Anniversary

1963-2023

1963

2023

Challenge Ourselves,

Change the World

ANNUAL REPORT 2022

KOREAN Re

Anniversary

1963-2023

60th Anniversary

Korean Re is celebrating its 60th anniversary in 2023. In Asian culture, 60 years marks one full cycle of life, and the 60th birthday is regarded as a monumental point and the beginning of a new life cycle. We are both happy and grateful to enter into 2023 to start a new corporate life cycle, setting off to reinvent ourselves to bring innovation to our business and work toward a better future. Just as we have grown strongly in lockstep with the growth of our clients over the last six decades, we will continue to remain a solid partner for them.

KOREAN Re

CONTENTS

This report is also published online at:
www.koreanre2022.annualreport.kr

Challenge Ourselves, **Change the World**

Korean Re, the one and only Korean professional reinsurer, started its operations in 1963. 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.

This year marks the 60th anniversary of Korean Re. After six successful decades in the business, it is a matter of great pride to see our company still growing and thriving. As we now begin a new chapter in our corporate history, we are determined to challenge ourselves and change the world by constantly seeking internal innovation in a manner that increases our positive impact on the world around us.

Our new slogan, “Challenge Ourselves, Change the World,” embodies the spirit that has driven us forward over the past 60 years and will continue to guide us into the future. We have grown from a small local reinsurer to one of the leading players in Asia and beyond. We could not have been where we are now without constantly challenging ourselves to expand into new markets across the world. This undertaking to explore global markets has led us to a point where 26.5% of our business comes from overseas. Currently, Korean Re has 12 overseas presences across the world – four subsidiaries, four branches, and four liaison offices.

Furthermore, we have continued to challenge ourselves to improve our organizational structure in a way that best leverages our 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.

We believe that by challenging ourselves, we can create positive changes that will ripple outwards and impact the world in meaningful ways. We know that pushing ourselves to change and innovate is never easy, but we are ready to take on the challenge, and we are excited to see what we can achieve in the years to come.

We challenge ourselves to

Explore New Markets

March **1963**

Established as a state-owned company, the Korean Non-Life Reinsurance Corporation

October **1969**

Opened our Tokyo Liaison Office

March **1978**

Reorganized as a publicly owned company, Korean Reinsurance Company

06

Our business growth has been supported by continued efforts to explore new markets.

November **1978**

Established our Singapore Branch

June **1984**

Built a new head office in Susong-dong, Seoul

February **1995**

Established Worldwide Insurance Services, Ltd. (WIS) in Hong Kong

We challenge ourselves to

Achieve Higher Profitability

December **1996**

Total assets surpassed KRW 1 trillion

December **1997**

Gross written premiums surpassed KRW 1 trillion

May **2002**

Received an A- grade from A.M. Best

Profitability has been another crucial pillar of our business strategies over the last few years.

October **2002**

Ranked the largest reinsurance company in Asia (S&P)

December **2006**

Acquired an A- rating from S&P

February **2011**

Acquired an A rating from A.M. Best

We challenge ourselves to

Build a Solid Portfolio

September 2012

Ranked the 10th largest reinsurer in the world and No. 1 in Asia (A.M. Best)

June 2013

Inauguration of CEO Jong-Gyu Won

September 2013

Ranked the 9th largest reinsurer in the world and No. 1 in Asia (A.M. Best)

Effective portfolio management has been a critical driver of our endeavors to ensure a stable and profitable business performance.

October **2014**

S&P rating upgraded from A- to A

February **2015**

Established Korean Re Underwriting Ltd. at Lloyd's of London

July **2017**

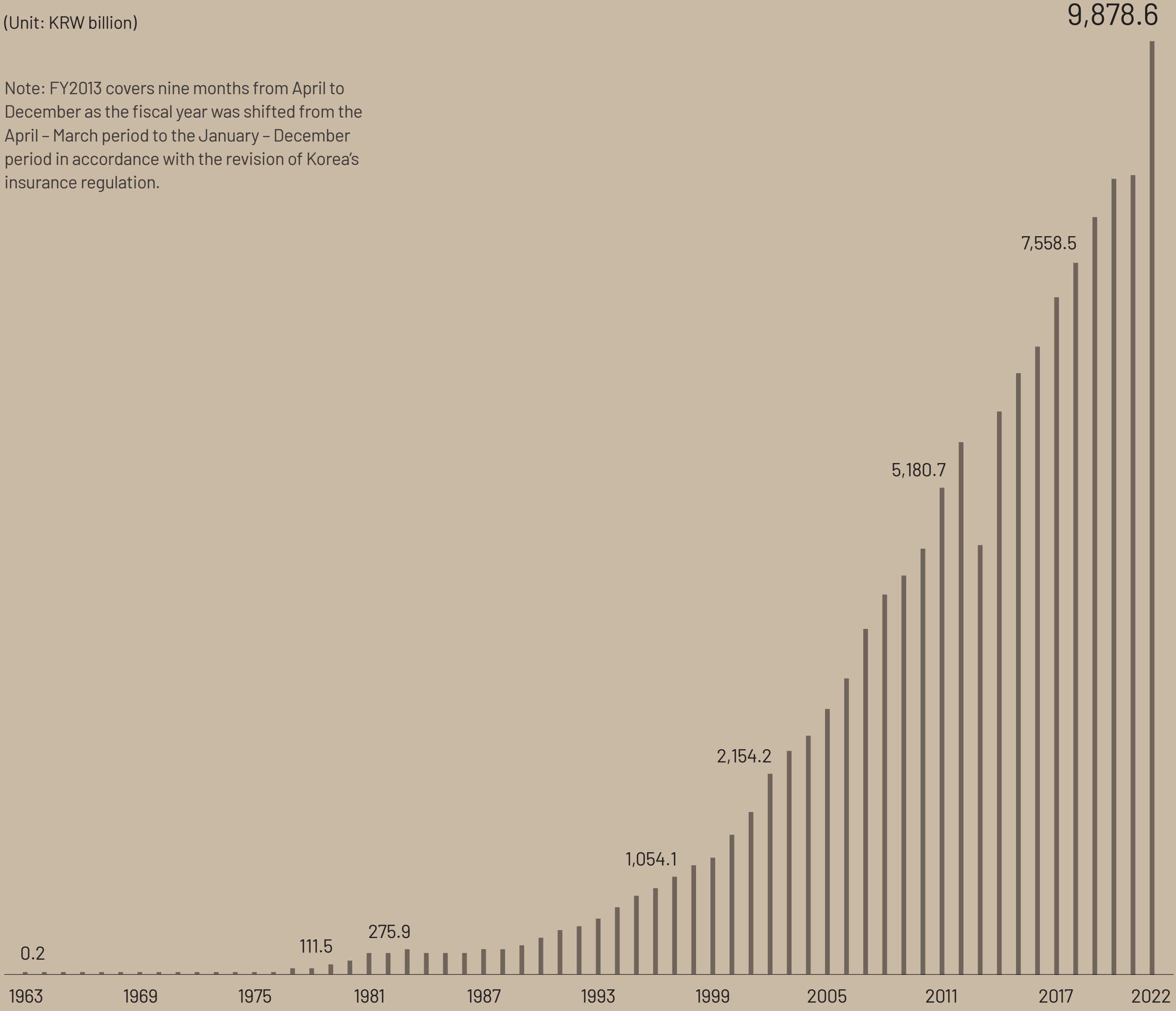
Opened our Labuan Branch in Malaysia

60 Years of Growth

Gross Written Premiums

(Unit: KRW billion)

Note: FY2013 covers nine months from April to December as the fiscal year was shifted from the April – March period to the January – December period in accordance with the revision of Korea's insurance regulation.



December **2017**

Total assets surpassed KRW 10 trillion

Opened our DIFC Branch in Dubai, UAE

June **2019**

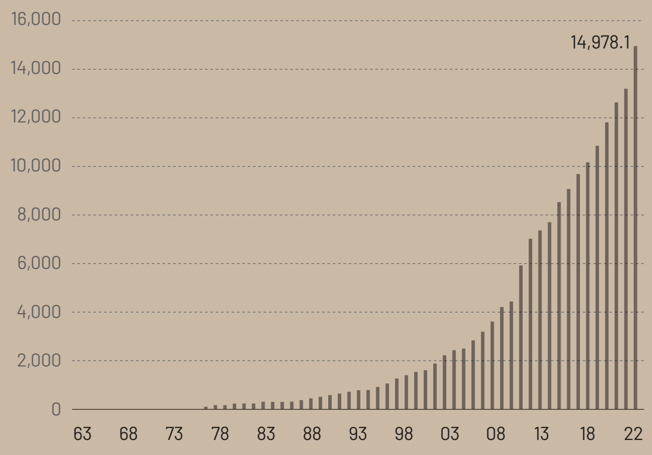
Established Korean Reinsurance Switzerland AG in Zurich, Switzerland

January **2020**

Established our Shanghai Branch in the People's Republic of China

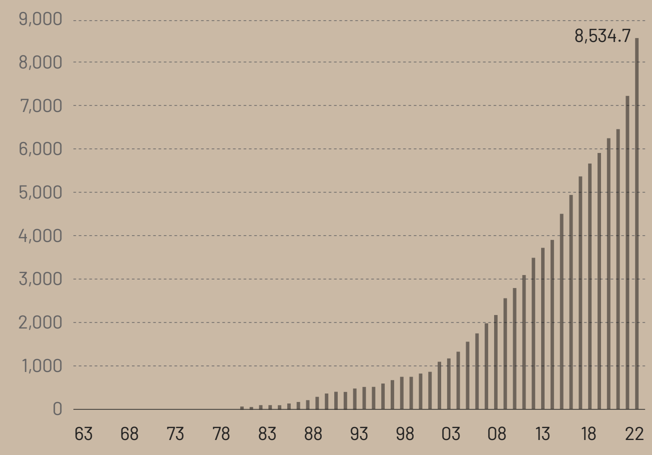
Total Assets

(Unit: KRW billion)



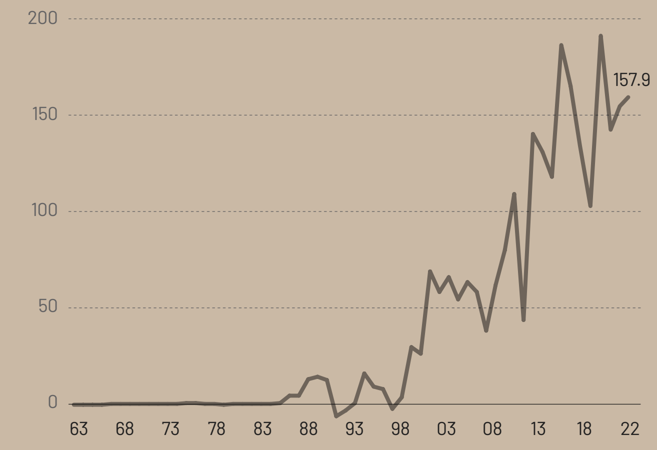
Invested Assets

(Unit: KRW billion)



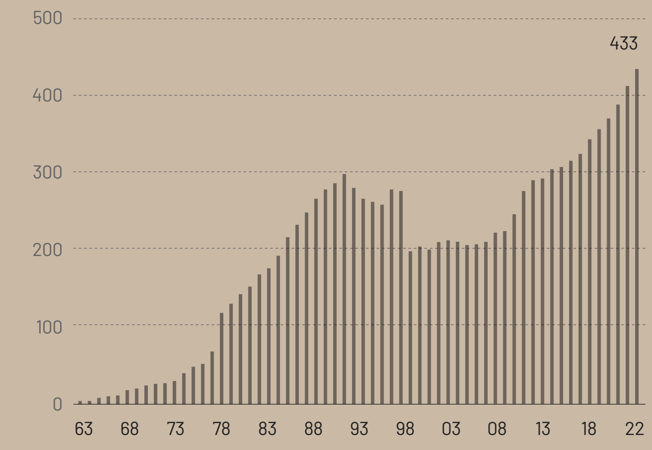
Net Income

(Unit: KRW billion)



Number of Employees

(Unit : No. of Employees)



February **2020**

Established our Bogotá Liaison Office in Colombia

September **2021**

Established KoreanRe Insurance Services, Inc. in New Jersey, USA

March **2023**

Renewal of the Corporate Identity in celebration of the company's 60th anniversary

Financial Highlights

	FY 2022 (KRW billion)	FY 2022 (USD million)	FY 2021 (KRW billion)	FY 2021 (USD million)
For the Year				
Gross Written Premiums	9,878.6	7,600.2	8,488.7	7,385.2
Net Written Premiums	7,337.6	5,645.3	6,060.9	5,273.0
Net Income	157.9	121.5	153.3	133.4
At the Year End				
Total Assets	14,978.1	11,704.4	13,115.7	10,956.2
Insurance Contract Liabilities	8,427.6	6,585.6	7,377.6	6,162.9
Total Shareholders' Equity	2,819.5	2,203.3	2,525.7	2,109.9
Financial Ratio (%)				
RBC Ratio [1]	180.8		187.9	
Combined Ratio [2]	100.7		100.9	
ROA	1.1		1.2	
ROE	5.9		6.2	
Payout Ratio	33.4		35.0	
EPS (KRW, USD) [3]	1,132	0.87	1,186	1.03

⁎ 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.

[1] Risk-based capital ratio (solvency margin ratio)

[2] Excluding foreign currency evaluation effects

[3] In December 2022, Korean Re issued bonus shares to its shareholders. To ensure a valid comparison of earnings per share (EPS), the weighted average shares outstanding have been adjusted to include the bonus shares. The EPS for the year ended December 31, 2022, and the comparative prior period presented have been restated to reflect this adjustment.

Financial Strength Ratings

A Stable

A.M. Best • S&P (2022)

RBC Ratio*

180.8%

* Solvency Margin Ratio (2022)

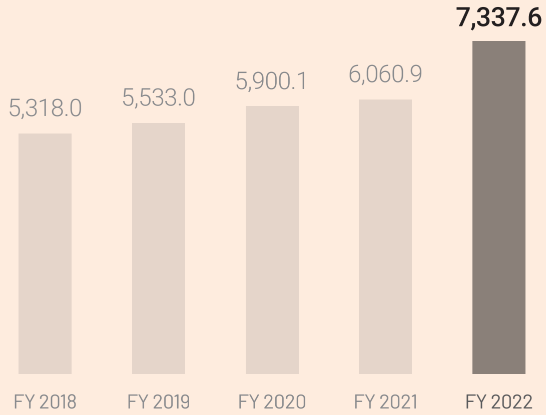
ROE

5.9%

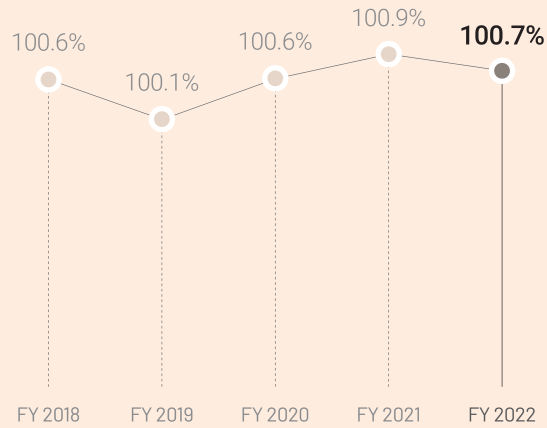
(2022)

Net Written Premiums

(Unit: KRW billion)

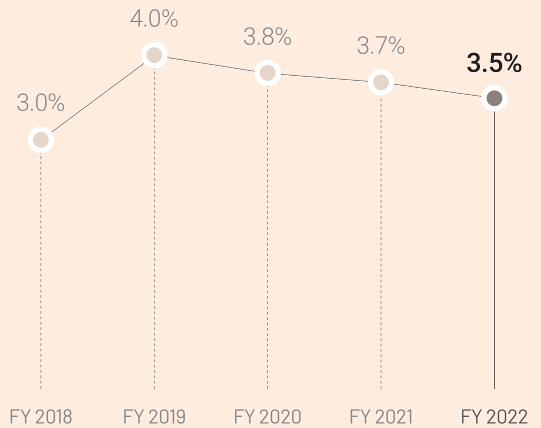


Combined Ratio*



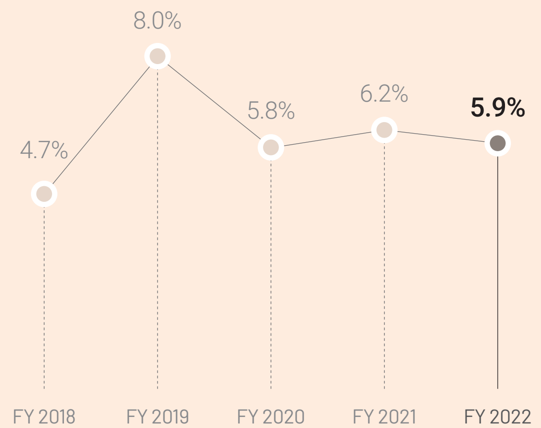
* Excluding foreign currency evaluation effects

Investment Yield*



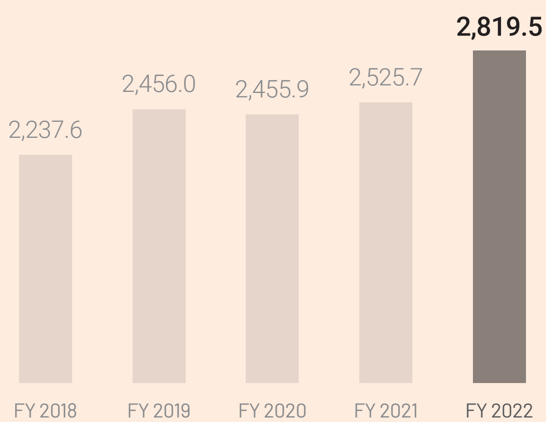
* Gains and/or losses from foreign exchange hedging for insurance liabilities have been excluded.

