The current low-yield environment is expected to persist due to concerns over the impact of the pandemic on the economy. The Bank of Korea is expected to keep the benchmark rate at a historically low level to support economic recovery, which will keep a lid on the yields of treasury notes. Pandemic-related news will likely dominate investor sentiment and projections for interest rates in the financial market during the first half of the year. A surge in treasury issuance may push up the yield, and it is thus worth watching when and how much the Bank of Korea will purchase treasury notes.

Foreign Exchange Rate

In 2021, the value of the Korean won will strengthen even further against the U.S. dollar, bringing the yearly average exchange rate of USD/KRW down to KRW 1,125.0 per dollar. The supply of dollars is likely to continue to increase in step with the expansionary fiscal and monetary policies maintained by the U.S. government. The new Biden administration is set to take a wide range of pump-priming measures. However, the exchange rate is not likely to tumble sharply, as the Korean government will remain on high alert and take some actions to curb any drastic decline in the exchange rate. There are some external risks that may drive the exchange rate to soar, such as escalating trade tensions between the U.S. and China, another resurgence of COVID-19, and a flight to safe and risk-free assets.

Key Economic Indicators

(Unit: %)

	2019	2020	2021(E)		
			First Half	Second Half	Annual
Real GDP	2.0	-1.0	2.6	3.4	3.0
Consumer Spending	1.9	-5.0	0.2	3.8	2.0
Equipment Investment	-7.7	6.8	6.9	3.8	5.3
Construction Investment	-3.1	-0.1	-1.2	2.6	0.8
Unemployment Rate	3.8	4.0	4.5	3.6	4.0
Current Account Surplus (USD Billion)	60.0	75.3	33.0	31.0	64.0
Exports	0.4	-0.5	13.0	2.0	7.1
Imports	-1.0	0.0	7.6	5.3	6.4
Consumer Price Inflation	0.4	0.5	1.2	1.4	1.3
Three-year Treasury Yield	1.5	1.0	1.0	1.1	1.1
USD/KRW Exchange Rate (KRW)	1,166	1,180	1,132	1,118	1,125

(Sources: Bank of Korea (Feb 2021), Korea Institute of Finance)

Korean Insurance Market

2020 in Review

In 2020, insurance market growth in Korea was faster than expected as government stimulus measures following the outbreak of COVID-19 provided a temporary boost to the market. However, this growth momentum is unlikely to last, with the impact of increased liquidity being limited to boosting savings demand in the short-term rather than creating broader insurance demand in the long-term.

The insurance market saw a 4.3% increase in premium income to KRW 221.9 trillion in 2020, according to preliminary figures released by the Financial Supervisory Service. Life insurance premiums increased by 2% to KRW 119.6 trillion on the back of savings insurance. Non-life insurance premiums expanded by 7% to KRW 102.3 trillion, backed by growth in all lines of business.

Premium Income

(Unit: KRW trillion)

	FY 2020	FY 2019	Change (%)
Life Insurers	119.58	117.26	2.0
Non-Life Insurers	102.32	95.59	7.0
Total	**221.90**	**212.85**	**4.3**

(Source: Financial Supervisory Service)

Insurance industry profitability also slightly improved due to increased net income results. Insurers' net income jumped by 13.9% to KRW 6,080.6 billion. Despite a decline in investment profit amid low interest rates, life insurers reported a 10.9% increase in net income, which totaled KRW 3,454.4 billion. Their underwriting losses narrowed amid decreased reserving for guaranteed businesses, such as guaranteed minimum death benefits and annuity payouts, and improved business results from savings insurance.

Non-life insurers also delivered strong results, with net income soaring by 18.1% to KRW 2,626.2 billion. This improvement was largely driven by reduced loss ratios of motor and long-term insurance lines.

One of the many knock-on effects of the COVID-19 pandemic has been a decrease in motor claims due to a reduced use of vehicles amid social distancing. There has also been a drop in outpatient visits to hospitals for non-urgent and elective medical treatments, which temporarily brought down the loss ratios of accident and health insurance.

Net Income

(Unit: KRW billion)

	FY 2020	FY 2019	Change (%)
Life Insurers	3,454.4	3,114.0	10.9
Non-Life Insurers	2,626.2	2,223.8	18.1
Total	**6,080.6**	**5,337.8**	**13.9**

(Source: Financial Supervisory Service)

In tandem with net income growth, the profitability indicators of the insurance industry also showed modest improvement in 2020. The return on assets (ROA) ratio of insurers inched up to 0.48%, while the return on equity (ROE) ratio increased to 4.45%. As of the end of 2020, total assets of the insurance industry rose by 6.6% year on year, to KRW 1,321.2 trillion. Total shareholders' equity of the insurance industry expanded by 10.1 % to KRW 143.1 trillion, driven by an increase in retained earnings and mark-to-market gains on available-for-sale securities in a persistently low interest rate environment. Meanwhile, Korea's insurance penetration rate fell slightly to 10.78% in 2020, and its ranking was one notch down to 6th place in the world.

ROA and ROE

(Unit: %)

		FY 2020	FY 2019	Change (%p)
ROA	Life Insurers	0.36	0.35	0.01
	Non-Life Insurers	0.79	0.72	0.07
	Total	**0.48**	**0.45**	**0.03**
ROE	Life Insurers	3.76	3.87	-0.11
	Non-Life Insurers	5.87	5.48	0.39
	Total	**4.45**	**4.41**	**0.04**

(Source: Financial Supervisory Service)

Total Assets and Shareholders' Equity

(Unit: KRW trillion)

		FY 2020	FY 2019	Change (%)
Total Assets	Life Insurers	977.28	918.16	6.4
	Non-Life Insurers	343.87	320.74	7.2
	Total	**1,321.15**	**1,238.91**	**6.6**
Shareholders' Equity	Life Insurers	96.58	87.05	11.0
	Non-Life Insurers	46.51	42.95	8.3
	Total	**143.09**	**129.99**	**10.1**

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

Insurance Penetration Rate

(Unit: %)

	FY 2020	FY 2019	Change (%p)
Insurance Penetration Rate	10.78	11.16	-0.38

(Source: Korea Insurance Research Institute)

Prospects for 2021

The insurance market in Korea will likely be depressed in 2021 after recording one-off robust growth in 2020 amid implications of the COVID-19 outbreak. Insurers are expected to experience slower growth as premium income is related to economic activity, and the current pandemic-driven economic situation is bound to hinder GDP growth. A sharp slowdown in economic output may hamper premium growth, putting further pressure on an insurance market that is already struggling with weakening domestic demand.

The coronavirus pandemic may continue to hold back economic growth, and the extent of its impact on the economy and the insurance industry may not be fully understood until 2021. Restricted face-to-face marketing activities and depressed consumer confidence may dampen insurance market growth. When the pandemic is kept under control, loss ratios may go up again, putting a strain on underwriting profitability. On the investment front, insurers are faced with challenges, such as impairment risks related to alternative investment assets and declining interest income, a major source of their investment income.

Insurance Market Growth Trends

(Unit: %)

	FY 2018	FY 2019	FY 2020	FY 2021(F)*
Life	-2.7	5.8	2.0	-0.4
Non-Life	3.1	4.9	7.0	4.0
Total	**-0.2**	**5.4**	**4.3**	**1.6**
Real Economic Growth	2.7	2.0	-1.0	**3.0**

* This growth projection for 2021 does not include retirement annuity.
(Sources: Financial Supervisory Service, Korea Insurance Research Institute, Bank of Korea)

Non-Life Insurance

In 2021, non-life premium growth is projected to slow to 4% in the midst of a pandemic-driven economic slowdown[2]. Premium growth will be supported by long-term accident and health insurance as well as general property and casualty(P&C) insurance and driver's coverage.

By line of business, the long-term accident and health insurance market is expected to keep expanding, albeit at a slower pace, on the back of continued inflows of in-force premiums. Long-term savings insurance premiums are set to decline further as insurers remain focused on protection products. General P&C insurance will likely continue to maintain growth momentum thanks to the expansion of the casualty sector, which is driven by liability, crop and mobile phone insurance. The marine insurance market will suffer some setbacks amid reduced trade flows and shipbuilding orders.

A sharp slowdown is expected for the motor insurance market due to the fading effect of price hikes and a decrease in the number of car registrations following the end of a temporary tax cut on purchases of passenger cars. The rise of online distribution channels that usually offer lower prices is also putting downward pressure on premium income growth.

[2] This growth projection does not include retirement annuity, and when retirement annuity is included, the non-life insurance market is expected to grow by 4.5% in 2021.

