How Korean Re
Drives Change

ANNUAL REPORT 2021

KOREAN RE

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How Korean Re **Drives Change**

Korean Re, the one and only Korean professional reinsurer, started its operations 59 years ago. Today, we not only deal with most traditional lines of reinsurance business, including property, engineering, marine, casualty, motor, life, and health, but also offer non-traditional reinsurance solutions.

Global business expansion has been an important pillar of our future business strategies. Our vision to become a global player has led us to a point where 26% of our business comes from overseas.

Over the years, we have demonstrated how we drive change in a way that creates value. Changes start with a challenge, and small changes evolve into innovation. This process of making continuous changes creates new value, and we measure our success on how well we create value for all our stakeholders.

This commitment to value creation helped us turn 2021 into another financially successful year. Korean Re delivered strong business results for the year on the back of robust investment gains, with after-tax net income increasing by 7.9% to KRW 153.3 billion. This increase in our bottom-line results allowed us to report an ROE of 6.2%, up 0.4%p from the previous year.

We have also maintained an RBC ratio above 180% 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. In doing so, we will remain passionate about serving all our stakeholders and the communities we are a part of.

KOREAN RE

Financial Highlights

	FY 2021 (KRW billion)	FY 2021 (USD million)	FY 2020 (KRW billion)	FY 2020 (USD million)
For the Year				
Gross Written Premiums	8,488.7	7,385.2	8,447.1	7,087.8
Net Written Premiums	6,060.9	5,273.0	5,900.1	4,950.7
Net Income	153.3	133.4	142.1	119.2
At the Year End				
Total Assets	13,115.7	10,956.2	12,519.9	11,396.2
Insurance Contract Liabilities	7,377.6	6,162.9	6,703.0	6,101.4
Total Shareholders' Equity	2,525.7	2,109.9	2,455.9	2,235.5
Financial Ratio (%)				
RBC Ratio*	187.9		201.6	
Combined Ratio**	100.9		100.6	
ROA	1.2		1.2	
ROE	6.2		5.8	
Payout Ratio	35.0		32.4	
EPS (KRW, USD)	1,423	1.24	1,252	1.05

* 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 (2021)

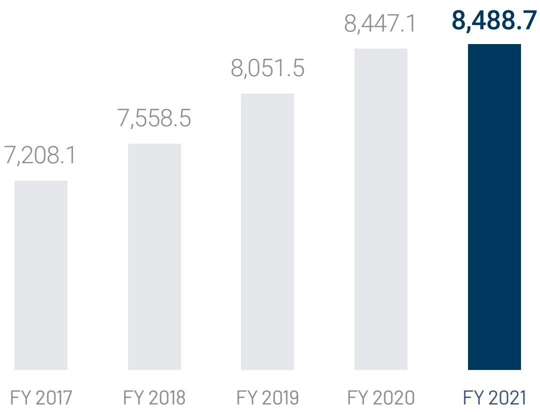
RBC Ratio*

187.9%

* Solvency Margin Ratio (2021)

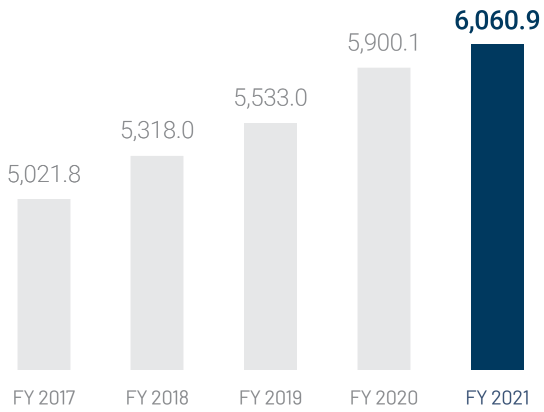
Gross Written Premiums

(Unit: KRW billion)



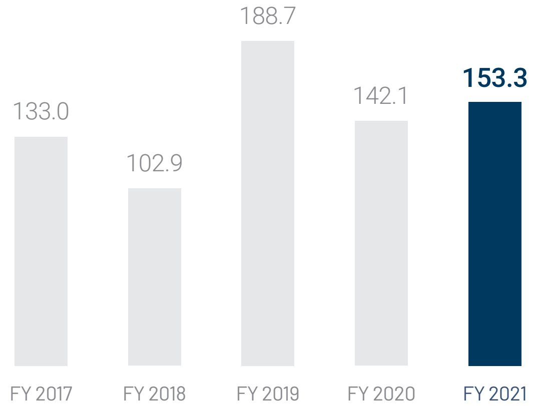
Net Written Premiums

(Unit: KRW billion)



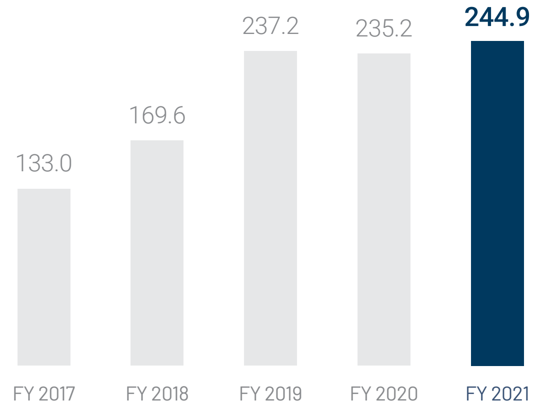
Net Income

(Unit: KRW billion)



Investment Income*

(Unit: KRW billion)



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

ROE

6.2%

(2021)

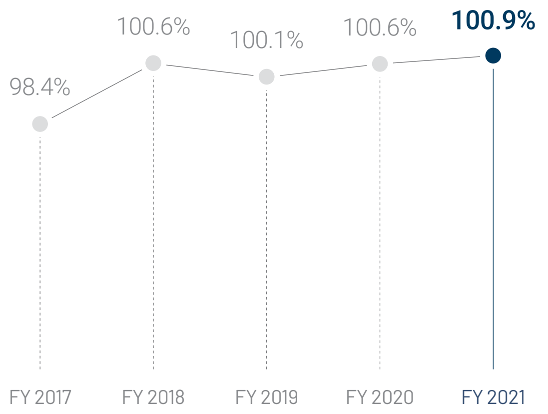
Global Reinsurer Ranking

10th

A.M.Best (2020)

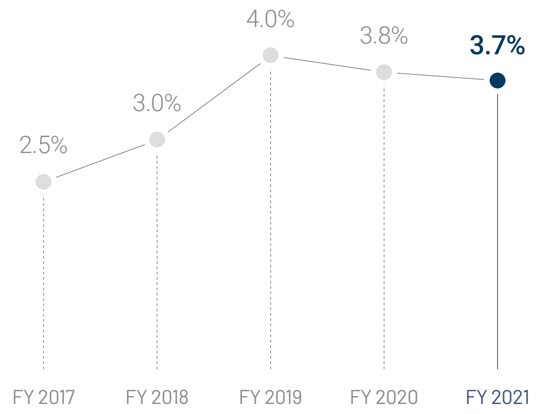
Financial Highlights

Combined Ratio*



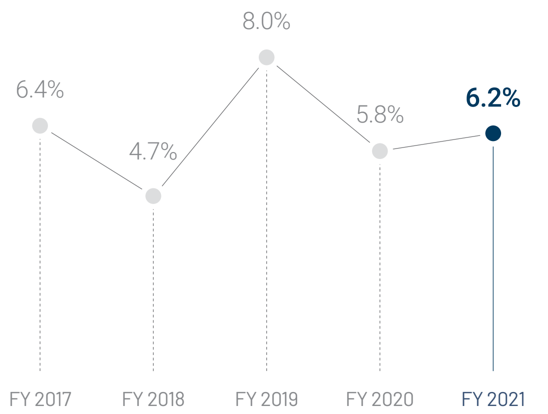
* Excluding foreign currency evaluation effects

Investment Yield*

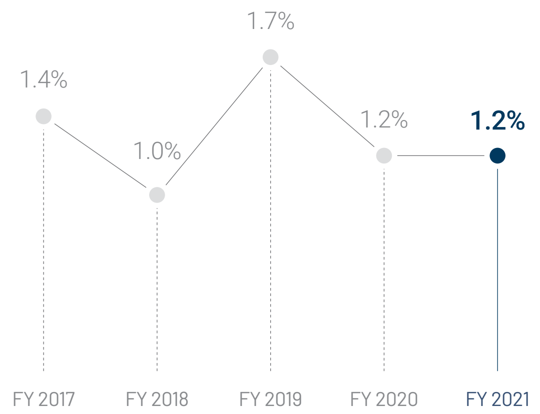


* Gains and/or losses from foreign exchange hedging for insurance liabilities have been excluded.

Return on Equity (ROE)

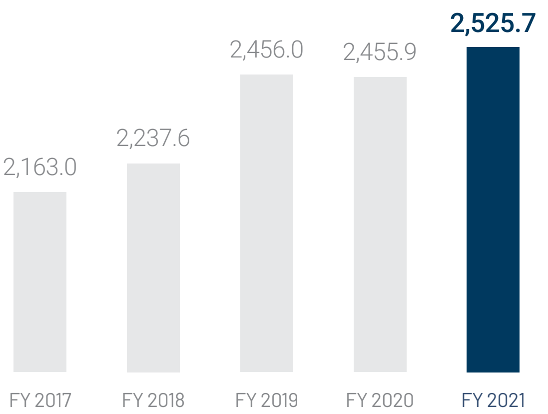


Return on Assets (ROA)



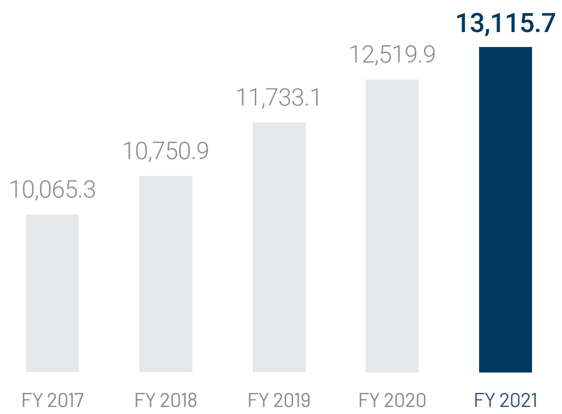
Total Shareholders' Equity

(Unit: KRW billion)



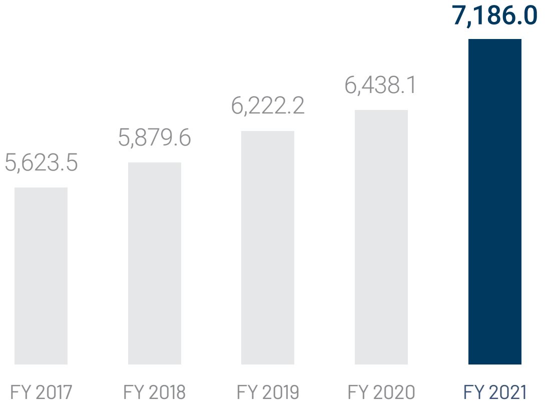
Total Assets

(Unit: KRW billion)

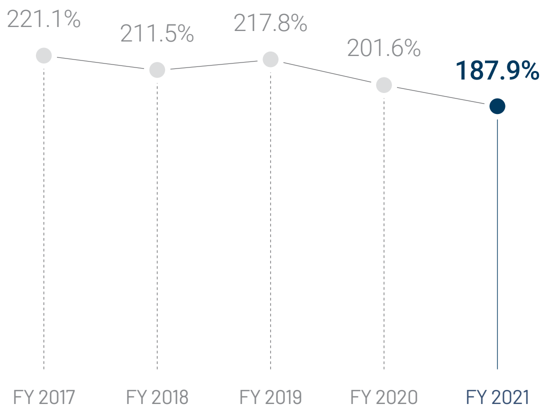


Invested Assets

(Unit: KRW billion)

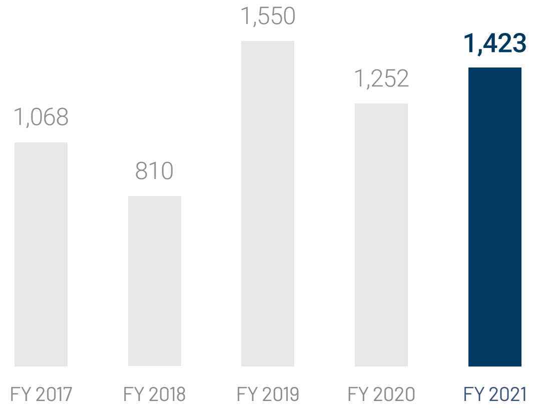


RBC Ratio



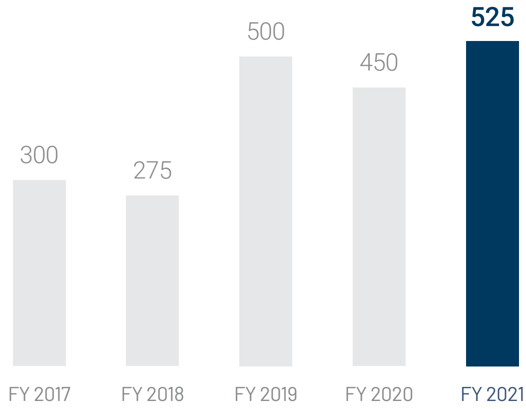
Earnings per Share (EPS)

(Unit: KRW)

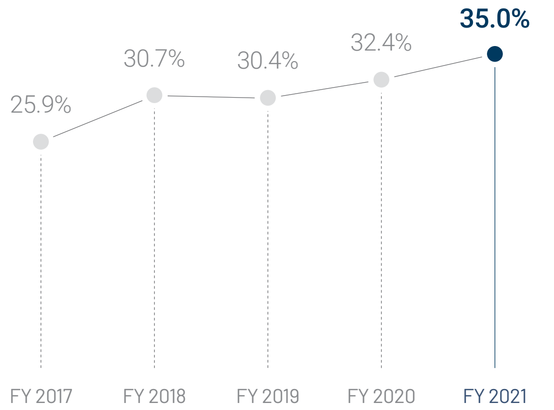


Dividend per Share

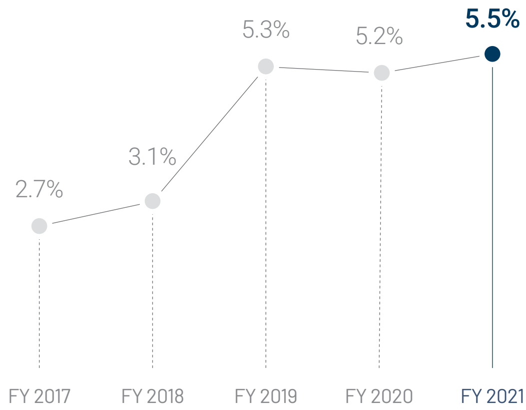
(Unit: KRW)



Payout Ratio



Dividend Yield



Changes Start with

CHALLENGE

Korean Re has never been intimidated by challenges no matter how formidable they may seem. On the contrary, it has been eager to push itself to take on new challenges and move forward. A case in point is its global expansion initiatives. In the face of slowing growth in the domestic market, we set our sights on global markets. Following a series of new overseas presences established over the last few years, we set up a reinsurance intermediary, KoreanRe Insurance Services, in New Jersey in September 2021. The reinsurance intermediary will help Korean Re build stronger brand recognition throughout the U.S. by serving the interests of insurance companies in the world's biggest insurance market and securing more flexible and creative reinsurance solutions. We will continue to expand our global reach and explore new growth opportunities worldwide.

Small Changes Evolve into

INNOVATION

Driving our business success does not necessarily have to involve major changes. Small changes can build up and combine together to create innovation. Paying attention to client needs is one of the most important drivers that lead us to seek changes and improvements. As evolving regulations and accounting regimes increase demand for non-traditional reinsurance, we believe it is now more important than ever for us to offer innovative solutions that can help reduce the required capital of insurers.

To this end, we set up a task force team dedicated to developing and designing coinsurance solutions for our clients in response to growing demand for effective capital management. Through this dedicated team of experts, we have recently made progress in serving the needs of insurers in Korea. In December 2021, Korean Re entered into a coinsurance agreement with Shinhan Life to help the life insurer manage its assets and liabilities based on economic value and mitigate its financial risks resulting from a mismatch of assets and liabilities.

Making Continuous Changes Creates

NEW VALUE

Korean Re has continued to improve its organizational structure in a way that best leverages its resources. An effectively organized structure provides a business and its employees with the environment and resources they need to perform at their very best every day, contributing to value creation for the organization, its employees, and other stakeholders.

In 2021, we added an organizational unit responsible for environmental, social, and governance (ESG) management. This organizational change has allowed us to take more effective and centralized approaches to ESG initiatives. Our commitment to ESG is based on the values of promoting transparency in corporate governance, protecting the environment, and being a socially responsible member of the communities we work and live in. Upholding this commitment is not just the right thing to do but helps us ensure sustainable business operations and create shared value for society as a whole.

Message from the CEO

"Korean Re delivered strong business results for the year on the back of robust investment gains, with after-tax net income increasing by 7.9% to KRW 153.3 billion."

COVID-19 has been unrelenting, much to the dismay of us all. With no end in sight, the pandemic made 2021 another incredibly difficult year for many people. When the Korean government switched to a "Living with COVID-19" approach, there was growing hope that things would get back to normal soon, but that hope quickly turned into anxiety and fear due to the emergence of Omicron and a rapid spread of new cases.

In 2021, the economy recovered quickly from the pandemic-induced shock but remained vulnerable, with COVID-19 injecting uncertainty into the business landscape and financial markets. The stock market fluctuated widely as liquidity increased amid massive fiscal support and accommodative monetary policy. Household debt ballooned to record high levels, putting economic resilience at risk.

It was a challenging year for the insurance industry as well, with many insurance leaders trying to figure out what strategies needed to be taken in response to rapidly evolving market conditions. Insurers faced intensifying competition as boundaries between industry sectors became blurred. They were also pressed to work on the strategic implications and challenges presented by regulatory changes.

As did many others, we at Korean Re challenged ourselves to make a turning point in navigating the uncertainty of a post-pandemic world. One of the efforts was to lay the groundwork for business expansion in the United States by setting up a reinsurance intermediary in New Jersey in 2021. Global business expansion has been an important pillar of our future business strategies while we have been struggling to overcome low growth and find new markets and growth engines.

In terms of organizational effectiveness, we have continued to improve our organizational structure and expand our human resources. In particular, we set up a task force team dedicated to preparing for IFRS 17, which poses one of the most critical challenges for the insurance industry. Through this dedicated team of experts, we are making all the necessary arrangements in order to run our business seamlessly on the IFRS 17 system. We also added an organizational unit responsible for environmental, social, and governance (ESG) management so that we can establish and implement an effective ESG strategy to seek sustainable growth and become a company that is more responsible toward society, employees, and other stakeholders.

These efforts clearly demonstrate how we drive change in a way that creates value. Changes start with a challenge, and small changes evolve into innovation. This process of making continuous changes creates new value, and we measure our success on how well we create value for all our stakeholders.

This commitment to value creation led our business to turn 2021 into another financially successful year. Korean Re delivered strong business results for the year on the back of robust investment gains, with after-tax net income increasing by 7.9% to KRW 153.3 billion. This increase in our bottom-line results allowed us to report an ROE of 6.2%, up 0.4%p from the previous year.

Our underwriting results took a negative turn, however, with the overall combined ratio deteriorating to 100.9% due to overseas COVID-19 and natural catastrophe losses and persistently weakening results from domestic personal lines of business. Still, we made notable improvements in domestic commercial lines, driven by favorable pricing trends in most commercial lines of business and fewer large-loss events in Korea.

As we continued to focus on building profit-oriented portfolios, our top-line growth slowed to 0.5%, with gross written premiums remaining stable at KRW 8,488.7 billion and net written premiums growing by 2.7% to KRW 6,060.9 billion.

At the end of 2021, our total assets increased by 4.8% year on year to KRW 13,115.7 billion, while there was an 11.6% rise in invested assets, which totaled KRW 7,186 billion.

Insurance is an invention designed to provide individuals and businesses with a means of protection from risks. Today, in a world full of unexpected perils including climate change and pandemics, risks are becoming all the more complex and complicated, making it increasingly difficult to predict and measure them. This may present a daunting challenge for insurers and reinsurers, but potentially could be turned into opportunities for the industry to bring innovation to risk management solutions.

In 2022, we will strive to become a new global leader that pushes the envelope to create innovation. Creativity and innovation rarely come out of a stable environment, but instead arise out of the process to take on new challenges. We are determined to step outside our comfort zone and sail the wide-open oceans to push the boundaries of what we can achieve. We believe this strong determination in challenging ourselves to take the next significant step forward will be the very momentum that leads our business to grow further in the years to come.

The pandemic is not over yet, and the future is still uncertain. Nevertheless, we are optimistic that rays of light toward a brighter future are finally beginning to emerge. We are fortunate to belong to a crucial industry that can provide a beacon of optimism and security in times of difficulties.

I would like to thank our clients and partners for working with us to navigate these challenging times. I would also like to pay tribute to my colleagues for their commitment to supporting our clients and partners, and improving our business performance in a way that drives value for our shareholders. To our shareholders, I am grateful for your trust and confidence in Korean Re, and we won't settle for less than the best for you. We will always remain passionate about serving all our stakeholders and the communities we are a part of. We wish you all the best and good health in the coming year.

Thank you.

Jong-Gyu Won
President and CEO

Board of Management

Jong-Ik Won
Chairman

Jong-Gyu Won
President & CEO

Chul-Min Jang
Executive Managing Director

Joon-Taik Cheong
Chief Audit Officer

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

Jun-Dong Kim
Managing Director

Byoung-Ki So
Managing Director

Inside Korean Re

Korean Re's Internal Model Development Project

Korean Re has been working to develop internal models that can provide a more accurate and sophisticated picture of its insurance risk profile. This development project is part of its efforts to deal preemptively with requirements under IFRS 17 and the Korean Insurance Capital Standards, or K-ICS, both of which are scheduled to take effect in 2023.