Return on Equity (ROE)



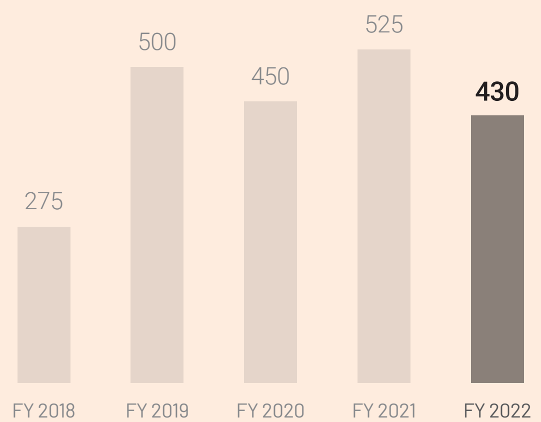
Total Shareholders' Equity

(Unit: KRW billion)



Dividend per Share

(Unit: KRW)



Message from the CEO

> We achieved a strong year-on-year growth of 16.4% in gross written premiums, with net written premiums growing by 21.1% in 2022.

In 2022, Korean Re made important strides forward, delivering steady growth and stable profit. We achieved a strong year-on-year growth of 16.4% in gross written premiums, which totaled KRW 9,878.6 billion, with net written premiums growing by 21.1% to KRW 7,337.6 billion. This robust top-line performance was driven by our new coinsurance business and a sharp recovery in premium growth for our overseas business. We also reported a bottom-line increase of 2.9%, with after-tax net income amounting to KRW 157.9 billion. At the end of 2022, our total assets increased by 14.2% year on year to KRW 14,978.1 billion, while there was an 18.8% rise in invested assets, which totaled KRW 8,534.7 billion.

Our business growth has been supported by continued efforts to explore new markets. Global business expansion has been an important pillar of our business strategies to drive growth. Currently, Korean Re has 12 overseas operations across the world – four subsidiaries, four branches and four liaison offices. Half of them were established over the last six years, meaning that our global expansion initiative has notably accelerated in recent years. Since 2020, we have successfully set up a subsidiary in New Jersey, USA, and one branch in Shanghai, China, and a representative office in Bogotá, Colombia. This drive to take our operations into overseas markets will continue going forward.

Profitability has been another crucial pillar of our business strategies over the last few years. By tightening our underwriting guidelines, we have focused on increasing our retention of good risks and building optimal treaty schemes. Our underwriters have become more selective in what new or existing business they want to pursue, helping to reduce the volatility of our business results.

Effective portfolio management has been a critical driver of our endeavors to ensure a stable and profitable business performance. The share of our overseas business increased from 23.1% in 2017 to 26.5% in 2022, and diversifying the overall portfolio has contributed to stabilizing our underwriting results. Based on the underwriting expertise and experiences that we have built over the last 60 years, we have been able to actively respond to market cycles and readjust our business portfolio in ways that have reduced the fluctuation of business results and improved profitability.

On the investment side, we have taken a flexible approach in managing our alternative investments and loan portfolio in response to market changes and regulatory developments. As a result, we continued to deliver a solid investment yield of 3.5% in the face of a volatile market environment in 2022.

In the run-up to the implementation of IFRS 17 in 2023, the Korean insurance industry had a busy year in 2022 with finalizing its transition to the new reporting regime. Korean Re is likely to experience a smooth transition to IFRS 17, as we have been proactive in preparing for IFRS 17 by raising capital and managing financial solvency effectively.

In terms of our environmental, social and governance (ESG) drive, 2022 was a significant milestone as we declared our intention to phase out coal financing. In line with this declaration, Korean Re has ceased to invest in new construction of coal mining and coal-based power plants, and has not been providing facultative reinsurance covers for such new coal projects since January 2023.

Korean Re is celebrating its 60th anniversary in 2023. In Asian culture, 60 years marks one full cycle of life, and the 60th birthday is regarded as a monumental point and the beginning of a new life cycle. We are both happy and grateful to enter into 2023 to start a new corporate life cycle, setting off to reinvent ourselves to bring innovation to our business and work toward a better future. As we have grown steadily in lockstep with the growth of our clients over the last six decades, we will continue to remain a solid partner for them.

Now that we begin a new chapter in our corporate history, we are determined to challenge ourselves and change the world by constantly seeking internal innovation in a manner that increases our positive impact on the world.

The economy is set to have a tough year in 2023 with weak growth prospects, and that will present a challenge to our business. Nevertheless, Korean Re is ready to move forward fearlessly, building on its successful 60-year track record.

I would like to thank all our shareholders, clients, and partners for putting their trust in Korean Re. We will stay true to our commitment to ensuring growth and value for all our stakeholders.

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

Jun-Dong Kim
Chief Audit Officer

Yung-Heub Song
Managing Director

Yong-Nam Kim
Managing Director

Seok-Yeong Heo
Managing Director

Kwang-Shik Jeong
Managing Director

Jin-Hyung Lee
Managing Director

Byoung-Ki So
Managing Director

Seok-Pyo Hong
Managing Director

Inside Korean Re

Korean Re New Year's Concert in 2022

In early January 2022, Korean Re held a new year's concert under strictly enforced rules on social distancing. It is Korean Re's tradition to hold a classical music concert at the beginning of each new year, but no event was held in 2021 due to the COVID-19 pandemic and strong social distancing measures. In 2022, however, as the government implemented the Living with COVID-19 scheme, Korean Re was able to organize a concert and invite its clients, partners, employees, and their family members to the event in celebration of the new year.

Before the concert started, CEO Jong-Gyu Won took the opportunity to welcome new employees and their parents, although a large-scale party was not held due to safety concerns. The annual function traditionally would serve as a welcoming party for new employees and their parents with the presence of all members of Korean Re. Speaking of the event, CEO Won said, "I hope the concert will offer comfort to all of us in these difficult times of the pandemic."

In 2022, the concert was made all the more special, as the Seoul Philharmonic Orchestra performed together with Yekwon Sunwoo, a renowned pianist, and was led by a world-famous conductor, Shi-Yeon Sung. They put on a series of wonderful performances, with the program consisting of the overture to Mikhail Glinka's Ruslan and Lyumila, Prokofiev's Piano Concerto No.2, and Tchaikovsky's Symphony No.4.

Korean Re Joined Relief Efforts to Support Ukrainian Refugees

Korean Re donated KRW 50 million to World Vision Korea to support emergency relief for children and families displaced by Russia's invasion of Ukraine. World Vision International is a worldwide non-profit organization dedicated to humanitarian aid and development support. Its emergency response to the Ukraine crisis focuses on supporting refugees in Romania and other neighboring countries by providing them with temporary shelters and essential aid, such as emergency assistance packages, drinking water, educational and psychological support, and medical supplies.

President Andrew Morley of World Vision International made a personal visit to refugees in border areas in Romania and called on the international community via Twitter to support people affected by the conflict. Shortly after that, World Vision Korea launched a donation initiative in support of Ukrainian refugees.

Korean Re has been strongly committed to creating shared value through a wide range of social support programs, including community engagement, volunteering for international disaster relief, and financial assistance for a child welfare center in Vietnam.

CEO Jong-Gyu Won of Korean Re said, "Recognizing the urgency of the current situation, we have made an immediate decision to support the emergency response by World Vision so as to help alleviate the suffering of those Ukrainian people displaced by the crisis. We pray and hope for a swift and peaceful end to the war."

Korean Re's Diverse Employee Volunteer Programs in 2022

Korean Re's Plogging Day

Korean Re organized a plogging event in January 2022 as part of its environment protection campaign. Plogging, which comes from Sweden, means picking up waste while running. The word is a combination of the Swedish phrase "plocka upp" and "jogging." Plogging is a great activity in two ways: it helps protect the environment and keeps ploggers healthy.

The event was participated by a group of 25 Korean Re employees, including 17 young men and women who just joined the company in 2022. The Korean Re ploggers picked up litter while walking along the main streets in the Jongno District, where Korean Re's head office is located. They walked about eight kilometers for three hours while filling up their trash bags. They used biodegradable trash bags, which are compostable and designed to break down into compost.

Korean Re strongly upholds the value of corporate contributions to the protection of the environment and society. Plogging can be a simple and easy way for Korean Re to increase its social contribution efforts. It is also a great group activity for employees who want to improve their fitness and join a volunteer program.

Volunteering to Help Build Houses for People in Need

Korean Re has been committed to fulfilling its corporate social responsibilities in a way that creates value for society. In 2022, we organized diverse employee volunteer programs designed to support underserved people and communities.

In September 2022, three groups of Korean Re employee volunteers participated in a home building project called Building Homes of Hope in the village of Mokcheon, South Chungcheong Province. Partnering with Habitat for Humanity Korea, Korean Re has been actively taking part in projects to build homes for people living in poor housing conditions.

In 2020 and 2021, we could not take part in volunteer activities due to concerns about the health of employees during the COVID-19 pandemic who would have otherwise volunteered. Still, we continued to make financial contributions in support of home-building projects over this period.

Since 2013, Korean Re has been partaking in the Building Homes of Hope initiative in partnership with Habitat for Humanity Korea to support families in need of a decent place to live. Over the past ten 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.

Beach and River Cleaning

Korean Re employees volunteered to engage in beach and river cleanup programs in November 2022. In cooperation with Human in Love, a non-governmental organization dedicated to international relief and environmental protection, they cleaned up Yongmuchi Beach in Dangjin, South Chungcheong Province by removing glass and plastic bottles, straws, aluminum cans, fishing gear, and many other kinds of marine debris. A total of 717.3 kilograms of litter was collected over a period of three days, and the vast majority of the trash turned out to be plastic. Plastic products can be very harmful to marine life because they do not biodegrade quickly.

Yongmuchi Beach has been polluted with many types of litter that ends up along the coastline in many ways, including by the tides and the wind. Man-made debris is often deposited on the beach by local visitors, tourists, and fishers, while some litter makes its way into the ocean from land. It is important to protect oceans and beaches, as they are an essential part of our lives. While they are destinations for a range of recreational and leisure activities, they also protect residents living near the ocean by serving as a buffer against the high winds and waves of powerful storms, and help drive economic activities that are important to nearby communities. In addition, they provide permanent habitats for numerous plants and animals.

Another meaningful environmental protection initiative that we joined in 2022 was the improvement of river water quality. In collaboration with the Environment Action Association, a local environment advocacy group, we engaged in the work of making effective microorganism (EM) mud balls that could be thrown into the Han River to help purify the water. EM is made up of beneficial and highly efficient organisms, and EM mud balls are formed by mixing ordinary clay with EM that can decontaminate the water.

Caring for Our Close Neighbors

Korean Re has long been demonstrating what it means for a business to be a caring member of society and the communities where it operates. In October 2022, Korean Re organized community food-sharing events for three days at a local Red Cross volunteer center in the Jongno District of Seoul as part of a program called “Sharing Hope with Our Neighborhood.” Three groups of Korean Re employees baked bread, which was packed and then delivered to those in need, including elderly people living alone and low-income families. We have participated in this program since 2015, helping our close neighbors by serving food that is personally prepared by our own employees.

Our Strengths and Strategies

Expanding Our Global Network

Global Network

12 Cities

8 Branches and Liaison 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.

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 launching 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 has pushed ahead with an overseas business expansion drive, leading Korean Re to broaden its global business network. Over the past ten 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 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 25 years. The office was established as part of Korean Re's ongoing initiative to increase its overseas business based on a diversified geographic portfolio. Going forward, we will continuously 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 2023 renewals, KRSA implemented significant portfolio optimization by substantially reducing its natural catastrophe exposures, while improving profitability in terms of both size and ratio, capitalizing on opportunities from the intensified market hardening. KRSA has also reduced the volatility of its business results, in line with its overall market drive toward structural improvement in response to recent major natural catastrophe events in Western and Central Europe in 2021 and 2022. Nevertheless, KRSA continued to provide reliable multiline support to key partners and further progressed in its long-term strategy to diversify into non-property lines. 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 providing its capital 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 supplying insurance capacity for specialty lines, including satellites, terrorism, cyber and other emerging risks.

KRUL shares the operating results of various syndicates by deploying its capacity to them. 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 in 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 commenced operations in April 2020 and showed stable growth even in an exceptionally challenging environment amid the COVID-19 pandemic. Since its opening in 2020, the branch has focused on stabilizing local business operations by establishing a solid system infrastructure.

The branch mainly targets highly profitable lines of business, such as property and liability non-proportional treaties, while maintaining a conservative position on relatively low performing marine, motor and proportional property treaties. Unlike 2021, in which losses from the Henan flood severely undermined the overall underwriting results of the branch, 2022 was a relatively quiet year in terms of natural catastrophes in China. Typhoon activity remained low, while there were a couple of small risk losses that impacted a few treaties.

Our underwriting strategy for 2023 stays unchanged. In line with our underwriting focus on bottom-line performance, we will endeavor to seek proportional treaties with stable results. As for the non-proportional treaty business, in light of the current hard market situation, we will continue to increase our portfolio of adequately priced high-quality treaties based on technical pricing.

Through our strategic approach in offering customized services to major clients based on their business results, cash flows, and solvency, we will aim to become a stronger player as well as a reliable business partner in the region. The Shanghai branch will not only keep pace with the rapidly growing insurance market in China but also cope effectively with local regulatory changes.

Singapore and Labuan

Our Singapore branch has provided stable capacity to the Southeast Asian market over the last 45 years. Across the market, Korean Re is recognized as a leading reinsurance company that provides reliable quotations based on a consistent underwriting policy. Furthermore, we remain actively responsive to our clients' needs as we continuously support their risk management objectives. Along with developments in the market, their needs are changing and evolving, so 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, Ltd. (WIS)

Worldwide Insurance Services, Ltd. (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 with limited opportunities to tap into the Korean insurance market.

In addition to giving (re)insurers a 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 robust 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 worldwide.

On top of its main business of reinsurance broking, WIS has recently started to engage in the primary insurance brokerage business, mostly for Korean companies operating in Hong Kong. This new business operation has contributed to increasing the insureds' benefits through outstanding insurance consulting and brokerage services. Starting with group medical insurance of Korean financial entities in Hong Kong, it plans to expand its business scope and service areas.

Taking a Proactive Approach to the Full Adoption of IFRS 17

IFRS 17, which is being fully adopted in 2023, is the new financial reporting standard for insurance contracts. Applying this standard has been a major task for the insurance industry over the last few years. Korean Re began its IFRS 17 journey in July 2017 through an internal IFRS 17 taskforce team. The first project started in 2018 to establish a Master Plan, after which we launched a new financial reporting system in 2020, with system implementation projects following through until 2021. A major upgrade of the accounting system was completed in time to start accepting coinsurance business in 2022.

We subsequently conducted multiple parallel runs to analyze financial impacts and plan out a transition approach. Throughout 2022, we focused on a smooth transition to the new system, and our preparation was completed in the fourth quarter of the year, followed by our engagement with an external auditor through an IFRS 17 pre-audit. Korean Re is now going live with IFRS 17, and new financial statements are being disclosed starting from the first quarter of 2023.

The new accounting standard introduces "fair value" in the measurement of liabilities, and understanding the difference between the old and new standards is very important for both the management and underwriters. We have held internal workshops and educational sessions, and transition impacts and results from parallel runs have been shared internally. We have also been making enhancements to our underwriting policy and pricing process by taking into consideration the long-term financial impacts of IFRS 17.

IFRS 17 will have a significant impact on the insurance industry in Korea. While many insurers face challenges regarding capital management, our balance sheet impacts will be limited, and Korean Re is rather expected to benefit from more business opportunities.

Becoming Innovative in Client Support

In October 2022, Korean Re obtained patent protection for its financial evaluation model, the first of its kind in the insurance industry. The model is a system that enables life insurers to grade the financial conditions of the insured, such as earnings and occupation, in order to calculate the sum insured of a life policy. Life insurers have been under pressure from financial authorities to set out criteria for evaluating the financial ability of the insured amid a growing number of insurance scams involving large death benefits. In response to the demand of the life insurance industry regarding the financial evaluation, Korean Re successfully completed a year-long project to develop its own model customized to the needs of local life insurers in 2020.