Korean Insurance Market

Non-Life Insurance Market Growth Trends

(Unit: %)

	FY 2019	FY 2020	FY 2021(F)
Long-term	5.0	5.3	4.7
Motor	5.1	11.6	2.9
General P&C	3.9	8.3	5.1
Fire	-1.2	-1.0	-0.8
Marine	0.8	17.7	-2.3
Guarantee	-1.0	1.7	1.2
Casualty	5.9	8.0	6.9
Annuity	**5.6**	**6.9**	**1.9**
Total	**4.9**	**7.0**	**4.5**

(Sources: Financial Supervisory Service, Korea Insurance Research Institute)

Life Insurance

The life insurance market is expected to contract by 0.4% in 2021[3]. Sales of death covers will likely slow down due to declining demand and stronger supervision of mis-selling practices. As the COVID-19 crisis evolves, depressed economic activity is reducing new business in the whole life segment, which has already been under strain from increasing market maturity. Strict social distancing measures are causing setbacks for face-to-face distribution channels where a large portion of new life business is generated.

General savings insurance is projected to decline as downside factors such as persistently low interest rates continue to weigh on premium growth. Although longer life expectancy is the primary driver that boosts demand for annuity plans, an increase in life annuity supply is likely to be limited due to the challenges of longevity risk management and stronger capital requirements under new accounting standards. Insurers expect to see some rise in initial premiums for variable life insurance on the back of a rebounding stock market, but the growth will be limited given the growing trend of short-term direct investment in the financial market. Bancassurance sales of variable life products will be adversely affected by the recent move by banks to strengthen their internal controls on how variable life products are sold.

Life Insurance Market Growth Trends

(Unit: %)

	FY 2019	FY 2020	FY 2021(F)
Protection	4.2	4.1	2.9
Savings	-5.7	9.8	-2.7
Variable	-0.1	-2.8	-5.5
Retirement Annuity	45.8	-8.1	17.6
Total	**5.8**	**2.0**	**3.5**

(Sources: Financial Supervisory Service, Korea Insurance Research Institute)

[3] This growth projection does not include retirement annuity, and when retirement annuity is included, the life insurance market is expected to grow by 3.5% in 2021.

Financial Review

FY 2020

Management's Discussion & Analysis

Overview of Business Environment

The Korean insurance market has been forced to grapple with slowing growth over the past few years. In 2020, insurance companies came under further pressure due to a decrease in new business volume and economic downturn in the aftermath of the COVID-19 outbreak. Despite this downward pressure on growth, they showed an improvement in profitability following excessively high claims experience in the previous year. Their underwriting losses in motor and long-term lines of business narrowed amid reduced claims activity - some unexpected benefits in the pandemic situation.

Life insurers suffered a decline in interest income due to low interest rates, but their underwriting losses were reduced on the back of reserve releases from the variable life business and improved business results for medical expense insurance. Similarly, non-life insurers saw their interest income shrink, but there was some improvement in underwriting performance of motor and health lines of business.

Solvency capital management has remained one of the biggest challenges for the insurance industry in Korea with the implementation of IFRS 17 scheduled for 2023 along with a new risk-based capital (RBC) regime called the Korean Insurance Capital Standards (K-ICS). Insurers have been exploring various options in terms of both capital requirements and available capital positions to boost their RBC ratios. For example, some of them have been working to strengthen their available capital resources by issuing subordinated debts and hybrid capital securities. Others have been seeking to raise new capital through rights offerings.

Coinsurance has emerged as a viable solution for insurers who want to improve their capital strength since it was legally permitted by Korean financial authorities in 2020. Insurers are now allowed to use coinsurance to cover interest rate risk as well as pure underwriting risk, which is basically covered by traditional reinsurance, in order to seek capital relief. Life insurers, in particular, can rely on coinsurance arrangements with reinsurers to alleviate reverse margins in an ultralow interest rate environment and ease capital burden in the run-up to the implementation of tightened accounting and solvency regulations.

Highlights of Business Results

Given the extraordinary circumstances, we are proud that Korean Re delivered relatively encouraging results in 2020, with gross written premiums increasing by 4.9% to KRW 8,447.1 billion and net written premiums growing by 6.6% to KRW 5,900.1 billion.

We also reported decent net income results of KRW 142.1 billion after tax, albeit below the strongest level achieved in the previous year (KRW 188.7 billion). Our underwriting performance returned to profitability mostly due to favorable foreign exchange movements, with an underwriting income of KRW 10.2 billion. If losses related to COVID-19 were excluded, underwriting income would have risen to KRW 65 billion, with net income soaring to KRW 183 billion. Our investment performance remained stable, generating an investment profit of KRW 198.2 billion backed by gains on the sale of bonds.

As of the end of 2020, our total assets increased by KRW 786.8 billion to KRW 12,519.9 billion, while there was a rise of KRW 215.9 billion in invested assets, which totaled KRW 6,438.1 billion. We maintained our capital position at a stable level, with total shareholders' equity standing at KRW 2,455.9 billion as of late December 2020.

Analysis of Business Results

Premium Growth

Korean Re wrote gross premiums of KRW 8,447.1 billion in 2020, achieving a 4.9% increase from the prior year. Our domestic business stayed on track to stable growth, with premiums rising by 2.7% to KRW 6,202.5 billion. There was also strong growth impetus from our overseas business, which grew by 11.7%. In line with this expansion in gross written premiums, our net written premiums increased by 6.6% to KRW 5,900.1 billion in 2020. As we continued to raise our retention of profitable business, the overall retention rate went up slightly to 69.8% from 68.7%.

Our domestic portfolio remained strong thanks to our rigorous portfolio management, which restricted the growth of loss-making personal lines of business and crop insurance business. We reported an 11.2% growth in our domestic property business and a 25% increase in our engineering business. The strengthening of our domestic portfolio was also supported by an improvement in marine and aviation premium growth. In addition, our domestic casualty business delivered stable growth on the back of professional liability and specialty risks.

In overseas markets, we made impressive progress with premiums growing by 11.7%. The main driver of growth was non-property lines of business that are less impacted by natural catastrophes, such as casualty, motor and life. In particular, our overseas life and health business showed a 17.5% increase in gross written premiums, backed by strong growth in the Americas. As for property insurance, we saw our international facultative business grow by 13.7% as a result of the strategic initiative to grow our book of business in less developed territories. Solid business growth at our overseas offices also contributed to the company's global business expansion.

Volume of Premiums

(Units: KRW billion, USD million)

	FY 2020 (KRW)	FY 2020 (USD)	FY 2019 (KRW)	FY 2019 (USD)	YoY Change*
Gross Written Premiums	8,447.1	7,087.8	8,051.5	6,843.5	4.9%
Net Written Premiums	5,900.1	4,950.7	5,533.0	4,702.9	6.6%
Earned Premiums	5,834.0	4,895.2	5,512.5	4,685.4	5.8%
Ceded Premiums	2,547.0	2,137.1	2,518.6	2,140.7	1.1%

* YoY change is based on the value in KRW.

Gross Written Premiums by Line of Business

(Units: KRW billion, USD million)

	FY 2020 (KRW)	FY 2020 (USD)	FY 2019 (KRW)	FY 2019 (USD)	YoY Change*
Property	1,188.9	997.6	1,165.1	990.3	2.0%
Engineering**	797.4	669.1	844.8	718.0	-5.6%
Marine and Aviation	418.6	351.2	380.4	323.3	10.0%
Casualty	1,331.7	1,117.4	1,181.5	1,004.3	12.7%
Long-term	2,408.0	2,020.5	2,277.7	1,936.0	5.7%
Motor	605.4	508.0	679.8	577.8	-10.9%
Life and Health	1,466.2	1,230.3	1,392.7	1,183.7	5.3%
Overseas Operations***	231.0	193.8	129.5	110.1	78.4%
Total	**8,447.1**	**7,087.8**	**8,051.5**	**6,843.5**	**4.9%**

* YoY change is based on the value in KRW. Individual figures may not add up to the total shown due to rounding.

** Engineering includes nuclear, agriculture, and other specialty lines.

*** Overseas operations include KRUL, KRSA and branches in Singapore, Labuan, Dubai, and Shanghai.

Management's Discussion & Analysis

Gross Written Premiums: Domestic vs. Overseas

(Units: KRW billion, USD million)

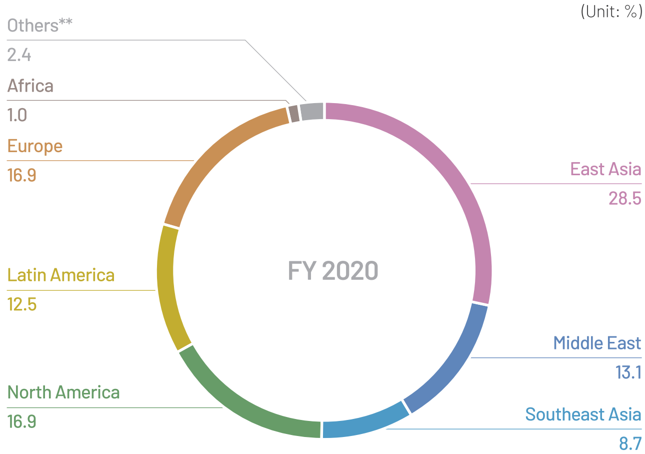
	FY 2020 (KRW)	FY 2020 (USD)	FY 2019 (KRW)	FY 2019 (USD)	YoY Change*
Domestic	6,202.5	5,204.4	6,041.9	5,135.4	2.7%
Overseas	2,244.5	1,883.3	2,009.6	1,708.1	11.7%

* YoY change is based on the value in KRW.