K-ICS is based on the European Solvency II valuation system, and the parallel implementation of K-ICS and IFRS 17 is expected to increase capital requirements for insurers, as they will be required to apply the fair value approach in measuring their insurance liabilities. Under the new solvency regime where a principle-based approach is taken, insurers are encouraged to establish and use internal models along with the standard model as internal models allow a better assessment of the risks of individual companies and take into account the nature and characteristics of their businesses. While the standard model applies pre-defined shock scenarios, the internal model uses risk multipliers based on a company-specific risk profile. Insurers will be allowed to substitute internal models for the standard model subject to supervisory approval.

The use of internal models is expected to help insurers precisely measure the risks they are exposed to. When internal models are fully embedded in the management processes, they will enable insurance companies to carry out important tasks more effectively such as risk capital assessment, business performance monitoring, and strategic asset allocation. Recognizing these benefits of using internal models, Korean Re plans to build robust internal models in 2022.

Korean Re Insurance Webinars 2021

Korean Re held two insurance webinars in 2021, which were designed to help participants improve their understanding of key topics for the insurance market and provide insights into important market developments.

The first insurance webinar was held on May 21, 2021 to promote discussion about latest market issues and trends including the rise of artificial intelligence (AI) and catastrophe modeling. Over 280 people from the local insurance industry attended the webinar, which consisted of three sessions where each speaker gave an informative presentation on a different topic. The first session was about the business of personal data management, or so-called MyData, and its implications for the financial services industry. A prominent professor from Kyung Hee University gave a lecture on the concept of MyData and five different business models involving My Data. He also discussed the importance of getting the hang of the MyData business for financial companies. As personal data has increasingly significant value from social, economic, and practical perspectives, the MyData business has been attracting a great deal of interest across industries, making the session on this topic all the more meaningful.

For the second session, a distinguished professor from Seoul National University gave a presentation on the artificial intelligence industry in the context of the Digital New Deal, one of the two major pillars of the Korean New Deal that the Korean government announced to spur economic growth and innovation. The Digital New Deal aims to transition Korea to a digital economy that centers on technologies such as AI and big data. He shed light on what social and economic changes are being brought about by the development of AI and what the future of AI will look like, while also discussing the need for companies to build competitiveness in AI-based business capabilities.

The third session was about catastrophe (CAT) modeling, a follow-up to last year's webinar session. A deputy general manager from the Risk Management Team of Korean Re delivered a presentation on the topic of Cat Modeling: Cyber Risk, Pandemic, and Non-Modeled Perils. Cyber risk and pandemics are recognized among the most alarming risks by businesses, and the modeling of such risks has become an important topic for those who want and need to reinforce their risk management. The speaker addressed how cyber risk and pandemic models work and elaborated on types of non-modeled risk, stressing the importance of understanding and managing non-modeled catastrophe risks.

On November 11, Korean Re held its second insurance webinar for 2021 to provide insights into important market issues, such as the rise of the metaverse and growing climate risks. The webinar had three sessions, with each delivered by a different speaker. The first session was about what the metaverse is and how it can be used in a wide range of industries. A senior official from RSUPPORT gave a speech on the concept of the metaverse and its applications. For the second session, a distinguished professor from Hanyang University gave a lecture on global warming and climate crisis. He shed light on what has been causing global warming and what impacts global warming has been having on the Korean Peninsula. The third session was about the Overview of Reinsurance. A manager from the Strategic Planning Office at Korean Re delivered a presentation on how reinsurance works and types of reinsurance contracts. He also briefly touched on the history of reinsurance, market participants, and market cycles.

Korean Re Signed a Coinsurance Agreement with Shinhan Life

In December 2021, Korean Re entered into a coinsurance agreement with Shinhan Life to help the life insurer manage its assets and liabilities based on economic value. As the first coinsurance business that we have assumed, the agreement is expected to give rise to a raft of new business opportunities for us going forward.

Over the last year, Korean Re analyzed the business portfolios of Shinhan Life to figure out the best possible way to meet the life insurer's needs. The recently signed agreement will lead to individual transactions that are collectively worth up to KRW 500 billion. Shinhan Life had been seeking to make use of coinsurance arrangements as an asset and liability management (ALM) tool, and its coinsurance deal with Korean Re will help mitigate its financial risks resulting from a mismatch of assets and liabilities.

Coinsurance allows primary insurers to transfer all risks associated with the insurance policies they issue, including underwriting risk and interest rate risk, to reinsurers, as opposed to the traditional reinsurance structure where investment risk is not transferred.

Korean Re will continue to deepen its cooperative business relationship with Shinhan Life as both parties agreed to keep working together to expand the scope of business to be ceded under coinsurance deals. In other words, the recent coinsurance agreement is expected to help set the stage for both companies to increase bilateral transactions over the long term.

Building on the success of its first coinsurance business, Korean Re will seek to lead the growth of the domestic coinsurance market. While we remain committed to providing traditional reinsurance arrangements, we will continue to develop a wide range of coinsurance solutions not only for local life insurers but also for overseas insurers.

Since July 2020, Korean Re has formed a strategic alliance with The Carlyle Group, one of the top private equity fund managers in the world in a bid to to provide coinsurance solutions and related services to insurance companies in Korea. Both parties are working closely together to develop coinsurance solutions that are best suitable for primary insurers in the domestic market. The bilateral cooperation covers a wide range of areas from product design, structuring, and pricing to reinsurance asset management, required capital management, and new capital funding.

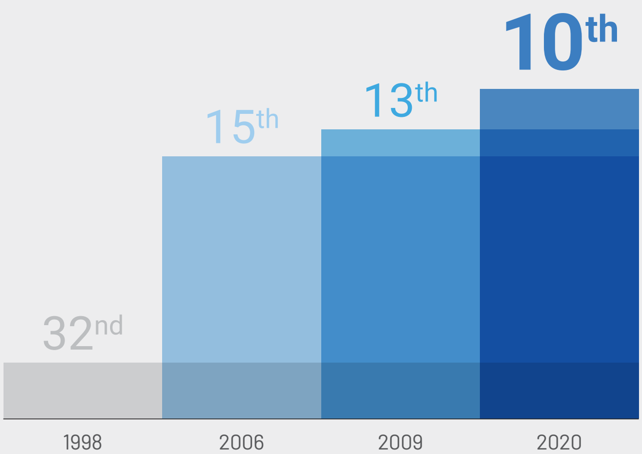
Korean Re Became the 10th Largest Reinsurer in the World

Korean Re ranked 10th in the world in terms of gross written premiums in 2020 according to a report released by A.M. Best in 2021. Our global ranking announced by the international credit rating agency was up one notch from the previous year. Korean Re is the only local financial company in Korea that ranks among the world's top 10 players in its industry.

One of the key drivers for the growth was our global business expansion, which was backed by effective risk management. Korean Re now has 13 presences across the world. This effort to expand into global markets resulted in the steady growth of our overseas business.

Munich Re took the number one spot in the global rankings, followed by Swiss Re, Hannover Re, and SCOR. To achieve greater precision in its annual ranking of global reinsurance companies, A.M. Best said its analysis for the 2021 ranking included only year-end gross reinsurance premiums written, removing any primary premiums.

Since Korean Re joined the ranks of the world's top 10 reinsurers for the first time in 2011, it has achieved stable business growth, with its ranking remaining mostly steady and close to the 10th spot. We will continue our efforts to explore new markets and execute effective portfolio management strategies so that our competitive strength can be maintained and even enhanced among the world's leading reinsurers.



(Source: A.M.Best, as of the end of 2020)

Global Business

Global Network

10 Jurisdictions

9 Branches and Offices

4 Subsidiaries

North America

New Jersey

KoreanRe Insurance Services, Inc. (KRIS)

Korean Re obtained a reinsurance intermediary license for KoreanRe Insurance Services, Inc. from the Department of Banking & Insurance in the State of New Jersey in September 2021. The reinsurance intermediary will help Korean Re build stronger brand recognition in the U.S. by serving the interests of insurance companies in the country and securing more flexible and creative reinsurance solutions.

Currently, Korean Re has a liaison office in New York, but it is not allowed to conduct actual business transactions. As a reinsurance intermediary, KoreanRe Insurance Services, Inc. can actively develop new business opportunities with a relatively smaller amount of capital than a branch or subsidiary.

Since Korean Re announced its plan to set up a reinsurance intermediary in the U.S. in September 2020, it has made swift progress in setting up the business. In February 2021, Korean Re successfully established a registered business in New Jersey, followed by the license approval in September. KoreanRe Insurance Services, Inc. is now up and running.

The establishment of the new business in the U.S. is part of Korean Re's global expansion strategy. Since CEO Won took office in June 2013, he pushed ahead with an overseas business expansion drive, leading Korean Re to broaden its global business network. Over the past nine years, Korean Re has built seven new presences, including Korean Re Underwriting Ltd. at Lloyd's of London in the U.K., the Labuan branch in Malaysia, the Dubai DIFC branch in the UAE, Korean Reinsurance Switzerland AG in Zurich, Switzerland, the Shanghai branch in China, and a representative office in Bogotá, Colombia.

The new reinsurance intermediary, which represents another important milestone in our efforts to expand into global markets, will first aim to attract quality business in the northeastern part of the U.S. and then gradually tap into other parts of the country. Backed by the activities of the reinsurance intermediary, we will continue to raise our business profile and drive our business growth in the U.S., which has a global market share of 40% in terms of premium income.

South America

Bogotá

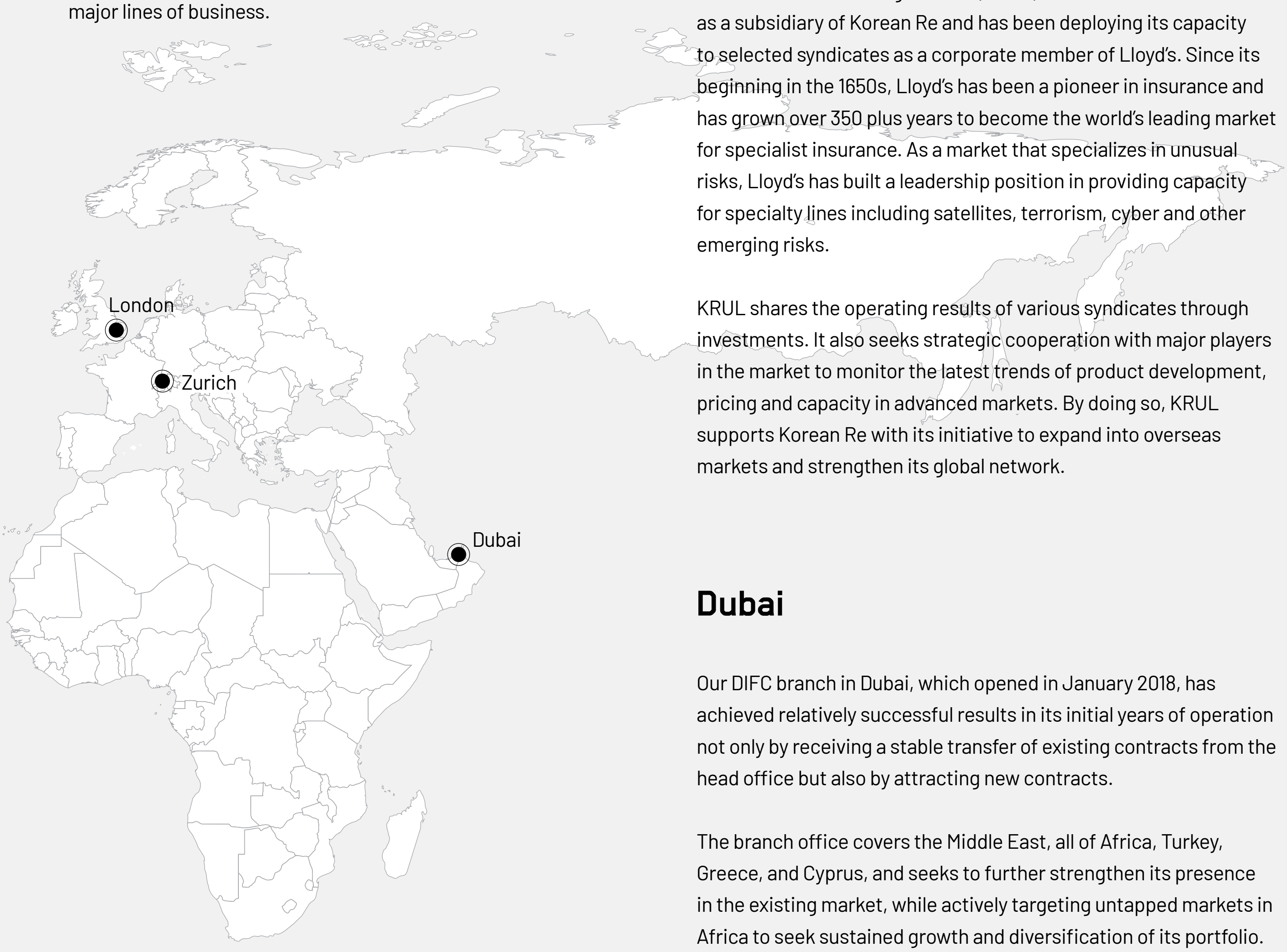
Our representative office in Bogotá was set up in February 2020 after gaining approval from local authorities in Colombia, with which Korea had signed an FTA agreement in 2016. From this new operating base in Bogotá – the capital city of Colombia, Korean Re covers the entire Latin American region, including 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.

Europe, Middle East, and Africa (EMEA)

Zurich

Korean Reinsurance Switzerland AG (KRSA)

Located in Zurich, Switzerland, Korean Reinsurance Switzerland AG (KRSA) is a fully owned subsidiary of Korean Re. At the January 2022 renewals, KRSA has achieved another remarkable growth in line with its medium and long-term strategy, benefitting from the ongoing market hardening. Despite our business growth, 2021 was marked by unprecedented natural catastrophe events in Western and Central Europe. Throughout the year, KRSA proved to be a reliable partner, supporting its clients with stable capacity and professional claims support. KRSA aims to continuously strengthen Korean Re's presence in Europe and to build a leading position to support its clients with comprehensive reinsurance solutions in all major lines of business.



London

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 the 1650s, Lloyd's has been a pioneer in insurance and has grown over 350 plus years to become the world's leading market for specialist insurance. 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.

Dubai

Our DIFC branch in Dubai, which opened in January 2018, has achieved relatively successful results in its initial years of operation not only by receiving a stable transfer of existing contracts from the head office but also by attracting new contracts.

The branch office covers the Middle East, all of Africa, Turkey, Greece, and Cyprus, and seeks to further strengthen its presence in the existing market, while actively targeting untapped markets in Africa to seek sustained growth and diversification of its portfolio.

Asia

Shanghai

Our Shanghai branch, which opened in April 2020, completed its first full-year operation in 2021 and showed stable growth even in an exceptionally challenging situation amid the COVID-19 pandemic. Since its opening in 2020, the branch has focused on establishing system infrastructure and stabilizing local business operations.

The branch has mainly targeted highly profitable businesses like non-proportional treaties of property and liability, while maintaining a conservative position with the marine and motor businesses and proportional property treaties. Losses from the Henan flood in July 2021 led the branch to experience difficulties in making a profit, and it is poised to take special measures to improve overall profitability in the coming year.

In 2022, we plan to maintain an underwriting stance that is consistent with 2021. As for the proportional treaty business, we will remain conservative to prevent a deterioration of profits. As for the non-proportional treaty business, we will increase the portion of high-quality treaties by actively providing quotation services. In addition, it is essential for us to take differentiation strategies and offer customized services to high-quality customers based on their business results, cash flows, and solvency. This will help us become a stronger player dedicated to taking tailor-made approaches to client engagement.

The Shanghai branch will not only keep pace with the rapidly growing insurance market in China but also cope effectively with local regulatory changes like Solvency II. The top priority for our third year of operation is to establish a sustainably profitable portfolio and strategy so that we can solidify our position in the market as an onshore reinsurer.

Singapore and Labuan

Our Singapore branch has provided stable capacity to the Southeast Asian market over the last 44 years. Across the market, Korean Re is recognized as a leading reinsurance company that provides reliable quotations based on consistent underwriting policy. We remain actively responsive to our clients' needs as we continuously support their risk management objectives. Along with market development, their needs keep changing and evolving, and we are striving to keep up with market needs and expand our business portfolio accordingly.

Building on our track record in Singapore, our Labuan branch has been serving the Malaysian market as a Tier 2 reinsurer since its opening in July 2017. As one of the market leaders in the region, we will stay committed to providing excellent client services across diverse lines of business. For the sake of administrative cost savings, the branch is operated without staff, as all necessary documentation and administrative activities are handled by our Singapore branch.

Hong Kong

Worldwide Insurance Services (WIS)

Worldwide Insurance Services (WIS), which is based in Hong Kong, has been mainly running 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 operate 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.

Review of Operations

Note: This section covers business results for the head office only.

Property

Domestic Business

In 2021, the Korean property insurance market suffered large industrial losses arising from a deadly fire at a Coupang warehouse (KRW 360 billion FGU) as well as several mid-sized losses throughout the year. As a result, the loss ratio of the domestic property market shot up even without any notable natural catastrophe event.

Amid high loss ratios, ceding insurers in Korea further lowered their retention levels in 2021. Their average retention ratio had continuously risen from 37.4% in 2015 to 48.8% in 2019 as the market had shown stable performance, with favorable results making the market more competitive. This upward trend reversed in 2020 when insurers experienced a series of large losses, such as fires at Lotte Chemical and LG Chemical. Their retention ratio went down to 46.1% in 2020 and further down to low-to-mid 40% range in 2021. Thus, they have been taking a more cautious approach to capacity deployment and relying more on reinsurance capacity, leading to the hardening of premium rates and the tightening of underwriting guidelines.

Unlike overseas markets, which have been in a hardening cycle for several years now, the Korean property insurance market just started hardening in 2020 when the market loss ratio soared. In 2021, this market hardening trend pushed rates up, especially for large risks which tend to require more reinsurance capacity.

Korean Re also achieved strong growth across all lines of property insurance, backed by the current favorable rating environment and greater dependency of primary insurers on reinsurance. Our domestic property business saw its premium income jump by 14.7% to KRW 605.3 billion in 2021. Gross written premiums from fire insurance grew by 13.0% to KRW 121.3 billion, while premiums from comprehensive insurance increased by 10.4% to KRW 400.2 billion. We also recorded a spike in business from our Korea Interest Abroad (KIA) accounts, with premiums soaring by 44.6% to roughly KRW 84 billion.

Our underwriting performance in domestic property (including KIA) bounced back from a sharp setback in 2020 when we were hit by a number of large losses from man-made disasters like explosions at chemical plants and natural disasters such as Typhoon Maysak. We made a significant improvement in technical profitability, with the combined ratio before management expenses going down by 12.5%p to 91.0% in 2021.

In 2022, market hardening is anticipated to continue, especially with respect to the mega risks which rely more on overseas capacity. Disappointingly, however, we expect premium rates to slightly decrease in small and medium-sized accounts because competition remains high for market shares among primary insurers.

As in previous years, we will continue to resist undercut policies in terms of pricing or ones that do not fit with our underwriting guidelines. In particular, we do not accept any policies that are based on so-called "judgement rates" in our inward treaties as they do not meet our underwriting guidelines. A judgement rate is one that primary insurers produce themselves by using their own statistics, and it is usually utilized for small and medium-sized accounts when a primary insurer intends to retain most or all of the risks with its own capacity.

For treaty renewals in 2022, we have strictly maintained our underwriting discipline by restricting reinsurance terms and conditions and reducing cession ranges and commission rates, as well as minimizing exposure to risks that are sensitive to economic downturns, including warehouse and factory fire policies. As we focus on building a profit-oriented portfolio, we will continue to take a highly disciplined approach to underwriting and remain selective about risk acceptance and pricing.

Gross Written Premiums: Domestic Property Business

(Units: KRW billion, USD million)

	FY 2021 (KRW)	FY 2021 (USD)	FY 2020 (KRW)	FY 2020 (USD)
Fire	121.3	105.5	107.3	90.0
Comprehensive	400.2	348.2	362.5	304.2
Korea Interest Abroad (KIA)	83.8	72.9	58.0	48.7
Total	**605.3**	**526.6**	**527.7**	**442.8**

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

International Facultative Business

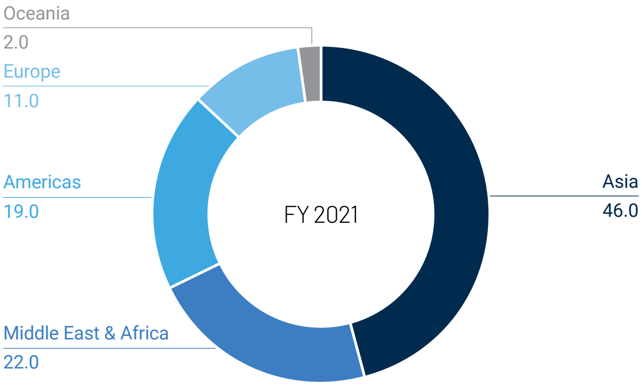
For several years in a row, we achieved double-digit growth in our international property facultative business, with gross written premiums increasing by 11.4% to KRW 137.6 billion in 2021. Our underwriting profitability remained fairly encouraging, and the combined ratio before management expenses stood at 73.0% in 2021.

We pride ourselves on the profitable growth we have delivered over the last few years based on our strategic efforts to take customized approaches to underwriting for different regions. We have also continuously tightened our underwriting guidelines to minimize exposure in catastrophe-prone areas.

A hardening phase in the insurance market cycle has been sustained, allowing for a continuously favorable pricing environment. For Power and Onshore Energy risks in particular, we saw our gross written premiums increase robustly from the previous year due to hardening market conditions as well as the rate increasing trend. Taking advantage of the positive market conditions, we have 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 maintain a solid growth trajectory. Although Asia remains dominant in our business portfolio, we have strived to expand into new markets and further diversify our portfolio geographically. The expansion of business has been backed by rigorous risk assessment, which enables us to identify the target markets that provide profitable growth opportunities. In terms of premium breakdown by territory, Asia took up the largest share (46%) of our entire international property facultative portfolio in 2021, followed by the Middle East & Africa (22%), the Americas (19%), and Europe (11%).