The financial evaluation model has been designed to apply a wide range of rules depending on the importance of input data and reflect the future value of assets and incomes so as to generate reasonable and objective outcomes. It is also easy for anyone to use because only a set of simple information is required to be entered.

Korean Re became the first reinsurer to receive a patent for its financial evaluation model. No other reinsurer in the world has developed a client support system that is capable of calculating the sum insured based on the financial data of the insured.

Korean Re applied for a patent in July 2020 to protect its rights and gain credibility regarding the technical solution it had developed. After a lengthy examination, the patent was granted to Korean Re on October 20, 2022.

"As life insurers were struggling to establish financial evaluation criteria due to a lack of necessary data, we were motivated to support our embattled clients. Our model is capable of producing meaningful information because it is designed to evaluate both quantitative and qualitative information, as opposed to the traditional method of using quantitative data only, such as personal income levels and corporate financial statements," said Hye-Yun Ahn, Head of Domestic Underwriting Support, and backed up by Woo-Jo Kim, Chief Underwriter of Domestic Underwriting Support from the Domestic Life & Health Team at Korean Re, both of whom have been responsible for the design and development of the model. Building on the recent achievement that has demonstrated our technical competitiveness, we will continue to strive to provide clients with services in a way that meets their needs going forward.

Putting ESG at the Heart of Our Strategies

Korean Re declared its intention to phase out coal financing in November 2022. In line with this declaration, Korean Re has ceased to invest in new construction of coal mining and coal-based power plants, and has not been providing facultative reinsurance covers for such new coal projects since January 2023.

This declaration followed on the heels of our successful issuance of hybrid capital securities in the form of sustainability bonds. In May 2022, Korean Re issued KRW 230 billion worth of sustainability bonds not only to bolster its financial health but also to support its environmental, social, and governance (ESG) initiatives under which it has been increasing the weighting of ESG factors in its alternative investment portfolio.

The whole amount of the raised fund will be used for environmental and social projects. On the environmental front, we have been promoting environmental sustainability by investing in green projects, such as renewable energy development, eco-friendly transportation and buildings, and businesses that embrace the circular economy in which economic activity is decoupled from the consumption of finite resources. Our investment in social projects aims to make a positive impact on society, such as through job creation and affordable housing development.

The hybrid capital security has been rated STB1, the highest rating issued by Korea Investors Service to sustainability bonds. It has been evaluated to be in full compliance with the Korean government's guidelines and the Sustainability-Linked Bond Principles of the International Capital Market Association (ICMA). The main criteria of the evaluation are as follows:

- Investing in a qualified project with the whole amount of the raised capital being used for the project
- Having in place an appropriate process to select a project and a set of clear criteria for selection and evaluation
- Complying with the ICMA's standards for fund management
- Ensuring transparent and regular reporting and disclosure
- Setting mid- and-long-term ESG management strategies through the ESG Committee and an organizational unit dedicated to ESG implementation
- Engaging actively in social contribution initiatives aimed at supporting the socially underprivileged and community development

The raised funds will be managed with the approval of the Investment Deliberation Committee, in which a manager at the ESG Management Team participates. Until the fund is exhausted, reporting will be made in due course regarding the status of fund execution and the balance amount as well as social and environmental benefits, with relevant information being disclosed annually.

Review of Operations

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

Domestic Property

In 2022, the Korean property insurance market was considerably impacted by Typhoon Hinnamnor, resulting in its largest single natural catastrophe (Nat Cat) loss at POSCO. Along with the significant impact of the typhoon, the market suffered several mid-sized Nat Cat losses and man-made fire losses throughout the year. As a result, the loss ratio of the domestic property market remained high for three consecutive years, reaching over 90% in 2022.

In light of the high loss ratio, the trend of ceding insurers reducing their retention levels in Korea continued in 2022. They are now relying more on reinsurance capacity, giving rise to the hardening of premium rates and the tightening of underwriting guidelines. Following years of increases, their average retention ratio has been falling since 2020 when insurers encountered a series of substantial losses, such as fires at Lotte Chemical and LG Chemical. The ratio fell below 40% in 2022 from 42.3% in 2021 and 46.1% in 2020.

In contrast to overseas markets, which have been in a hardening cycle for several years, the Korean property insurance market has only been hardening since 2020 when the market loss ratio soared. In 2022, however, premium growth for medium-sized accounts was impeded, with some experiencing weak or even negative growth. This was due to fierce competition among primary insurers for market share, using so-called "judgement rates." 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.

In the face of this market condition, Korean Re achieved strong growth across most lines of property insurance, backed by the current favorable rating environment and greater dependency of primary insurers on reinsurance support. Our domestic property business saw its premium income jump by 6.7% to KRW 652.1 billion in 2022. Gross written premiums from comprehensive insurance increased by 5.6% to KRW 422.6 billion, while premiums from fire insurance decreased by 7.7% to KRW 111.9 billion. We also recorded a spike in business from our Korea Interest Abroad (KIA) accounts, with premiums soaring by 32.6% to roughly KRW 111.2 billion.

Our underwriting performance in domestic property (including KIA) remained resilient in 2022 after bouncing back in 2021 from a sharp setback in 2020 when we had been hit by a number of large losses from man-made disasters like explosions at chemical plants and natural disasters, such as Typhoon Maysak. Although we managed to maintain technical profitability, the combined ratio before management expenses increased by 3.4%p to 93.2% in 2022 due to Typhoon Hinnamnor and several other losses.

In 2023, market hardening is likely to continue, especially with respect to the mega risks which rely more on overseas capacity. Disappointingly, however, we expect premium rates to slightly decrease for small and medium-sized accounts because competition remains high for market share 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 judgement rates in our inward treaties, as they do not meet our underwriting guidelines.

For treaty renewals in 2023, 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

(Units: KRW billion, USD million)

	FY 2022 (KRW)	FY 2022 (USD)	FY 2021 (KRW)	FY 2021 (USD)
Fire	111.9	86.1	121.3	105.5
Comprehensive	422.6	325.1	400.2	348.2
Korea Interest Abroad (KIA)	111.2	85.6	83.8	72.9
Nuclear Insurance*	6.4	4.9	5.9	5.1
Total	652.1	501.7	611.2	531.7

* Nuclear insurance includes overseas business.

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. With 12 member companies, KAEIP is a voluntary, unincorporated association. 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 domestic and international nuclear risks.

There are 27 nuclear power plants (NPPs) in Korea, with 25 NPPs in operation and two NPPs permanently shut down (Kori Unit 1 in June 2017 and Wolsong Unit 1 in December 2019). At present, three additional units are under construction. Globally, a total of 440 reactors are commercially operational, and 56 reactors are currently being built. Major countries with nuclear reactors under construction are China (18 units), India (8 units), and Russia and Turkey (4 units each).

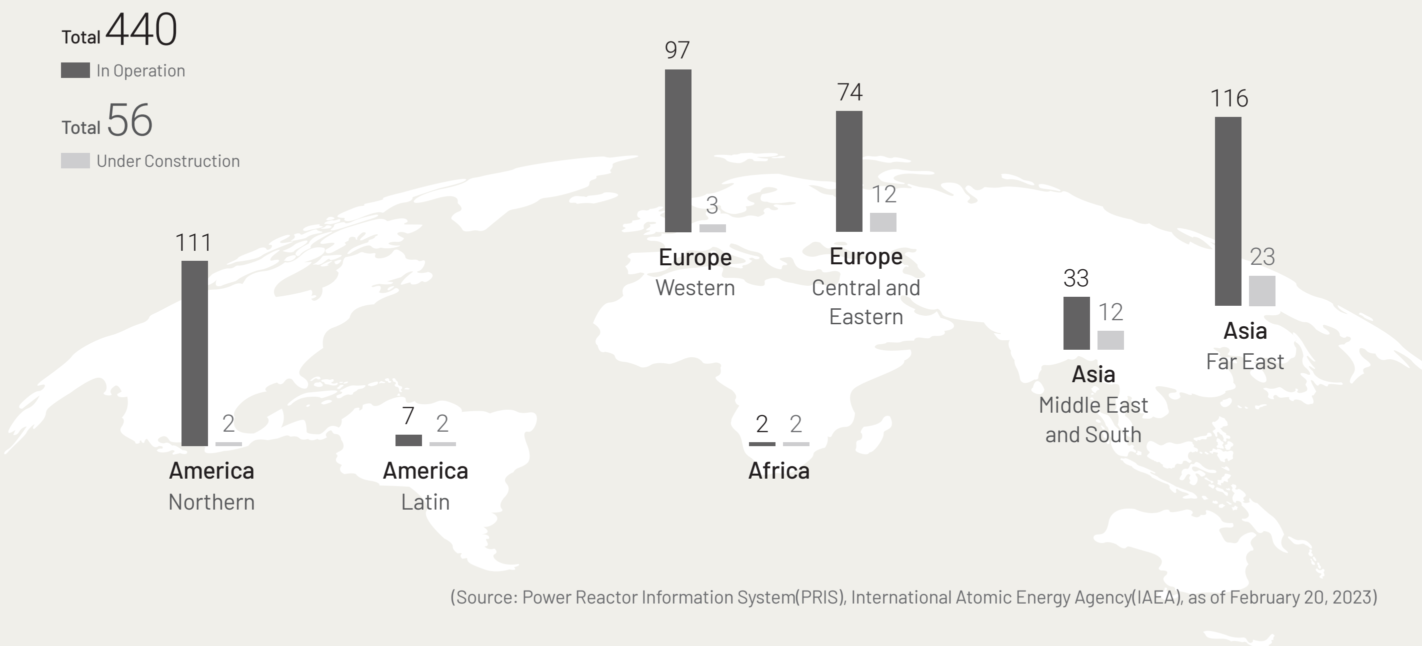
In 2022, KAEIP achieved growth both in domestic direct and international reinsurance premiums. It wrote domestic direct premiums of KRW 37.0 billion in 2022, up modestly from the previous year, while its overseas inward reinsurance premiums increased by over 15% to KRW 22.0 billion.

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, allowing wider coverage and a higher limit of liability 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 in the coming years.

At the same time, there has been a dramatic increase in premium rates for overseas accounts, especially in European countries, due to the impact of inflation and the Revised Paris Convention taking effect.

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 alongside KAEIP.

Global Reactor Status by Region



(Source: Power Reactor Information System(PRIS), International Atomic Energy Agency(IAEA), as of February 20, 2023)

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

(Units: KRW billion, USD million)

	FY 2022 (KRW)	FY 2022 (USD)	FY 2021 (KRW)	FY 2021 (USD)
Domestic Direct	37.0	28.5	35.7	31.1
Overseas Reinsurance Inward	22.0	16.9	19.2	16.7
Total	**59.0**	**45.4**	**54.9**	**47.8**

Domestic Engineering, Marine & Aviation

Engineering

In 2022, we delivered another remarkable performance in our domestic engineering insurance business, including Korea interest abroad (KIA). For the fourth consecutive year, we achieved solid growth and profitability. Our gross written premiums increased by 21.8% year on year to KRW 297.7 billion, and we also attained a considerable underwriting profit of KRW 19 billion for 2022. Despite the market uncertainty caused by the COVID-19 pandemic and the Russia-Ukraine war, we have continued to manage and develop our business successfully, while remaining dedicated to fully addressing the needs of our clients.

Looking ahead, however, we expect that the favorable market conditions we have enjoyed may not continue, as the Korean government has reduced its 2023 infrastructure budget for the first time in five years, and privately financed infrastructure projects are also facing financial difficulties. In spite of these circumstances, we will remain committed not only to providing stable rates and capacity but also to enhancing the profitability of our business by focusing on acquiring quality accounts.

The government is expected to encourage new and renewable energy businesses to support the development of the environmental, social and governance (ESG) ecosystem, with plans to expand the nation's renewable energy capacity to 63.8GW by 2030. As a strong provider of reinsurance for the construction and operation of facilities in the sustainable energy industry at home and abroad, we expect our reinsurance business to gain momentum from the upcoming growth of the eco-friendly energy sector. Additionally, considering Korea's recent economic cooperation with Middle Eastern countries and the U.S., we forecast that our KIA business will experience significant growth in the near future.

Korean Re will strive to take full advantage of these market conditions and drive our growth while also seeking to ensure profitability. This will be achieved through our accumulated underwriting experience and thorough risk management practices. By doing so, we will build a solid foundation for creating value for our partners as well as for our company.

Marine & Aviation

In 2022, our marine and aviation business reported KRW 349.4 billion in gross written premiums, representing a 9.3% increase from the previous year. Hull premiums grew by 16.3% year on year to KRW 205.2 billion. The growth was in part driven by the introduction of several LNG-fueled vessels and container vessels to large fleets. Along with this strong premium growth, there was an improvement in the loss ratio. The Korean market continued to experience rate hardening, helping to improve the overall profitability of insurers.

The volume of cargo premiums soared by 29.2% to KRW 92.6 billion due to an increase in the prices of raw materials and the recovery from the economic downturn caused by COVID-19. However, aviation premiums declined to KRW 51.6 billion, mainly because of the non-renewal of the coverage for four government fleets due to unsatisfactory coverage conditions and contract wording.

We are closely monitoring ongoing discussions about the possibility of a global economic recession and inflationary pressures. So far, we have not experienced any significant inflationary impact. The South Korean shipbuilding industry is currently booming, and docks are fully booked with orders, leading to an increase in premiums and the value of Builder's risks. We have seen Builder's risks of naval vessels perform consistently stable in terms of profitability.

In 2023, overall premium volume is anticipated to decrease slightly in the midst of rising economic woes. While hull premiums are expected to remain stable in terms of volume and rate, cargo premiums are predicted to decline due to a global economic downturn. On the other hand, we expect aviation premiums to grow by more than 50%, driven by the new military test flight business and potential government fleet operations. Alongside our focus on rate increases and profit-oriented underwriting, we have been working to minimize claims and improve our loss ratio. This year, we plan to further strengthen our profit-oriented underwriting stance and will focus on enhancing claims management and maintaining healthy pricing levels. These efforts will help us achieve our profitability target.

Gross Written Premiums: Domestic Engineering, Marine & Aviation

(Units: KRW billion, USD million)

	FY 2022 (KRW)	FY 2022 (USD)	FY 2021 (KRW)	FY 2021 (USD)
Engineering	297.7	229.0	244.3	212.5
Hull	205.2	157.9	176.4	153.5
Cargo	92.6	71.2	71.7	62.4
Aviation	51.6	39.7	71.6	62.3
Total	**647.2**	**497.9**	**564.0**	**490.7**

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

Domestic Casualty

In 2022, the casualty insurance market in Korea remained solid in terms of growth, with premium income increasing by 5.9% in the face of pandemic-triggered economic challenges. Demand growth in liability lines was a major driver of market expansion. Rate increases also provided firm 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, our Casualty Team delivered excellent business results for 2022. As we focused on achieving bottom-line growth based on selective underwriting, we improved the quality of our business portfolio, and our technical results turned around to a surplus in 2022, setting the stage for sustainable profit in the long-term.

Despite this profit improvement, we experienced a 4.4% decrease in gross written premiums in 2022 due to our withdrawal from underperforming accounts. By line of business, liability lines of business made up the largest part of our total domestic casualty premiums at 42.3%, followed by special risks at 33.0% and personal accidents at 24.7%.

In 2022, we remained steadfast in our dedication to strengthening cooperation with our clients to support them effectively in response to evolving market trends. Our client engagement is increasingly focused on helping our clients address pressing market issues, including the digital transformation accelerated by COVID-19, cyber security, and environmental, social and governance (ESG) concerns.

Going forward, the casualty insurance market is likely to encounter an unprecedented level of uncertainty in the post-pandemic era, along with the rise of social inflation and a changing legislative landscape. 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 committed to providing stable reinsurance capacity and services to our clients in a way that meets their needs.

Gross Written Premiums: Domestic Casualty

(Units: KRW billion, USD million)

	FY 2022 (KRW)	FY 2022 (USD)	FY 2021 (KRW)	FY 2021 (USD)
Liability	277.5	213.5	268.6	233.7
Personal Accidents	161.6	124.3	161.4	140.4
Special Risks & Others	216.2	166.3	255.3	222.1
Total	655.3	504.2	685.3	596.2

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

Motor, Surety & Agriculture

Domestic Motor

In 2022, the motor insurance market in Korea saw its premium income growth slow compared to the previous year. While the increased number of registered vehicles led to a continued expansion in premium income, overall premium growth weakened due to a decrease in premium rates following improved business results.

In terms of loss ratios, COVID-19 has had a favorable impact on motor insurance. Insurance companies providing motor insurance coverage unexpectedly benefited from the pandemic because less driving meant fewer accidents and insurance claims. Following a significant improvement for two years in a row, the loss ratio remained mostly stable at 82% in 2022. Korean Re also continued to experience benign claims experiences, with the loss ratio increasing by a modest 0.25%p to 86.2% in 2022. With COVID-19 becoming an endemic, traffic volume was expected to increase and the loss ratio to bounce back to its pre-pandemic status, but rising international oil prices led drivers to cut back on driving, preventing the loss ratio from soaring.