Korean Re continued to grow its global business portfolio in 2020, diversifying into overseas markets other than Asia. A geographical breakdown of our gross written premiums shows that the American and European markets accounted for 46.3% of the entire overseas business portfolio in 2020 compared to 42.1% in 2017. The shares of Asia declined by 4.7%p as a result of our portfolio management intended to improve overall business results.

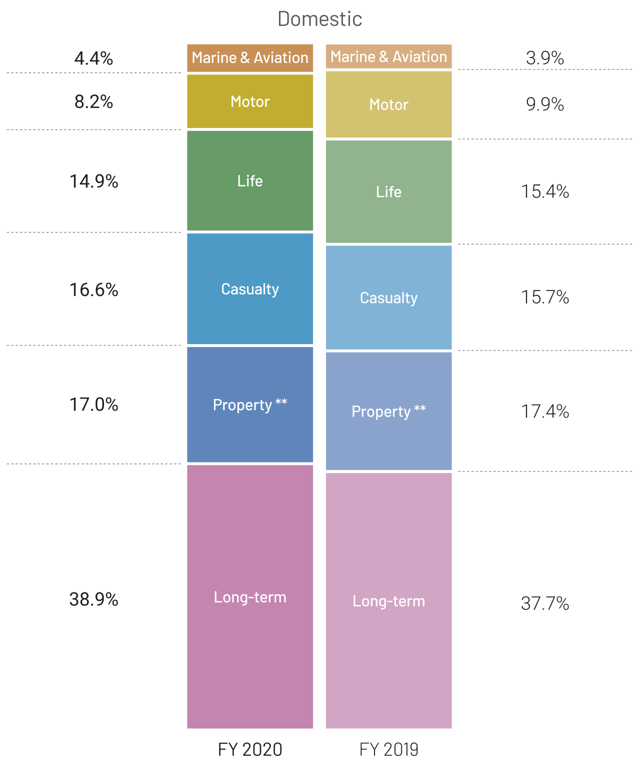
Overseas Business Portfolio by Region*

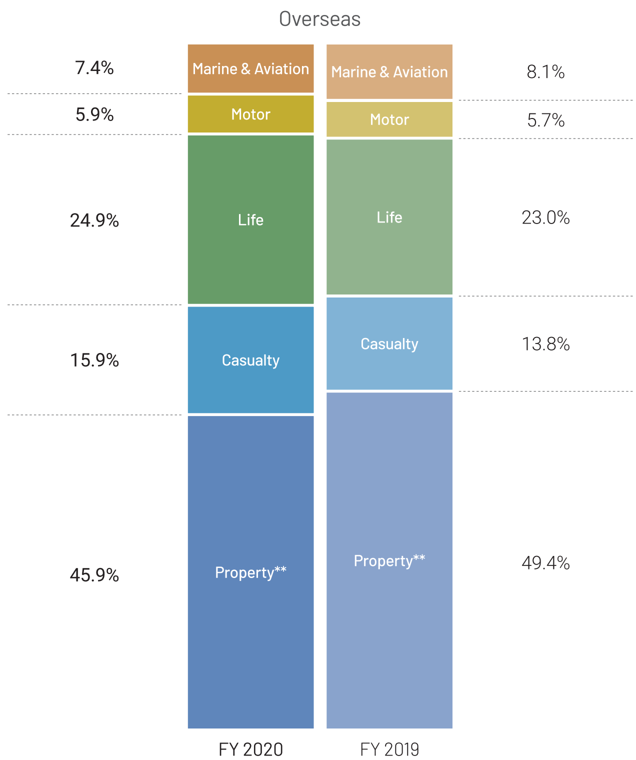
(Unit: %)



* Based on the Separate Financial Statements of Korean Re
** Others include retrocession and multi-territory accounts.

Premium Income Portfolios by Line of Business: Domestic vs. Overseas*





* Based on the Separate Financial Statements of Korean Re
** Property includes engineering, nuclear, agriculture and other specialty lines.

Underwriting Performance

Our underwriting profitability remained under pressure in 2020, but we managed to achieve an underwriting income of KRW 10.2 billion thanks in large part to foreign currency effects. When the effects of foreign exchange movements were excluded, our underwriting operations turned a loss, resulting in a combined ratio of 100.6% in 2020, up 0.5%p from 2019.

The primary factor that drove up the ratio was domestic commercial lines, which suffered a series of large losses arising from factory fires and ship sinking coupled with losses from natural disasters including torrential rain and typhoons. This heavy loss experience pushed up the combined ratio for domestic commercial lines by 8.0%p to 101.6%.

Domestic personal lines of business reported slightly improved underwriting results, with a combined ratio of 101.1% compared to 101.9% in the prior year. We experienced a reduced loss ratio amid depressed claims activity in the wake of the pandemic outbreak.

There was also an improvement of 0.8%p in the combined ratio for our overseas business even in the face of the negative impact of COVID-19 on the bottom line of our overseas business. The combined ratio for our overseas business improved to 99.1% despite COVID-19 related losses of KRW 54.8 billion. Our proactive portfolio steering toward higher profitability, together with stricter underwriting discipline and a decrease in natural catastrophe losses, allowed the combined ratio to stay below 100%. When the losses from COVID-19 were excluded, the combined ratio for our overseas business would have fallen to 96.1%, down 3.8%p from the previous year.

As we are set to strictly maintain underwriting discipline, our underwriting results are expected to improve in the coming years against the backdrop of favorable price movements across most lines of business.

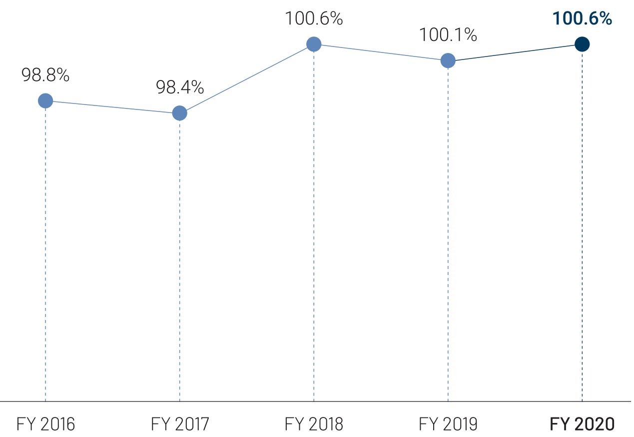
Underwriting Results*

(Units: KRW billion, USD million)

	FY 2020 (KRW)	FY 2020 (USD)	FY 2019 (KRW)	FY 2019 (USD)	YoY Change**
Incurred Losses	5,000.5	4,195.8	4,716.2	4,008.6	6.0%
Net Operating Expenses	867.3	727.7	803.8	683.2	7.9%
Earned Premiums	5,834.0	4,895.2	5,512.5	4,685.4	5.8%
Combined Ratio***	100.6%		100.1%		0.5%p

* Underwriting results exclude foreign exchange effects.
** YoY change is based on the value in KRW.
*** The combined ratio is calculated as follows: Combined ratio = (incurred losses + net operating expenses)/earned premiums

Combined Ratio (FY 2016 - 2020)



* Excluding foreign currency evaluation effects

Investment Performance

The weak underwriting performance was softened by our stable investment operations. Backed by gains on the sale of bonds, we achieved strong investment results of KRW 198.2 billion. When gains and/or losses from foreign exchange hedging for insurance liabilities are excluded, our investment profit jumped to KRW 236.7 billion with a return of 3.8% according to the Separate Financial Statements of the company. Our solid bond investment operations supported the overall investment performance, demonstrating our effort to ensure the stability of our investment portfolio and maximize the profitability of our invested assets.

Looking ahead to 2021, we will seek increased flexibility and greater diversification in terms of portfolio management so as to improve our return/risk profile. As we continue to build a strong alternative investment portfolio geared toward stable returns, our investment operations will remain well-positioned to deliver solid investment results and enhance our financial strength to enable our business growth.