International Facultative Portfolio by Geography



As we enter 2022, we look forward with confidence to the opportunities that the year will bring. The current firming of the reinsurance market will likely persist throughout 2022, and favorable pricing momentum will have a positive impact on both business growth and underwriting margins. Still, we may face some headwinds related to the pandemic, regulatory developments, and catastrophe losses. In other words, the path ahead may not be necessarily an easy one to navigate, but we will remain committed to supporting our clients on the back of our strong credit ratings and capacity on top of our underwriting expertise and experience. These are the very strengths that have been at the core of our business success and that will remain the bedrock of our long-term growth.

Gross Written Premiums: International Facultative Business

(Units: KRW billion, USD million)

	FY 2021 (KRW)	FY 2021 (USD)	FY 2020 (KRW)	FY 2020 (USD)
International Facultative	137.6	119.7	123.5	103.6

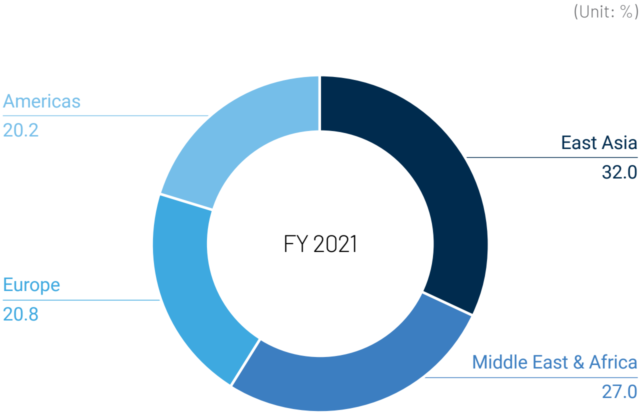
International Treaty Business

It was another challenging year in 2021 for reinsurers as we saw an array of extreme weather events all over the world, most notably in the United States and Europe. Hurricane Ida, which made landfall in Louisiana in late August, resulted in a loss of USD 36 billion, one of the highest individual losses ever for insurers. Historic rainfall and flooding occurred in Western and Central Europe in July, generating insured losses of USD 13 billion. Total insured losses from natural disasters reached USD 130 billion in 2021, making it the fourth-costliest year on record for public and private insurance entities, only behind 2017, 2011, and 2005. It was also marked as a year of huge losses from secondary perils such as floods, convective storms, and winter freeze.

The reinsurance market presented a mixed picture at the January 2022 renewals. While lines of business with heightened losses in 2021 have continued to see significant price increases, loss-free lines of business attracted additional capital, causing prices to stay stationary. Traditional and alternative reinsurance capital steadily increased during 2021 despite heavy losses caused by natural catastrophes.

In 2021, our international treaty business written by the head office saw a 7.5% decrease in gross written premiums, which totaled KRW 497.4 billion. The decrease was mainly driven by the transfer

International Treaty Portfolio by Geography



of the Chinese business to our Shanghai branch. However, we successfully achieved our target premium volume by adding new accounts in Europe and the U.S. and securing solid market growth in the Middle East.

In terms of portfolio management, we continued our efforts to optimize our business portfolio by region so as to withstand the volatility of catastrophe and large risk losses. The share of East Asia decreased, but it still made up the largest portion of our international treaty portfolio at 32.0%, followed by the Middle East & Africa at 27.0%, Europe at 20.8%, and the Americas at 20.2%.

Although we will have to keep dealing with the uncertainty of COVID-19 losses and the impact of natural disasters, we will stick to our current underwriting strategy, which is aimed at achieving sustainable growth in target regions. At the same time, we will strive to reduce loss volatility arising from global climate change and regional business environment changes through various risk transfer options available in the alternative capital market as well as the traditional reinsurance market.

Gross Written Premiums: International Treaty Business

(Units: KRW billion, USD million)

	FY 2021 (KRW)	FY 2021 (USD)	FY 2020 (KRW)	FY 2020 (USD)
East Asia	159.1	138.4	211.9	177.8
Middle East & Africa	134.4	116.9	124.0	104.1
Europe	103.3	89.9	96.9	81.3
Americas	100.6	87.5	104.8	87.9
Total	**497.4**	**432.7**	**537.6**	**451.1**

Engineering

Domestic Business

It was another year of encouraging success in 2021 for our domestic engineering insurance business. We delivered strong performance both in growth and profitability for the third consecutive year. Our premium income jumped by 17% to KRW 216.4 billion in 2021, and we recorded the largest underwriting profit in the history of our domestic engineering business. These exceptional results reflect our ceaseless efforts to support the stable growth of our clients in the face of ongoing economic uncertainty arising from COVID-19. The gradual recovery of the engineering market in Korea also worked in favor of our business growth.

Market conditions are forecast to remain favorable this year too. To begin with, the Korean government has continuously increased the nation's social overhead capital (SOC) in order to stimulate the economy. The SOC budget for 2022 has been raised by 5.7% to KRW 28 trillion. In addition to government-led infrastructure development, privately financed infrastructure projects driven by government initiatives will also be smoothly launched, spurring the growth of the engineering insurance market.

Secondly, the government remains committed to promoting the development of the renewable energy sector. In this regard, the government intends to expand the nation's renewable energy capacity to 63.8GW by 2030 from 27.5GW in early 2022. As a leading provider of reinsurance protection with respect to the construction and operation of renewable power plants, we expect our business to gain more traction and subsequently positive momentum from the upcoming growth of the eco-friendly energy sector, which will also facilitate the expansion of the domestic engineering insurance market.

Overseas Business

Our overseas engineering insurance business showed positive growth in 2021, recovering successfully from a contraction in 2020. It was also a landmark year for us as we booked KRW 116 billion in gross written premiums in 2021, passing the USD 100 million mark for the first time in the history of our overseas engineering business. This also represents an increase of 12% from the previous year.

Our business growth was supported by improving market conditions, as the global construction industry experienced a solid recovery from a pandemic-triggered slump. In 2021, the construction market made a turnaround to achieve growth that exceeded pre-pandemic levels amid an economic rebound and accelerating vaccine rollouts.

In 2022, the market is set to continue growing since many delayed projects are about to resume as global supply chains stabilize. The growth will also be driven by the execution of large-scale investments in new infrastructure including green energy generation facilities.

After 2022, the global construction market is expected to enter a stage of stable growth, extricating itself from the influence of COVID-19, and Korean construction companies are also likely to see their overseas business orders increase significantly due to favorable oil prices and rising global demand for plant construction.

In line with this market outlook, we will be able to maintain our growth momentum in 2022, although growth will be sought after with a focus placed on improving our long-term profitability. In order to produce sound and sustainable business results, we will respond nimbly to any market changes and stay committed to developing and strengthening our long-term relationships with many strategic partners and key clients across the globe.

Korean Re will make every effort to seize upon these favorable market conditions to our full advantage and drive our top-line growth while also seeking to maintain profitability based on meticulous risk analysis and management. This will ultimately help us deliver value for our clients and business partners as well as for our company.

Gross Written Premiums: Engineering

(Units: KRW billion, USD million)

	FY 2021 (KRW)	FY 2021 (USD)	FY 2020 (KRW)	FY 2020 (USD)
Domestic	216.4	188.3	184.5	154.8
Overseas	116.0	100.9	103.2	86.6
Total	332.4	289.2	287.7	241.4

Agriculture

As a reliable provider of reinsurance capacity, Korean Re has continued to support the domestic farming industry. Insurance coverage for farmers against natural perils is crucial to ensuring their business stability, and Korean Re plays a key role in helping develop the local agricultural insurance market not only by deploying its own capacity but also by providing access to global reinsurance capacity.

The domestic crop insurance market continued to grow robustly in 2021, with original gross premiums increasing by 14% year on year to KRW 778 billion. The livestock insurance market also experienced steady growth, and its premiums reached KRW 232 billion in 2021. Korean Re's business remained more or less stable, generating gross written premiums of KRW 225.6 billion from crop insurance and KRW 121.4 billion from livestock insurance.

In terms of profitability and sustainability of the crop insurance market, 2021 was a turning point due to improvements in scheme and reduced losses from natural disasters. The loss ratio of the crop insurance market drastically improved to 59% in 2021, as the insurance scheme was revised to transfer major perils, such as spring frost, to the government and improve the profit-loss distribution method. The livestock insurance market also continued to perform fairly well, with the loss ratio further falling to 68%. This was driven by strengthened loss assessment and underwriting guidelines, improved pricing, and smaller heatwave losses.

The agricultural machinery insurance market showed continuous growth on the back of an increase in sales, which helped us boost our gross written premiums by 12% to around KRW 35 billion in 2021. After years of continued losses, the market started to turn around noticeably in 2020, producing favorable results thanks to the standardization of loss adjustment manuals and the application of strict underwriting guidelines. As a result, our loss ratio was pushed down to an all-time low of 54% in 2021.

The natural perils insurance market achieved a 7% growth in 2021, supported by 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 24.5 billion.

Despite heavy rain in the summer and two typhoons affecting the Korean Peninsula in 2021, their collective impact on the natural perils insurance market was limited, allowing us to deliver a loss ratio of 39%. Specifically, Typhoons Omais and Chanthu brought losses of KRW 1.1 billion to the natural perils treaty, which was only 8% of typhoon losses in 2020.

In 2021, our overseas agriculture business hit a sticky patch because we continued to struggle with loss creep from 2019. The impact

of global climate change also undermined our overseas business results, pushing the loss ratio to a record high of 106% in 2021. As we exited non-profitable markets, our premium income for the year decreased to KRW 52.9 billion compared to KRW 107.1 billion in the previous year.

In 2022, Korean Re will remain focused on portfolio management to deliver profit over top-line growth based on selective underwriting. In the face of unfavorable overseas business conditions, we will continue our efforts to find new markets and build a more diversified and profitable portfolio with the aim of putting our overseas business back on a solid footing. Domestically, we will not waver from our commitment to promoting the growth of the government-sponsored agricultural insurance market.

Gross Written Premiums: Agriculture

(Units: KRW billion, USD million)

	FY 2021 (KRW)	FY 2021 (USD)	FY 2020 (KRW)	FY 2020 (USD)
Domestic Crop	225.6	196.3	216.4	181.6
Livestock	121.4	105.6	127.1	106.7
Agricultural Machinery	34.5	30.0	30.8	25.8
Natural Perils	24.5	21.3	23.1	19.4
Overseas Agriculture	52.9	46.0	107.1	89.9
Total	**458.9**	**399.2**	**504.5**	**423.3**

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

Korea Atomic Energy Insurance Pool (KAEIP)

In Korea, nuclear risks are insured by the Korea Atomic Energy Insurance Pool (KAEIP), which is managed by Korean Re. KAEIP is a voluntary, unincorporated association of 12 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. The pool jointly underwrites nuclear risks domestically, which are then shared internationally via reciprocation with other nuclear insurance pools across the world.

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). At present, one unit is under review for commercial operation, and three additional units are under construction. Globally, a total of 439 reactors are commercially operational, and 52 reactors are currently being built. Major countries with nuclear reactors under construction are China (14 units), India (6 units), and the UAE, Russia and Turkey (3 units each).

In 2021, KAEIP achieved growth both in domestic direct and international reinsurance premiums. It wrote domestic direct premiums of KRW 35.7 billion in 2021, up modestly from the previous year, while its overseas inward reinsurance premiums increased by over 15% to KRW 19.2 billion.

The domestic direct business is expected to grow in line with the ongoing construction of nuclear reactors. Internationally, demand for reinsurance capacity in the nuclear insurance market is expected to increase as the Protocols to Amend the Paris Convention on Nuclear Third Party Liability, one of the international treaties on nuclear liability, entered into force as of January 1, 2022, and will allow greater compensation for those who suffer losses resulting from an accident in the nuclear energy sector. This is likely to drive premium growth in our overseas nuclear business for the next few years.

There has been a slight increase in nuclear insurance premium rates in some countries due to the impact of overall market hardening in the global insurance industry. This upward rating momentum may be sustained further, considering that market conditions still remain firm.

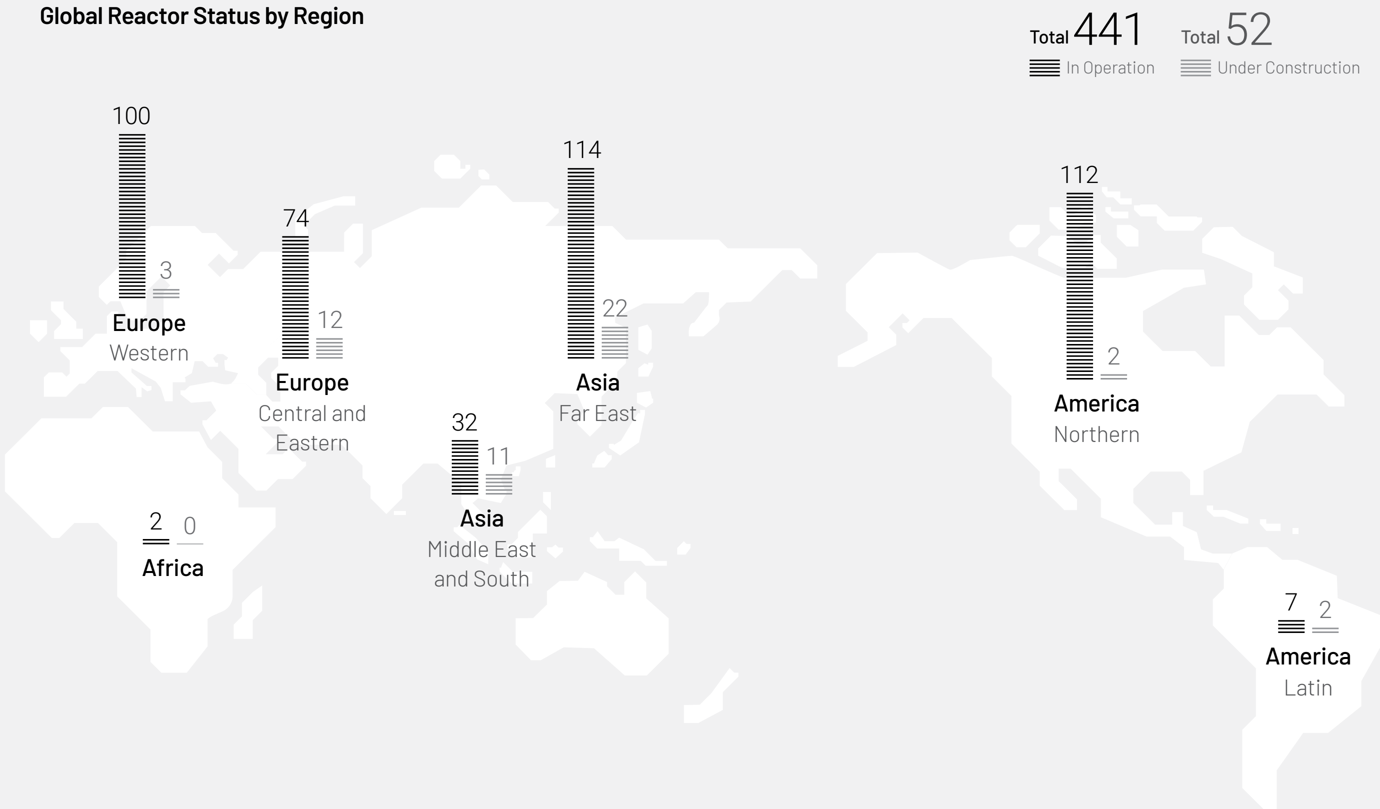
As a provider of specialist insurance coverage for the nuclear industry, KAEIP will remain committed to supporting nuclear operators in terms of insurance capacity and risk management services. In addition to ensuring that stable insurance capacity is provided domestically, it will also keep exploring new growth opportunities across the globe by staying responsive to market dynamics. Korean Re will play a leading role in these endeavors by KAEIP.

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

(Units: KRW billion, USD million)

	FY 2021 (KRW)	FY 2021 (USD)	FY 2020 (KRW)	FY 2020 (USD)
Domestic Direct	35.7	31.1	34.4	28.9
Overseas Reinsurance Inward	19.2	16.7	16.6	13.9
Total	**54.9**	**47.8**	**51.0**	**42.8**

Global Reactor Status by Region



(Source: Power Reactor Information System(PRIS), International Atomic Energy Agency(IAEA), as of April 17, 2022)

Marine and Aviation

In 2021, our marine and aviation business reported KRW 401.5 billion in gross written premiums, down 4% from a year earlier. Although we achieved a 3% growth in our domestic business thanks to increased premiums from builders' risks of naval vessels and a rise in trade volume, our overseas business portfolio has been downsized due to overall portfolio adjustments and treaty portfolio transfers from the head office to overseas branches.

Hull and energy premiums remained flat at KRW 247.8 billion in 2021. Domestic hull premiums increased considerably because there were substantial rate rises in the Korean market after several large losses in 2019. However, the growth was offset by a decrease in gross premiums from the overseas book of business due to the portfolio optimization efforts aimed at improving profitability.

Although global trade volume recovered from the downturn caused by the COVID-19 pandemic, our cargo business shrank with premiums falling by 3% to KRW 82.2 billion. That was because we focused on optimizing our portfolio by enhancing our underwriting guidelines for overseas cargo risks, which resulted in a kind of trade-off between profitability and growth. Aviation premiums also declined to KRW 71.6 billion, mainly because of the base effect from the one-off growth in the wake of active satellite launches in the previous year.

Our years of hard work to focus on profit-oriented underwriting paid off in 2021. The combined ratio before management expenses for our marine and aviation business significantly improved from 93.1% in 2020 to 73.1% in 2021. We have tightened our underwriting guidelines and substantially restructured our portfolio and retention scheme in tandem with our profit-oriented underwriting discipline. In the current discipline-led hard market, we have focused not only on ensuring price adequacy and commission readjustments but also on improving the terms and conditions of the coverage provided.

In 2022, the marine insurance market is expected to show moderate growth, but the year may be marked by less hardening. The capacity in the market is sufficient, and the Korean marine market experienced fewer large losses in 2021, which may bring a deceleration in premium rate increases.

Nevertheless, as the leading reinsurer in Korea, we will strive to preserve adequate price levels and sound terms and conditions. At the same time, we will expand our portfolio selectively so that we can secure good loss-record accounts. In addition, we will continue our efforts to find new sources of growth, such as offshore windfarm risks and overseas builders' risks of naval vessels. We are confident of the growth opportunities that lie ahead for us as we keep pushing ourselves to tap into new markets with growth potential.

Gross Written Premiums: Marine and Aviation

(Units: KRW billion, USD million)

	FY 2021 (KRW)	FY 2021 (USD)	FY 2020 (KRW)	FY 2020 (USD)
Hull & Energy	247.8	215.6	247.9	208.0
Cargo	82.2	71.5	84.3	70.7
Aviation	71.6	62.3	86.4	72.5
Total	**401.5**	**349.3**	**418.6**	**351.2**

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

Casualty

In 2021, the casualty insurance market in Korea grew by 6.6% in the face of pandemic-triggered economic challenges. Demand growth was a major driver of market expansion. Rate increases also provided solid momentum to market growth. Amid the hardening of the global casualty reinsurance market, renewal prices have been pushed up in the domestic market as well. Yet, for some lines of business with favorable results, primary insurers continued to increase their retention levels selectively.

Against this backdrop, Korean Re delivered excellent business results for 2021. As we focused on achieving bottom-line growth based on selective underwriting, our underwriting profit from casualty lines more than doubled in 2021. In particular, our bond insurance business maintained a great loss ratio thanks to our continuous efforts to strengthen underwriting guidelines. This profit-oriented selective underwriting strategy, however, led to a 13.2% decrease in gross written premiums as we withdrew from underperforming accounts.

In 2021, liability lines of business made up the largest part of our total casualty premiums at 26.1%, followed by special risks at 25.3% and personal accidents at 14.0%. The share of overseas inward premiums was maintained at 17.8% of the entire casualty portfolio. We have been taking a cautious approach in identifying target risks based on a comprehensive analysis of individual markets and risks.

Throughout 2021, we remained committed to strengthening our collaboration with both domestic and overseas clients to support them effectively in response to evolving market trends. Our client engagement is increasingly focused on helping our clients better respond to ongoing market concerns, including the COVID-19 pandemic, digital transformation, cyber security, and environmental, social and governance (ESG) issues.

With the rise of social inflation and a raft of legislative changes, the casualty insurance market may have to deal with an unprecedented level of uncertainty in the post-pandemic era. In response, we will challenge ourselves to optimize our risk management based on a thorough and preemptive analysis of risks. This effort will enable us to maintain a profitable portfolio and stay dedicated to providing stable reinsurance capacity and services to our clients going forward.

Gross Written Premiums: Casualty

(Units: KRW billion, USD million)

	FY 2021 (KRW)	FY 2021 (USD)	FY 2020 (KRW)	FY 2020 (USD)
Liability	302.0	262.7	316.8	265.8
Personal Accidents	161.4	140.4	190.5	159.8
Surety & Credit	194.0	168.8	200.4	168.2
Special Risks & Others	291.9	254.0	381.0	319.7
Overseas Inward Business	205.9	179.1	243.0	203.9
Total	**1,155.2**	**1,005.0**	**1,331.7**	**1,117.4**

Long-term

In 2021, the long-term insurance market in Korea continued on its growth path, with direct premiums increasing by 5.3%. The growth of the market was supported by strong sales of long-term personal accident and health insurance policies. The market also witnessed greater interest in long-term property insurance in the wake of a series of fire accidents in 2021.

In terms of overall claims experience, insurers suffered some setbacks in 2021 when loss ratios started to go up after an unexpected improvement in 2020 following the outbreak of COVID-19. Particularly, the relaxation of social distancing measures led people who had delayed elective and non-emergency care to visit hospitals, pushing up insurance claims.

In 2021, Korean Re reported KRW 2,532 billion in long-term insurance premiums, up 5.1% year on year. We continued to focus on writing more profitable risks by working closely with direct insurers to develop new products. However, our combined ratio before management expenses increased by 0.3%p to 100.5%, as the loss ratio of medical expense insurance remained high.