Korean Re maintained positive top-line growth in 2022, with gross written premiums increasing to KRW 528.7 billion. As the domestic market struggled with slower business growth, we strived increasingly to 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 2023, the Korean motor insurance market is likely to see its growth momentum weaken further. Direct premiums are expected to stagnate to KRW 20.8 trillion. Although an increasing number of high value vehicles may drive premium growth, there are several downside factors, 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 2.5-3.0%p due to the lifting of social distancing measures and a drop in oil prices. Rising inflation may also have an adverse impact on the loss ratio.

Under these circumstances, Korean Re aims to generate KRW 520 billion in gross written premiums from its domestic motor business in 2023, 1.6% lower than the previous year, particularly given that the implementation of IFRS 17 has reduced the need for proportional treaties. 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 look to collaborate with startups in the insurtech industry in order to seize on new business opportunities and improve how we engage with our clients.

Gross Written Premiums: Domestic Motor

(Units: KRW billion, USD million)

	FY 2022 (KRW)	FY 2022 (USD)	FY 2021 (KRW)	FY 2021 (USD)
Motor	528.7	406.8	523.6	455.5

Surety & Credit

Interest rates and the real economy mainly affect surety and credit insurance. In 2022, the Bank of Korea stepped up its benchmark interest rate from 1.25% at the beginning of the year to 3.25% at the end of the year. The Korean central bank raised interest rates step by step in line with the U.S. Fed's interest rate hike cycle after the peak of the COVID-19 outbreak. The Korean economy showed a relatively stable trend, with a GDP growth rate of 2.6% and a low unemployment rate of 2.9% in 2022, both of which were similar to pre-COVID-19 levels.

The domestic surety and credit insurance market maintained a modest growth rate of 2% in 2022. The market also saw its loss ratio stay below 50%. The low loss ratio trend has continued over the past few years thanks to the conservative underwriting policy which was maintained even before COVID-19.

Our surety and credit insurance premiums decreased by 22% in 2022 compared to the previous year due to the combination of increasing retention by primary insurers and our risk exposure reduction policy, but we still managed to sustain a low loss ratio in line with stable primary market performance.

Gross Written Premiums: Surety & Credit

(Units: KRW billion, USD million)

	FY 2022 (KRW)	FY 2022 (USD)	FY 2021 (KRW)	FY 2021 (USD)
Surety & Credit	153.6	118.2	196.6	171.0

Agriculture

Korean Re has been a reliable source of reinsurance capacity for the domestic agricultural industry. It is essential for farmers to have insurance coverage against natural catastrophes in order to maintain their business stability, and Korean Re has played a crucial part in promoting the local agricultural insurance market. Apart from utilizing our own capacity, we have also provided access to global reinsurance capacity to support the development of the local market.

The domestic crop insurance market continued to grow in 2022, with original gross premiums increasing by 11% year on year to KRW 861 billion. On the other hand, the livestock insurance market experienced slight downsizing, and its premiums decreased to KRW 220 billion in 2022. Korean Re's business remained more or less stable, generating gross written premiums of KRW 244.3 billion from crop insurance and KRW 110.2 billion from livestock insurance.

Following the previous year, 2022 was another profitable year for the crop insurance market thanks to the improved government reinsurance scheme and reduced losses from natural disasters. The crop insurance market maintained a stable loss ratio of 54% in 2022 by securing the revised scheme structure, transferring major perils, such as spring frost, to the government, and improving the profit-loss distribution method. However, despite a significant decrease in heatwave losses through strengthened loss assessment and improved pricing, livestock insurance experienced a higher loss ratio of 79% compared to the previous year due to a few exceptional fire accidents at sheds.

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 4% to KRW 35.9 billion in 2022. After years of continued losses, the market started to turn around noticeably in 2020, and has produced favorable results for a couple of years now thanks to the standardization of loss adjustment manuals and the application of strict underwriting guidelines. Benefiting from this market trend, we achieved a favorable loss ratio of 58% in 2022.

The natural perils insurance market achieved a 61% growth in 2022, supported by effective sales strategies and growing demand for coverage against natural perils. This led to an increase in our gross written premiums from natural perils insurance to KRW 37.2 billion. Despite heavy rain in the Seoul metropolitan area and typhoons affecting the Korean Peninsula in 2022, we managed to bring our losses under control, recording a loss ratio of 30.6%. In point of fact, Typhoon Hinnamnor had high intensity, but its impact was not as severe as the 2019-2020 typhoon loss years because it shifted away from the southern part of the Korean Peninsula. It brought losses of KRW 3 billion to the natural perils treaty, 50-60% lower than the losses incurred during 2019-2020.

In 2022, our overseas agriculture business continued to have a rough patch due to loss creep from 2019 and Brazil's severe drought in 2021. The impact of global climate change also undermined our overseas business results, pushing the loss ratio to a record high of 166% in 2022. As we exited non-profitable markets, our premium income for the year decreased to KRW 32 billion compared to KRW 52.9 billion in the previous year.

In 2023, Korean Re will prioritize 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 solid footing. Domestically, we will not waver from our commitment to promoting the growth of the government-sponsored agricultural insurance market, thereby facilitating the growth of our business.

Gross Written Premiums: Agriculture

(Units: KRW billion, USD million)

		FY 2022 (KRW)	FY 2022 (USD)	FY 2021 (KRW)	FY 2021 (USD)
Domestic Agriculture	Crop	244.3	188.0	225.6	196.3
	Livestock	110.2	84.8	121.4	105.6
	Agricultural Machinery	35.9	27.6	34.5	30.0
	Natural Perils	37.2	28.6	24.5	21.3
	Environment Liability	3.4	2.6	30.2	26.3
Overseas Agriculture		32.0	24.6	52.9	46.0
Total		**463.0**	**356.2**	**489.2**	**425.6**

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

Long-term

The long-term insurance market in Korea maintained its growth momentum in 2022, with direct premiums rising by around 5%. The continued growth was backed 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 over the last couple of years.

COVID-19 has had a positive impact on the long-term insurance market, lowering the loss ratio to some degree, as witnessed in 2020. In 2022, Korea experienced a severe resurgence of new COVID-19 infections, resulting in a drop in outpatient visits to hospitals for non-urgent treatment. Also, stricter claims adjustments in disease covers helped improve the loss ratio of the long-term insurance market.

In 2022, Korean Re reported KRW 2,746.9 billion in long-term insurance premiums, up 8.5% year on year. We continued to focus on writing more profitable risks by working closely with direct insurers to develop new products. This effort, as well as a decreasing loss ratio of medical expense insurance, allowed us to reduce our combined ratio before management expenses by 2.0%p to 98.5%.

In 2023, the long-term insurance market is forecast to stay on a favorable growth path, just like the previous year. Market growth will continue to be supported by rising medical expense insurance premium 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 line with such market developments, we will remain supportive of our clients in terms of product development based on an extensive analysis of their product portfolios. We will also provide underwriting services and the 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 just transitioned to IFRS 17, we will make sure that our efforts are directed toward responding to their needs, such as providing risk management services and solvency capital relief, by being more attentive to their individual business profiles and conditions. With these efforts, we will seek to strengthen our cooperation with direct insurers to develop new products so that we can build a more profitable business portfolio.

Gross Written Premiums: Long-term

(Units: KRW billion, USD million)

	FY 2022 (KRW)	FY 2022 (USD)	FY 2021 (KRW)	FY 2021 (USD)
Long-term	2,746.9	2,113.4	2,531.5	2,202.4

Domestic Life & Health

In 2022, the Korean life insurance market remained resilient, backed by a spike in savings insurance premiums. Compared to savings deposit products, savings-type insurance became less competitive in terms of interest rates, but the sales of savings insurance surged in step with the general trend of rising interest rates. Protection insurance premiums also grew steadily, albeit at a slower pace, mainly in disease and health covers. The growth was achieved despite weakened new product development in the wake of the regulator's strengthened consumer protection.

The domestic life reinsurance market is estimated to have grown by 46.7% from KRW 2.139 trillion a year earlier to KRW 3.138 trillion. Korean Re is expected to maintain its market share at 35%, while focusing on building a profit-oriented portfolio by reducing the volume of its low-margin treaty business.

Our Domestic Life & Health Team's premium income increased by 0.6% to KRW 862 billion thanks to the active acquisition of new contracts and co-development of products with primary insurers. Our net underwriting results improved by KRW 21.2 billion to KRW 39.1 billion because of a decrease in the loss ratio of medical expense insurance.

In 2023, life insurance premiums in Korea are expected to fall modestly. Despite decreasing new demand for whole life insurance, protection insurance is forecast to grow by 2.3%, driven by renewal premiums. Savings-type insurance is projected to decrease by 2.0% considering its weakening interest rate competitiveness because of relatively higher interest rates on deposit products.

The life insurance industry is faced with rising uncertainty in terms of economic conditions, new regulations and future growth potential. In particular, the economy is likely to struggle with low growth due to continued volatility in financial markets, which will be the result of the expansion of inflationary pressures and a full-blown economic slowdown.

A domestic economic downturn is expected to have a negative impact on the insurance industry's growth and profitability, undermining the foundation of long-term growth. Increased financial market volatility and high inflation will likely hamper insurance market growth due to sluggish sales of insurance with savings and investment components. Weak private consumption may also hold back the growth of protection insurance sales.

In the face of the combination of these headwinds, we will step up our efforts to drive profitable business growth. We will remain well-prepared for market developments and regulatory changes such as IFRS 17 by strengthening our expertise in new products, including coinsurance. On top of that, we will firmly cement our position as a leader in the domestic life reinsurance market by actively providing underwriting technical services that meet the needs of primary insurance companies. Finally, profit-oriented underwriting will be pursued through preemptive risk management and portfolio analysis, such as monitoring our in-force business.

Gross Written Premiums: Domestic Life & Health

(Units: KRW billion, USD million)

	FY 2022 (KRW)	FY 2022 (USD)	FY 2021 (KRW)	FY 2021 (USD)
Domestic Life & Health	862.0	663.2	856.8	745.4

Overseas Life & Health

In 2022, pandemic-related uncertainty continued to impact the global life reinsurance market. Although COVID-19 started turning into an endemic in the second half of 2022, it still remained a threat to markets throughout the year, with sudden waves caused by COVID-19 variants spreading through several local areas. In the face of the uncertainty, Korean Re has constantly strived to mitigate any expected negative effects based on portfolio diversification and thorough risk management.

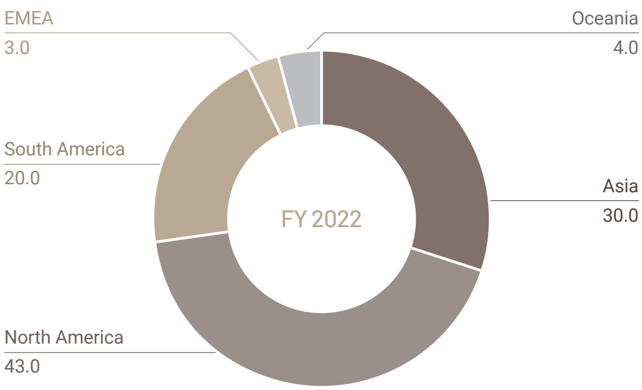
In 2022, the volume of our overseas life and health business remained mostly stable at the previous year's level, with gross written premiums increasing by 1% to KRW 457 billion. We were able to achieve this positive growth by maintaining profit-oriented underwriting strategies, such as avoiding poorly performing contracts and focusing on writing short-term contracts. Geographically, North America accounted for the highest portion at 43%, followed by Asia at 30%, (China and Japan taking up 14% and 13%, respectively), and South America at 20%.

Our profitability remained weak because there was an increase in excess mortality due to COIVD-19. As the impact is expected to stabilize in 2023, we will put our maximum capabilities into the recovery of profitability and make it our top priority when we respond to reinsurance demands and manage corresponding risks.

In 2023, we will strive to minimize profit and loss volatility and continue to secure mid- to long-term revenue sources through detailed and systematic management of the differences between actual and expected results based on data analysis and sophisticated pricing and valuation. Furthermore, we will stay committed to reinforcing our current business relationships, while working closely with our global offices to identify the needs of local customers and explore new business opportunities of providing reinsurance solutions to them.

Overseas Life & Health Portfolio by Region in 2022

(Unit: %)



Gross Written Premiums: Overseas Life & Health

(Units: KRW billion, USD million)

	FY 2022 (KRW)	FY 2022 (USD)	FY 2021 (KRW)	FY 2021 (USD)
Asia	137.9	106.1	162.3	141.2
Americas & Oceania	305.4	235.0	266.6	231.9
Europe, Middle East, and Africa (EMEA)	13.7	10.5	23.5	20.5
Total	457.0	351.6	452.4	393.6

Financial Solutions

Since the introduction of coinsurance into the domestic market in 2020, three coinsurance deals have been finalized in Korea, bringing the total volume of gross written premiums to over KRW 800 billion. Among these, Korean Re has won two mega deals, consisting of 99% of the entire premium size, more evidence that we are the undisputed leader in the domestic coinsurance market.

The implementation of IFRS 17 and K-ICS in 2023 is likely to put capital pressure on primary insurers, and their financial needs to mitigate required capital have been increasing accordingly. Indeed, major life insurers such as Samsung Life and Shinhan Life are utilizing coinsurance as an effective tool for asset-liability management (ALM), and the overall market size is expected to grow rapidly.

Even though we have successfully positioned ourselves to lead the domestic coinsurance market in its early stages, foreign competitors are seeking to make their way into the Korean market. Top-tier reinsurers domiciled in Korea are trying hard to penetrate into the domestic market with the financial and technical support of their head offices, and other overseas reinsurers specializing in coinsurance are also looking for business opportunities in the Korean market.

Korean Re has been coming up with optimized financial solutions using coinsurance and offering pilot pricing and financial analysis to both life and non-life insurers. We successfully signed our first coinsurance deal with Shinhan Life in January 2022, followed by our second deal with Samsung Life in November 2022. Both deals are based on "asset transfer" type coinsurance, which is considered to be the most traditional form of coinsurance in the global market, as initial consideration (single payment of coinsurance premium) is paid to the reinsurer at the inception of the contract.

In addition to this traditional deal type, we are also actively discussing with other major insurers different types of coinsurance deal opportunities to expand our business territory. In 2023, because of the liquidity problem caused by a higher interest rate environment since the second half of 2022, domestic primary insurers appear to prefer a "funds withheld (also known as reinsurance premium deferral)" type arrangement to an asset transfer type, as there is no cash outgo at the transaction point. Taking this market trend and a cedant's financial needs into account, we will try our best to write new funds withheld business, while continuing to explore asset transfer business opportunities.

Based on our experience, we will keep improving our expertise on pricing and risk management, and solidify our market dominance by writing new coinsurance deals. Moreover, we are also planning to expand our reinsurance capacity by using our strategic alliance with The Carlyle Group, if necessary. Through all these efforts, we will contribute to the enhancement of the overall growth and profitability of the company's business.

Gross Written Premiums: Financial Solutions

(Units: KRW billion, USD million)

	FY 2022 (KRW)	FY 2022 (USD)	FY 2021 (KRW)	FY 2021 (USD)
Asset Transfer Coinsurance	801.7	616.8	-	-

International Treaty

The year 2022 presented a challenging business environment for reinsurers, and was marked by numerous natural disasters worldwide. Hurricane Ian made catastrophic landfall in Florida, resulting in an insured loss of USD 52.5 billion and becoming one of the costliest storms in history. Two separate drought events in the United States and Europe generated insured losses of USD 11.0 billion. Overall, total insured losses from natural catastrophes amounted to USD 132 billion in 2022, slightly lower than the previous year's figure of USD 146 billion. This made 2022 the third consecutive year in which losses exceeded USD 100 billion.

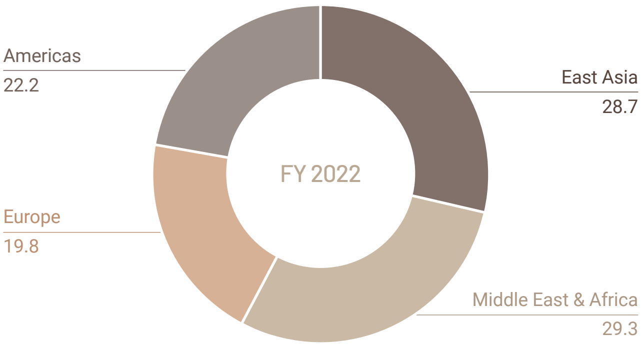
The insurance and reinsurance industry also faced various economic and market challenges, including high inflation, interest rate hikes that eroded capital positions, the worst stock market performance since 2008, and foreign exchange rate fluctuations. Amid these economic headwinds, the reinsurance market continued to harden, with the most significant premium increases occurring in commercial property lines. While casualty insurance lines were not as directly impacted by inflation as property lines, rising medical expenses and indemnity costs still created cause for concern.

In 2022, our international treaty business written by the head office recorded a 16.8% increase in gross written premiums, totaling KRW 1,078.1 billion (USD 829.4 million, an increase of 3.2%). We achieved our target premium volume by securing solid market growth in various regions, including the Middle East, the Americas, and East Asia, demonstrating a well-balanced and steady expansion.