Investment Income**

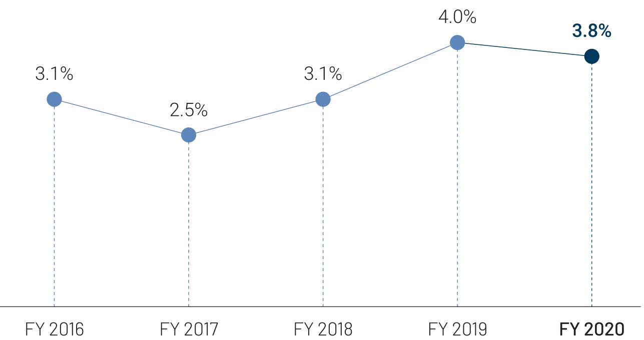
(Units: KRW billion, USD million)

	FY 2020 (KRW)	FY 2020 (USD)	FY 2019 (KRW)	FY 2019 (USD)
Domestic Bonds	70.4	59.1	51.0	43.4
Foreign Bonds	57.4	48.2	118.0	100.3
Foreign Bonds*	93.7	78.6	78.2	66.5
Stocks	5.0	4.2	29.2	24.8
Alternative Investments (including loans)	60.4	50.7	70.1	59.6
Short-term Funds	9.4	7.9	8.8	7.5
Others	-2.2	-1.9	-1.5	-1.3
Total	**200.4**	**168.2**	**275.6**	**234.3**
Total*	**236.7**	**198.6**	**235.8**	**200.4**

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

** Investment results are based on the Separate Financial Statements of Korean Re, reflecting investment operation at the head office only. Individual figures may not add up to the total shown due to rounding.

Investment Yield (FY2016 - 2020)



* Based on the Separate Financial Statements of Korean Re (Gains and/or losses from foreign exchange hedging for insurance liabilities have been excluded.)

Capital Strength

Korean Re always aims to optimize its capital structure and hold sufficient capital in excess of solvency requirements, generating a high solvency margin ratio (RBC ratio). In 2020, we continued to maintain a healthy RBC ratio of 201.6%, although it was down 16.2%p from the previous year. The decrease mostly reflected a reduction in capital following a series of share buybacks, as well as a drop in net income driven by weak underwriting results.

After the successful issuance of hybrid securities in 2014, Korean Re's capitalization took a significant step forward. It has enabled us to maintain a high level of RBC ratio and to further strengthen our balance sheet. Utilizing the buffer on the capital, we have been able to increase the retention levels of profitable domestic risks.

Korean Re completed its redemption of the hybrid capital securities issued in 2014, which was successfully refinanced in the Korean capital market in 2019. We are aiming to increase our capital mainly through organic growth in the long term, but additional issuance of hybrid capital securities can be considered on a flexible basis to maintain the current stable capital level with a sound RBC ratio.

Solvency Margin Ratio

	FY 2020	FY 2019	YoY Change
Solvency Margin Ratio (RBC Ratio)	201.6%	217.8%	-16.2%p

Dividend and Stock Price Performance

Distributions to Shareholders

Korean Re has a long history of returning value to shareholders based on its consistent dividend policy to offer attractive and sustainable returns to shareholders. Its total dividend payout amounted to KRW 46 billion in 2020. The payout ratio slightly increased to 32.4% in 2020, with a dividend yield of 5.2%.

Dividend Performance

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Total Dividend Amount (KRW billion)	37.3	34.5	31.6	57.4	46.0
Payout Ratio (%)	23.3	25.9	30.7	30.4	32.4
Dividend per Share (KRW)	325	300	275	500	450
Dividend Yield (%)	2.8	2.7	3.1	5.3	5.2

As part of our shareholder return policy, we implemented large-scale share buybacks in 2020. Our robust financial strength and cash balances enabled us to invest in our own business with the aim of increasing shareholder value. The share repurchases reflected not only the confidence that we have in our business and future cash flow generation, but also our ongoing commitment to raising the investment value of our stock.

Management's Discussion & Analysis

Korean Re Share Buybacks in 2020

	Dec 2019	Dec 2019- Feb 2020	Feb – Apr 2020	Apr – May 2020	June – July 2020	Aug- Sep 2020
Number of Shares Purchased (million)	-	2.5	5.0	2.0	1.5	1.6
Number of Shares Held in Treasury (million)	5.5	8.0	13.0	15.0	16.5	18.1
Portion of Treasury Shares (%)	4.6	6.6	10.8	12.5	13.7	15.0

A series of share buyback transactions were made from December 2019 to September 2020, with a total of 12.6 million shares being repurchased for KRW 98.7 billion. The volume was worth around 4% of the company's capital and surplus as of the end of 2019. As a result, treasury shares accounted for 15% of the total shares as of late 2020, sharply up from 4.6% in December 2019.

Stock Price Performance

The COVID-19 pandemic turned 2020 into a year of unprecedented events for the Korean stock market, which went from trough to peak in a very short span of time and then recorded several new highs. At the beginning of the year, the market started off the way it was expected to, and then things began to fall apart abruptly as the coronavirus spread in February, with panic triggered by economic uncertainty leading to a market crash. The Korea Composite Stock Price Index (KOSPI) hit a yearly low of 1,457.64 points on March 19, sending shock waves through the market, which was gripped by the fear of another financial crisis emerging.

However, the market began to rebound surprisingly fast as many governments around the world swiftly made fiscal and monetary responses to the pandemic, providing enough liquidity in the money markets. Rising expectations of vaccine development and economic recovery continued to provide momentum for stock market rallies throughout the latter half of the year. KOSPI closed the year at another high of 2,873.47p on December 30.

KOSPI Insurance also went through extreme swings in the wake of the pandemic outbreak, but lagged the overall market. The weak performance of insurance stocks reflected investor mania for growth and tech stocks amid the trend of digitalization accelerated by the pandemic. At the end of 2020, KOSPI Insurance closed 7.6% lower than a year earlier.

Like other insurance stocks, Korean Re stocks also remained largely underpriced throughout 2020, with the year-end closing price going down to KRW 7,890 compared to KRW 9,110 at the end of 2019. A big jump in stock price came after Korean Re announced its commitment to shareholder-friendly policies, including share buybacks and a high dividend payout ratio in December 2019, but the COVID-19 outbreak caused the stock price to plunge. After some recovery, it mostly tracked the performance of KOSPI Insurance.

Heading into 2021, Korean Re is confident that its stocks will gain value on the back of market hardening and improved underwriting performance. Market analysts have also released an optimistic outlook on our stock performance, supporting the view that Korean Re stocks are undervalued with a PBR of 0.39 as of the end of 2020. Our robust investment operations based on a diversified portfolio are expected to put our business on a solid footing to generate stable investment income. Moreover, potential interest hikes will lead to higher reinvestment yields, boosting overall investment returns.

Another factor that bolsters the optimistic view is that coinsurance, which was newly introduced in 2020, may create a new source of growth for Korean Re because insurers may want to seek coinsurance arrangements as a means to boost their capital strength. In this respect, Korean Re is working closely with The Carlyle Group to develop coinsurance solutions that best meet the needs of primary insurers in the domestic market.

Risk Management Report

Korean Re seeks a comprehensive approach to managing current and emerging risks to maintain the resilience of its business. Throughout 2020, we kept a close eye on changes in the global risk landscape and their implications on our business, clients and business partners. In response to COVID-19, our Risk Management Team thoroughly reviewed our exposures through a pandemic risk assessment and worked tirelessly to make sure that our risk control and response measures reflect the exposures.

Our risk management framework upholds an efficient and effective risk management environment to support the achievement of the company's business goals and strategies. The framework sets out how Korean Re defines, manages, monitors and reports risks based on risk governance.

Objectives

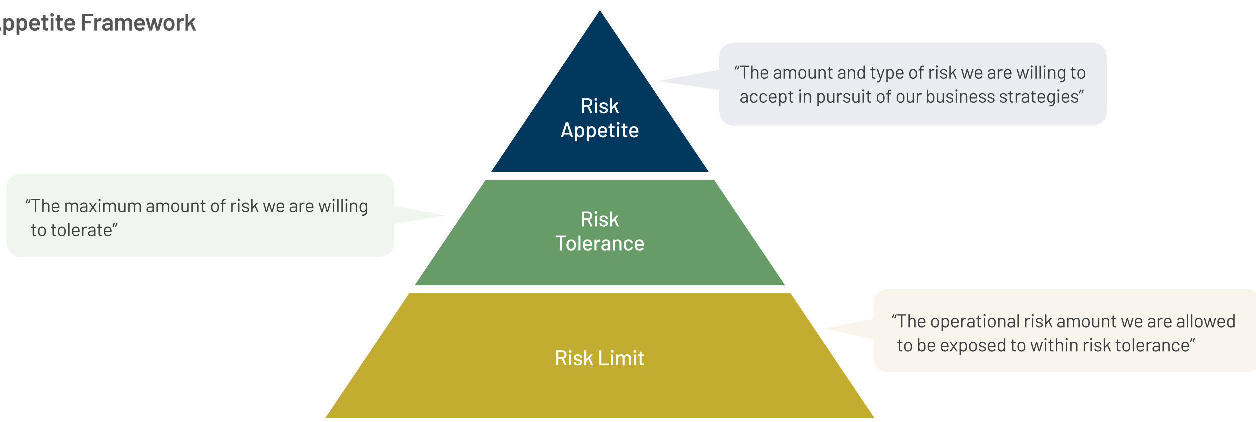
Korean Re implements enterprise risk management initiatives to achieve a stable set of risk management objectives. The objectives are as follows:

- 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; and
- 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



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 of more than 8%
- Maintain conservative risks at a medium-low level considering our capital level
- Improve capital efficiency by optimizing insurance and investment portfolios
- 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 meet day-to-day financial obligations (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.