In 2022, the long-term insurance market will stay on a similar growth trajectory as the previous year. Market growth will be backed by rising 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.

In step with such market developments, Korean Re will continue to support the market in terms of product development based on an extensive analysis of product portfolios of insurers. We will also provide underwriting services and necessary reinsurance programs, as well as risk transfer solutions, in a way that supports the sustainable growth of insurers offering long-term insurance coverage. As insurers have been working to switch to IFRS 17, we will make sure our efforts are directed toward responding to their needs, such as risk management and solvency capital relief, by being more attentive to their individual business profiles and conditions. These efforts will not only support their growth and business stability but also help us drive growth and enhance profitability.

Gross Written Premiums: Long-term

(Units: KRW billion, USD million)

	FY 2021 (KRW)	FY 2021 (USD)	FY 2020 (KRW)	FY 2020 (USD)
Long-term	2,531.5	2,202.5	2,408.0	2,020.5

Motor

The motor insurance market in Korea saw solid growth in 2021, with premium income increasing by 4.0% compared to the previous year. The increased number of registered vehicles led to the expansion in premium income, while the growth also reflected the impact of premium rate hikes that had been implemented in 2020 to keep pace with rising claims costs.

The trend of surging loss ratios came to an abrupt halt in the wake of the COVID-19 outbreak. Following a significant improvement in 2020, the loss ratio further declined by 3.3%p year on year to 82% in 2021. As the implementation of physical distancing measures led to less driving, the frequency of motor insurance claims went down.

Korean Re also experienced benign claims experiences with the loss ratio remaining stable at 79.3% in 2021. Our gross written premiums grew by 10.2% to KRW 669.3 billion in 2021 due to an increase in new business from overseas markets.

Globally, we diversified our non-proportional treaty portfolio with new contracts from insurers in the UK and Eastern Europe that offer motor third party liability coverage. Meanwhile, with regard to the proportional treaty business, we deepened our relationships with existing clients, while selectively supporting new programs.

As we tried to grow both our proportional and non-proportional businesses, we applied very conservative underwriting standards in order to improve the profitability of our overseas book.

Domestically, we were faced with slower business growth, which pushed us to increasingly focus on providing reinsurance solutions that better meet the needs of ceding insurers. We continuously expanded existing programs that cover higher risks in addition to proportional and non-proportional treaties. We also continued our efforts to boost transactions with mutual associations by strengthening our business relationships with them to find ways to accommodate their needs more effectively.

In 2022, steady growth momentum will be maintained in the market. Direct premiums are expected to grow by 3.0% to over KRW 20.7 trillion, driven by an increasing number of cars. Still, there are some factors that put downward pressure on overall premium growth, such as a growing portion of online distribution channels that offer lower rates and the government's call for a reduction in premium rates. The loss ratio is anticipated to go up by 1.5-2%p, with a gradual easing of social distancing measures now underway and the use of cars picking up again. Rising auto repair costs may also have an adverse impact on the loss ratio.

Korean Re aims to generate KRW 699 billion in gross written premiums from the motor business in 2022, 4.4% higher than the previous year. To meet this target, we will continue to develop new reinsurance programs and further broaden our business relationships with mutual associations in ways that bring business growth and value to our partners as well as to our company. We will also seek cooperation with insurtech startups to seize on new business opportunities and enhance our client engagement practices. In addition, global business expansion will remain one of our important tasks, as we believe tapping into new markets is crucial for us to drive business growth and build a more profitable and diversified business portfolio.

Gross Written Premiums: Motor

(Units: KRW billion, USD million)

	FY 2021 (KRW)	FY 2021 (USD)	FY 2020 (KRW)	FY 2020 (USD)
Motor	669.3	582.3	605.4	508.0

Life and Health

Domestic Business

In 2021, we had a challenging year in terms of both growth and profitability. We saw our domestic life and health (L&H) premiums decrease by 7.4% to KRW 856.8 billion in 2021 as we pursued strategic portfolio adjustments by reducing loss-making or low-margin contracts. Our underwriting profit fell by KRW 8 billion to KRW 17.9 billion due to a one-off rise in large losses and an increase in the loss ratios of cancer and medical expense insurance.

The decline in our top-line growth was directly linked to the slowing trend of the primary life insurance market in Korea. Domestic life premium growth slowed to 4.3% in 2021, with total premiums reaching KRW 124.8 trillion, according to the estimates released by the Korea Insurance Research Institute. The growth of protection life insurance weakened to 2.8% in 2021, compared to an increase of 3.8% in 2020. This slowdown in growth reflected growing concerns over mis-selling of certain products newly launched by insurers and tighter regulation of insurance sales commission schemes. Savings-type insurance managed to grow by 1% amid rising gaps between interest rates on bank deposits and crediting rates on insurance products. Market interest rates stayed mostly below 1% during 2021, while insurance companies' rates remained in the 2% range, which made savings-type insurance more attractive.

The Korean life reinsurance market also stagnated, with reinsurance premiums falling by 1.7% to an estimate of KRW 2,191.1 billion in 2021 from KRW 2,228.8 billion in 2020. Still, Korean Re was able to maintain its market share at around 40% in 2021 on the back of our ongoing initiatives to collaborate with direct insurers to develop new products.

Looking forward to 2022, the pace of market growth is expected to remain slow, with life premiums increasing by 1.7% to KRW 126.9 trillion. This is in part because insurers are less motivated to develop new products as a result of the strengthened supervision of mis-selling practices. In spite of slowing growth in overall life premiums, protection insurance is expected to grow by 2.7% on the back of rising demand for health insurance products. General savings insurance is expected to grow by 2.8% as a large number of savings policies come into maturity in 2022, and some of the policyholders who receive maturity benefits are expected to buy new savings insurance. Back in 2012, there was a rush to buy general savings insurance before the tax changes that became effective in 2013, resulting in a spike in savings insurance premiums in 2012.

Gross Written Premiums: Domestic Life and Health

(Units: KRW billion, USD million)

	FY 2021 (KRW)	FY 2021 (USD)	FY 2020 (KRW)	FY 2020 (USD)
Domestic Life and Health	856.8	745.4	925.0	776.2

All in all, there are some reasons to be hopeful for a brighter year ahead. We believe business conditions for face-to-face sales channels will improve as social distancing is gradually being eased amid a rising vaccination rate. Reduced economic uncertainty, a recovery in the real economy, and rising interest rates will combine together to boost demand for both personal and commercial insurance.

There are still factors that may have negative effects on insurance demand growth, such as a decrease in precautionary savings, a slowdown in liquidity expansion, and soaring household debt. The greatest uncertainty for 2022 may well be about when the COVID-19 pandemic will end or whether it will ever go away.

Although much of what lies ahead remains uncertain, Korean Re will certainly remain stable in providing reinsurance capacity. We will continue to actively support domestic life insurers by offering high-quality technical services to their underwriters. We will also strengthen our expertise in providing clients with risk management solutions, including newly introduced coinsurance arrangements, and support them under the upcoming IFRS 17 regime.

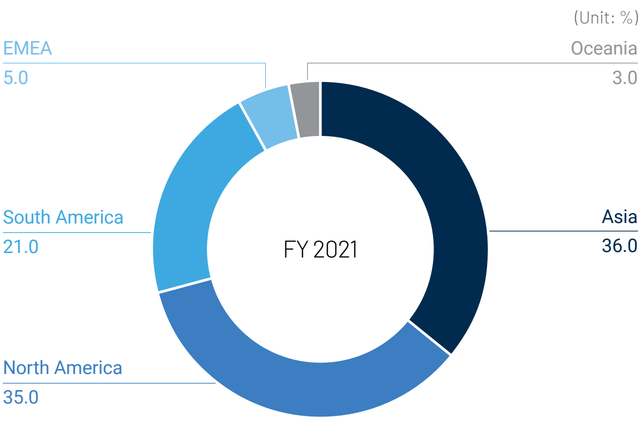
In addition, portfolio reorganization will be our key task in 2022. We will hold onto profit-oriented underwriting built around comprehensive product analysis and strong risk management so that we can improve the profitability of our overall business.

Overseas Business

In 2021, the global life reinsurance market continued to struggle with the impact of COVID-19 as the pandemic stubbornly dragged on. Notably, the mortality rate in the U.S. increased significantly due to COVID-19, and it may take some time for the mortality rate to go through downward stabilization and return to its average level. In the face of the uncertainty caused by the pandemic, life reinsurers have been making all-out efforts to minimize the negative impact arising from the current unprecedented circumstances based on the diversification of financial strategies and flexible underwriting operations.

Korean Re also wrestled with challenges in 2021. Most importantly, we made strategic portfolio adjustments by withdrawing from treaties with low margins and avoiding poorly performing contracts. As a result, our overseas L&H business saw its gross written premiums fall 16.4% year-on-year to KRW 452.4 billion. Over the course of the year, our underwriting profitability also deteriorated significantly due to COVID-19 losses.

International Portfolio by Geography



Moreover, we continued our efforts to build a geographically balanced portfolio. Asia accounted for 36% of our entire overseas L&H portfolio, with China taking up 21% of the Asian business. North and South Americas made up 35% and 21%, respectively, while EMEA and Oceania remained small at 5% and 3%, respectively.

Looking ahead to 2022, the business environment is expected to remain persistently harsh, especially because of the ongoing emergence of COVID-19 losses. We will put all our capabilities into the recovery of profitability and make that our top priority. To this end, we will increase the proportion of short-term businesses such as group treaties and non-proportional treaties, and continue to promote regional diversification in advanced markets.

At the same time, it is imperative that we focus on increasing our market share by actively utilizing Korean Re's business networks in our flagship markets, such as China and North America. We will strengthen our relationships with existing clients, while also seeking strategic business alliances with new companies.

We at Korean Re clearly understand the role that we need to play in helping our clients optimize 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. Considering that evolving regulations continue to drive demand for non-traditional reinsurance, we believe it is now more important than ever that we dedicate ourselves to offering innovative solutions that can help reduce the required capital of insurers as well as help boost our business growth.

Gross Written Premiums: Overseas Life and Health

(Units: KRW billion, USD million)

	FY 2021 (KRW)	FY 2021 (USD)	FY 2020 (KRW)	FY 2020 (USD)
Asia	162.3	141.2	200.8	168.5
Americas & Oceania	266.6	231.9	307.7	258.2
Europe, Middle East, and Africa (EMEA)	23.5	20.5	32.7	27.4
Total	**452.4**	**393.6**	**541.2**	**454.1**

Investment

We reported robust investment results in 2021, delivering a return of 3.7% even with volatile financial market conditions. Despite a challenging investment environment driven by pandemic-related economic woes such as the instability of global supply chains, our invested assets generated KRW 244.8 billion in investment income excluding foreign exchange gains/losses in 2021, compared to KRW 236.7 billion in 2020. Among others, our stock and alternative investment portfolios performed strongly, contributing to a rise in investment profit.

In 2021, economic recovery picked up steam both domestically and globally. The Korean economy rebounded sharply from the pandemic in 2021, with a GDP growth of 4.0%, the highest rate in 11 years. The global economy also recovered solidly from the recession caused by the COVID-19 pandemic, but not without challenges. The emergence of new variants of the coronavirus, global supply chain turbulence and soaring commodity prices presented obstacles to ongoing economic recovery.

As the economy regained strength, there was a shift in interest rate movement in 2021, bringing an end to the days of record low interest rates. In order to tackle a pandemic-driven economic downturn, the Bank of Korea cut its benchmark interest rate to an all-time low of 0.5% in 2020, but started to tighten its monetary policy during the second half of 2021. Amid rising inflation and household debt, the policy rate was stepped up twice to reach 1.0% at the end of the year.

Consequently, the yield on ten-year Korea treasury bonds soared to 2.25% on the last day of 2021, compared to 1.713% a year earlier. The stock market also experienced wild swings throughout the year. The Korea Composite Stock Price Index (KOSPI) hit an all-time high of 3,316.08p in June 2021, but tumbled to a yearly low of 2,839.01 at the end of November amid rising concerns over the potential impact of Omicron. KOSPI closed the year at 2,977.65, with the growing possibility of interest rate hikes.

Rising interest rates weighed on our overall bond performance in 2021. We saw our fixed-income returns decrease significantly, and investment income from bonds took up a smaller share of the entire investment profit. Returns from domestic and foreign bonds accounted for 22% and 23%, respectively, of the total investment income. In contrast, we achieved exceptional results for our alternative investments, with 51% of our investment income coming from the alternative asset class. Our stock investment portfolio also pulled off big gains on the back of our effective portfolio management and market rallies.

Backed by stable inflows of investment and premium income, we reported an 11.6% growth in the value of our investments, with total invested assets amounting to KRW 7,161.4 billion as of the end of 2021. While working to navigate tumultuous financial market conditions in 2021, we focused on ensuring the strength of our investment portfolio in a way that maximized the profitability of our invested assets throughout the year.

Domestic fixed-income securities made up the largest part of our portfolio, or 30.1% of the total invested assets. Our domestic bond holdings consist mainly of government bonds and other high-quality corporate bonds. As we have been continuously compelled to search for new investment opportunities in the current tough

Investment Results

(Units: KRW billion, USD million)

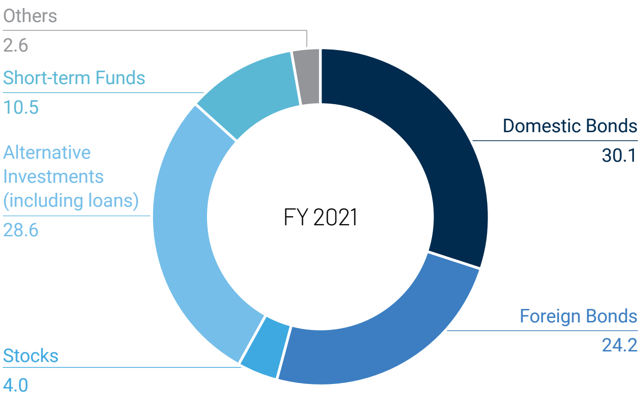
	FY 2021 (KRW)	FY 2021 (USD)	FY 2020 (KRW)	FY 2020 (USD)
Invested Assets	7,161.4	5,982.3	6,417.6	5,841.6
Investment Income	306.3	266.5	200.4	168.2
Investment Income*	244.8	213.0	236.7	198.6
Yield (%)	4.5	4.5	3.2	3.2
Yield* (%)	3.7	3.7	3.8	3.8

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

investment environment, the proportion of alternative investments including loans remained high at 28.6% of our total invested assets. Most of our alternative investment vehicles are loans - real estate loans, acquisition financing, and loan-linked products.

Investment Portfolio Mix

(Unit: %)



In 2022, the Korean economy is expected to maintain its recovery momentum, supported by the growth of the service industry. However, the growth of exports and facility investment, which mainly fueled the economic recovery in 2021, is likely to slow significantly when the global economy loses steam. The path to economic normalization will depend on factors like global supply chain disruptions, a steep rise in raw material prices, and the pace at which the coronavirus is kept in check. As the economy normalizes, the Bank of Korea, like other central banks in major countries, is expected to raise interest rates several times in 2022.

In light of this future outlook, we will hold steadfast to a portfolio strategy that can generate steady returns, particularly when faced with the possibility of any shock from interest rate hikes or other changes in economic conditions. This will help us maintain portfolios that are fundamentally sound and resilient against a potential increase in market uncertainty. Our Asset Management Team will remain committed to driving stable investment income over the long term in a way that supports the company's financial strength in alignment with our business objectives.

Invested Assets

(Units: KRW billion, USD million)

	FY 2021 (KRW)	FY 2021 (USD)	FY 2020 (KRW)	FY 2020 (USD)
Domestic Bonds	2,152.2	1,797.8	1,896.9	1,726.7
Foreign Bonds	1,730.1	1,445.2	1,585.8	1,443.5
Stocks	287.2	239.9	205.8	187.3
Alternative Investments (including loans)	2,050.8	1,713.1	1,955.7	1,780.2
Short-term Funds	755.8	631.4	587.5	534.8
Others	185.3	154.8	185.9	169.2
Total	**7,161.4**	**5,982.3**	**6,417.6**	**5,841.6**

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

Investment Income

(Units: KRW billion, USD million)

	FY 2021 (KRW)	FY 2021 (USD)	FY 2020 (KRW)	FY 2020 (USD)
Domestic Bonds	54.0	47.0	70.4	59.1
Foreign Bonds	118.2	102.8	57.4	48.2
Foreign Bonds*	56.7	49.3	93.7	78.6
Stocks	48.0	41.8	5.0	4.2
Alternative Investments (including loans)	125.1	108.8	60.4	50.7
Short-term Funds	7.0	6.1	9.4	7.9
Others	-2.8	-2.4	-2.2	-1.9
Total	**306.3**	**266.5**	**200.4**	**168.2**
Total*	**244.8**	**213.0**	**236.7**	**198.6**

* 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.

ESG Report

Overview

At Korean Re, we are committed to providing reinsurance services of the highest possible standards, with a focus on sound environmental, social and governance (ESG) practices.

Our commitment to ESG is based on the values of promoting transparency in corporate governance, protecting the environment, and being a socially responsible member of the communities we work and live in. Upholding these values is not just the right thing to do but helps us ensure sustainable business operations. 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.

In 2021, Korean Re set up an organizational unit responsible for ESG management for the purpose of establishing and implementing an effective ESG strategy to seek sustainable growth and become a company that is more responsible toward society, employees, and other stakeholders. This organizational change has allowed us to take more effective and centralized approaches to ESG initiatives.

Since the establishment of the ESG unit, we have already made some initial progress. One example of this has to do with Korean Re' ESG rating, which moved up a notch to B+ in the latest ESG ratings assessment by the Korea Corporate Governance Service (KCGS). The overall ESG rating reflects individual ratings in three categories: environmental, social, and governance. We achieved upgrades in all three categories, with the Governance rating raised to A thanks to our moves to improve gender diversity on the Board of Directors and separate the role of the BOD Chair from the CEO.

Our Environmental rating was sharply upgraded to B in 2021 thanks to our efforts to compile and report data related to reinsurance coverage for eco-friendly businesses, green investing, energy consumption, and greenhouse gas emissions. We also obtained a higher rating of B+ for the Social rating compared to the previous year on the back of our programs for employee training and welfare as well as a variety of social contribution activities.

Sustainability is becoming one of the most important considerations that form the basis of our business decisions. In particular, we believe that sustainable investment practices can drive cultural, social, and environmental change, as well as add value to our investment portfolios and enhance our investment returns. As we increasingly incorporate ESG factors into our investment strategy, there has been a rise in the share of ESG-related investments in our alternative investment portfolio, which has continued to perform strongly in terms of yields.

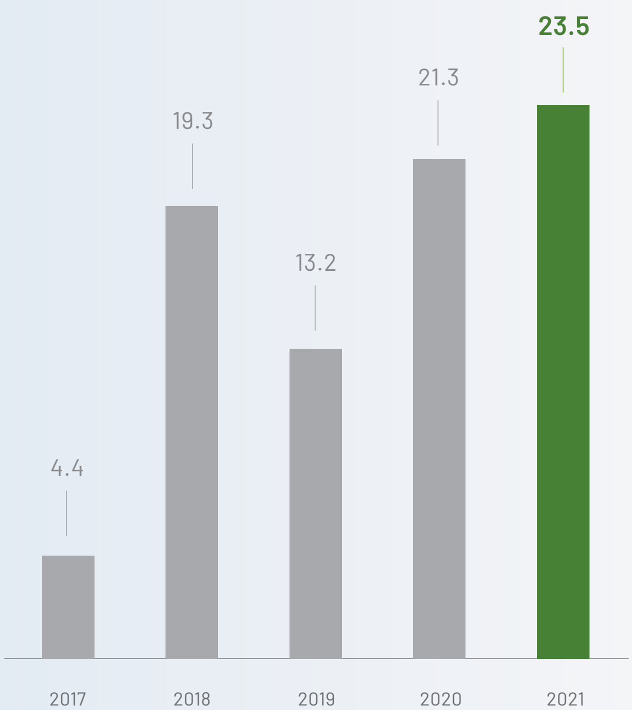
Korean Re's Alternative Investment

(Unit: KRW billion)

	ESG Investment	Total
2021	**23.5**	**1,009.1**
2020	21.3	891.8
2019	13.2	657.3
2018	19.3	461.3
2017	4.4	297.3

ESG Investment

(Unit: KRW billion)



-129.109

Greenhouse Gas Emissions
from Korean Re Office Building
in 2021 Compared to 2018
(Unit: tCO_2-eq)

-2.668

Energy Use by Korean Re Office Building
in 2021 Compared to 2018
(Unit: TJ)

2.7

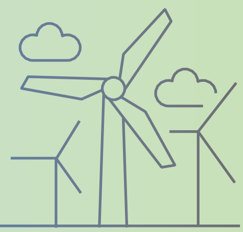
Korean Re Spent KRW 2.7 million **on Training and Development** per Employee in 2021
(Unit: KRW million)

51.3

Korean Re's **Eco-Friendly Reinsurance Business in 2021**
Gross Written Premiums
(Unit: KRW billion)

Korean Re was Honored with a **Korea Sharing Award 2021** by the Minister of Health and Welfare

Korean Re Launched a Task Force (TF)
for Climate Risk Management
in December 2021



Korean Re's ESG Rating Moved up a Notch to B+
in the Latest ESG Ratings Assessment by KCGS

	2020	2021
Overall	B	B+
Environmental	D	B
Social	B	B+
Governance	B+	A

Our Commitment to the Environment

Ensuring environmental sustainability is an important pillar of our endeavors to become an even more responsible business. We are taking various actions to manage our environmental impact and reduce our carbon footprint. These actions involve multiple dimensions, as we can make a positive impact on the environment in many ways.

First, we are committed to supporting the development of eco-friendly renewable energy sectors such as solar, wind, and hydro power generation. As the leading reinsurer in Korea, we will continue to play a key role in promoting clean energy initiatives by offering reinsurance coverage for the operators of a wide array of renewable energy businesses, including battery energy storage systems.
As of 2021, we wrote premiums of over KRW 51.3 billion from the green energy sectors.