The current diversified international treaty portfolio reflects our commitment to serving clients globally. We have continued our efforts to optimize our business portfolio by region and prepare for the impact of catastrophes and large risk losses.

International Treaty Portfolio by Region in 2022 (Property, Engineering & Marine)

(Unit: %)



Notably, our property, engineering & marine portfolio has comparable shares of 29.3% for the Middle East & Africa and 28.7% for East Asia, with the Americas and Europe following closely at 22.2% and 19.8%, respectively. In terms of the casualty & motor business, the Americas & Asia account for 41.3%, while Europe & the Middle East make up 58.7%.

Despite ongoing uncertainty regarding natural disasters and economic challenges, we will maintain our current underwriting strategy, which is aimed at achieving sustainable growth in our target regions. We are also exploring various options in both the traditional reinsurance market and alternative capital market to reduce the impact of loss volatility resulting from global climate change and regional business environment changes.

Gross Written Premiums: International Treaty

Property, Engineering & Marine

(Units: KRW billion, USD million)

	FY 2022 (KRW)	FY 2022 (USD)	FY 2021 (KRW)	FY 2021 (USD)
East Asia	175.8	135.3	173.3	150.8
Middle East & Africa	179.6	138.2	136.9	119.1
Europe	121.4	93.4	114.4	99.6
Americas	136.0	104.6	109.9	95.6
Total	**612.8**	**471.5**	**534.6**	**465.1**

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

Casualty & Motor

(Units: KRW billion, USD million)

	FY 2022 (KRW)	FY 2022 (USD)	FY 2021 (KRW)	FY 2021 (USD)
Americas & Asia	192.3	147.9	170.3	148.2
Europe & Middle East	273.0	210.0	218.5	190.1
Total	**465.3**	**358.0**	**388.8**	**338.3**

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

International Facultative

Property

Our international property facultative business has been growing robustly for several years in a row. In 2022, we achieved both growth and profitability with a more strict and conservative underwriting approach in a buoyant rating environment. We saw our gross written premiums increase from KRW 137.6 billion in 2021 to KRW 154 billion in 2022, with our combined ratio before management expenses staying at 84.8% in 2022.

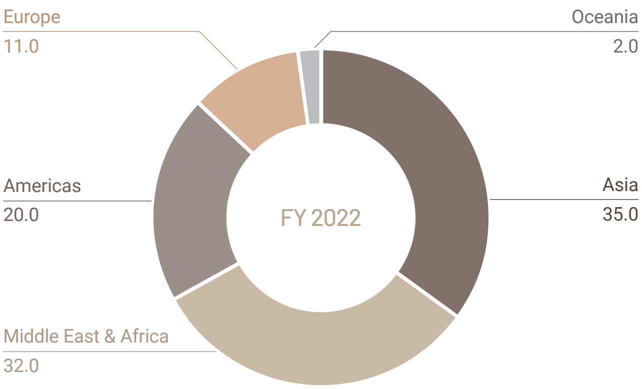
We take great pride in the profitable growth we have delivered over the last few years based on our strategic efforts to take customized approaches to underwriting for different regions. We have also continuously tightened our underwriting guidelines to minimize exposure in catastrophe-prone areas, while also securing fair improvements in terms and conditions.

A hardening phase in the insurance market cycle has continued and even developed further across the board, allowing for a continuously favorable pricing environment, but what made UY2022 distinctive was that market cycles varied by region. Thus, we concentrated on geographically diversifying our Asia-based portfolio, with vast improvements in terms and conditions in North America, Europe, the Middle East and Africa. On the other hand, Asia enjoyed benign claims records, and no major changes in terms and conditions were made for the region in 2022.

This 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 to build a more balanced portfolio.

International Facultative Portfolio by Region in 2022 (Property)

(Unit: %)



The expansion of business has been backed by rigorous risk assessment, which has enabled us to identify the target markets that provide the most profitable growth opportunities.

In terms of premium breakdown by territory, Asia took up the largest share (35%) of our entire international property facultative portfolio in 2022, which was down from 46% in 2021. It was followed by the Middle East & Africa (32%), the Americas (20%), and Europe (11%).

In 2022, power risks enjoyed a double-digit year-on-year increase in gross written premiums even with a fewer number of accounts. Industrial risks also had a fair increase in premiums, whereas commercial and energy risks remained at a similar level to 2021. Our portfolio diversification by region and occupation was backed by stringent risk assessment and modelling. We have been taking a conservative approach to high-risk occupations as well as risks vulnerable to inflation.

With tightened treaty terms and capacity, we have been experiencing a raft of good opportunities in providing facultative covers in 2022-2023. However our underwriting will be strictly based on thorough risk reviews, and capacity deployment will continue to concentrate on Non-Nat Cat coverages. The current firming of the reinsurance market will likely persist throughout 2023, and favorable pricing momentum will have a positive impact on both business growth and underwriting margins.

We have been facing headwinds not only from the pandemic but also from catastrophic losses and possible regulatory hurdles or changes. 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, as well as our underwriting expertise and experience. These are the very strengths that have been at the core of our business success and will remain the bedrock of our long-term growth.

Gross Written Premiums: International Property Facultative

(Units: KRW billion, USD million)

	FY 2022 (KRW)	FY 2022 (USD)	FY 2021 (KRW)	FY 2021 (USD)
International Property Facultative	154.0	118.5	137.6	119.7

Engineering & Construction

Korean Re maintained positive growth momentum with its international engineering and construction facultative business, showing a year-on-year growth of 5.2% in 2022. This top-line increase was supported by improving market conditions, as rate hardening trends have dominated the market since 2020. Rates have increased, and terms have tightened, indicating a green light for insurers' profitability. The global construction industry has also experienced solid growth, especially from U.S. and European investments in infrastructure. Although there were some concerns that inflation might put a damper on investment decisions with regard to various construction projects, the global construction market is making a solid recovery from a pandemic-triggered slump.

In 2023, the market is set to continue growing, with many delayed projects expected to resume once again as global supply chains stabilize. Environmentally efficient construction methods and renewable energy projects are also gaining traction due to ESG drives. As regulations and the economics of green technologies are quickly evolving, the renewable energy sector will become more prominent as an alternative means to meet people's energy needs.

In line with this market outlook, we are expected to be on a similar growth trajectory in 2023. 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. In addition, we will proactively execute portfolio management by regularly monitoring early signs of loss ratio deterioration and natural catastrophe exposures.

Gross Written Premiums: International Engineering & Construction Facultative

(Units: KRW billion, USD million)

	FY 2022 (KRW)	FY 2022 (USD)	FY 2021 (KRW)	FY 2021 (USD)
International Engineering & Construction Facultative	89.5	68.9	85.1	74.0

Marine & Energy

A marine market boom worldwide seemed to continue into 2022, but proved to be short-lived. Faced with inflation and the fear of an economic recession, the marine market took a downturn in the second half of the year. The upstream energy market has been showing moderate growth for three years in a row since 2020, marking a turnaround from year-on-year contractions in market premiums from 2014 to 2019.

In 2022, our international marine and energy business achieved robust growth, with gross written premiums increasing by 11.7% year on year to KRW 53.3 billion. As part of an initiative to embrace the carbon-neutral movement in our business, we expanded our portfolio to include risks related to wind turbine installation vessels and offshore windfarms. Based on our strict and profit-oriented underwriting discipline, we made great efforts to improve the terms and conditions of the coverage provided and realized a healthy technical profit of KRW 6.6 billion before administration expenses.

With global oil and gas prices expected to remain high in 2023, we foresee the construction insurance market for upstream energy development projects to grow this year. Against the backdrop of strong ESG drives worldwide, the market for offshore windfarms is also forecast to grow. However, as there is sufficient capacity in the market with no significant market loss experience last year, we expect flat renewals on average. To grow our international marine and energy business, we are taking steps to tap into a fast-growing offshore windfarm sector as the market becomes more disciplined in response to the evolution of new technologies. We are confident that we can seize on energy transition as a new source of growth opportunities that will translate into stable profitability.

Gross Written Premiums: International Marine & Energy Facultative

(Units: KRW billion, USD million)

	FY 2022 (KRW)	FY 2022 (USD)	FY 2021 (KRW)	FY 2021 (USD)
International Marine & Energy Facultative	53.3	41.0	47.7	41.5

Investment

In 2022, the post-pandemic economic recovery fell short of expectations due to fiscal and monetary tightening. High inflation resulting from global supply chain disruption, geopolitical events such as the Russia-Ukraine War, and China's COVID-19 restrictions added uncertainty to financial markets. Despite these challenges, we achieved solid investment results, with total investment income increasing by 9.5% to KRW 268.1 billion excluding foreign exchange gains/losses in 2022. The value of our investments grew by 18.7% to KRW 8,504 billion.

The significant growth of our invested assets was driven by the issuance of hybrid capital securities and the transfer of assets from two different life insurers through coinsurance contracts. Our investment in stock and private equity performed strongly, and returns from domestic bonds improved steadily, as we were able to take advantage of rate hikes from the central bank, which contributed to a rise in overall investment profit.

In 2022, the Korean economy slowed down, growing by 2.6% for the full year, which was still slightly above the last five-year average. In the fourth quarter of the year, economic output even decreased by 0.4% from the previous quarter, posting negative growth for the first time since the second quarter of 2020. Global economic growth also slowed throughout 2022 due to rapid and drastic interest rate hikes. The policy rate in Korea increased from 1.0% to 3.25% at the end of the year, while the U.S. Federal Reserve raised interest rates by 4.25%p in seven rate hikes.

The current rising interest rate environment has altered the investment landscape, boosting returns on our new investments, especially in fixed-income assets. Since most of the transferred assets from coinsurance were invested in fixed-income assets, our bond holdings, including structured notes, accounted for 59.7% (or approximately KRW 5.08 trillion) of the total invested assets at the end of 2022. Consequently, our fixed-income returns grew by 18% without any gains from sale, and they occupied nearly half (48.6%) of our total investment income. We are seeking various methods to capitalize on this period of high interest rates, such as contracting bond forward derivatives to maintain a high level of profit, while simultaneously pursuing effective asset-liability management.

In 2022, our alternative investments performed fairly well following 2021. With 38.4% of our investment income coming from the alternative asset class, we realized a capital gain of KRW 27.1 billion. Most of our alternative investment vehicles are loans, including real estate project financing, acquisition financing, and loan-linked products. Our stock investment portfolio also achieved gains of KRW 28.4 billion, backed by diversification strategies and dividends.

Investment Results

(Units: KRW billion, USD million)

	FY 2022 (KRW)	FY 2022 (USD)	FY 2021 (KRW)	FY 2021 (USD)
Invested Assets	8,503.7	6,645.1	7,161.4	5,982.3
Investment Income	272.5	209.7	306.3	266.5
Investment Income*	268.1	206.3	244.8	213.0
Yield (%)	3.5	3.5	4.5	4.5
Yield* (%)	3.5	3.5	3.7	3.7

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

As we enter 2023, we anticipate that consumption recovery will substantially weaken, with exports slowing down and inflation likely moderating to a certain level above the central bank's target. We still expect a further upside to the policy rate in the first half of 2023, and we are also looking into the possibility of a recession carefully. The stock market suffered broad setbacks throughout the last year, with the Korea Composite Stock Price Index (KOSPI) closing at 2,236.4p, representing a 24.9% decrease for the year. The trading volume also dropped sharply amid bearish market sentiment.

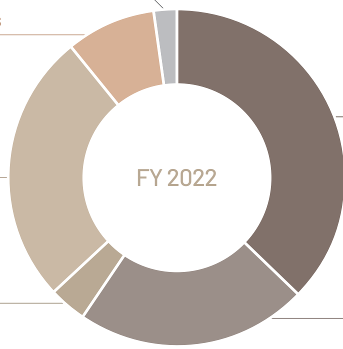
Throughout the upcoming year, our asset management strategy will be focused on mitigating potential market uncertainties while maintaining our investment income. We will achieve this goal by making a meaningful reduction in the risk associated with our investment portfolio. More specifically, we intend to increase the weight of Treasury bonds in our portfolio while decreasing the relative importance of corporate bonds and alternative investments.

Although alternative investments have played a significant role in our investment profit, the implementation of the new capital adequacy regime, or K-ICS, requires a more conservative approach to asset management. Under K-ICS, the risk charges for alternative investments increase compared to those under the previous RBC system. Moreover, large exposure to alternative investments will likely lead to financial earnings volatility due to the introduction of the new accounting principles, IFRS 9. Amid these implications, 2023 is set to be a transformative year for insurers, necessitating essential changes in investment strategies to mitigate earnings uncertainty and enhance capital adequacy.

In line with our asset management strategy, we will respond proactively to major regulatory changes to ensure stable investment results as we continue to build on the strength of our investment assets. We will also continue to seek out new investment opportunities and strategies to maximize overall profitability throughout the year.

Investment Portfolio Mix in 2022

(Unit: %)



✻ Domestic and foreign bonds include structured notes.

Investment Income

(Units: KRW billion, USD million)

	FY 2022 (KRW)	FY 2022 (USD)	FY 2021 (KRW)	FY 2021 (USD)
Domestic Bonds	72.1	55.5	54.0	47.0
Foreign Bonds	57.2	44.0	118.2	102.8
Foreign Bonds*	58.3	44.9	56.7	49.3
Stocks	28.4	21.8	48.0	41.8
Alternative Investments (including loans)	103.1	79.3	125.1	108.8
Short-term Funds	10.9	8.4	7.0	6.1
Others	-4.7	-3.6	-2.8	-2.4
Total	**272.5**	**209.7**	**306.3**	**266.5**
Total*	**268.1**	**206.3**	**244.8**	**213.0**

* 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.

Invested Assets

(Units: KRW billion, USD million)

	FY 2022 (KRW)	FY 2022 (USD)	FY 2021 (KRW)	FY 2021 (USD)
Domestic Bonds	3,172.3	2,478.9	2,152.2	1,797.8
Foreign Bonds	1,908.2	1,491.1	1,730.1	1,445.2
Stocks	303.3	237.0	287.2	239.9
Alternative Investments (including loans)	2,199.3	1,718.6	2,050.8	1,713.1
Short-term Funds	735.0	574.4	755.8	631.4
Others	185.6	145.0	185.3	154.8
Total	**8,503.7**	**6,645.1**	**7,161.4**	**5,982.3**

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

Market Overview

Korean Economy

2022 in Review

In 2022, economic growth in Korea slowed down sharply after a strong recovery in the previous year, with its gross domestic product (GDP) growing by 2.6%. The economy got off to a relatively good start in the first quarter of the year, driven by robust growth in exports, followed by a solid performance in the second quarter thanks to consumer spending recovery. By the end of the year, however, its growth momentum weakened as private consumption growth tapered off in the second half of the year due to increased uncertainty about the future economic outlook, rising inflation, and supply chain disruptions.

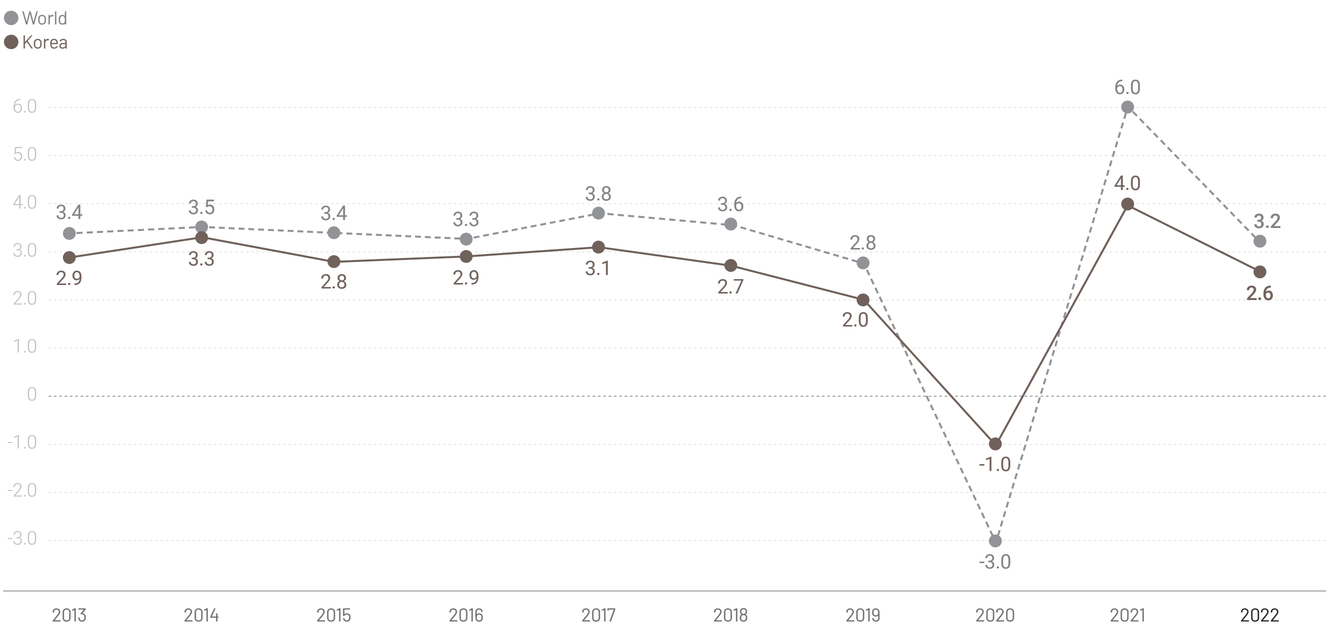
Korea's exports sharply slowed in 2022, growing by 3.1% after a strong recovery in 2021. This sluggish export performance had to do with weakening global demand, which signals a global economic slowdown. Although export growth lost steam toward the end of 2022, the rate of growth remained positive for the full year. In terms of export volume, Korea set a meaningful milestone in 2022, reaching an all-time high of USD 683.9 billion since 1956 when it started to compile trade data. This record performance was backed by robust global demand for Korea's flagship export items such as semiconductors, petrochemical products and secondary battery cells. As a result, Korea rose to become the world's sixth-biggest exporter, following China, the U.S., Germany, the Netherlands, and Japan.