Portfolio Optimization

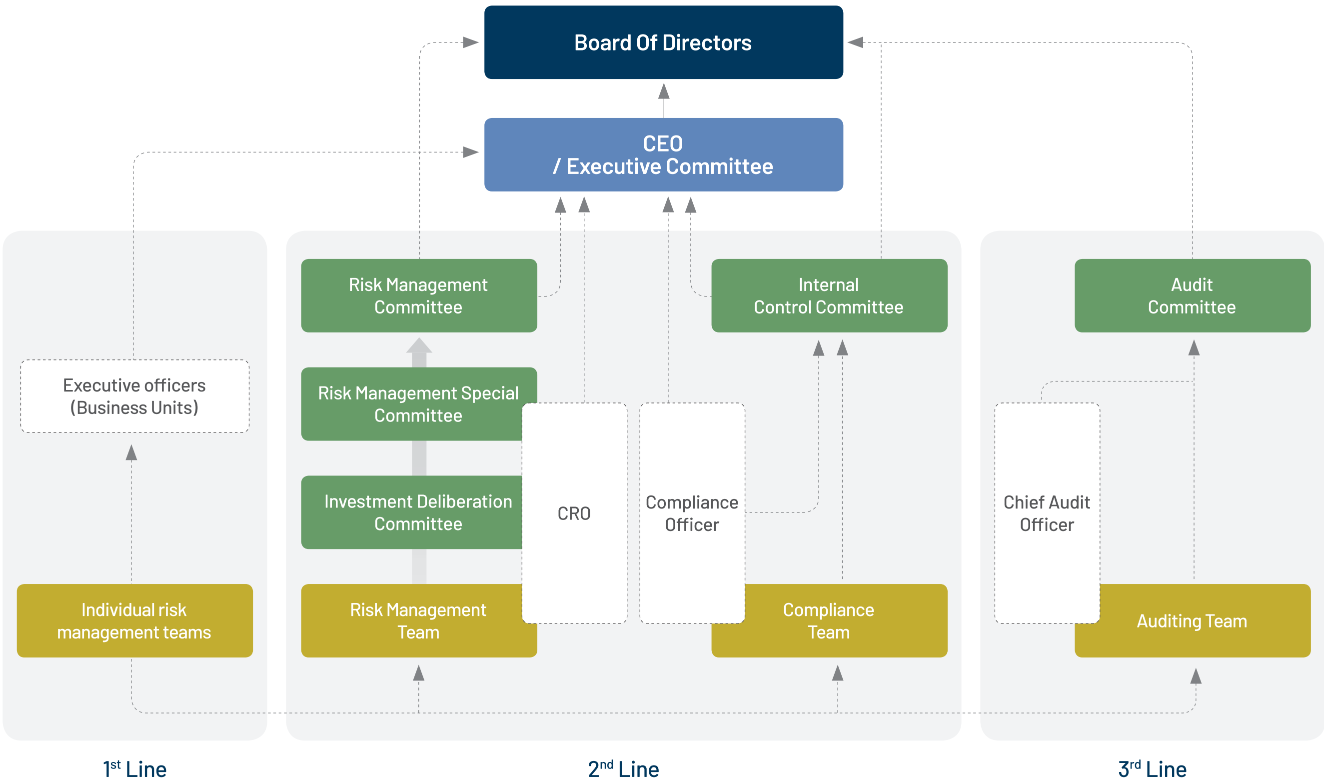
Korean Re performs business planning by analyzing the risks and profitability of its businesses. We measure return on risk-adjusted capital (RORAC) for each line of our insurance business and investment asset portfolio through our own internal model. Based on this, the Strategic Planning office draws 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. (Overseas office staff 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 (CRO), Risk Management Committee (RMC), Risk Management Special Committees (RMSC), Investment Deliberation Committee, and compliance functions, i.e. 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



Key Risks

We manage five key risks— insurance risk, financial risk (credit & market), liquidity risk, emerging risk and 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.

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 a stochastic simulation.

Key Risks		
Insurance Risk	**Financial Risk**	**Liquidity Risk**
• Premium Risk • Reserve Risk • Natural Catastrophe Risk	• Market Risk - Interest Rate Risk - Equity Risk - Exchange Rate Risk • Credit Risk	**Operational Risk** **Emerging Risk**

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 or systems or human errors, and/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 and other internal regulations.

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.

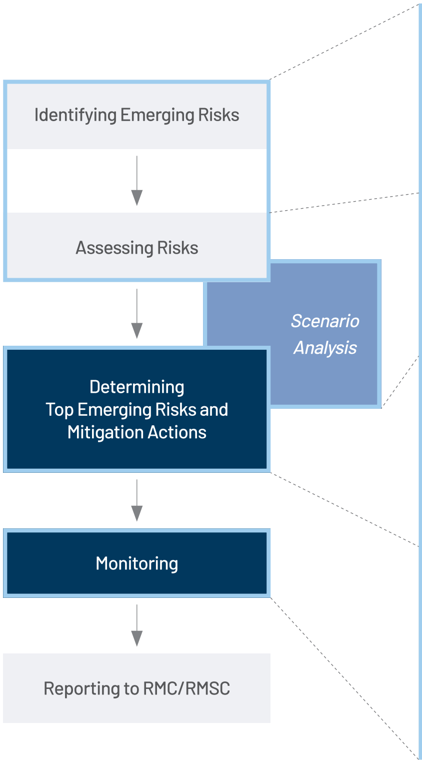
Korean Re reinforced its process of emerging risk management in 2018 to improve the management of key risks. In particular, risks with a high potential of having a negative impact on the company are determined as Top Emerging Risks.

The Top Emerging Risks that we selected for 2020 were as follows:

- Global financial crisis arising from factors like the pandemic, U.S.-China trade war and Brexit
- Any increase of volatility in occurrence patterns of natural catastrophes
- Regulatory changes involving the upcoming implementation of IFRS 17 and K-ICS
- Changes to the financial Industry associated with the 4th industrial revolution

Accordingly, Korean Re also established risk mitigation actions for the year based on its emerging risk management process as below:

Emerging Risks Management Process



- **Identifying Emerging Risks**
  - Candidates of emerging risks are sourced by ideas from each team, benchmarking and opinions from outside such as CRO Emerging Risk Initiative Forum.
- **Scenario Analysis**
  - Think Tank experts of each sector analyze relevant scenarios to assess their potential influence.
- **Determining Top Emerging Risks and Risk Mitigation Actions**
  - Top Emerging risks are chosen at the end of each year
  - Risk mitigation actions are decided in line with the scenario analysis. They are described in detail and feasibly.
- **Regular Monitoring**
  - Top Emerging Risks are monitored regularly and evaluated as to how well they are managed. Unchosen risks are monitored as well.

Three parties are involved in emerging risk management.

Firstly, the Risk Management Team conducts the role of the control tower that sets up overall management plans, monitors how risk mitigation actions are fulfilled and then reports to the RMC/RMSC.

The second is Think Tank, which is an expert group. The members are experts of each operation sector in the company(e.g. underwriters, lawyers, natural catastrophe modelers, medical doctors, claim handlers and actuaries). They take the responsibility of analyzing identified emerging risks and establishing relevant future scenarios on the risks.

Thirdly, all teams in the company provide their ideas and opinions on what could be potential risks to the company when emerging risks are identified. In addition, they are the main executors of risk mitigation actions.