There is no doubt that eco-friendly renewable energy from sources like solar and wind power promises to provide a cleaner and more sustainable future, but the uncertainty of renewable energy technologies and related business operational risks presents

Korean Re's Eco-Friendly Reinsurance Business (2021)

Gross Written Premiums (Unit: KRW billion)

Total

KRW 51.3 billion

challenges to operators, insurers, and investors alike. This is where Korean Re can step in to support their risk management. We will continue to work closely with primary insurers to offer a wide range of reinsurance solutions designed to help operators of renewable energy projects manage their risks and run their business stably.

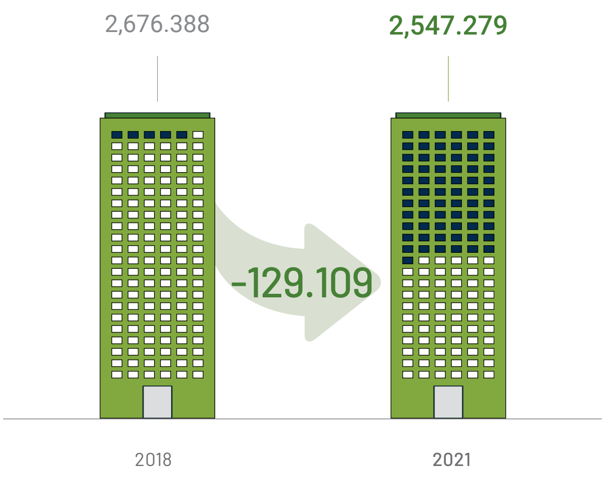
Second, we are making progress in terms of quantifying and assessing our carbon footprint, which is a crucial first step in managing our direct impact on the environment. In this regard, we have compiled and disclosed data related to our energy use and greenhouse gas emissions because our carbon footprint primarily depends on how much energy we use in our office building. In 2021, Korean Re saw its energy consumption and greenhouse gas emissions decrease by roughly 5% compared to 2018. We will continue to quantify how much we have an impact on the environment and will strive to reduce the impact, with a focus on increasing our energy efficiency.

Third, Korean Re is promoting industry collaboration in response to climate change. In this respect, we launched a task force (TF) for climate risk management in cooperation with the Korea Risk Management Society (KRMS) in December 2021. The TF is mandated to support collaborative studies by experts and professionals from a wide range of fields, including insurance, engineering, and climatology. By partnering with the TF and KRMS to encourage research on climate risks, Korean Re will continue to take the initiative in helping protect people, communities, and businesses against changing climate risks and unexpected events driven by climate change. This will ultimately contribute to strengthening climate resilience across the board.

Lastly, Korean Re has been actively operating a paperless smart work system since July 2016. The system enables all reports to be filed electronically, helping reduce the use of paper. Going paperless allows us not only to improve overall efficiency and convenience in our day-to-day operations, but also to reduce paper waste and preserve natural resources.

Greenhouse Gas Emissions from Korean Re Office Building

(Unit: tCO_2-eq)



Note: tCO_2-eq stands for tons (t) of carbon dioxide (CO_2) equivalent (eq). A carbon dioxide equivalent, or CO_2 equivalent or CO_2-eq, is a metric measure used to compare the emissions from various greenhouse gases on the basis of their global warming potential (GWP) by converting amounts of other gases to the equivalent amount of carbon dioxide with the same global warming potential.

Energy Use by Korean Re Office Building

(Units: TJ, TOE)

Year	Energy Use (TJ)	Year on Year Change	Energy Use (TOE)	Year on Year Change
2021	**52.557**	**1.440**	**1,255.342**	**34.418**
2020	51.117	-1.026	1,220.924	-24.489
2019	52.143	-3.082	1,245.413	-73.612
2018	55.225	0.980	1,319.025	23.408
2017	54.245	0.299	1,295.617	7.146
2016	53.946	1.513	1,288.471	36.119
2015	52.433	-2.200	1,252.352	-52.549

Note: TJ stands for terajoule, and it is a unit of energy in the International System of Units. TOE refers to ton of oil equivalent, which represents the quantity of energy contained in a ton of crude oil. This unit is used to express and compare energies of different sources.

Our Commitment to Society and Communities

Community Engagement and Empowerment

Korean Re has long been demonstrating what it means for a business to be good for society and the communities where it operates. There are several important areas that have long been at the core of our community support initiatives, such as home building and renovations, disaster recovery, sponsorships for arts and culture, and food sharing.

Korean Re was honored with a Korea Sharing Award 2021, bestowed upon the company for its commitment to supporting the underprivileged in the community where it operates and advancing the public good within the community and beyond. The award is presented annually by the Minister of Health and Welfare to individuals and corporations that have made exemplary contributions to society. Korean Re won the award on the recommendation of the Seoul Metropolitan Government and the Jongno District Office.

Caring for Our Close Neighbors

In 2021, we launched a scholarship program for teenagers from low income families in the Jongno District of Seoul to help them pursue their educational goals. The program is designed to support economically disadvantaged young students, and we believe that providing economic support to them will not only help build strong communities but also contribute to empowering the next generation to ensure a better tomorrow. We will remain committed to reducing the financial barriers among the youth in pursuit of the education opportunities they need and deserve.

Another new program that we started recently to support our close neighbors involved the strengthening of a social safety net in a community where Korean Re's head office is based. Since 2020, we have provided financial support for the installation of fire prevention equipment or devices such as smoke detectors at places that are vulnerable to fires in the community. Our support was also intended to help people on welfare buy a government-sponsored personal accident insurance.

In addition, for the past 18 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 the winter a little warmer for our neighbors. In 2021, 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.

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 living in poor housing conditions. Over the past nine years, our employees have participated in a number of home-building projects, helping to address people's need for safe and stable housing in many communities across the nation. In 2021, we could not participate in any home-building projects for two years in a row due to concerns about the health of volunteering employees during the pandemic. Still, we continued to make financial contributions in support of such projects over this period.

Supporting People with Disabilities

Since 2011, Korean Re has also been sponsoring the Eden Welfare Foundation, which was established to support people with mental and physical disabilities and to help improve their living standards by providing them with job opportunities. Specifically, our support comes in the form of rice donations, helping the foundation provide food to its members.

We began sponsoring the Seoul Rehabilitation Center for the Cerebral Palsied in February 2020. The center was established in 1990 to support those suffering from cerebral palsy and assist them in improving their quality of life. Of particular note, the financial resources we contributed were used for purchasing specialty medical beds for cerebral palsy patients.

Participating in a Suicide Prevention Program

Korean Re also signed an MOU with the Korea Association for Suicide Prevention in September 2020 to support a suicide prevention program for high school students. Korea has the highest suicide rate among OECD members, and suicide is the leading cause of death among teenagers. Recognizing the severity of suicide and mental health issues in Korea, we will continue to sponsor the program with a view to reducing suicides and suicide attempts among young students and raising awareness of suicide prevention and early intervention.

Sponsoring Arts and Cultural Programs

Arts and culture are another important area of focus in our social contribution activities, as we at Korean Re believe that arts 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 KRW 120 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.

Moreover, Korean Re has become a member of the Korea Mecenat Association, a non-profit organization dedicated to supporting arts and culture in communities. Through this membership, we have started to sponsor cultural outreach programs organized by the association. Moving forward, we will continue to work in partnership with the association to promote social development through arts and culture and help increase access to diverse arts and cultural activities among socially and economically marginalized individuals.

Taking Part in International Relief Activities

As a reinsurer aiming to become a global leader, Korean Re also cares for people and communities outside of Korea. In this regard, we have been partnering with various international organizations to engage in relief and advocacy programs. For instance, we have started to work with WorldShare, a non-governmental organization that promotes international relief and development. We have supported its work to renovate a local child welfare center in Vietnam and provided 2,500 children's books to the center.

In India, we have participated in a program to support people with leprosy, also known as Hansen's disease, through IT Medical Mobilization, a medical volunteer organization. The support program is aimed at helping those suffering from leprosy receive medical treatment and providing them with medical aid kits.

In addition, Korean Re has joined the Asia Guarantee & Credit Insurance Association. Together we support a wide range of international exchange programs and educational activities organized by the association, which is a community established with the vision of promoting guarantee and credit insurance services throughout Asia, thereby contributing to the economic advancement and overall welfare of people across the region.

On top of those engagements, 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 built houses for those who live in poor housing conditions.

In 2020 and 2021, we were not able to send our volunteer team to Thailand due to the pandemic, but our commitment to international disaster relief efforts remains rock solid. If conditions permit in the future, we will continue to implement our international corporate volunteer program to support the rehabilitation of communities devastated by natural disasters.

(Re)insurance is all about helping people, communities, and businesses in times of distress and protecting them against unexpected events. This is what Korean Re is committed to doing. We will continue to do good things for society and live up to our corporate social responsibility, while doing good business to support our clients and stakeholders.

Investment in Our People and Culture

A 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 healthier 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 away, 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 life. "PC-Off" is another program we have established to help our employees achieve a greater work-life balance. Korean Re upholds the belief that employees with a greater work-life balance tend to feel more motivated, become more productive, and feel less stressed out at work.

Training and Development

Korean Re spent KRW 2.7 million on training and development per employee in 2021. 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.

Since 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. Around 760 subjects/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. At the same time, we will make sure that training goals are well aligned with business needs and objectives to have a positive impact on our organization as a whole.

Our Commitment to Governance

Korean Re is committed to promoting sound corporate governance practices so as to create enduring value for our business, clients, employees, and all other stakeholders. Governance fundamentally involves how Korean Re makes decisions and provides oversight of business management.

Our governance framework is designed to facilitate the effective management of the company. The Board of Directors (BOD) is responsible for setting corporate objectives and policies as well as overseeing executives and their management activities. The BOD is composed of directors who are elected by the shareholders at the general shareholder's meeting, and is operated in accordance with related laws and the articles of incorporation.

Since the general shareholders' meeting on March 26, 2021, our BOD has consisted of seven directors (three inside directors, i.e. the Chairman, the CEO, and a non-executive director, and four outside directors). In order to complement each director's expertise and experience in the process of deliberation and resolution within the BOD, we have outside directors with diverse expertise in various fields.

Roles and Brief Profiles of BOD Members

Name (Title)	Role	Profile
Jong-Ik Won (Chairman)	Chairman of the Board	Executive Advisor, Korean Re from 2010
Jong-Gyu Won (CEO)	General Management	Joined Korean Re in 1986
Pil-Kyu Lee (Non-Executive Director)	Member of the Nomination Committee	Chairman, Insurance Magazine Korea
Ki-Sung Koo (Outside Director)	Head of the Audit Committee, Member of the Remuneration Committee	Former Deputy Secretary General for Legislative Affairs, National Assembly Advisor, Yulchon LLC, a law firm
Bong-Joo Lee (Outside Director)	Head of the Risk Management Committee, Member of the Nomination Committee, the Audit Committee	Former President, Insurance Society Korea Former Advisor, Financial Supervisory Service Professor, Kyung-Hee University (Finance and Insurance)
Han-Suh Koo (Outside Director)	Head of the Nomination Committee, Member of the Audit Committee	Former CEO, Tong-Yang Life Insurance Outside Director, Kumho Tire Co.
So-Hie Kim (Outside Director)	Head of the Remuneration Committee, Member of the Risk Management Committee	Former CFO, AIG Korea Former Non-Executive Director, Korea Deposit Insurance Co. (KDIC)

In addition, the authority to appoint and dismiss the CEO and the Chairman of the Board is granted to the BOD. A lead independent director representing all outside directors is also appointed to ensure that the BOD serves as a check against management when the Chairman of the BOD is not appointed among the outside directors.

Korean Re has four committees in the BOD, i.e. the Nomination Committee, the Audit Committee, the Risk Management Committee, and the Remuneration Committee to enhance the efficiency and expertise of its decision-making.

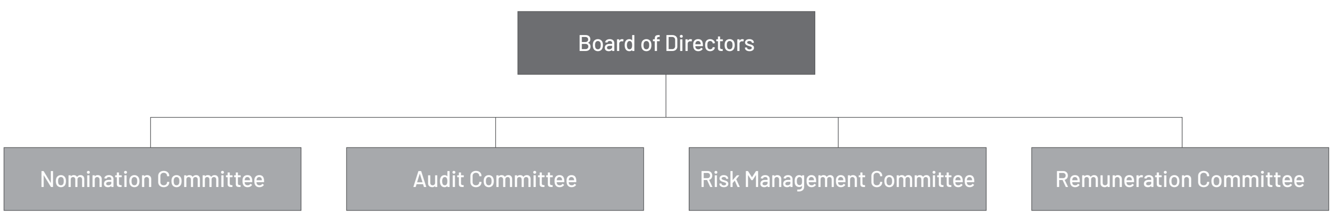
The Nomination Committee recommends candidates for the CEO, outside directors, and Audit Committee members, and performs tasks related to management and verification of candidate groups.

The Audit Committee aims to improve the adequacy of the company's overall internal control system and evaluation of management performance in accordance with related laws and internal regulations. The committee's duties and authority are independent from the BOD and management.

The Risk Management Committee was established in accordance with relevant laws and regulations to efficiently supervise and oversee the company's overall risk management framework and to build and maintain an advanced risk management system.

The Remuneration Committee is responsible for structuring, operating, and determining payrolls under the performance-based compensation system for management. It deliberates and decides on matters delegated by the BOD with regard to the remuneration system for executives (excluding outside directors, the non-executive director, audit committee members, CCO, and CRO).

Governance Framework



Market Overview

FY 2021

Korean Economy

2021 in Review

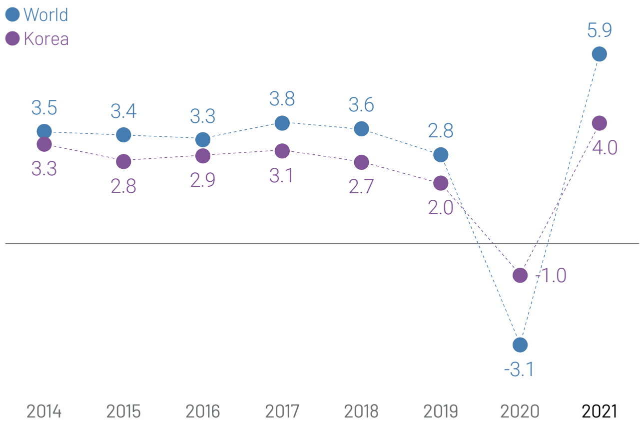
The Korean economy finished 2021 in strong shape, with its gross domestic product (GDP) growing by an estimated 4% despite growing concerns about the rapid spread of Omicron. That is the highest economic growth rate in 11 years, suggesting that even with an unrelenting pandemic, the economy made a sharp turnaround from the previous year's contraction. The economy was on track for a strong rebound in the first quarter of the year, driven by robust growth in exports and equipment investment, but GDP growth slowed a bit through the second and third quarters due to lackluster consumer spending. In the final quarter, the economy regained its recovery momentum on the back of an uptick in consumer spending, export gains, and fiscal support.

Private consumption growth improved to 3.6% in 2021, representing a strong recovery from the previous year's 5% contraction, while there was a growth of 5.5% in government spending, backed by a rise in health care expenditures. Consumer spending improved due in no small measure to eased social distancing rules, which led to an increase in consumption in the hospitality, dining, and transportation sectors.

Exports bounced back from a contraction in 2020 and jumped by 9.7% in 2021, the fastest annual pace in 11 years, and this robust export performance was led by semiconductors and petroleum products. Imports also surged by 8.4% in 2021 compared to a 3.3% drop in 2020 due to increased inbound shipments of crude oil and chemical products.

GDP Growth Trends

(Unit: %)



(Sources: IMF World Economic Outlook (Oct. 2021), Bank of Korea)

Another important driver of GDP growth was equipment investment, which increased by 8.3% in 2021 versus 7.1% in 2020. The acceleration in equipment spending growth was supported by an increase in machinery investment. On the other hand, construction investment declined by 1.5% amid higher office vacancy rates and reduced hotel occupancy. Commercial real estate construction was among the hardest-hit segments of the economy in the wake of the pandemic outbreak because remote work became more common than before, and a greater fraction of businesses relied on virtual platforms, resulting in lower demand for construction.

Prospects for 2022

In 2022, the Korean economy is expected to have another strong year of recovery from the pandemic-induced contraction of 2020, supported by consumer spending growth, export recovery, and an improving business investment. However, rising inflation, supply chain disruptions, and the build-up of household debt cast a cloud over the growth outlook for 2022.

GDP

The Korean economy is on track to deliver a GDP growth of 3% amid improving economic activities both at home and abroad. While COVID-19 remains a threat to the economy, it appears to be having a far less negative impact on economic output. Effective vaccines have allowed most economies to move away from lockdowns and focus on how to live with the virus. Rising consumer spending coupled with global demand recovery will likely continue to help the Korean economy maintain its strength in the year ahead.

However, there are growing concerns about potential threats to economic recovery, such as the emergence of new coronavirus variants, rising inflation, a supply chain crunch, and the surge in household debt. A political crisis surrounding Russia's invasion of Ukraine is also casting a pall over the growth outlook for 2022 because several spillover effects from the invasion, including rising energy and food prices, could create macro uncertainty for the world economy.

Korean Economy

Consumer Spending

Consumer spending is expected to grow by 3.5% in 2022, with consumer confidence gaining strength from growing household income and improving job market conditions. Spending on services will recover since the government is lifting many of the restrictions designed to curb the spread of COVID-19. In particular, pent-up demand is likely to cause a strong rebound in consumer expenditure on hotels, leisure, recreation, and transport. Consumption of goods is also being boosted by increasing online transactions. Furthermore, consumer spending growth will be driven by excess household savings, which have increased during the COVID-19 pandemic amid rising uncertainty regarding future income and employment prospects. Government support programs for small business owners and low-income families will also help shore up the growth of private consumption across the board.

Equipment Investment

Equipment investment is projected to grow by 2.2%, driven by solid investment spending in the information and technology (IT) sector and a recovery in non-IT investment. Demand for IT and communications equipment will remain strong, with COVID-19 spurring an exceptional surge in technology investment across the globe. Investments in IT 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 automobile and transportation. The inland transportation sector, in particular, will see a rise in equipment investment amid the growth of e-commerce, which is backed by growing demand for online purchases. Disruptions in automobile production will likely ease, and there will be a continued increase in investments in electric vehicles and batteries.

Construction Investment

Construction investment will rebound to positive growth, but the pace of recovery is likely to be moderate due to rising commodity prices. Backed by both building construction and civil works, construction investment is expected to increase by 2.4% in 2022. The civil engineering construction sector will bounce back thanks to the government's increased investment in infrastructure. Leading indicators of building activity, such as new housing starts and construction orders, suggest a steady improvement in conditions for the housing construction sector. Investment in commercial building construction is on track to solid growth, while the industrial building construction sector is not likely to see a notable increase in investment spending due to the high base in 2021 when there was a big jump in investments with regard to the construction of semiconductor factories and warehouses.

Employment

Labor market conditions are expected to improve, with the number of employees increasing by 280,000 and the unemployment rate declining modestly to 3.6% in 2022. Much of the job growth will come from face-to-face service sectors that were severely affected by COVID-19, such as restaurants, hotels, entertainment, and passenger transportation. These industries will be supported by improving consumer confidence and a rise in the government budget for job creation. The manufacturing industries will also see a modest increase in job growth, backed by growing investment in the IT sectors. Automobile production disruptions are also likely to ease off, supporting job growth in the manufacturing sector. As long as another big wave from COVID-19 can be staved off, the job market seems primed for continued growth, but a decrease in the number of economically active people could potentially pose a challenge to job market recovery, as that makes it difficult for businesses to keep up with labor demand growth.

Inflation

Inflationary pressure has been building amid rising energy and commodity prices coupled with supply chain bottlenecks. Consumer price inflation is forecast to increase to 3.1% in 2022 from 2.5% in 2021. Prices for energy, food, and goods have risen sharply as factories struggle to keep pace with strong consumer demand. Eased social distancing measures are helping boost consumer confidence and release pent-up demand. The current situation has been compounded by global supply chains for everything from mobile phones to cars, which is being fueled by the relative shortage of semiconductors across the world. Semiconductor chips are essential to many consumer goods from smart phones and laptops to desktop computers and automobiles, and demand for semiconductors soared during the pandemic due to the increased use of electronic communications equipment. However, a delay in economic recovery, the risk of new COVID-19 variants, and oil price retreats may put some downward pressure on inflation.

Current Account Surplus

Korea's current account surplus is expected to fall to USD 70 billion in 2022 from USD 88.3 billion in 2021 due mostly to growing imports amid rising commodity prices and consumer demand recovery. The ratio of the country's current account surplus relative to its GDP is projected to drop to around 4% in 2022 from 5% in 2021. The nation's merchandise account surplus keeps narrowing in spite of increasing exports because higher energy prices and domestic demand growth are set to push up the value of imported goods. Although Korea will see an expansion in its transport account surplus in tandem with increasing global trade volume, there will likely be a rise in its service account deficit because the number of outbound tourists is bound to increase again due to the end of travel restrictions.

Interest Rate

The average three-year treasury yield in Korea is anticipated to rise to 1.8% in 2022 from 1.4% in 2021. The Bank of Korea (BOK) has been under pressure for interest rate hikes amid growing concerns over rising inflation and household debt. The central bank raised its benchmark interest rate by 25 basis points to 1.25% in mid-January 2022, which was the third interest rate hike during the COVID-19 pandemic following its previous rate hikes in August and November 2021. Previous to that, the rate had been kept at a record low of 0.5% since May 2020. The latest rate increase has brought the policy rate back to the pre-pandemic level. Throughout the year 2022, more rate increases are likely to come as the BOK Governor hinted at the possibility of further rate hikes via an online press briefing on January 14. Whether the central bank will further raise the base rate depends on economic conditions including the pace of GDP growth and tapering in the U.S. as well as inflationary pressure. However, the government is expected to reduce its treasury issuance in 2022 compared to the previous year, and this may help curb the rise in the treasury yield.