However, the Korean economy suffered its largest trade deficit ever as the value of imports spiked on elevated international energy prices. It was the first time since 2008 that the economy posted a trade deficit. Given that it depends largely on imports for its energy needs, global energy price hikes pushed up its overall import volume, which began to exceed exports in April 2022.

Private consumption growth improved to 4.4% in 2022, representing an increase from the previous year's 3.6% rise. The acceleration of consumer spending growth was attributable to the lifting of social distancing restrictions, which led to an uptick in consumption in the hospitality, dining, and transportation sectors.

GDP Growth Trends

(Unit: %)



(Sources: IMF World Economic Outlook (Oct. 2022), Bank of Korea (Feb. 2023))

Prospects for 2023

Korea's economic growth is forecast to decelerate from 2.6% in 2022 to 1.6% in 2023, according to the Bank of Korea's latest economic outlook report. There is a growing possibility that the Korean economy could slip into a mild recession in the coming year due to weakening exports and consumer spending, which are two major growth drivers. Considering the economy is heavily dependent on exports, its growth outlook is bound to worsen when the global economy is slowing down amid supply chain disruptions, elevated inflation, and a faltering Chinese economy.

The growth projection for 2023 by other organizations has also been readjusted downward. The Ministry of Economy and Finance projects Korea's GDP growth for 2023 at 1.6%, which is equivalent to the Bank of Korea's forecast. According to the OECD's outlook, the Korean economy is expected to grow by 1.8% in 2023, which compares to the IMF's projection of 1.7% and Fitch's 1.5%.

In tandem with the moderation of overall economic growth, consumer spending is likely to weaken, but remain relatively resilient amid a stable COVID-19 situation and improving income conditions. Private consumption is projected to grow by 2.3% in 2023. Inflation could be a major threat to consumer spending growth, as soaring prices are eroding the real purchasing power of households and curbing consumer confidence.

Equipment investment is expected to continue declining by 3.1% in 2023, following a decrease of 0.7% in 2022, due to a lackluster manufacturing performance. Companies are struggling with ongoing supply chain issues and increasing interest rates, with high inflation remaining one of their biggest concerns.

Construction investment is projected to contract by 0.7% in 2023, a slower pace of decline compared to a 3.5% contraction in the previous year. Rising commodity prices continue to dampen construction investment, but investment spending will bottom out soon and start to improve in 2024, with the recovery being led by building construction. Investment in the civil engineering construction sector may remain weak due to a cut in the government's investment in infrastructure.

A positive growth trend will continue for intellectual property investment, which is forecast to grow by 3.5% in 2023 following a 4.8% increase in 2022. R&D investment is expected to be on the rise thanks to improving corporate revenues in the private sector and an increase in the government budget for R&D. Growing demand for software applications for online platforms and services will also help boost investment activities in other intellectual property sectors.

Korea's merchandise export growth is anticipated to keep slowing to 0.5% in 2023, with volatility in commodity prices and the war in Ukraine making global trade conditions uncertain. In particular, the trend of slowing economic growth in major economies like the U.S. and China is hurting Korea's export prospects. Moreover, a potential shortage of commodities sourced from Russia and Ukraine could weaken the country's semiconductor exports. In spite of the gloomy outlook, the IT sector is likely to remain robust in terms of export performance.

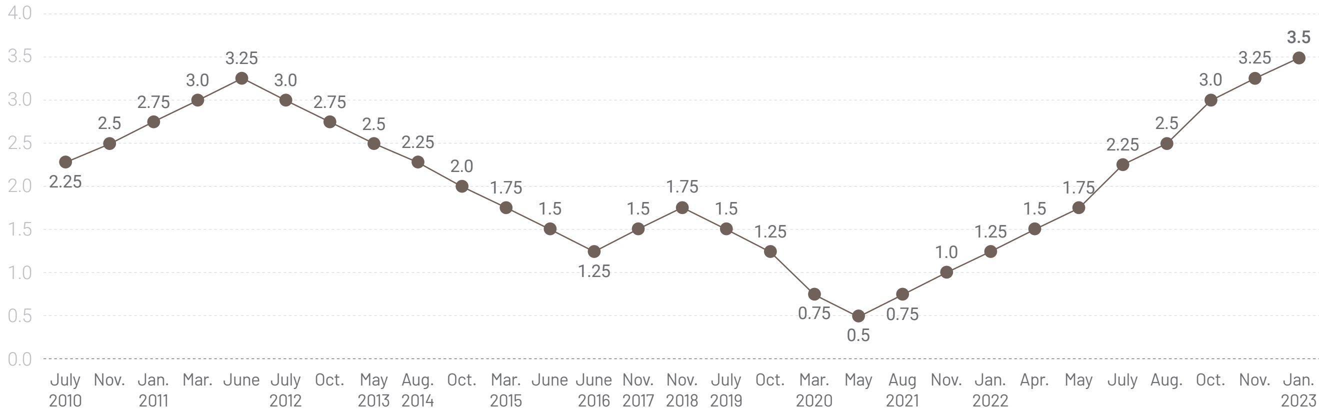
Korea's current account surplus is projected to drop to USD 26 billion in 2023 from USD 29.8 billion because of soaring energy and commodity prices and the resulting increase in imports. Following eased travel restrictions and quarantine measures, international travel is expected to recover, which will widen the country's service account deficit in the coming year.

Consumer price inflation is forecast to temper from 5.1% in 2022 to 3.5% in 2023. A drop in gasoline prices is likely to put further downward pressure on inflation, but there is a lot of uncertainty over the inflation outlook due to Russia's conflict with Ukraine and energy supplies. Core inflation, which excludes food and energy prices, is projected to fall to 3.0% in 2023 from 3.6% in 2022.

The Bank of Korea (BOK) has been raising its benchmark interest rate to tame rising inflation. Since August 2021, the BOK has made ten interest rate hikes, bringing the rate to 3.5% as of January 2023 - the highest level since 2008. With a recent 25%p increase, the central bank has maintained its usual pace of tightening after delivering two big step rate hikes in October and July 2022. Despite the pace of rate increases was slowed, it is too premature to expect a pivot back toward rate cuts. As inflation has persistently stayed way above the central bank's target of 2.0%, the BOK is likely to hold on to its tightening policy for some time to come. Meanwhile, the average three-year Treasury yield in Korea is expected to increase to 4.0% in 2023 from 3.2% in 2022.

BOK Benchmark Interest Rate (2010-2023)

(Unit: %)



(Source: Bank of Korea (Feb. 2023))

With the economy stuttering, the labor market is cooling down in 2023 after a strong year of job creation in 2022. While the service sector, such as dining and accommodation, is expected to generate job growth, the manufacturing sector is showing signs of slowing in terms of employment growth. The number of employed people is expected to increase by 130,000 in 2023 compared to a rise of 820,000 in 2022. The unemployment rate is anticipated to climb to 3.4% in 2023 from 2.9% in 2022.

Going forward, economic policymakers will keep a close watch on risks that may tip the economy into an inflationary downturn. While they will continue to focus on the effective control of COVID-19 to help the economy emerge fully from the pandemic, they will be challenged to walk the narrow path between tamping down inflation and shoring up the economy, which is teetering on the brink of a recession.

Key Economic Indicators

(Unit: %)

	2021	2022	2023 (F)		
			First Half	Second Half	Annual
Real GDP	4.0	2.6	1.1	2.0	1.6
Consumer Spending	3.6	4.4	3.3	1.3	2.3
Equipment Investment	8.3	-0.7	3.2	-8.9	-3.1
Construction Investment	-1.5	-3.5	0.1	-1.5	-0.7
Unemployment Rate	3.7	2.9	3.6	3.1	3.4
Current Account Surplus (USD billion)	88.3	29.8	-4.4	30.4	26.0
Exports	9.8	3.1	-4.0	5.0	0.5
Imports	11.8	4.6	-0.4	-0.1	-0.2
Consumer Price Inflation	2.5	5.1	4.0	3.1	3.5
Average Three-year Treasury Yield	1.4	3.2	4.1	3.8	4.0
KRW/USD Exchange Rate (KRW per USD 1)	1,145	1,305	1,390	1,330	1,360

(Sources: Bank of Korea (Feb. 2023), Korea Institute of Finance (Dec. 2022))

Korean Insurance Market

2022 in Review

In 2022, the Korean insurance market remained stronger than expected thanks to a surge in retirement annuity premiums. According to preliminary results released by the Financial Supervisory Service in March 2023, the life insurance market gained growth momentum on the back of savings insurance as well as retirement annuities. The non-life market also grew robustly, as all lines of business generated solid growth. The growth was fueled particularly by retirement annuities and general P&C insurance.

Insurance companies in Korea also reported excellent bottom-line results in 2022, with their net income surging by 11.1% to KRW 9,180.1 billion. The industry delivered sharply divided results: the life insurance sector suffered a decline in net income, while non-life insurers continued to perform strongly, recording a bottom-line growth of 26.6%. The robust performance of the non-life sector was backed by improvements in both underwriting and investment results. Non-life insurers' underwriting losses narrowed thanks to a drop in long-term insurance loss ratios amid a relatively benign claim environment and an increase in new long-term business. Life insurers saw their net income decrease by 6.0% year on year as their investment gains shrank due to a reduction in both gains on disposition of financial assets and mark-to-market gains. Their underwriting performance, however, improved amid a decline in guaranteed reserves following interest rate rises.

The profitability ratios of the insurance industry increased in 2022 compared to the prior year. Its return on assets (ROA) ratio rose by 0.07%p to 0.69%, and its return on equity (ROE) ratio jumped by 2.27%p to 8.22%. Non-life insurers reported higher ratios than life insurers as follows:

ROA and ROE

(Unit: %)

		2022	2021	Change (%p)
ROA	Life Insurers	0.38	0.40	-0.02
	Non-Life Insurers	1.48	1.22	0.26
	Total	**0.69**	**0.62**	**0.07**
ROE	Life Insurers	5.39	4.28	1.11
	Non-Life Insurers	12.74	9.22	3.52
	Total	**8.22**	**5.95**	**2.27**

(Source: Financial Supervisory Service (Mar. 2023))

As of the end of December 2022, insurers reported a decrease in assets compared to a year earlier. Their total assets declined by 3.6% to KRW 1,310.1 trillion, which is broken down into KRW 938.3 trillion for life insurance and KRW 371.8 trillion for non-life insurance. Life insurers continued to dominate insurance industry assets, accounting for around 72% of the total, but their assets diminished by 5.5%, while non-life assets increased by 1.5%.

The insurance industry saw its total shareholders' equity dip by 34.0% to KRW 88.9 trillion as of late 2022 because rising interest rates caused insurers to suffer a reduction in unrealized gains on the value of securities they hold as investments. The coupon rate on the ten-year Treasury bond shot up to 3.73% at the end of 2022 from 2.25% at the end of 2021.

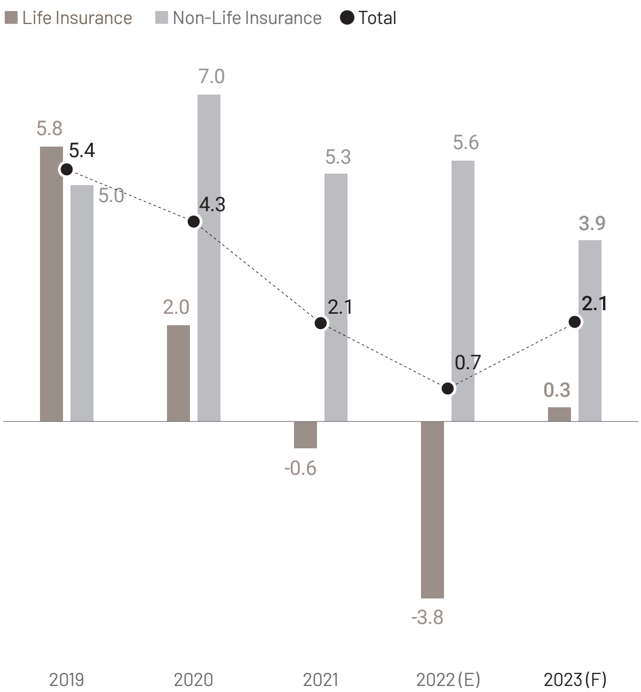
In the long term, the gradual upward movement of interest rates may help insurers improve their profitability because their investment portfolio yields increase in step with interest rate rises. However, insurers may experience setbacks from rate hikes in the short term. When rates go up, the value of their 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. Over time, insurers can benefit from higher interest rates, as they will have the opportunity to invest at higher rates and improve their overall profitability.

Prospects for 2023

The insurance market in Korea is expected to grow by 2.1% in 2023, with total premiums projected at over KRW 232 trillion, according to an outlook report released by the Korea Insurance Research Institute in October 2022. The non-life insurance market will continue on its growth path, but its growth will be tempered amid weakening economic growth prospects. Since Russia's invasion of Ukraine in February 2022, the Korean economy has been losing recovery momentum. On top of this, consumer spending is likely to be affected by rising inflationary pressure. As economic strength will have a direct impact on insurance market growth, insurance companies will need to keep a weather eye on economic conditions, such as inflation, GDP growth, household indebtedness, and global supply chain issues.

Korean Insurance Market Growth Rates

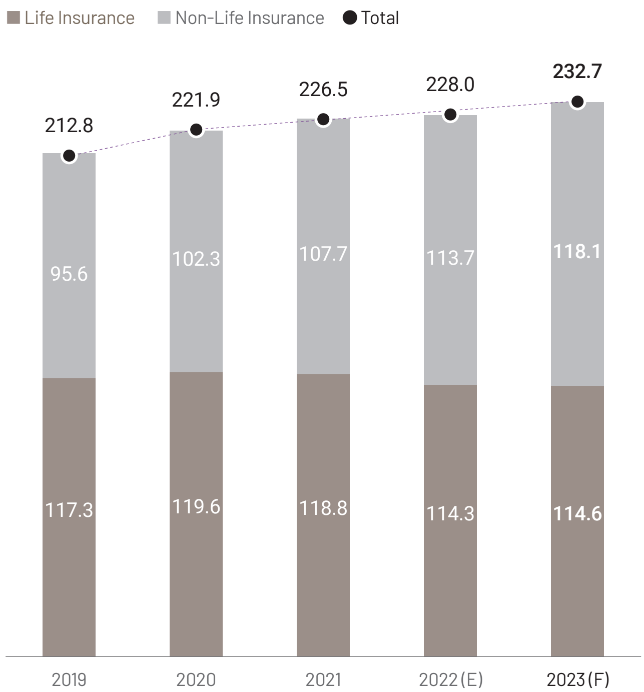
(Unit: %)



(Source: Korea Insurance Research Institute (Oct. 2022))

Trends of Premium Income

(Unit: KRW trillion)



(Source: Korea Insurance Research Institute (Oct. 2022))

Life Insurance

The life insurance market is expected to grow by 0.3% in 2023, with its premiums amounting to KRW 114.6 trillion. When retirement annuity premiums are excluded, however, the expected growth rate is down to minus 0.3%. Savings life insurance premiums are projected to fall by 3.4%, as life insurers will continue to focus on selling protection products. Although rising interest rates on bank deposit products have made savings insurance look relatively less attractive, some life insurers will likely pivot toward high-guaranteed rate savings products to take advantage of interest rate hikes so that they can boost their revenues and assets.

Variable life savings insurance is also faced with some headwinds. As the stock market is slumping amid concerns over an economic downturn, sales of variable insurance have tumbled, and the surrender rate has increased, with premium income expected to decline by 6.9% in 2023. Despite a growing interest in investment products, the demand for variable savings insurance is likely to decline due to higher financial market volatility.

On the other hand, premiums from protection-type insurance are forecast to grow by 2.3% because sales of health insurance remain robust. The COVID-19 pandemic has become 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. However, economic weakness will have a negative impact on insurance sales growth, as fewer consumers will have extra money to spend on insurance.