Consolidated Statements of Financial Position

As at December 31, 2020 and 2019

(Units: KRW million, USD thousand)

	FY 2020 (KRW)	FY 2020 (USD)	FY 2019 (KRW)	FY 2019 (USD)
Assets				
Ⅰ. Cash and cash equivalents	471,608	429,281	360,117	308,029
Ⅱ. Financial assets:	9,117,346	8,299,059	8,942,817	7,649,317
1. Deposits	171,392	156,009	224,626	192,136
2. Financial assets at fair value through profit or loss	45,234	41,174	308,956	264,268
3. Available-for-sale financial assets	4,391,037	3,996,939	4,124,023	3,527,519
4. Held-to-maturity financial assets	-	-	-	-
5. Derivative financial assets designated as hedges	37,659	34,279	7,186	6,147
6. Loans	1,170,236	1,065,207	1,014,286	867,578
7. Receivables	3,301,788	3,005,451	3,263,740	2,791,669
Ⅲ. Investments in associates	5,495	5,002	5,920	5,064
Ⅳ. Property and equipment	97,319	88,585	95,000	81,259
Ⅴ. Investment properties	91,351	83,152	91,886	78,596
Ⅵ. Intangible assets	20,856	18,984	15,565	13,314
Ⅶ. Other non-financial assets	2,715,972	2,472,212	2,221,811	1,900,446
Total assets	**12,519,947**	**11,396,275**	**11,733,115**	**10,036,025**
Liabilities				
Ⅰ. Insurance contract liabilities	6,703,011	6,101,412	5,974,644	5,110,464
Ⅱ. Financial liabilities	2,789,118	2,538,793	2,840,531	2,429,673
Ⅲ. Other non-financial liabilities	571,889	520,561	461,926	395,113
1. Current income tax liabilities	26,510	24,131	729	624
2. Deferred income tax liabilities	396,159	360,603	379,166	324,323
3. Retirement benefit liabilities	28,132	25,607	16,171	13,832
4. Other liabilities	121,088	110,220	65,860	56,334
Total liabilities	**10,064,018**	**9,160,766**	**9,277,101**	**7,935,250**
Equity				
Ⅰ. Capital stock	60,185	54,783	60,185	51,480
Ⅱ. Capital surplus	176,375	160,545	176,375	150,864
Ⅲ. Hybrid equity security	229,439	208,847	229,439	196,253
Ⅳ. Capital adjustments	(134,066)	(122,033)	(60,579)	(51,817)
Ⅴ. Accumulated other comprehensive income	223,439	203,385	201,902	172,699
Ⅵ. Retained earnings	1,900,558	1,729,982	1,848,693	1,581,296
Total shareholders' equity	**2,455,930**	**2,235,509**	**2,456,015**	**2,100,775**
Total liabilities and shareholders' equity	**12,519,948**	**11,396,275**	**11,733,115**	**10,036,025**

Note: For the B/S section, Korean won amounts have been converted into the U.S. dollar based on the exchange rate of KRW 1,098.60 per USD 1 for FY 2020 and KRW 1,169.10 for FY 2019. For the I/S section, the applicable exchange rate was KRW 1,191.78 per USD 1 for FY 2020 and KRW 1,176.52 for FY 2019.

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

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

(Units: KRW million, USD thousand)

	FY 2020 (KRW)	FY 2020 (USD)	FY 2019 (KRW)	FY 2019 (USD)
Ⅰ. Operating revenue	**11,300,993**	**9,482,450**	**10,669,921**	**9,069,051**
1. Premium income	8,447,068	7,087,775	8,051,548	6,843,528
2. Reinsurance income	2,110,488	1,770,870	1,863,433	1,583,852
3. Expenses recovered	347,995	291,996	333,473	283,440
4. Interest income	153,433	128,743	158,493	134,713
5. Dividend income	29,097	24,415	32,061	27,251
6. Investment income from financial instruments	108,275	90,851	79,072	67,208
7. Other operating revenues	104,638	87,800	151,840	129,059
Ⅱ. Operating expenses	**11,108,734**	**9,321,126**	**10,420,076**	**8,856,694**
1. Reinsurance expenses	2,546,996	2,137,136	2,518,565	2,140,690
2. Insurance claims and benefits expenses	6,769,933	5,680,522	6,322,130	5,373,585
3. Provision for insurance contract liabilities	238,839	200,405	211,758	179,987
4. Operating and administrative expenses	1,209,348	1,014,741	1,127,893	958,669
5. Claim handling expenses	124,927	104,824	122,676	104,270
6. Asset management expenses	4,843	4,064	4,405	3,744
7. Interest expenses	265	222	403	343
8. Investment expenses from financial instruments	47,476	39,836	56,863	48,332
9. Other operating expenses	166,106	139,376	55,383	47,074
Ⅲ. Operating income	**192,259**	**161,324**	**249,845**	**212,357**
Ⅳ. Non-operating income	**995**	**835**	**656**	**558**
Ⅴ. Non-operating expenses	**3,001**	**2,518**	**3,483**	**2,960**
Ⅵ. Income before income taxes	**190,252**	**159,641**	**247,017**	**209,955**
Ⅶ. Income tax expenses	**48,201**	**40,445**	**58,307**	**49,559**
Ⅷ. Net income	**142,052**	**119,196**	**188,710**	**160,396**
Ⅸ. Other comprehensive income (loss)	**21,537**	**18,071**	**80,022**	**68,016**
Ⅹ. Total comprehensive income	**163,589**	**137,267**	**268,732**	**228,412**

Note: For the B/S section, Korean won amounts have been converted into the U.S. dollar based on the exchange rate of KRW 1,098.60 per USD 1 for FY 2020 and KRW 1,169.10 for FY 2019. For the I/S section, the applicable exchange rate was KRW 1,191.78 per USD 1 for FY 2020 and KRW 1,176.52 for FY 2019.

※ 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, 2020 and 2019

(Unit: KRW million)

	Capital stock	Capital surplus	Hybrid equity security	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total
As at January 1, 2019	**60,185**	**176,375**	**212,286**	**(35,311)**	**121,880**	**1,702,200**	**2,237,615**
Dividends of hybrid equity security	-	-	-	-	-	(10,629)	(10,629)
Acquisition of treasury stocks	-	-	-	(1,841)	-	-	(1,841)
Cash dividends	-	-	-	-	-	(31,589)	(31,589)
Redemption and issuance of hybrid equity security	-	-	17,153	(23,427)	-	-	(6,274)
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
Loss 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**
As at January 1, 2020	**60,185**	**176,375**	**229,439**	**(60,579)**	**201,902**	**1,848,693**	**2,456,015**
Cash dividends	-	-	-	-	-	(57,435)	(57,435)
Acquisition of treasury stocks	-	-	-	(96,914)	-	-	(96,914)
Dividends of hybrid equity security	-	-	-	-	-	(9,325)	(9,325)
Amortization of losses on hybrid equity security	-	-	-	23,427	-	(23,427)	-
Net income	-	-	-	-	-	142,052	142,052
Gain on valuation of available-for-sale financial assets	-	-	-	-	31,917	-	31,917
Exchange difference on translating foreign operations	-	-	-	-	(5,923)	-	(5,923)
Gain on valuation of derivative instruments designated as cash flow hedges	-	-	-	-	3,097	-	3,097
Loss on remeasurement of the net defined benefit liabilities	-	-	-	-	(7,554)	-	(7,554)
Total comprehensive income	**-**	**-**	**-**	**-**	**21,537**	**142,052**	**163,589**
As at December 31, 2020	**60,185**	**176,375**	**229,439**	**(134,066)**	**223,439**	**1,900,558**	**2,455,930**

Consolidated Statements of Changes in Equity (USD)

For the years ended December 31, 2020 and 2019

(Unit: USD thousand)

	Capital stock	Capital surplus	Hybrid equity security	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total
As at January 1, 2019	**54,783**	**160,545**	**193,233**	**(32,142)**	**110,941**	**1,549,427**	**2,036,787**
Dividends of hybrid equity security	-	-	-	-	-	(9,675)	(9,675)
Acquisition of treasury stocks	-	-	-	(1,676)	-	-	(1,676)
Cash dividends	-	-	-	-	-	(28,753)	(28,753)
Redemption and issuance of hybrid equity security	-	-	15,614	(21,324)	-	-	(5,710)
Net income	-	-	-	-	-	171,773	171,773
Gain on valuation of available-for-sale financial assets	-	-	-	-	62,999	-	62,999
Gain on valuation of held-to-maturity financial assets	-	-	-	-	3,005	-	3,005
Exchange difference on translating foreign operations	-	-	-	-	8,333	-	8,333
Loss on valuation of derivative instruments designated as cash flow hedges	-	-	-	-	(408)	-	(408)
Loss on remeasurement of the net defined benefit liabilities	-	-	-	-	(1,089)	-	(1,089)
Total comprehensive income	**-**	**-**	**-**	**-**	**72,840**	**171,773**	**244,613**
As at December 31, 2019	**54,783**	**160,545**	**208,847**	**(55,142)**	**183,781**	**1,682,772**	**2,235,586**
As at January 1, 2020	**54,783**	**160,545**	**208,847**	**(55,142)**	**183,781**	**1,682,772**	**2,235,586**
Cash dividends	-	-	-	-	-	(52,280)	(52,280)
Acquisition of treasury stocks	-	-	-	(88,216)	-	-	(88,216)
Dividends of hybrid equity security	-	-	-	-	-	(8,488)	(8,488)
Amortization of losses on hybrid equity security	-	-	-	21,325	-	(21,325)	-
Net income	-	-	-	-	-	129,303	129,303
Gain on valuation of available-for-sale financial assets	-	-	-	-	29,052	-	29,052
Exchange difference on translating foreign operations	-	-	-	-	(5,391)	-	(5,391)
Gain on valuation of derivative instruments designated as cash flow hedges	-	-	-	-	2,819	-	2,819
Loss on remeasurement of the net defined benefit liabilities	-	-	-	-	(6,876)	-	(6,876)
Total comprehensive income	**-**	**-**	**-**	**-**	**19,604**	**129,303**	**148,907**
As at December 31, 2020	**54,783**	**160,545**	**208,847**	**(122,033)**	**203,385**	**1,729,982**	**2,235,509**