Foreign Exchange Rate

The value of the Korean won is expected to recover its strength against the U.S. dollar in 2022, bringing the yearly average exchange rate of USD/KRW down to KRW 1,135.0 per dollar. Still, like most other currencies, the won is not likely to make any significant gains against the greenback, as monetary tightening from the Federal Reserve will help the U.S. dollar gain enough momentum to continue its dominance in 2022. There are some external risks that may drive the exchange rate to soar, such as political instability surrounding the conflicts between Russia and Ukraine, another resurgence of COVID-19, and global inflationary pressure. Among other things, Russia's assault on Ukraine has significantly undermined the euro due mostly to Europe's high volume of trade with Russia, allowing the USD to strengthen against the euro.

Key Economic Indicators

(Unit: %)

	2020	2021	2022 (E)		
			First Half	Second Half	Annual
Real GDP	-1.0	4.0	2.8	3.1	3.0
Consumer Spending	-5.0	3.6	3.9	3.2	3.5
Equipment Investment	6.8	8.3	-1.3	5.8	2.2
Construction Investment	-0.1	-1.5	0.6	4.0	2.4
Unemployment Rate	4.0	3.7	3.8	3.3	3.6
Current Account Surplus (USD billion)	75.3	88.3	28.0	42.0	70.0
Exports	-0.5	9.8	4.5	2.5	3.4
Imports	0.0	11.8	5.6	2.1	3.8
Consumer Price Inflation	0.5	2.5	3.5	2.7	3.1
Three-year Treasury Yield	1.0	1.4	1.8	1.7	1.8
USD/KRW Exchange Rate (KRW)	1,180	1,144	1,162	1,107	1,135

(Sources: Bank of Korea (Feb. 2022), Korea Institute of Finance (Dec. 2021))

Korean Insurance Market

2021 in Review

In 2021, the Korean insurance market struggled with slowing growth due to a decrease in new business volume and heightened economic uncertainty in the aftermath of the COVID-19 outbreak. Although the life insurance market maintained its positive growth trajectory on the back of variable and protection insurance and retirement annuities, premium income growth slowed more sharply than expected, according to preliminary results released by the Financial Supervisory Service in March 2022. The non-life market showed a bit stronger growth, driven by long-term and general P&C insurance. Still, its growth momentum largely weakened compared to the previous year.

Despite this downward pressure on growth, insurers unexpectedly benefited from the COVID-19 pandemic, showing a robust improvement in profitability. Life insurers delivered better net income results in 2021 compared to the previous year thanks to a sharp increase in investment income amid rising interest rates. Their investment income growth was also driven by an increase in dividend income. Samsung Life Insurance, the largest shareholder of Samsung Electronics, received a large sum of special dividends from the electronics company, which helped increase its net income strongly.

Likewise, non-life insurance companies saw their net income surge amid narrowing underwriting losses. The improvement in underwriting results reflected a drop in motor loss ratio and a reduction in expense ratio of long-term insurance. Fewer claims arising from a decrease in road traffic and non-urgent hospital visits during the pandemic helped non-life insurers improve their loss ratios. Favorable investment performance also boosted their overall net income results.

Insurance companies saw their profitability ratios improve as a result of strong net income growth. The return on assets (ROA) ratio of the industry rose by 0.15%p to 0.62%, while the return on equity (ROE) ratio increased by 1.51%p to 5.95%. Non-life insurers reported higher ratios than life insurers, with an ROE of 9.22% for the former and 4.28% for the latter.

Backed by premium income growth, insurers reported a modest increase in assets. As of the end of 2021, their total assets grew by 2.8% year on year to KRW 1,358.7 trillion, which is broken down into KRW 992.4 trillion for life insurance and KRW 366.3 trillion for non-life insurance. Non-life insurers posted a higher asset growth rate compared to life insurers, but the latter continued to dominate insurance industry assets, accounting for 73% of the total.

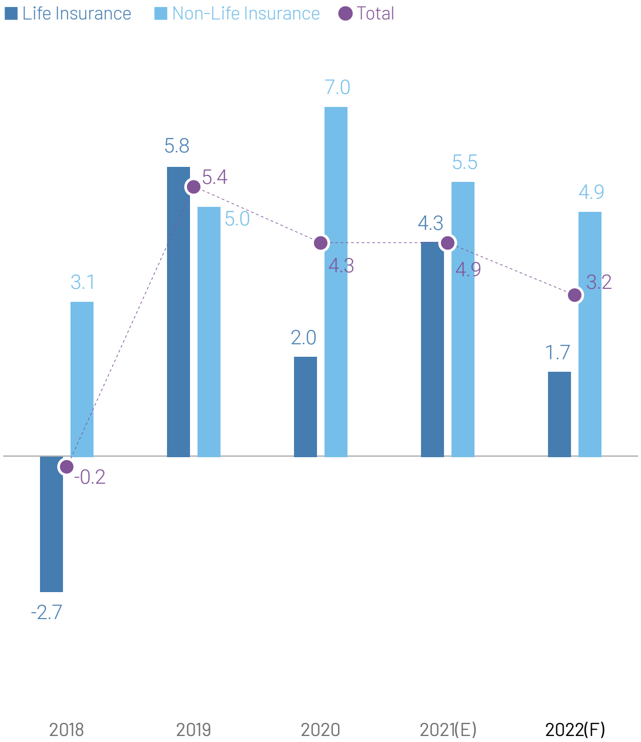
Despite strong net income growth, the insurance industry saw its total shareholders' equity diminish by 6.1% to KRW 134.6 trillion as higher interest rates caused insurers to suffer a decline in unrealized gains on the value of securities they hold as investments. The upward movement of interest rates may help insurers improve their profitability in the long term, but it has a downside in the short term. When rates go up, the value of insurers' bond portfolios goes down, as existing bonds become less attractive than new bonds that offer relatively higher rates. Although this decrease in value does not affect net income because it is recognized as unrealized gains or losses, it reduces insurers' book value or net worth.

Prospects for 2022

Insurance market growth in Korea is expected to slow down to 3.2% in 2022, with the life insurance market slowing more sharply. The growth rate will get back on par with the nation's nominal economic growth rate after recording higher growth in 2020 and 2019. Total premiums are expected to reach KRW 240 trillion in 2022, according to an outlook released by the Korea Insurance Research Institute in October 2021.

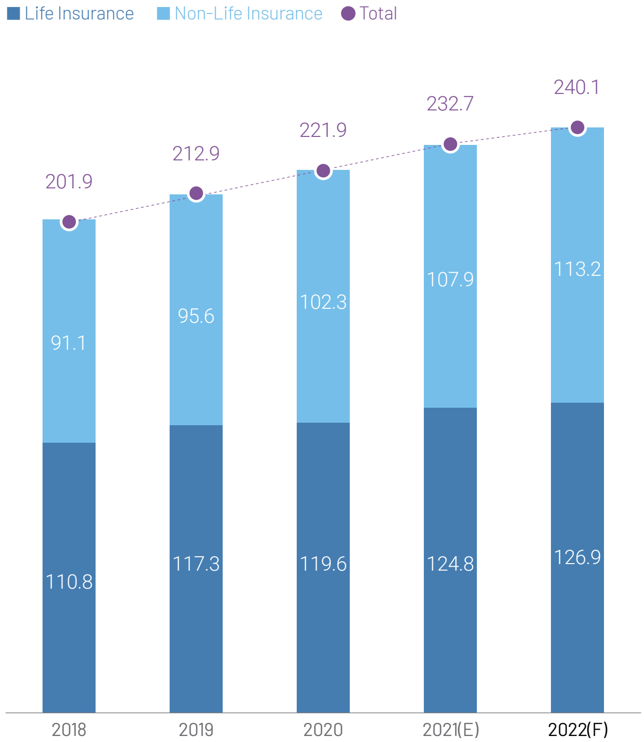
As the economy is recovering robustly from the COVID-19 crisis, economic growth momentum will fuel insurance demand, and this will be more prominent in the non-life insurance market, which is expected to see solid premium growth. However, uncertainty still lingers around whether a rising vaccination rate will be sufficient to get the pandemic under control as new and more transmissible COVID-19 variants emerge. Growing household debt also presents another key risk to insurance market growth since it may undermine consumer confidence when interest rates rise.

Korean Insurance Market Growth Rates (Unit: %)



(Source: Korea Insurance Research Institute, as of Oct. 2021)

Trends of Insurance Premiums (Unit: KRW trillion)



(Source: Korea Insurance Research Institute, as of Oct. 2021)

Life Insurance

Life insurance premiums are projected to grow by 1.7% to KRW 126.9 trillion in 2022. When retirement annuity premiums are excluded, the expected growth rate goes down further to 1.5%. Sales of whole life insurance will be weakening as insurers are less motivated to develop new products in the wake of the strengthened supervision of mis-selling practices.

Demand recovery will be led mostly by health insurance products, with the pandemic becoming a driving force behind rising risk awareness and demand for health insurance coverage. This will provide a greater boost to insurers' marketing initiatives to sell protection-type products in the run-up to the implementation of IFRS 17 and K-ICS. Reduced social distancing measures will also help improve sales from face-to-face distribution channels.

In spite of a low interest rate environment, general savings insurance is expected to grow by 2.8% as a large number of savings policies come into maturity in 2022 and some of the policyholders who receive maturity benefits are expected to buy new savings insurance. Back in 2012, there was a rush to buy general savings insurance before the tax changes that became effective in 2013, resulting in a year-on-year growth of 85% in savings insurance premiums in 2012.

Although increasing life expectancy is the primary driver that boosts demand for annuity plans, an increase in life annuity supply is likely to be restrained due to the challenges of longevity risk management and stronger capital requirements under new accounting standards. Insurers expect to see a growth in initial premiums for variable life insurance amid the rising popularity of investment products, but the growth will be limited given the increasing trend of short-term direct investment in the financial market and a growing surrender rate.

Korean Insurance Market

Life Insurance Market Outlook by Line of Business

(Unit: KRW trillion)

	2019		2020		2021(E)		2022(F)	
	Premium	Growth Rate (%)	Premium	Growth Rate (%)	Premium	Growth Rate (%)	Premium	Growth Rate (%)
Total (including retirement annuity)	**117.3**	**5.8**	**119.6**	**2.0**	**124.8**	**4.3**	**126.9**	**1.7**
Protection	44.4	3.9	46.1	3.8	47.4	2.8	48.7	2.7
Savings	47.4	-6.0	50.1	5.8	50.6	1.0	50.9	0.4
Others*	0.8	0.6	0.7	-2.1	0.8	0.7	0.8	0.4
Retirement annuity	24.6	46.0	22.6	-8.5	26.0	15.1	26.5	2.2
Total (excluding retirement annuity)	**92.6**	**-1.4**	**97.0**	**4.8**	**98.8**	**1.8**	**100.4**	**1.5**

* Others include group life insurance. Individual figures may not add up to the total shown due to rounding.
(Source: Korea Insurance Research Institute, as of Oct. 2021)

Non-Life Insurance

The non-life insurance market has been demonstrating greater resilience over the last few years, and its premium volume is expected to grow by 4.9% to KRW 113.2 trillion in 2022. This growth will be supported by long-term accident and health insurance, general property and casualty (P&C) insurance, and retirement annuities. When retirement annuities are excluded, premium growth is forecast at 4.4% in 2022, with total premiums of KRW 97.5 trillion.

By line of business, general P&C insurance is projected to grow by 7.5% in 2022, maintaining solid growth momentum thanks to the expansion of the casualty sector. Liability insurance will continue to boost the casualty market, which is expected to expand by 9.4%. Fire insurance premiums are anticipated to grow by 2.3% amid growing demand from households, while marine insurance will likely recover from a contraction in the previous year due to increasing trade flows and shipbuilding orders.

A 5.2% growth is expected for long-term insurance, driven by long-term accident and health insurance. Long-term savings insurance premiums are set to decline further as insurers remain focused on marketing protection products. The motor insurance market is projected to slow down further, growing by 2.1%, due to a decrease in the number of car registrations following the end of a temporary tax cut on purchases of passenger cars. The rise of usage-based insurance and online distribution channels usually offering lower prices is also putting downward pressure on premium income growth per policy.

Non-Life Insurance Market Outlook by Line of Business

(Unit: KRW trillion)

	2019		2020		2021(E)		2022(F)	
	Premium	Growth Rate (%)	Premium	Growth Rate (%)	Premium	Growth Rate (%)	Premium	Growth Rate (%)
Total (including retirement annuity)	**95.6**	**5.0**	**102.3**	**7.0**	**107.9**	**5.5**	**113.2**	**4.9**
Long-term	53.1	5.0	55.9	5.3	58.9	5.3	61.9	5.2
Individual annuity	3.3	-6.4	3.0	-9.1	2.6	-11.6	2.4	-9.5
Motor	17.6	5.1	19.6	11.6	20.4	4.0	20.8	2.1
General P&C	9.9	3.9	10.7	8.3	11.5	7.9	12.4	7.5
Retirement annuity	11.8	9.3	13.1	11.4	14.5	10.4	15.6	8.0
Total (excluding retirement annuity)	**83.8**	**4.4**	**89.2**	**6.4**	**93.4**	**4.7**	**97.5**	**4.4**

* Individual figures may not add up to the total shown due to rounding.
(Source: Korea Insurance Research Institute, as of Oct. 2021)

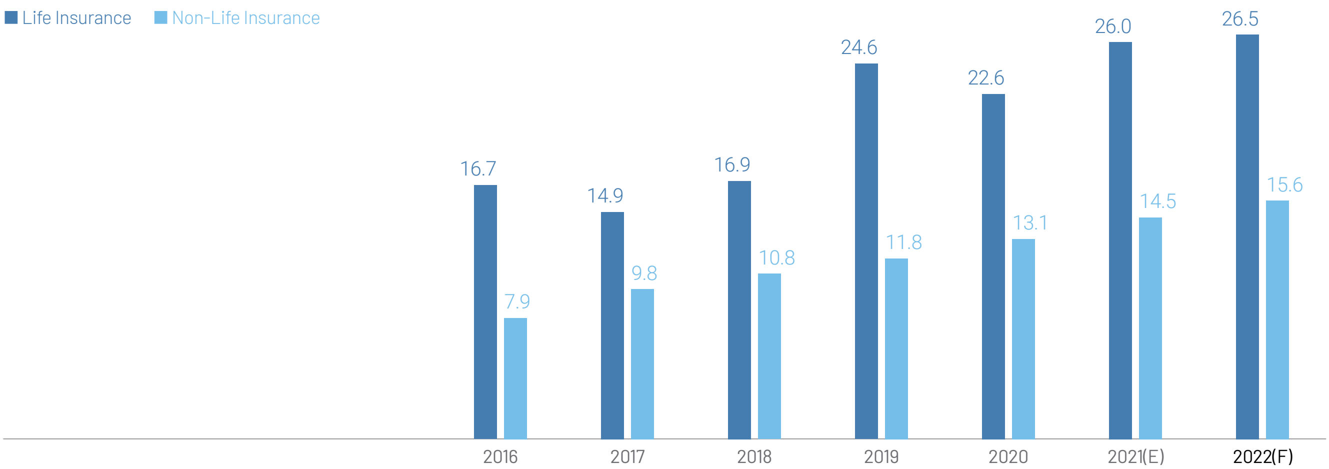
Retirement Annuity

The retirement annuity market in Korea is on track to keep growing, as the demand for annuity products is rising amid a growing population of 65 years and older. However, the pace of growth is slowing because the effect of an increase in funding requirements for defined benefit plans is coming to an end. Life insurers are anticipated to see a 2.2 percent growth in retirement annuity in 2022, while retirement annuity premiums of non-life insurers are expected to grow by 8% on the back of premiums from in-force policies.

Improving labor market conditions and the expansion of the individual retirement pension (IRP) sector are upside factors that drive the growth of the overall retirement annuity market. On the other hand, there are some downside factors for insurers, such as intensifying competition against other financial sectors. Given that a large chunk of premium contributions are made at the end of the year, there is a higher level of uncertainty as to growth projections for the retirement annuity market.

Retirement Annuity Premiums

(Unit: KRW trillion)



(Source: Korea Insurance Research Institute, as of Oct. 2021)

Disclaimer: Certain statements contained herein are forward-looking. These statements provide current expectations of future events based on certain assumptions made by organizations specified herein as sources of relevant data.

Financial Review

FY 2021

Management's Discussion & Analysis

Overview of Business Environment

In 2021, the Korean insurance market struggled with slowing growth due to a decrease in new business volume and heightened economic uncertainty in the aftermath of the COVID-19 outbreak. Despite this downward pressure on growth, insurers unexpectedly benefited from the pandemic, showing a marked improvement in profitability.

Life insurers delivered better net income results in 2021 compared to the previous year thanks to a sharp increase in investment income amid rising interest rates. Their investment income growth was also driven by an increase in dividend income. Likewise, non-life insurance companies saw their net income surge amid narrowing underwriting losses. The improvement in underwriting results reflected a drop in motor loss ratio and a reduction in expense ratio of long-term insurance. Fewer claims arising from a decrease in road traffic and non-urgent hospital visits during the pandemic helped non-life insurers improve their loss ratios. Favorable investment performance also boosted their overall net income results.

Meanwhile, insurers in Korea have been going all out to successfully embrace new accounting and solvency regimes. Over the last few years, 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 to boost their RBC ratios, such as issuing subordinated bonds and hybrid capital securities and making use of reinsurance and coinsurance.

Another pressing issue for insurers in Korea has been increasing underwriting losses of medical expense insurance. Over the past several years, premium rates of medical expense insurance have been soaring, but there has been no sign of significant improvement in technical results. The insurance industry has recently introduced a fourth version of medical expense insurance with reduced coverage in a bid to get rising loss ratios under control. Insurers are encouraging policyholders of previous versions of insurance to opt for transition to the new version. In addition to this industry initiative, insurance supervisory authorities are also working to strengthen the oversight and monitoring of overtreatment practices. It remains to be seen how successfully insurers will manage their loss ratios and tackle the long-standing challenge that has been a threat to their overall profitability.

Highlights of Business Results

Korean Re reported strong business results in 2021 on the back of robust investment gains, with after-tax net income increasing by 7.9% to KRW 153.3 billion. However, our top-line growth slowed to 0.5%, as we continued to focus on building profit-oriented portfolios. In 2021, our gross written premiums remained steady at KRW 8,488.7 billion, and net written premiums grew by 2.7% to KRW 6,060.9 billion.

In spite of net income growth, our underwriting results took a negative turn mostly due to our overseas COVID-19 and natural catastrophe losses and persistently unfavorable results from domestic personal lines of business. We posted an underwriting loss of KRW 115.7 billion in 2021, with the combined ratio increasing by 0.3%p to 100.9%. Our underwriting performance, excluding COVID-19 losses, actually improved with a profit of KRW 15 billion.

The weak technical results were largely softened by our investment performance. In the face of a challenging investment environment, we delivered strong investment results, with total investment returns reaching KRW 244.9 billion, excluding gains and/or losses from foreign exchange hedging for insurance liabilities.

Our assets continued to grow in step with our business growth. We reported KRW 13,115.7 billion in total assets as of the end of 2021, up KRW 595.7 billion. There was also a significant rise of KRW 747.8 billion in invested assets, which totaled KRW 7,186 billion. We maintained our capital position at a stable level, with total shareholders' equity standing at KRW 2,525.7 billion as of late December 2021.

Management's Discussion & Analysis

Analysis of Business Results

Premium Growth

In 2021, Korean Re went through a rough patch in terms of premium growth due to ongoing portfolio readjustment. We wrote gross premiums of KRW 8,488.7 billion in 2021, up 0.5% from the previous year. Our domestic business managed to achieve positive growth, with premiums rising by 0.8% to KRW 6,252.3 billion. However, overseas premium growth turned negative, with premiums declining by 0.4% to KRW 2,236.4 billion. Despite this slower growth, our net written premiums increased by 2.7% to KRW 6,060.9 billion in 2021. As we continued to raise our retention of profitable business, the overall retention rate went up to 71.4% from 69.8%.

Throughout the year, we placed a strategic focus on strengthening our business portfolios and improving our long-term profitability. In this regard, we restricted the growth of loss-making domestic personal lines of business, including life and health business. We also reduced our participation in poorly performing accounts in commercial lines of business.

Amid these moves to improve the strength of our portfolios, we were able to grow our domestic premium volume in some lines of business. In particular, we achieved strong growth across all lines of domestic property insurance in 2021 thanks to a favorable rating environment and greater dependency of primary insurers on reinsurance. Our domestic hull premiums increased considerably as there were substantial rate rises in the Korean market after several large losses in 2019. The gradual recovery of the engineering market in Korea also worked in favor of our business growth, resulting in a double-digit increase in our domestic engineering premiums.

Active portfolio management led our overseas business to decrease marginally. Although overall premium volume declined, we managed to make progress in growing our overseas business in certain lines of business. At the head office, our international facultative business continued to deliver double-digit premium growth, driven by a continuously favorable rating environment. We also recorded a spike in business from our Korea Interest Abroad (KIA) accounts with gross written premiums soaring by more than 44%.

Volume of Premiums

(Units: KRW billion, USD million)

	FY 2021 (KRW)	FY 2021 (USD)	FY 2020 (KRW)	FY 2020 (USD)	YoY Change*
Gross Written Premiums	8,488.7	7,385.2	8,447.1	7,087.8	0.5%
Net Written Premiums	6,060.9	5,273.0	5,900.1	4,950.7	2.7%
Earned Premiums	6,018.3	5,236.0	5,834.0	4,895.2	3.2%
Ceded Premiums	2,427.8	2,112.2	2,547.0	2,137.1	-4.7%

* YoY change is based on the value in KRW.