The growth of life annuity premiums is likely to slow as life insurers are struggling with the challenges of longevity risk management and stronger capital requirements under new accounting standards. Still, increasing life expectancy is the primary driver that increases the demand for annuity plans, and rising crediting rates may lead to a renewed interest in annuities, with an increasing number of baby boomers hitting retirement age.

Life Insurance Market Outlook by Line of Business

(Unit: KRW trillion)

	2020		2021		2022(E)		**2023(F)**	
	Premium	Growth Rate(%)	Premium	Growth Rate(%)	Premium	Growth Rate(%)	**Premium**	**Growth Rate(%)**
Total (including retirement annuity)	**119.6**	**2.0**	**118.8**	**-0.6**	**114.3**	**-3.8**	**114.6**	**0.3**
Protection	46.1	3.8	45.8	-0.7	48.0	4.6	**49.1**	**2.3**
Savings	50.1	5.8	48.4	-3.5	40.8	-15.7	**39.4**	**-3.4**
Others*	0.7	-2.1	0.8	1.1	0.8	1.0	**0.8**	**1.5**
Retirement annuity	22.6	-8.5	23.9	5.8	24.8	4.0	**25.4**	**2.4**
Total (excluding retirement annuity)	**97.0**	**4.8**	**95.0**	**-2.1**	**89.5**	**-5.8**	**89.2**	**-0.3**

*Others include group life insurance. Individual figures may not add up to the total shown due to rounding.
(Source: Korea Insurance Research Institute (Oct. 2022))

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 3.9% to KRW 118.1 trillion in 2023. The growth will be supported by long-term personal accident and health insurance, general property and casualty (P&C) insurance, and retirement annuities. When retirement annuities are excluded, premium growth is forecast at 3.7% in 2023, with total premiums of KRW 100.8 trillion.

Long-term insurance is projected to grow by 4.8% in 2023, driven by personal accident and health insurance. Long-term savings insurance premiums are set to decline sharply as insurers remain focused on marketing protection products. The motor insurance market is projected to slow down further, growing by 1.1%, due to the recent premium rate reduction. 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.

General P&C insurance will remain a strong driver of growth, although it still accounts for a small portion of the entire non-life market. Its premiums are expected to grow by 5.9% in 2023, and solid growth momentum will come from the casualty lines of business backed by liability insurance, while the growth of marine and surety insurance will slow down. Fire insurance premiums are anticipated to grow by 1.2% amid growing demand from households and factories, while positive growth will be maintained for marine insurance thanks to increasing trade flows and shipbuilding orders.

Non-Life Insurance Market Outlook by Line of Business

(Unit: KRW trillion)

	2020		2021		2022(E)		2023(F)	
	Premium	Growth Rate(%)	Premium	Growth Rate(%)	Premium	Growth Rate(%)	Premium	Growth Rate(%)
Total(including retirement annuity)	**102.3**	**7.0**	**107.7**	**5.3**	**113.7**	**5.6**	**118.1**	**3.9**
Long-term	55.9	5.3	58.8	5.2	61.7	4.9	64.7	4.8
Individual annuity	3.0	-9.1	2.6	-13.3	2.2	-16.3	1.9	-13.9
Motor	19.6	11.6	20.3	3.7	20.7	1.9	21.0	1.1
General P&C	10.7	8.3	11.6	8.8	12.5	7.9	13.3	5.9
Retirement annuity	13.1	11.4	14.3	9.1	16.5	15.7	17.4	5.0
Total(excluding retirement annuity)	**89.2**	**6.4**	**93.4**	**4.7**	**97.2**	**4.0**	**100.8**	**3.7**

⁕ Individual figures may not add up to the total shown due to rounding.
(Source: Korea Insurance Research Institute(Oct. 2022))

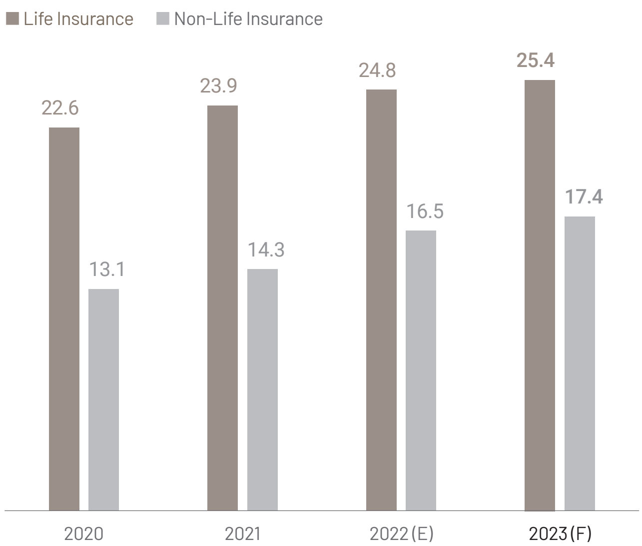
Retirement Annuity

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 likely to slow because the effect of an increase in funding requirements for defined benefit plans has come to an end. Life insurers are anticipated to see a 2.4% growth in retirement annuity in 2023, while retirement annuity premiums of non-life insurers are expected to grow by 5.0% on the back of premiums from in-force policies as well as new business drives by a few insurers.

Improving labor market conditions and the expansion of the individual retirement pension(IRP) sector are upside factors that are driving the growth of the overall retirement annuity market. On the other hand, there are some downside factors, such as intensifying competition against other financial sectors and capital requirements for annuity reserves. 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(Oct. 2022))

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

Management's Discussion & Analysis

Overview of Business Environment

In 2022, insurance market growth in Korea was stronger than anticipated primarily thanks to a steep increase in premiums for retirement annuities. The latest market data showed that the life insurance market gained growth momentum on the back of savings insurance as well as retirement annuities. The non-life market also grew robustly, with solid growth seen across all lines of business, particularly in retirement annuities and general P&C insurance.

Insurance companies in Korea also reported excellent bottom-line results for the year, driven mainly by the non-life sector. Backed by improvements in both underwriting and investment results, non-life insurers performed strongly, and their underwriting losses narrowed thanks to a drop in loss ratios of long-term insurance, including medical expense insurance losses, amid a relatively benign claim environment and an increase in new long-term business. Life insurers also reported an improvement in underwriting performance amid a decline in guaranteed reserves following interest rate rises, but their net income diminished as their investment income shrank due to a reduction in both gains on disposition of financial assets and mark-to-market gains.

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, due in no small part to the implementation of IFRS 17 in 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.

Highlights of Business Results

In 2022, Korean Re reported strong business results in terms of both top-line and bottom-line growth. Our gross written premiums soared by 16.4% to KRW 9,878.6 billion, and net written premiums jumped by 21.1% to KRW 7,337.6 billion. We also achieved KRW 157.9 billion in after-tax net income, up KRW 4.6 billion from the previous year.

Our underwriting profitability slightly improved in 2022, generating a combined ratio of 100.7%, down 0.2%p from a year earlier. We saw our underwriting losses narrow to KRW 50.2 billion as we continued to readjust our business portfolio and maintain underwriting discipline. When COVID-19 losses are excluded, our underwriting performance improved to a profit of KRW 10.5 billion, while our net income rose to KRW 203.9 billion.

Domestically, our technical results improved in spite of the increased frequency and severity of large commercial losses and higher natural disaster losses, including heavy rain in August and Typhoon Hinnamnor. There was also an improvement in underwriting results for domestic personal lines of business, mostly driven by medical expense insurance. However, we continued to experience a setback in our overseas business amid the ongoing impact from COVID-19 and natural catastrophe losses.

We are proud to deliver a strong investment performance in the face of a volatile investment environment. Indeed, we achieved solid investment results on the back of a significant growth in invested assets following coinsurance transactions and fixed-income gains in the wake of interest rate hikes.

The total value of our assets continued to grow in step with our business growth. We reported KRW 14,978.1 billion in total assets as of the end of 2022, up KRW 1,862.4 billion. There was a substantial rise of KRW 1,348.7 billion in invested assets, which totaled KRW 8,534.7 billion. Moreover, we maintained our capital position at a stable level, with total shareholders' equity increasing to KRW 2,819.5 billion as of late December 2022.

Analysis of Business Results

Premium Growth

In 2022, Korean Re achieved double-digit growth in gross written premiums on the back of new coinsurance transactions. We wrote gross premiums of KRW 9,878.6 billion in 2022, up 16.4% from the previous year. It was encouraging to see our book of business grow strongly both at home and abroad. Our domestic business generated KRW 7,257.1 billion in gross written premiums, up 16.1% from the prior year. Excluding coinsurance business, the growth rate would slow to 3.2%, with long-term and property lines of business boosting our domestic business growth. There was a sharp recovery in overseas business, with premiums surging by 17.2% to KRW 2,621.5 billion. This notable turnaround was backed by global market hardening, which is likely to continue for the time being in conjunction with a shortage of reinsurance capacity. Alongside gross premium growth, our net written premiums rose by 21.1% to KRW 7,337.6 billion in 2022. As we held on to our selective retention of profitable business, the overall retention rate went up to 74.3% from 71.4%.

Volume of Premiums

(Units: KRW billion, USD million)

	FY 2022 (KRW)	FY 2022 (USD)	FY 2021 (KRW)	FY 2021 (USD)	YoY Change*
Gross Written Premiums	9,878.6	7,600.2	8,488.7	7,385.2	16.4%
Net Written Premiums	7,337.6	5,645.3	6,060.9	5,273.0	21.1%
Earned Premiums	7,268.0	5,591.7	6,018.3	5,236.0	20.8%
Ceded Premiums	2,541.0	1,954.9	2,427.8	2,112.2	4.7%

* YoY change is based on the value in KRW.

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 the life and health business. We also reduced our participation in poorly performing accounts in commercial lines of business, such as mobile phones and personal accidents.

Amid these moves to improve the strength of our portfolios, we were able to grow our domestic premium volume in many lines of business. In particular, we achieved strong double-digit growth in engineering and marine. Hull premiums grew by 16.3% year on year to KRW 205.2 billion. This growth was in part driven by the introduction of several LNG-fueled vessels and container vessels to large fleets. The volume of cargo premiums soared by 29.2% to KRW 92.6 billion due to an increase in the prices of raw materials and the recovery from the economic downturn caused by COVID-19. We also sustained a favorable growth trend in most lines of domestic property insurance in 2022 thanks to the current upward pricing cycle and increasing dependency of primary insurers on reinsurance.

Korean Re made great headway in overseas business growth, propelled by an uptick in premium rates. Price increases gained momentum through the various renewal seasons due to high natural catastrophe claims. In 2022, our international treaty business written by the head office recorded a 16.8% increase in gross written premiums, totaling KRW 1,078.1 billion. We achieved our target premium volume by securing solid market growth in various regions, including the Middle East, the Americas, and East Asia, demonstrating a well-balanced and steady expansion.

Our international facultative business continued to deliver robust premium growth, driven by a continuously favorable rating environment. In particular, we saw our international property facultative business grow robustly for several years in a row. Our international marine and energy business also achieved strong growth in 2022, with gross written premiums increasing by 11.7% to KRW 53.3 billion. As part of an initiative to embrace the carbon-neutral movement in our business, we expanded our portfolio to include risks related to wind turbine installation vessels and offshore windfarms.

Breakdown of Gross Written Premiums

(Units: KRW billion, USD million)

	FY 2022 (KRW)	FY 2022 (USD)	FY 2021 (KRW)	FY 2021 (USD)	YoY Change*
Domestic Property [1]	652.1	501.7	611.2	531.7	6.7%
Domestic Engineering, Marine & Aviation	647.2	497.9	564.0	490.7	14.7%
Domestic Casualty	655.3	504.2	685.3	596.2	-4.4%
Motor, Surety & Agriculture	1,145.3	881.1	1,209.4	1,052.2	-5.3%
Long-term	2,746.9	2,113.4	2,531.5	2,202.4	8.5%
Financial Solutions	801.7	616.8	0	0	n/a
Domestic Life & Health	862.0	663.2	856.8	745.4	0.6%
Overseas Life & Health	457.0	351.6	452.4	393.6	1.0%
International Treaty	1,078.1	829.4	923.4	803.4	16.8%
International Facultative	296.8	228.3	270.3	235.2	9.8%
Overseas Operations [2]	536.3	412.6	384.4	334.4	39.5%
Total [3]	**9,878.6**	**7,600.2**	**8,488.7**	**7,385.2**	**16.4%**

* YoY change is based on the value in KRW.
[1] Domestic property includes nuclear insurance.
[2] Overseas operations include KRUL, KRSA, and branches in Singapore, Labuan, Dubai, and Shanghai.
[3] Individual figures may not add up to the total shown due to rounding.

Gross Written Premiums: Domestic vs. Overseas

(Units: KRW billion, USD million)

	FY 2022 (KRW)	FY 2022 (USD)	FY 2021 (KRW)	FY 2021 (USD)	YoY Change*
Domestic	7,257.1	5,583.3	6,252.3	5,439.5	16.1%
Overseas	2,621.5	2,016.9	2,236.4	1,945.7	17.2%

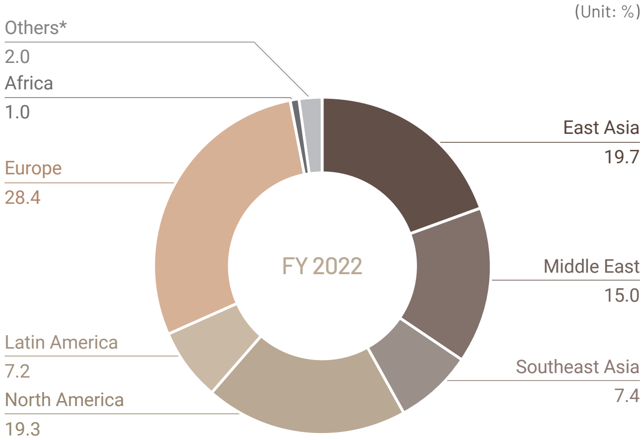
* YoY change is based on the value in KRW.

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

Through active portfolio management, we continued to diversify our 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 26.5% and 28.4%, respectively, of the entire overseas business portfolio in 2022. Their combined share reached 54.9% in 2022 compared to 42.2% in 2019. It is also noteworthy that the share of Asia declined by 1.6%p to 42.1% in 2022 compared to the previous year as a result of our portfolio adjustment, which was intended to improve overall business results.

Overseas Business Portfolio by Region in 2022

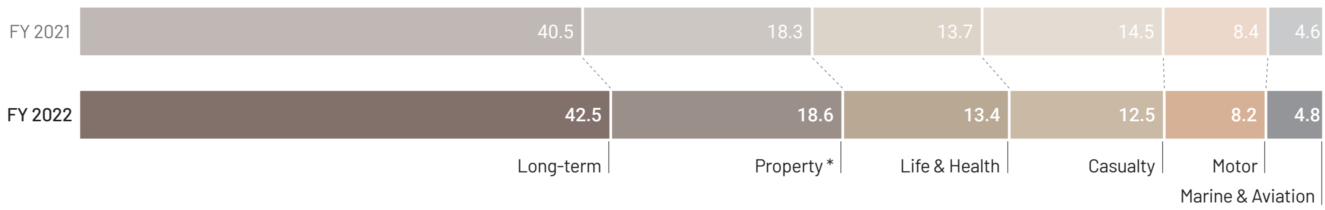
(Unit: %)



* Others include retrocession and multi-territory accounts.

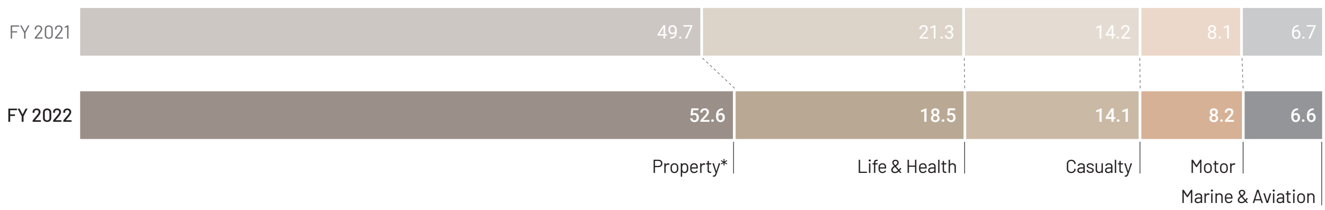
Domestic Premium Income Portfolio by Line of Business

(Unit: %)



Overseas Premium Income Portfolio by Line of Business

(Unit: %)



* Property includes engineering, nuclear, and agriculture.

Underwriting Performance

Our underwriting profitability modestly improved in 2022, with the combined ratio decreasing by 0.2%p to 100.7%. We saw our underwriting losses narrow to KRW 50.2 billion as we continued to readjust our business portfolio and maintain underwriting discipline. Our underwriting performance, excluding COVID-19 losses, actually improved with a profit of KRW 10.5 billion.