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, 2020 and 2019

(Units: KRW million, USD thousand)

	FY 2020 (KRW)	FY 2020 (USD)	FY 2019 (KRW)	FY 2019 (USD)
Ⅰ. Cash flows from operating activities	**517,496**	**471,052**	**309,662**	**264,872**
1. Income before income taxes	142,052	129,303	188,710	161,415
2. Cash generated from operations	190,378	173,291	(110,849)	(94,816)
3. Receipt of interest	161,898	147,368	186,249	159,310
4. Payment of interest	(352)	(320)	(101)	(86)
5. Receipt of dividends	29,097	26,486	35,983	30,778
6. Refund(payment) of income taxes	(5,577)	(5,076)	9,670	8,271
Ⅱ. Cash flows from investing activities	**(234,510)**	**(213,462)**	**(59,013)**	**(50,479)**
1. Cash inflows	1,412,784	1,285,986	917,530	784,817
2. Cash outflows	(1,647,294)	(1,499,448)	(976,544)	(835,296)
Ⅲ. Cash flows from financing activities	**(168,449)**	**(153,330)**	**(61,758)**	**(52,825)**
1. Cash inflows	237	216	229,937	196,679
2. Cash outflows	(168,686)	(153,546)	(291,695)	(249,504)
Ⅳ. Net increase(decrease) in cash and cash equivalents (Ⅰ+Ⅱ+Ⅲ)	**114,538**	**104,259**	**188,891**	**161,568**
Ⅴ. Effects of changes in foreign exchange rates on cash and cash equivalents	**(3,046)**	**(2,773)**	**(4,341)**	**(3,712)**
Ⅵ. Cash and cash equivalents at the beginning of the year	**360,117**	**327,796**	**175,567**	**150,174**
Ⅶ. Cash and cash equivalents at the end of year	**471,608**	**429,281**	**360,117**	**308,029**

Note: For the B/S section, Korean won amounts have been converted into the U.S. dollar based on the exchange rate of KRW 1,098.60 per USD 1 for FY 2020 and KRW 1,169.10 for FY 2019. For the I/S section, the applicable exchange rate was KRW 1,191.78 per USD 1 for FY 2020 and KRW 1,176.52 for FY 2019.

✻ 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 is 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 statements 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 1,098.60 to USD 1, the telegraphic transfer selling rate of exchange as at December 31, 2020. The profit and loss account is translated at KRW 1,191.78 to USD 1, the average exchange rate of the period.

3. Cash and cash equivalents

Cash and cash equivalents as at December 31, 2020 are as follows:

(Units: KRW million, USD thousand)

	FY 2020 (KRW)	FY 2020 (USD)
Cash on hand	1	1
Short-term bank deposits	471,607	429,280
Total	**471,608**	**429,281**

4. Financial assets

Carrying value and fair value of financial assets as at December 31, 2020 are as follows:

(Units: KRW million, USD thousand)

	Carrying value		Fair value	
	(KRW)	(USD)	(KRW)	(USD)
Deposits	171,392	156,009	171,392	156,009
Financial assets at FVTPL	45,234	41,174	45,234	41,174
Available-for-sale financial assets	4,391,037	3,996,939	4,391,037	3,996,939
Derivative financial assets designated as hedges	37,659	34,279	37,659	34,279
Loans	1,170,236	1,065,207	1,186,157	1,079,699
Receivables	3,301,788	3,005,451	3,301,809	3,005,470
Total	**9,117,346**	**8,299,059**	**9,133,288**	**8,313,570**

5. Deposits

Deposits as at December 31, 2020 are as follows:

(Units: KRW million, USD thousand)

	FY 2020 (KRW)	FY 2020 (USD)
Term deposits	10,000	9,102
Overseas deposits	144,779	131,785
Other deposits	16,613	15,122
Total	**171,392**	**156,009**

6. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss as at December 31, 2020 are as follows:

(Units: KRW million, USD thousand)

	FY 2020 (KRW)	FY 2020 (USD)
Stock	-	-
Beneficiary certificates	37,017	33,694
Securities in foreign currencies	8,217	7,480
Total	**45,234**	**41,174**

7. Available-for-sale financial assets

Available-for-sale financial assets as at December 31, 2020 are as follows:

(Units: KRW million, USD thousand)

	FY 2020 (KRW)	FY 2020 (USD)
Stock	51,025	46,445
Equity investment	136,087	123,873
Government and public bonds	373,444	339,927
Special bonds	228,182	207,703
Financial bonds	181,580	165,283
Corporate bonds	1,109,216	1,009,663
Beneficiary certificates	660,676	601,380
Securities in foreign currencies	1,650,189	1,502,084
Others	638	581
Total	**4,391,037**	**3,996,939**

8. Loans and receivables

Loans and receivables as at December 31, 2020 are as follows:

(Units: KRW million, USD thousand)

	FY 2020 (KRW)	FY 2020 (USD)
Loans		
Loans secured by securities	557,361	507,338
Loans secured by real-estate	248,405	226,111
Credit loans	1,286	1,171
Guaranteed loans	1,365	1,242
Other loans	370,317	337,081
Subtotal	**1,178,734**	**1,072,943**
(Allowance for possible loan losses)	(3,539)	(3,221)
(Present value discount)	(212)	(193)
(Deferred loan fee and costs)	(4,747)	(4,321)
Receivables		
Insurance receivables	3,297,496	3,001,544
Accounts receivables	587	534
Accrued income	40,090	36,492
Guarantee deposits	964	877
Subtotal	**3,339,137**	**3,039,447**
(Allowance for doubtful receivables)	(37,334)	(33,983)
(Present value discount)	(15)	(14)
Total	**4,472,024**	**4,070,658**

9. Other non-financial assets

Other non-financial assets as at December 31, 2020 are as follows:

(Units: KRW million, USD thousand)

	FY 2020 (KRW)	FY 2020 (USD)
Reinsurance assets	2,575,229	2,344,101
Compensation receivables	100,594	91,566
Current income tax assets	58	53
Deferred tax assets	3,551	3,232
Prepaid expenses	2,804	2,552
Advanced payments	25,126	22,871
Right of use assets	8,610	7,837
Total	**2,715,972**	**2,472,212**

10. Insurance contract liabilities

The Group recognizes insurance contract liabilities in accordance with the IBA and the RIS.
Insurance contract liabilities as at December 31, 2020 are as follows:

(1) Reserve for outstanding claims

(Units: KRW million, USD thousand)

	FY 2020 (KRW)	FY 2020 (USD)
Fire insurance	46,409	42,244
Marine insurance	224,959	204,769
Motor insurance	146,703	133,536
Surety insurance	38,794	35,312
Engineering insurance	191,196	174,036
Workers' compensation insurance	27,579	25,104
Liability insurance	296,425	269,821
Personal accident insurance	75,191	68,443
Comprehensive insurance	727,675	662,366
Other casualty insurance	262,676	239,101
Overseas inward insurance	1,769,739	1,610,904
Long-term insurance	840,686	765,234
Personal annuity	541	492
Total	**4,648,573**	**4,231,362**

(2) Unearned premium reserve

(Units: KRW million, USD thousand)

	FY 2020 (KRW)	FY 2020 (USD)
Fire insurance	56,963	51,851
Marine insurance	67,526	61,466
Motor insurance	271,393	247,035
Surety insurance	280,993	255,774
Engineering insurance	157,046	142,951
Workers' compensation insurance	6,010	5,471
Liability insurance	135,910	123,712
Personal accident insurance	73,706	67,091
Comprehensive insurance	191,347	174,173
Other casualty insurance	209,397	190,603
Overseas inward insurance	604,147	549,923
Total	**2,054,438**	**1,870,050**

11. Equity

(1) Capital stock

Details of capital stock as at December 31, 2020 are as follows

	FY 2020 (KRW)	FY 2020 (USD)
Number of common shares authorized (shares)	320,000,000	320,000,000
Par value (KRW, USD)	500	0.5
Number of common shares issued and outstanding (shares)	120,369,116	120,369,116
Capital stock (KRW million, USD thousand)	**60,185**	**54,783**

(2) Capital surplus

Capital surplus consists of the following as at December 31, 2020

(Units: KRW million, USD thousand)

	FY 2020 (KRW)	FY 2020 (USD)
Paid-in capital in excess of par value	103,729	94,419
Other capital reserve	72,646	66,126
Total	**176,375**	**160,545**

(3) Capital adjustments

Capital adjustments consist of the following as at December 31, 2020

(Units: KRW million, USD thousand)

	FY 2020 (KRW)	FY 2020 (USD)
Treasury stock	(134,066)	(122,033)
Total	**(134,066)**	**(122,033)**

(4) Accumulated other comprehensive income

Accumulated other comprehensive income consists of the following as at December 31, 2020

(Units: KRW million, USD thousand)

	FY 2020 (KRW)	FY 2020 (USD)
Gain on valuation of available-for-sale financial assets	168,098	153,011
Asset revaluation surplus	68,979	62,788
Exchange difference on translating foreign operations	(5,894)	(5,365)
Gain on valuation of derivative instruments designated as cash flow hedges	1,992	1,813
Re-measurement of the net defined benefit liabilities	(9,736)	(8,862)
Total	**223,439**	**203,385**

(5) Retained earnings

Retained earnings as at December 31, 2020 are as follows:

(Units: KRW million, USD thousand)

	FY 2020 (KRW)	FY 2020 (USD)
Legal reserve	30,092	27,391
Bad debt reserve	21,797	19,841
Catastrophe reserve	1,290,485	1,174,663
Business rationalization reserve	2,033	1,851
Voluntary reserve	426,679	388,384
Unappropriated retained earnings	129,472	117,852
Total	**1,900,558**	**1,729,982**

(6) Hybrid equity security

Hybrid equity security as at December 31, 2020 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] Although hybrid equity securities have maturities, they have capital requirements, such as that the Group has the right to continue to extend maturities.