Breakdown of Gross Written Premiums

(Units: KRW billion, USD million)

	FY 2021 (KRW)	FY 2021 (USD)	FY 2020 (KRW)	FY 2020 (USD)	YoY Change*
Property	1,240.2	1,079.0	1,188.9	997.6	4.3%
Engineering**	797.3	693.6	797.4	669.1	-
Marine & Aviation	401.5	349.3	418.6	351.2	-4.1%
Casualty	1,155.2	1,005.0	1,331.7	1,117.4	-13.3%
Long-term	2,531.5	2,202.5	2,408.0	2,020.5	5.1%
Motor	669.3	582.3	605.4	508.0	10.6%
Life and Health	1,309.2	1,139.0	1,466.2	1,230.3	-10.7%
Overseas Operations***	384.4	334.4	231.0	193.8	66.4%
Total	**8,488.7**	**735.2**	**8,447.1**	**7,087.8**	**0.5%**

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

Gross Written Premiums: Domestic vs. Overseas

(Units: KRW billion, USD million)

	FY 2021 (KRW)	FY 2021 (USD)	FY 2020 (KRW)	FY 2020 (USD)	YoY Change*
Domestic	6,252.3	5,439.5	6,202.5	5,204.4	0.8%
Overseas	2,236.4	1,945.7	2,244.5	1,883.3	-0.4%

* YoY change is based on the value in KRW.

Our overseas engineering insurance business showed positive growth in 2021, recovering successfully from a contraction in 2020. Furthermore, it was a landmark year for us as we booked KRW 116 billion in gross written premiums in 2021, passing the USD 100 million mark for the first time in the history of our overseas engineering business. This also represents an increase of 12% from the previous year.

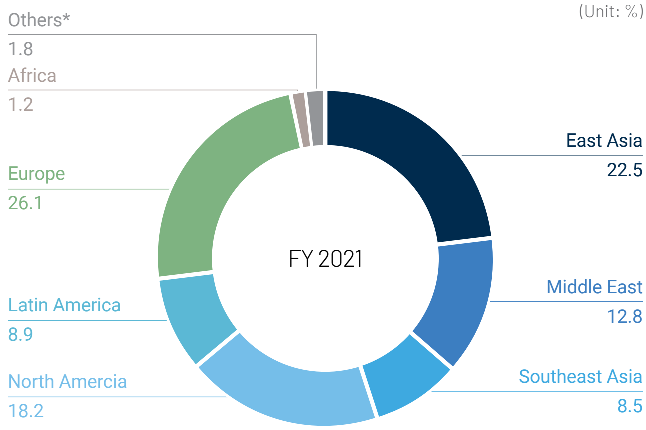
Korean Re's global business expansion was also supported by strong business growth at our overseas offices such as Korean Reinsurance Switzerland AG (KRSA) and branches in Shanghai and Dubai.

However, there was a sharp reduction in our overseas life and health premiums as we walked away from treaties with low margins and avoided underperforming contracts. Our international property treaty business written by the head office also decreased due to the transfer of the Chinese business to our Shanghai branch.

Despite a reduction in overall overseas business in 2021, Korean Re continued to diversify its global business portfolio, with Europe and the Americas taking up a greater share of the total business. A geographical breakdown of our gross written premiums shows that the American and European markets accounted for 53.2% of the entire overseas business portfolio in 2021 compared to 40.5% in 2018. It is also noteworthy that the share of Asia declined by 6.5%p to 43.8% in 2021 compared to the previous year as a result of our portfolio management, which was intended to improve overall business results.

Overseas Business Portfolio by Region

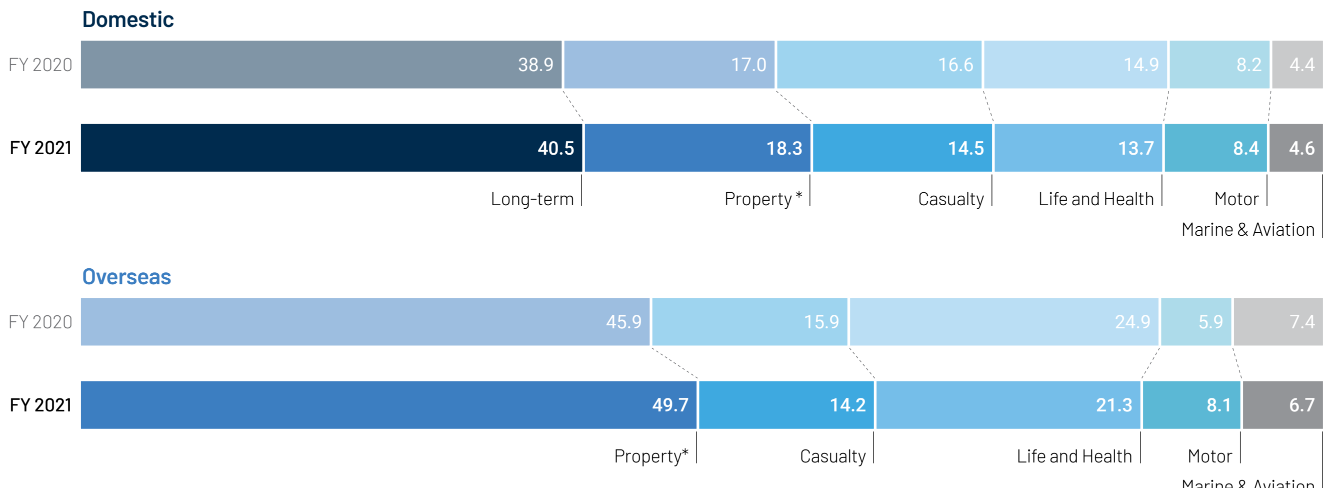
(Unit: %)



* Others include retrocession and multi-territory accounts.

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

(Unit: %)



* Property includes engineering, nuclear, and agriculture.

Underwriting Performance

Our underwriting profitability modestly deteriorated in 2021, with the combined ratio increasing by 0.3%p to 100.9%. We had an underwriting loss of KRW 115.7 billion as our business was heavily impacted by claims related to COVID-19. Still, our underwriting performance, excluding COVID-19 losses, actually improved with a profit of KRW 15 billion.

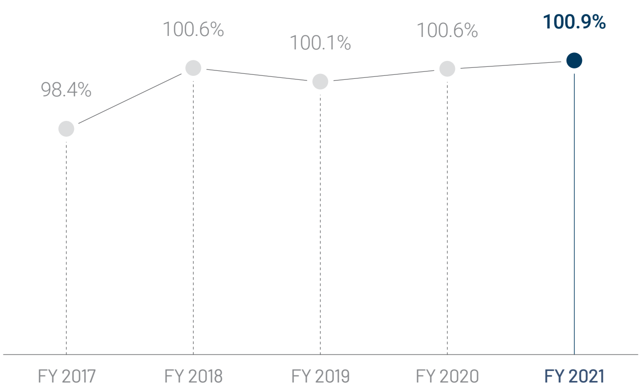
Although we adjusted our business portfolio and further tightened our underwriting guidelines, we reported weaker underwriting results for our overseas business due to COVID-19 losses of KRW 130.5 billion and elevated natural catastrophe losses, pushing the combined ratio up by 4.5%p to 103.6%. When the losses from COVID-19 were excluded, the combined ratio for our overseas business would have fallen to 96.5%, up 0.4%p from the previous year.

In 2021, our domestic personal lines of business also remained under increasing pressure from persistently high loss ratios of medical expense insurance and long-term property fire losses, resulting in a combined ratio of 101.9% in 2021 vs 101.1% in 2020.

However, we made impressive improvements in our domestic commercial business, with its combined ratio falling to 91.9% down 9.7%p. This higher underwriting profitability was driven by favorable pricing trends in most commercial lines of business and decreased frequency and severity of large-loss events in Korea.

We have come through a difficult year in terms of overall underwriting profitability, but look forward to the prospect of solid improvements in our performance in the years to come. The market has been responding to increasing claims costs by raising rates and restricting terms and conditions. In step with these market movements, we will continue to exercise strong underwriting discipline to improve our technical profitability. Favorable pricing movements, coupled with our strictly disciplined approach to underwriting, will position our business to generate strong results going forward.

Combined Ratio*



* Excluding foreign currency evaluation effects

Underwriting Results*

(Units: KRW billion, USD million)

	FY 2021 (KRW)	FY 2021 (USD)	FY 2020 (KRW)	FY 2020 (USD)	YoY Change**
Incurred Losses	5,242.8	4,561.3	5,000.5	4,195.8	4.8%
Net Operating Expenses	829.8	721.9	867.3	727.7	-4.3%
Earned Premiums	6,018.3	5,236.0	5,834.0	4,895.2	3.2%
Combined Ratio***	100.9%		100.6%		0.3%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

Investment Performance

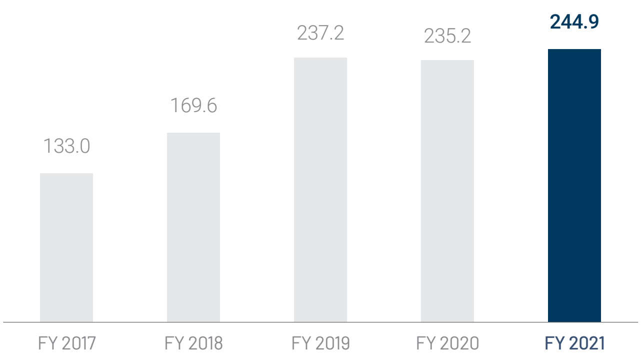
The underwriting deficit was offset by our solid investment performance. Backed by a strong return on alternative investments, we delivered robust investment results in 2021, with an investment yield of 3.7%. Our investment profit improved to KRW 244.9 billion excluding gains and/or losses from foreign exchange hedging for insurance liabilities.

Rising interest rates weighed on our overall bond investment performance in 2021. We saw our fixed-income returns decrease significantly, and investment income from bonds took up a smaller share of the overall investment profit. On the other hand, we achieved exceptional results for our alternative investments including loans, and our stock investment portfolio also pulled off big gains on the back of our effective portfolio management and market rallies.

Moving into 2022, many expect interest rate hikes to alter the investment landscape in the midst of ongoing economic uncertainty arising from the COVID-19 pandemic. In light of this future outlook, we will hold steadfast to a portfolio strategy that can generate steady returns, particularly in the face of any shock from interest rate hikes or other changes in economic conditions. This will help us maintain portfolios that are fundamentally sound and resilient against a potential increase in market uncertainty.

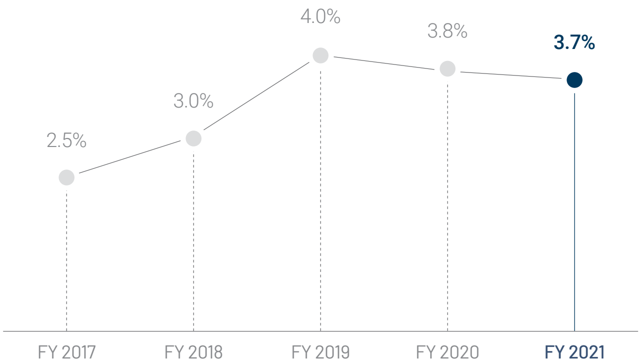
Investment Income*

(Unit: KRW billion)



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

Investment Yield*



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

Capital Strength

In 2021, we continued to optimize our capital position, and our surplus capital remained within our target range at year end. However, our solvency margin ratio (RBC ratio) fell by 13.6%p to 187.9% at the end of 2021 amid rising market interest rates, which reduced our unrealized gains on available-for-sale securities, curbing the growth of available capital. The decrease in our RBC ratio was also driven by increased capital requirements due to rising technical reserves and an increase in reinvestment.

In spite of the decline, Korean Re has remained financially robust with the RBC ratio hovering well above 150%, which is the practical guideline set by the nation's supervisory authorities. Given that the current RBC system is switching over to the K-ICS regime in 2023, we have focused on how efficiently we can manage our capital under the new regime, and our K-ICS ratio is expected to be higher than the current RBC ratio. Korean Re will always strive to optimize its capital structure and hold sufficient capital in excess of solvency requirements, thereby generating a high solvency margin ratio.

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 sound RBC ratio and to further strengthen our balance sheet with an A (stable) rating by S&P. By utilizing the buffer on the capital, we have also been able to increase the retention levels of profitable 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

Solvency Margin Ratio

	FY 2021	FY 2020	YoY Change
Solvency Margin Ratio (RBC Ratio)	187.9%	201.6%	-13.6%p

of hybrid capital securities may be considered when necessary. Specifically, we are positively considering raising additional capital to take advantage of market conditions and increase our reinsurance business acceptance as well as to maintain a strong capital position under the IFRS 17/K-ICS regimes.

We will continue to implement prudent capital management with the aim of optimizing our capital structure and holding sufficient capital in excess of solvency requirements. Our capital management strategy will remain well aligned with our vision to become a value-creating reinsurance leader.

Dividend and Stock Price Performance

Distributions to Shareholders

Korean Re always aims to offer attractive and sustainable returns to shareholders. Its total dividend payout amounted to KRW 53.7 billion in 2021. The payout ratio increased to 35.0% in 2021, with a dividend yield of 5.5%. The dividend amount per share reached an all-time high of KRW 525. We will consistently maintain our dividend policy to return value to shareholders.

Dividend Performance

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Total Dividend Amount (KRW billion)	34.5	31.6	57.4	46.0	53.7
Payout Ratio (%)	25.9	30.7	30.4	32.4	35.0
Dividend per Share (KRW)	300.0	275.0	500.0	450.0	525.0
Dividend Yield (%)	2.7	3.1	5.3	5.2	5.5

Stock Price Performance

The Korean stock market continued its bullish run into early 2021, marching on a rally that had started in the second half of 2020 and gained further momentum through late January 2021. The Korea Composite Stock Price Index, or KOSPI surpassed the 3,000 mark for the first time in history in early January. After the market remained in boxed ranges during March and April, KOSPI hit a record high of 3,316.08p in June 2021.

In August, things turned suddenly against the market amid the growing prospect of tapering and inflationary pressure. In October, Korean stocks suffered heavy losses due to concerns over global supply chain disruptions, debt ceiling tussle in the United States, and a default crisis involving Evergrande Group, pushing KOSPI to fall below 3,000 for the first time in six months. KOSPI closed the year at 2,977.65.

KOSPI Insurance mostly followed the benchmark index but outperformed the overall market. At the end of 2021, KOSPI Insurance closed 4.9% higher than a year earlier. Korean Re stocks performed stronger than other insurance stocks in 2021, with the year-end closing price soaring by 17.2% to KRW 9,250 per share. As opposed to 2020 when our stocks underperformed in tandem with the movements of KOSPI Insurance, 2021 was a year of big gains for our stock value, as high-dividend yield stocks gained much traction.

Looking ahead to 2022, market analysts remain bullish on Korean Re's stock performance, supporting the view that Korean Re stocks are still undervalued with a price to book ratio of 0.4 at the end of 2021. They are optimistic that our stocks will continue to perform well on the back of market hardening, which will help our overseas business improve underwriting profitability. Stable investment income generation based on a diversified portfolio also gives investors and analysts reasons to stay optimistic about Korean Re. This positive prospect was further bolstered in early 2022 when Korean Re started to accept new business through a coinsurance deal with Shinhan Life. Coinsurance, which was newly introduced in Korea in 2020, is likely to drive new business growth for Korean Re.

Risk Management Report

Internal Model Development Project

Korean Re has been conducting an internal model development project since September 2021 to preemptively respond to the implementation of IFRS 17 and K-ICS, which is scheduled for 2023, and to strengthen its risk-based decision-making system.

The internal model is a tool designed to measure complicated risk levels of the company, and the development project is expected to be completed in 2022. Once the internal model is put in place, the company's ability to establish and implement business strategies will be further improved in a way that enhances its risk-based business steering through more detailed risk measurement and utilization for each business unit.

In the future, the internal model is expected to be fully internalized in the company's business activities and to play a key role in setting risk appetite, operating the strategic risk management system (capital allocation, risk-based pricing), and monitoring business performance (economic profit management, etc.).

Establishment of EP Management System

Korean Re set up an economic profit (EP) management system after receiving approval from the Risk Management Committee at the end of 2020. The system has subsequently been implemented since 2021. EP is a risk-based evaluation index that comprehensively considers insurance net profit, investment contribution, business expenses, and the cost of capital. Effective EP management is expected to improve the company's Risk Adjusted Return on Capital (RAROC), and as a result the solvency margin ratio will be managed more stably.

Risk Management Framework

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

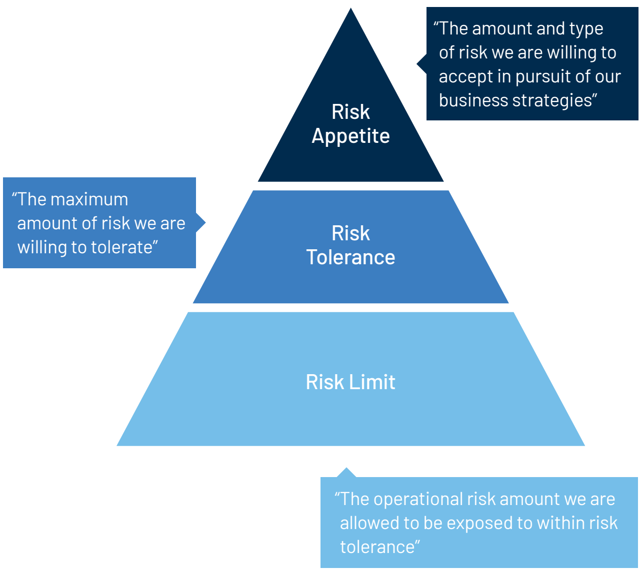
Korean Re implements enterprise risk management initiatives to achieve a stable set of risk management objectives. The objectives are as follows:

- 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 in a stable manner 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 (150%-200%)
- Focus on our comparable advantage businesses and achieve an ROE of more than 8%
- Maintain a conservative risk management policy with risks being retained at a medium-low level considering our capital
- Improve capital efficiency by optimizing insurance and investment portfolios
- Continue to improve our RAROC

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 140%)
- 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

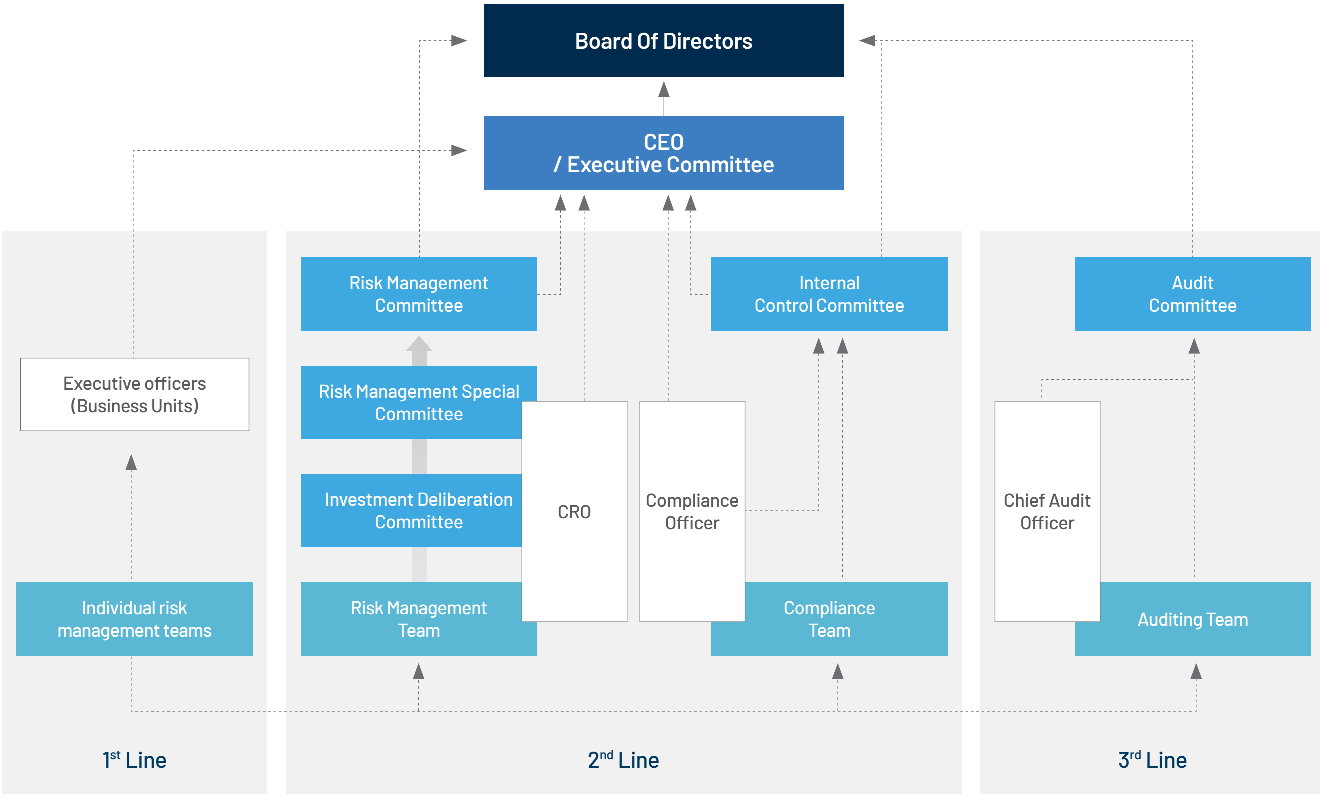
Korean Re performs business planning by analyzing the risks and profitability of its businesses. We measure return on risk-adjusted capital (RORAC) for each line of our insurance business and investment asset portfolio through our own internal model. Based on this, the Strategic Planning office draws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

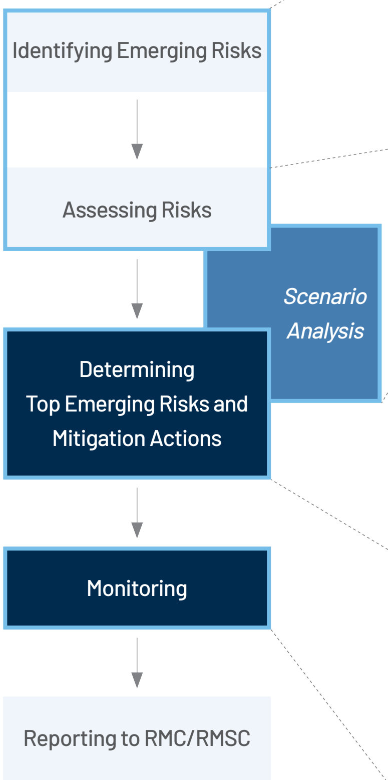
We manage these risks through effective policies and procedures that have a clear separation of duties, timely internal control, and reporting systems. Through the internal control system, operational risks are managed systemically based on our Code of Conduct and other internal regulations.

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.

Accordingly, Korean Re has also plans in place related to risk mitigation actions for the year based on its emerging risk management process as below:

Emerging Risk Management Process



- **Identifying Emerging Risks**
  - Emerging risk candidates are sourced by ideas from each team, benchmarking, and opinions from outside, such as the CRO Emerging Risk Initiative Forum.
- **Scenario Analysis**
  - Think Tank experts from 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.

The top emerging risks that we have selected for 2022 were as follows:

- Climate change and natural disaster risks
- Upcoming implementation of IFRS 17 and K-ICS and their implications for capital management
- Risks arising from aging populations

Consolidated Statements of Financial Position

As at December 31, 2021 and 2020

(Units: KRW million, USD thousand)

	FY 2021 (KRW)	FY 2021 (USD)	FY 2020 (KRW)	FY 2020 (USD)
Assets				
Ⅰ. Cash and cash equivalents	478,947	400,089	471,608	429,281
Ⅱ. Financial assets:	9,606,769	8,025,034	9,117,346	8,299,059
1. Deposits	214,892	179,510	171,392	156,009
2. Financial assets at fair value through profit or loss	227,940	190,410	45,234	41,174
3. Available-for-sale financial assets	4,996,863	4,174,140	4,391,037	3,996,939
4. Held-to-maturity financial assets	-	-	-	-
5. Derivative financial assets designated as hedges	150	125	37,659	34,279
6. Loans	1,078,540	900,961	1,170,236	1,065,207
7. Receivables	3,088,384	2,579,888	3,301,788	3,005,451
Ⅲ. Investments in associates	6,440	5,380	5,495	5,002
Ⅳ. Property and equipment	95,869	80,084	97,319	88,585
Ⅴ. Investment properties	90,838	75,882	91,351	83,152
Ⅵ. Intangible assets	18,153	15,164	20,856	18,984
Ⅶ. Other non-financial assets	2,818,639	2,354,556	2,715,972	2,472,212
Total assets	**13,115,655**	**10,956,189**	**12,519,947**	**11,396,275**
Liabilities				
Ⅰ. Insurance contract liabilities	7,377,619	6,162,910	6,703,011	6,101,412
Ⅱ. Financial liabilities	2,688,467	2,245,817	2,789,118	2,538,793
Ⅲ. Other non-financial liabilities	523,863	437,609	571,889	520,561
1. Current income tax liabilities	-	-	26,510	24,131
2. Deferred income tax liabilities	417,690	348,918	396,159	360,603
3. Retirement benefit liabilities	30,493	25,472	28,132	25,607
4. Other liabilities	75,680	63,219	121,088	110,220
Total liabilities	**10,589,949**	**8,846,336**	**10,064,018**	**9,160,766**
Equity				
Ⅰ. Capital stock	60,185	50,276	60,185	54,783
Ⅱ. Capital surplus	176,375	147,335	176,375	160,545
Ⅲ. Hybrid equity security	229,439	191,662	229,439	208,847
Ⅳ. Capital adjustments	(134,066)	(111,992)	(134,066)	(122,033)
Ⅴ. Accumulated other comprehensive income	193,710	161,815	223,439	203,385
Ⅵ. Retained earnings	2,000,064	1,670,758	1,900,558	1,729,982
Total shareholders' equity	**2,525,706**	**2,109,853**	**2,455,930**	**2,235,509**
Total liabilities and shareholders' equity	**13,115,655**	**10,956,189**	**12,519,948**	**11,396,275**

Note: For the B/S section, Korean won amounts have been converted into the U.S. dollar based on the exchange rate of KRW 1,197.1 per USD 1 for FY 2021 and KRW 1,098.6 for FY 2020. For the I/S section, the applicable exchange rate was KRW 1,149.42 per USD 1 for FY 2021 and KRW 1,191.78 for FY 2020.

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

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

(Units: KRW million, USD thousand)

	FY 2021 (KRW)	FY 2021 (USD)	FY 2020 (KRW)	FY 2020 (USD)
Ⅰ. Operating revenue	**10,915,537**	**9,496,561**	**11,300,993**	**9,482,450**
1. Premium income	8,488,720	7,385,220	8,447,068	7,087,775
2. Reinsurance income	1,663,836	1,447,544	2,110,488	1,770,870
3. Expenses recovered	313,212	272,496	347,995	291,996
4. Interest income	154,232	134,182	153,433	128,743
5. Dividend income	85,527	74,409	29,097	24,415
6. Investment income from financial instruments	16,288	14,171	108,275	90,851
7. Other operating revenues	193,722	168,539	104,638	87,800
Ⅱ. Operating expenses	**10,712,020**	**9,319,501**	**11,108,734**	**9,321,126**
1. Insurance claims and benefits expenses	6,314,946	5,494,028	6,769,933	5,680,522
2. Reinsurance expenses	2,427,773	2,112,172	2,546,996	2,137,136
3. Provision for insurance contract liabilities	584,552	508,563	238,839	200,405
4. Operating and administrative expenses	1,135,275	987,694	1,209,348	1,014,741
5. Claim handling expenses	97,626	84,935	124,927	104,824
6. Asset management expenses	5,385	4,685	4,843	4,064
7. Interest expenses	226	197	265	222
8. Investment expenses from financial instruments	60,320	52,479	47,476	39,836
9. Other operating expenses	85,917	74,748	166,106	139,376
Ⅲ. Operating income	**203,517**	**177,060**	**192,259**	**161,324**
Ⅳ. Non-operating income	**545**	**474**	**995**	**835**
Ⅴ. Non-operating expenses	**3,497**	**3,042**	**3,001**	**2,518**
Ⅵ. Income before income taxes	**200,565**	**174,492**	**190,252**	**159,641**
Ⅶ. Income tax expenses	**47,218**	**41,080**	**48,201**	**40,445**
Ⅷ. Net income	**153,347**	**133,412**	**142,052**	**119,196**
Ⅸ. Other comprehensive income (loss)	**(29,729)**	**(25,864)**	**21,537**	**18,071**
Ⅹ. Total comprehensive income	**123,618**	**107,548**	**163,589**	**137,267**

Note: For the B/S section, Korean won amounts have been converted into the U.S. dollar based on the exchange rate of KRW 1,197.1 per USD 1 for FY 2021 and KRW 1,098.6 for FY 2020. For the I/S section, the applicable exchange rate was KRW 1,149.42 per USD 1 for FY 2021 and KRW 1,191.78 for FY 2020.

✻ 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, 2021 and 2020

(Unit: KRW million)

	Capital stock	Capital surplus	Hybrid equity security	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total
As at January 1, 2020	60,185	176,375	229,439	(60,579)	201,901	1,848,693	2,456,014
Cash dividends	-	-	-	-	-	(57,435)	(57,435)
Acquisition of treasury stocks	-	-	-	(96,914)	-	-	(96,914)
Dividends of hybrid equity security	-	-	-	-	-	(9,325)	(9,325)
Redemption and issuance of 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)	223,438	1,900,558	2,455,929
As at January 1, 2021	60,185	176,375	229,439	(134,066)	223,438	1,900,558	2,455,929
Cash dividends	-	-	-	-	-	(46,021)	(46,021)
Dividends of hybrid equity security	-	-	-	-	-	(7,820)	(7,820)
Net income	-	-	-	-	-	153,347	153,347
Loss on valuation of available-for-sale financial assets	-	-	-	-	(57,162)	-	(57,162)
Exchange difference on translating foreign operations	-	-	-	-	23,388	-	23,388
Loss on valuation of derivative instruments designated as cash flow hedges	-	-	-	-	(2,592)	-	(2,592)
Gain on remeasurement of the net defined benefit liabilities	-	-	-	-	6,637	-	6,637
Total comprehensive income	-	-	-	-	(29,729)	153,347	123,618
As at December 31, 2021	60,185	176,375	229,439	(134,066)	193,710	2,000,064	2,525,706

Consolidated Statements of Changes in Equity (USD)

For the years ended December 31, 2021 and 2020

(Unit: USD thousand)

	Capital stock	Capital surplus	Hybrid equity security	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total
As at January 1, 2020	50,276	147,335	191,662	(50,605)	168,658	1,544,310	2,051,636
Cash dividends	-	-	-	-	-	(47,978)	(47,978)
Acquisition of treasury stocks	-	-	-	(80,957)	-	-	(80,957)
Dividends of hybrid equity security	-	-	-	-	-	(7,790)	(7,790)
Redemption and issuance of hybrid equity security	-	-	-	19,570	-	(19,570)	-
Net income	-	-	-	-	-	118,663	118,663
Gain on valuation of available-for-sale financial assets	-	-	-	-	26,662	-	26,662
Exchange difference on translating foreign operations	-	-	-	-	(4,948)	-	(4,948)
Gain on valuation of derivative instruments designated as cash flow hedges	-	-	-	-	2,587	-	2,587
Loss on remeasurement of the net defined benefit liabilities	-	-	-	-	(6,310)	-	(6,310)
Total comprehensive income	-	-	-	-	17,991	118,663	136,654
As at December 31, 2020	50,276	147,335	191,662	(111,992)	186,649	1,587,635	2,051,565
As at January 1, 2021	50,276	147,335	191,662	(111,992)	186,649	1,587,635	2,051,565
Cash dividends	-	-	-	-	-	(38,444)	(38,444)
Dividends of hybrid equity security	-	-	-	-	-	(6,532)	(6,532)
Net income	-	-	-	-	-	128,099	128,099
Loss on valuation of available-for-sale financial assets	-	-	-	-	(47,750)	-	(47,750)
Exchange difference on translating foreign operations	-	-	-	-	19,537	-	19,537
Loss on valuation of derivative instruments designated as cash flow hedges	-	-	-	-	(2,165)	-	(2,165)
Gain on remeasurement of the net defined benefit liabilities	-	-	-	-	5,544	-	5,544
Total comprehensive income	-	-	-	-	(24,834)	128,099	103,265
As at December 31, 2021	50,276	147,335	191,662	(111,992)	161,815	1,670,758	2,109,853

Note: Korean won amounts have been converted into the U.S. dollar based on the exchange rate of KRW 1,098.60 per USD 1.

Consolidated Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Units: KRW million, USD thousand)

	FY 2021 (KRW)	FY 2021 (USD)	FY 2020 (KRW)	FY 2020 (USD)
Ⅰ. Cash flows from operating activities	**637,946**	**532,910**	**517,496**	**471,052**
1. Income before income taxes	153,347	128,099	142,052	129,303
2. Cash generated from operations	295,160	246,563	190,378	173,291
3. Receipt of interest	159,566	133,294	161,898	147,368
4. Payment of interest	(318)	(266)	(352)	(320)
5. Receipt of dividends	85,526	71,444	29,097	26,486
6. Refund(payment) of income taxes	(55,335)	(46,224)	(5,577)	(5,076)
Ⅱ. Cash flows from investing activities	**(573,836)**	**(479,355)**	**(234,510)**	**(213,462)**
1. Cash inflows	848,182	708,531	1,412,784	1,285,986
2. Cash outflows	(1,422,018)	(1,187,886)	(1,647,294)	(1,499,448)
Ⅲ. Cash flows from financing activities	**(56,881)**	**(47,515)**	**(168,449)**	**(153,330)**
1. Cash inflows	117	98	237	216
2. Cash outflows	(56,998)	(47,613)	(168,686)	(153,546)
Ⅳ. Net increase(decrease) in cash and cash equivalents (Ⅰ+Ⅱ+Ⅲ)	**7,229**	**6,039**	**114,538**	**104,259**
Ⅴ. Effects of changes in foreign exchange rates on cash and cash equivalents	**110**	**92**	**(3,046)**	**(2,773)**
Ⅵ. Cash and cash equivalents at the beginning of the year	**471,608**	**393,959**	**360,117**	**327,796**
Ⅶ. Cash and cash equivalents at the end of year	**478,947**	**400,089**	**471,608**	**429,281**

Note: For the B/S section, Korean won amounts have been converted into the U.S. dollar based on the exchange rate of KRW 1,197.1 per USD 1 for FY 2021 and KRW 1,098.6 for FY 2020. For the I/S section, the applicable exchange rate was KRW 1,149.42 per USD 1 for FY 2021 and KRW 1,191.78 for FY 2020.

✻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") as 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") or 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 million, except when otherwise indicated.

The Group has changed the classification of some accounts in the prior year's consolidated financial statements to be consistent with that in the current year's 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 or loss.

(3) Foreign currency transactions

When preparing 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 1,197.10 to USD 1, the telegraphic transfer selling rate of exchange as at December 31, 2021. The profit and loss account is translated at KRW 1,149.42 to USD 1, the average exchange rate of the period.

3. Cash and cash equivalents

Cash and cash equivalents as at December 31, 2021 are as follows:

(Units: KRW million, USD thousand)

	FY 2021 (KRW)	FY 2021 (USD)
Cash on hand	1	1
Short-term bank deposits	478,946	400,088
Total	**478,947**	**400,089**

4. Financial assets

Carrying value and fair value of financial assets as at December 31, 2021 are as follows:

(Units: KRW million, USD thousand)

	Carrying value		Fair value	
	(KRW)	(USD)	(KRW)	(USD)
Deposits	214,892	179,510	214,892	179,510
Financial assets at FVTPL	227,940	190,410	227,940	190,410
Available-for-sale financial assets	4,996,863	4,174,140	4,996,863	4,174,140
Derivative financial assets designated as hedges	150	125	150	125
Loans	1,078,540	900,961	1,073,988	897,158
Receivables	3,088,384	2,579,888	3,088,392	2,579,895
Total	**9,606,769**	**8,025,034**	**9,602,225**	**8,021,239**

5. Deposits

Deposits as at December 31, 2021 are as follows:

(Units: KRW million, USD thousand)

	FY 2021(KRW)	FY 2021(USD)
Term deposits	-	-
Overseas deposits	164,629	137,523
Other deposits	50,263	41,987
Total	**214,892**	**179,510**

6. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss as at December 31, 2021 are as follows:

(Units: KRW million, USD thousand)

	FY 2021(KRW)	FY 2021(USD)
Stock	-	-
Beneficiary certificates	219,253	183,152
Securities in foreign currencies	8,687	7,258
Total	**227,940**	**190,410**

7. Available-for-sale financial assets

Available-for-sale financial assets as at December 31, 2021 are as follows:

(Units: KRW million, USD thousand)

	FY 2021(KRW)	FY 2021(USD)
Stock	60,666	50,677
Equity investment	141,039	117,817
Government and public bonds	185,508	154,964
Special bonds	191,250	159,761
Financial bonds	295,535	246,876
Corporate bonds	1,475,363	1,232,448
Beneficiary certificates	847,255	707,756
Securities in foreign currencies	1,799,678	1,503,365
Others	569	476
Total	**4,996,863**	**4,174,140**

8. Loans and receivables

Loans and receivables as at December 31, 2021 are as follows:

(Units: KRW million, USD thousand)

	FY 2021(KRW)	FY 2021(USD)
Loans		
Loans secured by securities	486,896	406,730
Loans secured by real estate	155,700	130,064
Credit loans	1,565	1,307
Guaranteed loans	1,396	1,166
Other loans	441,786	369,047
Subtotal	**1,087,343**	**908,314**
(Allowance for possible loan losses)	(2,567)	(2,144)
(Present value discount)	(144)	(120)
(Deferred loan fee and costs)	(6,092)	(5,089)
Receivables		
Insurance receivables	3,084,876	2,576,958
Accounts receivables	777	649
Accrued income	44,569	37,231
Guarantee deposits	1,055	881
Subtotal	**3,131,277**	**2,615,719**
(Allowance for doubtful receivables)	(42,886)	(35,825)
(Present value discount)	(7)	(6)
Total	**4,166,924**	**3,480,849**

9. Other non-financial assets

Other non-financial assets as at December 31, 2021 are as follows:

(Units: KRW million, USD thousand)

	FY 2021(KRW)	FY 2021(USD)
Reinsurance assets	2,647,572	2,211,655
Compensation receivables	87,188	72,833
Current income tax assets	13,966	11,667
Deferred tax assets	9,741	8,137
Prepaid expenses	7,128	5,954
Advanced payments	46,180	38,577
Right of use assets	6,864	5,733
Total	**2,818,639**	**2,354,556**

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, 2021 are as follows:

(1) Reserve for outstanding claims

(Units: KRW million, USD thousand)

	FY 2021(KRW)	FY 2021(USD)
Fire insurance	53,744	44,895
Marine insurance	176,036	147,052
Motor insurance	165,566	138,306
Surety insurance	41,966	35,056
Engineering insurance	177,074	147,919
Workers' compensation insurance	20,400	17,041
Liability insurance	280,600	234,400
Personal accident insurance	64,634	53,992
Comprehensive insurance	637,616	532,634
Other casualty insurance	334,320	279,275
Overseas inward insurance	2,330,342	1,946,656
Long-term insurance	942,097	786,983
Personal annuity	546	456
Total	**5,224,941**	**4,364,665**

(2) Unearned premium reserve

(Units: KRW million, USD thousand)

	FY 2021 (KRW)	FY 2021 (USD)
Fire insurance	66,571	55,610
Marine insurance	82,779	69,150
Motor insurance	259,612	216,867
Surety insurance	286,362	239,213
Engineering insurance	179,960	150,330
Workers' compensation insurance	3,413	2,851
Liability insurance	134,597	112,436
Personal accident insurance	56,810	47,456
Comprehensive insurance	206,539	172,533
Other casualty insurance	222,886	186,188
Overseas inward insurance	653,149	545,611
Total	**2,152,678**	**1,798,245**

11. Equity

(1) Capital stock

Details of capital stock as at December 31, 2021 are as follows

	FY 2021 (KRW)	FY 2021 (USD)
Number of common shares authorized (shares)	320,000,000	320,000,000
Par value (KRW, USD)	500	0.4
Number of common shares issued and outstanding (shares)	120,369,116	120,369,116
Capital stock (KRW million, USD thousand)	60,185	50,276

(2) Capital surplus

Capital surplus consists of the following as at December 31, 2021

(Units: KRW million, USD thousand)

	FY 2021 (KRW)	FY 2021 (USD)
Paid-in capital in excess of par value	103,729	86,650
Other capital reserve	72,646	60,685
Total	**176,375**	**147,335**

(3) Capital adjustments

Capital adjustments consist of the following as at December 31, 2021

(Units: KRW million, USD thousand)

	FY 2021 (KRW)	FY 2021 (USD)
Treasury stock	(134,066)	(111,992)
Total	**(134,066)**	**(111,992)**

(4) Accumulated other comprehensive income

Accumulated other comprehensive income consists of the following as at December 31, 2021

(Units: KRW million, USD thousand)

	FY 2021 (KRW)	FY 2021 (USD)
Gain on valuation of available-for-sale financial assets	110,936	92,671
Asset revaluation surplus	68,979	57,622
Exchange difference on translating foreign operations	17,494	14,613
Loss on valuation of derivative instruments designated as cash flow hedges	(600)	(501)
Re-measurement of the net defined benefit liabilities	(3,099)	(2,589)
Total	**193,710**	**161,815**

(5) Retained earnings

Retained earnings as at December 31, 2021 are as follows:

(Units: KRW million, USD thousand)

	FY 2021 (KRW)	FY 2021 (USD)
Legal reserve	30,092	25,137
Bad debt reserve	18,228	15,227
Catastrophe reserve	1,380,513	1,153,214
Business rationalization reserve	2,033	1,698
Voluntary reserve	435,244	363,582
Unappropriated retained earnings	133,954	111,899
Total	**2,000,064**	**1,670,758**

(6) Hybrid equity security

Hybrid equity security as at December 31, 2021 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 statements of financial position as of December 31, 2021, and December 31, 2020, respectively, and the related consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows, all expressed in Korean won, for the years 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, 2021, and December 31, 2020, respectively, and its financial performance and its cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

Basis for Audit Opinion

We conducted our audits in accordance with the Korean Standards on Auditing ("KSAs"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audits 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 audits 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 audits of the consolidated financial statements for the year ended December 31, 2021. 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 as of December 31, 2021, the Group shall set aside a reserve for outstanding claims for amounts that have not yet been paid in relation to amounts that are to be paid, or estimated to be paid, for contracts that caused the reason for payment, i.e., insurance claims. 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, 2021, is ₩5,224,941 million, accounting for 71% of the total insurance contract liability of ₩7,377,619 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 audits 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 the reserve for outstanding claims.
- Understanding and assessing systems related to the calculation of the 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 the 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.

Auditors' Responsibilities for the Audits 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 audits. 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 audits 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 of the Group regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

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 auditors' 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 17, 2022

Notice to Readers

This report is effective as of March 17, 2022, 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 2021

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 a new head office 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- rating 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 - 2021

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
Sep. 24, 2021	Established KoreanRe Insurance Services in New Jersey, the U.S.

Organization

- Chairman
- President & CEO

Executive Managing Director

- Strategic Planning Office
- Financial Solutions Team
- HR & General Affairs Team
- New Office Construction Team
- Finance & Accounting Team
- Pricing Team
- IFRS Team
- Asset Management Team
- Global Business 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 Team
- Overseas Life & Health Team

Chief Audit Officer

- Compliance Team
- Auditing Team

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Glossary

Combined Ratio

The sum of the expense ratio and the loss ratio.

Earned Premium

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

Expense Ratio

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

Facultative Reinsurance

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

From the Ground Up (FGU)

From the ground up is a term used in excess of loss reinsurance to describe the amount of an incurred loss from zero (the ground) to its ultimate incurred amount.

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.

Technical Profitability

Technical profitability is measured in terms of the combined ratio, which is one of the key performance indicators used in insurance. This is a relative figure that denotes the ratio between an insurer's costs and its premium income.

Technical Result

Difference between income and expenses (claims compensation, management expenses, etc.) linked to an insurance business scope.

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 2021

KOREAN RE

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