[2] The Group will not pay interest if no dividends are paid on the common shares.

Independent Auditors' Report

To the Shareholders and the Board of Directors of Korean Reinsurance Company and its Subsidiaries:

Our Opinion

We have audited the accompanying consolidated financial statements of Korean Reinsurance Company and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows, all expressed in Korean Won, for the year then ended, and notes to consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

Basis for Audit Opinion

We conducted our audit in accordance with the Korean Standards on Auditing ("KSAs"). Our responsibilities under those standards are further described in the Auditors' 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 audit opinion.

Key Audit Matters

The 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 year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these matters.

Assessment of Insurance Contract Liabilities Reserve for Outstanding Claims

As described in Note 2.3.14 Insurance contract liabilities and Note 3.4 Adequacy test for insurance contract liabilities in accordance with the Insurance Supervision Regulations and Related Acts (the Regulations for Supervision) as of December 31, 2020, 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. The reserve for outstanding claims is 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 19 Insurance Contract Liabilities, the carrying amount of the reserve for outstanding claims as of December 31, 2020 is ₩4,648,573 million, accounting for 69% of the total insurance contract liability of ₩6,703,011 million. 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 and it involves, to an extent, management estimates, and it is related to other consolidated 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 performed to address this key audit matter are as follows:

- Understanding the Group's policies, process and internal controls related to the calculation of reserve for outstanding claims.
- Understanding and assessing systems related to the calculation of reserve for outstanding claims.
- Confirming that the reserve calculating method is consistent with the supervisory regulations.
- Testing the effectiveness of design and operating of the internal control related to the calculation of reserve for outstanding claims.
- Testing the completeness and accuracy of the reserve for outstanding claims through document inspection based on sampling.
- Testing the accuracy of the reserve for outstanding claims through the recalculation for items calculated according to the supervisory regulations.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of the accompanying consolidated financial statements in accordance with K-IFRS, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management of the Group 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.

Other Matters

The Group's consolidated financial statements for the year ended December 31, 2019, were audited by the previous auditors and the auditors' audit report dated March 18, 2020, expressed an unqualified opinion.

Auditors' 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 auditors' 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 KSAs 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 taken on the basis of these consolidated financial statements.

As part of an audit in accordance with KSAs, 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 audit 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 the 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 auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' 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 the 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 are 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 of the Group with a statement that we have complied with relevant ethical requirements regarding independence and to 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 auditors' 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 engagement partner on the audit resulting in this independent auditors' report is Sun Hee, Gong.

Deloitte Anjin LLC

Deloitte Anjin LLC
March 18, 2021

Notice to Readers

This report is effective as of March 18, 2021, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the consolidated financial statements and may result in modifications to the auditors' report.

Corporate Information

FY 2020

History

1963 - 2000

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 our Singapore Branch
June 26, 1984	Built new headquarters in Susong-dong, Seoul
Dec. 31, 1996	Total assets surpassed KRW 1 trillion
May 27, 1999	Announced a mid-to long-term growth plan entitled "Vision 2020"

2001 - 2010

Jan. 04, 2001	Received the 10th Financial Award from Korea's Ministry of Economy and Finance (MOEF) and the *Korea Economic Daily*
Feb. 28, 2002	Operating assets surpassed KRW 1 trillion
May 28, 2002	Received an A- grade from A.M. Best
June 27, 2002	Renamed Korean Re through 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 *Asia Insurance Review* (Singapore)
Jan. 03, 2004	Received the 13th Financial Award from MOEF and the *Korea Economic Daily*
Jan. 27, 2005	Received the Most Admired CEO Award from the President of the Federation of Korean Industries
Nov. 23, 2005	Received the Most Innovative Management in Korea Award
Dec. 06, 2006	Acquired an A- rating from S&P
Dec. 31, 2006	Total assets surpassed KRW 3 trillion
Apr. 08, 2008	Opened our Dubai Liaison Office
Apr. 28, 2008	Total assets surpassed KRW 4 trillion
Dec. 2009	Recognized by *Reinsurance* magazine as "Emerging Market Player of the Year"
Nov. 2010	Ranked the 11th largest reinsurer in the world and No. 1 in Asia (S&P)
	Received the Young Entrepreneur Award of the Year from Ernst & Young

2011 - 2020

Jan. 01, 2011	Received the Dasan Award
Feb. 2011	Acquired an A rating from A.M. Best
Sep. 2012	Ranked the 10th largest reinsurer in the world and No. 1 in Asia (A.M.Best)
Mar. 19, 2013	Celebrated the company's 50th anniversary
June 17, 2013	Inauguration of CEO Jong-Gyu Won
Sep. 2013	Ranked the 9th largest reinsurer in the world and No. 1 in Asia (A.M.Best)
Jan. 02, 2014	Declaration of "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 of London
Feb. 24, 2017	Signed an MOU on business cooperation with IRB Brasil RE
July 01, 2017	Opened our Labuan Branch in Malaysia
Dec. 31, 2017	Total assets surpassed KRW 10 trillion
Dec. 29, 2017	Opened our DIFC Branch in Dubai, the UAE
June 01, 2019	Established Korean Reinsurance Switzerland AG in Zurich, Switzerland
June 28, 2019	Korean Reinsurance Switzerland AG received an A rating from S&P.
Sep. 30, 2019	Celebrated our Tokyo Liaison Office's 50th anniversary
Jan. 13, 2020	Established our Shanghai Branch in the People's Republic of China
Feb. 17, 2020	Established our Bogotá Liaison Office in Colombia

Organization

- Chairman
- President & CEO
  - Executive Managing Director
    - Strategic Planning Office
    - Financial Solutions Team
    - HR & General Affairs Team
    - Finance & Accounting Team
    - Pricing Team
    - IFRS Team
    - Asset Management Team
    - Global Business Team
    - Global Project Team
    - IT Team
    - Risk Management Team
    - Claims & Survey Team
    - Accounts & Settlement Team
    - Product Development Team
    - Research Institute of Insurance & Finance
  - Managing Directors
    - Property Team 1
    - Property Team 2
    - Engineering Team
    - Marine Team
    - Casualty Team
    - Long-term & Motor Team
    - Domestic Life & Health
    - Overseas Life & Health
  - Chief Audit Officer
    - Compliance Team
    - Auditing Team

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Email bogota@koreanre.co.kr

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Room No.703, Gallery 7 of Lloyd's
1986 B/D, One Lime Street, London EC3M 7HA, UK
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Email london@koreanre.co.kr

Worldwide Insurance Services, Ltd.

Suite 3606, 36/F, Central Plaza 18 Harbour Road, Wanchai, Hong Kong
Tel (852) 2877-3117/3127
Fax (852) 2877-2019
Email mailbox@wis.com.hk

Korean Reinsurance Switzerland AG

Brandschenkestrasse 47, 8002 Zürich, Switzerland
Tel (410) 43 336 2060
Fax (410) 43 336 2061
Email info@koreanre.ch
https://www.koreanre.ch

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 all or any of the submissions.

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.

Hard Market
One side of the market cycle that is characterized by high rates, strict underwriting standards, a high demand for insurance coverage, and a reduced supply of capacity.

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. This 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, and 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 (i.e. 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.


WE SERVE TO PROTECT YOUR FUTURE
A world Cultural Heritage
PROTECT
Our ability to scientifically deal with risks, do you know where it came from?
KOREAN RE
Suwon Hwaseong Fortress, a UNESCO World Heritage Site, is the architectural gem of the Joseon Dynasty that was built in a short period of time through scientific techniques and served as a perfect defense against enemy attacks. We at Korean Re find scientific ways to manage risks and protect our clients.
- Rated A by both S&P and A.M. Best

KOREAN RE ANNUAL REPORT 2020

KOREANRE

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