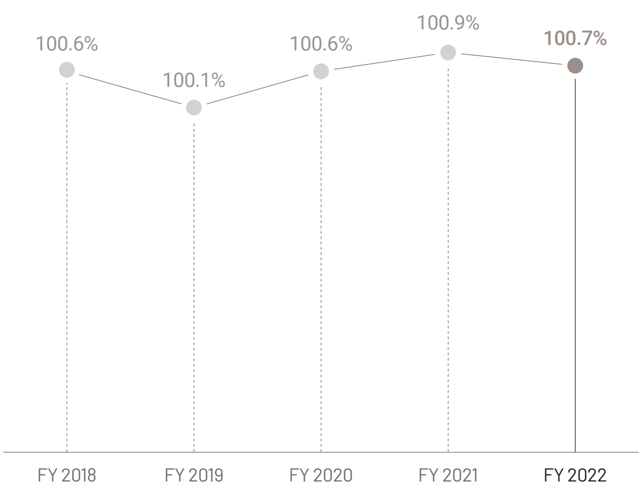
Despite our best efforts to tighten underwriting guidelines and improve the business portfolio, we reported weaker underwriting results for our overseas business due to COVID-19 losses and elevated natural catastrophe claims, pushing the combined ratio up by 3.0%p to 106.6%. When the losses from COVID-19 were excluded, the combined ratio for our overseas business would have fallen to 103.6%, up 3.0%p from the previous year.

Domestically, we made progress in underwriting profitability. For domestic commercial lines of business, we delivered a combined ratio of 90.2%, down 1.7%p from the previous year, in spite of the impact from natural disasters, including heavy rain in August and Typhoon Hinnamnor. This higher underwriting profitability was driven by favorable pricing trends in most commercial lines of business.

There was also an improvement in underwriting results for our domestic personal lines of business, with the combined ratio dropping by 1.6%p to 100.3%, thanks to our withdrawal from poorly performing accounts and declining loss ratios of medical expense insurance.

Building on the progress we made in 2022, we look forward to further strengthening our underwriting performance in the years to come. The market has been responding to increasing claims costs by correcting prices 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 solid results going forward.

Combined Ratio



※ Excluding foreign currency evaluation effects

Underwriting Results[1]

(Units: KRW billion, USD million)

	FY 2022 (KRW)	FY 2022 (USD)	FY 2021 (KRW)	FY 2021 (USD)	YoY Change*
Incurred Losses	6,289.8	4,839.1	5,242.9	4,561.3	20.0%
Net Operating Expenses	1,028.4	791.2	829.8	721.9	23.9%
Earned Premiums	7,268.0	5,591.7	6,018.3	5,236.0	20.8%
Combined Ratio[2]	100.7%		100.9%		-0.2%p

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

Investment Performance

Our underwriting deficit was softened by gains on the investment portfolio in 2022. Backed by a significant increase in our invested assets and portfolio diversification, we delivered robust investment results, with an investment yield of 3.5%. Our investment profit improved to KRW 263.6 billion, excluding gains and/or losses from foreign exchange hedging for insurance liabilities, compared to KRW 244.9 billion in the prior year.

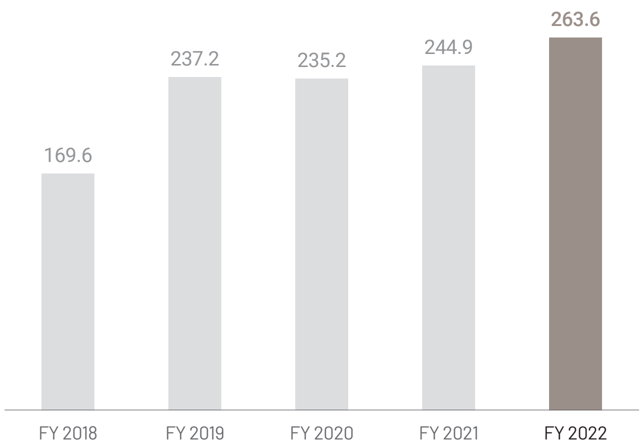
The current rising interest rate environment has altered the investment landscape, boosting returns on our new investments, especially in fixed-income assets. We are seeking various methods to capitalize on this high interest rates period, such as contracting bond forward derivatives to maintain a high level of profit and pursue an asset liability management simultaneously.

Moving into 2023, we will strive to build portfolios that are fundamentally sound and resilient against a potential increase in market uncertainties. Our asset management strategy will be focused on mitigating potential market uncertainties while maintaining our investment income. We will achieve this goal by making a meaningful reduction in the risks associated with our investment portfolio. More specifically, we intend to increase the weight of Treasury bonds in our portfolio while decreasing the relative importance of corporate bonds and alternative investments.

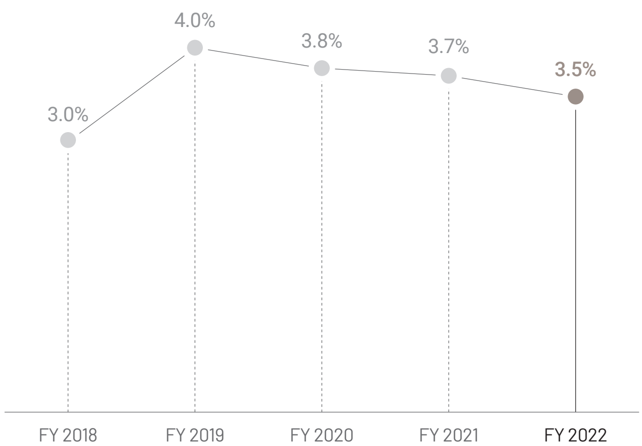
We will also respond proactively to major regulatory changes to ensure stable investment results, building on the strength of our investment assets. We will also continue to seek out new investment opportunities and strategies to maximize overall profitability throughout the year.

Investment Income

(Unit: KRW billion)



Investment Yield



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

Capital Strength

Korean Re always aims to optimize its capital structure and hold sufficient capital in excess of solvency requirements, generating a high solvency margin ratio (or RBC ratio). In 2022, we continued to maintain a healthy RBC ratio of 180.8%, although it was down 7.1%p from the previous year. The decrease in our RBC ratio reflected that an increase in available capital was outweighed by capital requirement expansion. This was driven by exposure growth on both the underwriting and investment sides, as well as a rise in reserve risk due to increasing foreign currency reserve amid the weakening of the Korean won.

Given that the 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, with our K-ICS ratio expected to stay at a similar level to the previous RBC ratio.

After the successful issuance of hybrid capital securities in 2014, Korean Re's capitalization took a significant step forward. This has enabled us to maintain a sound level of RBC ratio and to further strengthen our balance sheet with an A(stable) rating by S&P. Utilizing the buffer on the capital, we have been able to increase the level of retention on profitable domestic risks.

Korean Re completed its redemption of the hybrid capital securities issued in 2014, which was successfully refinanced in the Korean capital market in 2019. While we are working on increasing our capital through organic growth in the long term, we additionally issued hybrid capital securities twice in May and October 2022 as a preemptive move to seek profitable growth in the current attractive reinsurance market. We will continue to implement prudent capital management in ways that enable us to take advantage of favorable market conditions and increase our reinsurance business acceptance as well as to maintain a strong capital position under the IFRS 17/K-ICS regimes.

Solvency Margin Ratio

	FY 2022	FY 2021	YoY Change
Solvency Margin Ratio (RBC Ratio)	180.8%	187.9%	-7.1%p

Dividend and Stock Price Performance

Distributions to Shareholders

Korean Re has a long history of returning value to shareholders based on its consistent dividend policy to offer attractive and sustainable returns to shareholders. Its total dividend payout amounted to KRW 52.8 billion in 2022. The payout ratio slightly decreased to 33.4% in 2022, with a dividend yield of 5.9% and a dividend per share of KRW 430, one of its highest levels in history. This dividend performance came after the bonus issue announced in November 2022. The dividend payout ratio and bonus issue will continue to remain at a similar level under the new financial reporting regime.

Dividend Performance

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Total Dividend Amount (KRW billion)	31.6	57.4	46.0	53.7	52.8
Payout Ratio (%)	30.7	30.4	32.4	35.0	33.4
Dividend per Share (KRW)	275	500	450	525	430
Dividend Yield (%)	3.1	5.3	5.2	5.5	5.9

Stock Price Performance

The Korean stock market got off to a strong start on January 3, 2022, with Korea Composite Stock Price Index (KOSPI) hitting a yearly-high of 3,010.77 on the very first trading day for the year. Afterward, KOSPI continued its bearish run throughout the year as the stock market struggled against a combination of negative factors, such as China's zero COVID policy, the Russia-Ukraine war, the risk of stagflation, and the acceleration of monetary tightening following interest rate hikes by the U.S. Fed. KOSPI closed the year at 2,236.40 on December 29.

Despite KOSPI's downward trend, KOSPI Insurance remained resilient and saw its market capitalization increase, demonstrating that insurance stocks are defensive stocks that show stable performances regardless of the state of the overall stock market. At the end of 2022, KOSPI Insurance closed 8.8% higher than a year earlier, while KOSPI was down 25.2%. The market capitalization of life and non-life insurers rose by 4% and 12%, respectively.

In line with KOSPI Insurance, Korean Re stocks also performed relatively stronger toward the end of 2022, with the year-end closing price increasing by 3.4% to KRW 6,810 per share (KRW 8,172 per share if it were not for a bonus issue). After remaining mostly lackluster until October, they started to rebound in the third quarter of the year and gained further momentum on the news of the bonus issue.

Market analysts remain highly positive about Korean Re's stock performance for 2023, supporting the view that Korean Re stocks are undervalued with a price-to-book ratio of 0.4 at the end of 2022. They are optimistic that our stocks will deliver a robust performance on the back of reinsurance market hardening, which will help improve the underwriting profitability of our overseas business. Stable investment income generation based on invested asset growth and rising rates on bonds also gives investors and analysts reasons to stay optimistic about Korean Re. This positive prospect was further bolstered when Korean Re secured two coinsurance deals in January and November 2022, indicating that coinsurance is fueling new business growth for Korean Re.

Risk Management Report

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

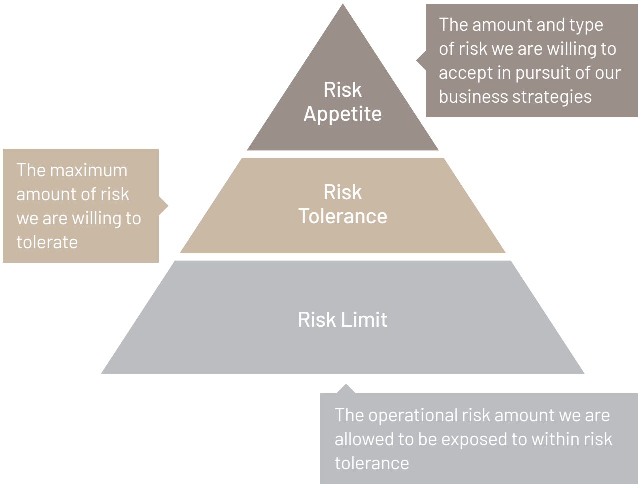
Korean Re implements enterprise risk management initiatives to achieve a stable set of risk management objectives. The objectives are as follows:

- 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 a target ROE
- Maintain a conservative risk management policy with risks being retained at a medium-low level considering our capital
- Improve capital efficiency by optimizing our insurance and investment portfolios
- Continue to improve our Risk Adjusted Return on Capital (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 ≤ 10% 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 our risk management strategy to be certain if they are in accordance with our risk appetite, and the results are then 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

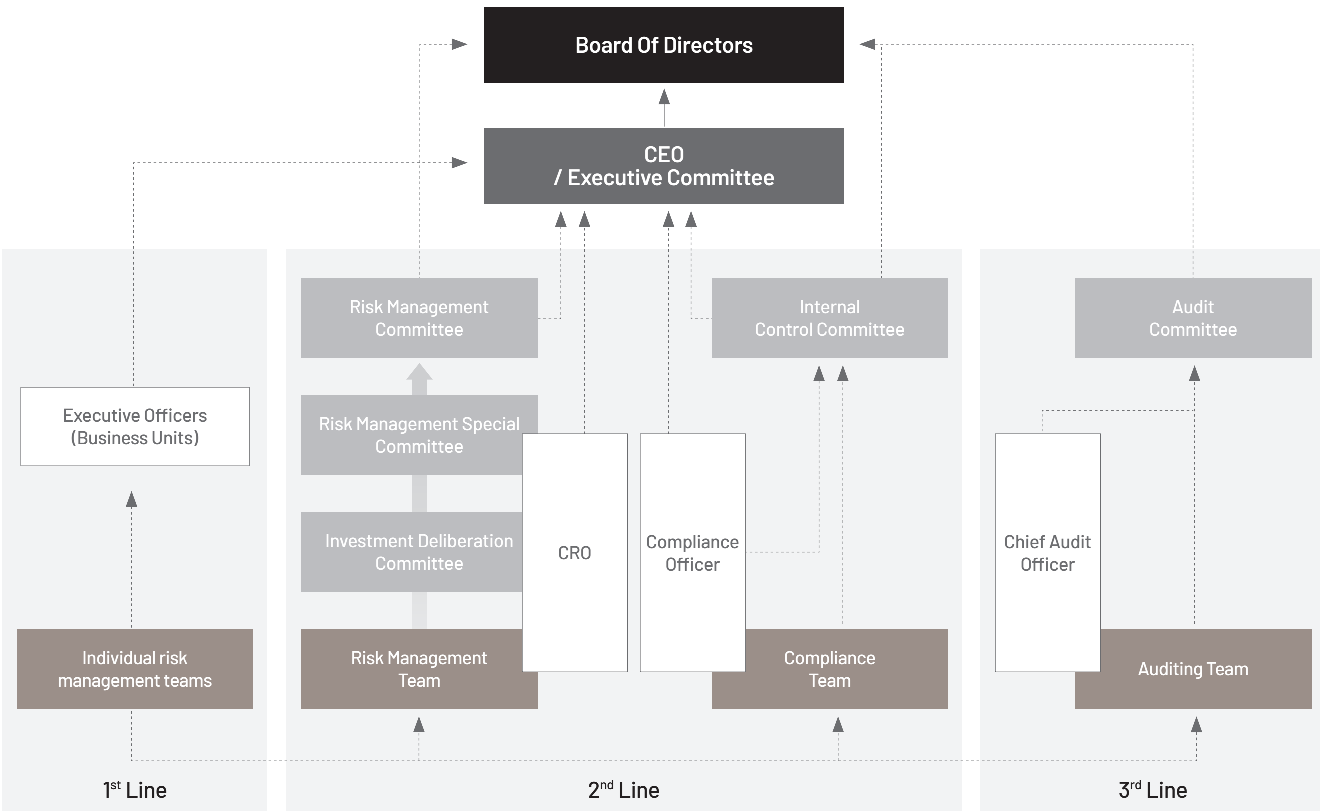
Korean Re performs business planning by analyzing the risks and profitability of its businesses. We measure return on risk-adjusted capital (RORAC) for each line of our insurance business and investment asset portfolio through our own internal model. Based on this, the Strategic Planning office draws 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, that is, 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, which takes a value-at-risk approach through a stochastic simulation.

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

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 select emerging risk candidates for every year, gather opinions from each team, and then consult with the Korean Re Research Institute of Insurance and Finance to determine the management targets for the emerging risks selected. A detailed analysis report is scheduled to be prepared and distributed by the institute in the first half of 2023. Based on the detailed analysis report, each team will establish management strategies for their respective risks.

The top emerging risks that we have selected for 2023 were as follows:

- Inflation Risk
- New Pandemic Risk
- Cyber Risk

Consolidated Statements of Financial Position

As at December 31, 2022 and 2021

(Units: KRW million, USD thousand)

	FY 2022 (KRW)	FY 2022 (USD)	FY 2021 (KRW)	FY 2021 (USD)
Assets				
Ⅰ. Cash and cash equivalents	498,904	389,860	478,947	400,089
Ⅱ. Financial assets:	11,395,222	8,904,604	9,606,769	8,025,034
1. Deposits	328,237	256,495	214,892	179,510
2. Financial assets at fair value through profit or loss	127,105	99,324	227,940	190,410
3. Available-for-sale financial assets	3,339,780	2,609,815	4,996,863	4,174,140
4. Held-to-maturity financial assets	3,007,021	2,349,786	-	-
5. Derivative financial assets designated as hedges	28,641	22,381	150	125
6. Loans	1,039,008	811,915	1,078,540	900,961
7. Receivables	3,525,430	2,754,888	3,088,384	2,579,888
Ⅲ. Investments in associates	12,264	9,583	6,440	5,380
Ⅳ. Property and equipment	114,453	89,437	95,869	80,084
Ⅴ. Investment properties	72,438	56,605	90,838	75,882
Ⅵ. Intangible assets	40,032	31,282	18,153	15,164
Ⅶ. Other non-financial assets	2,844,817	2,223,034	2,818,639	2,354,556
Total assets	**14,978,130**	**11,704,405**	**13,115,655**	**10,956,189**
Liabilities				
Ⅰ. Insurance contract liabilities	8,427,560	6,585,575	7,377,619	6,162,910
Ⅱ. Financial liabilities	3,227,618	2,522,168	2,688,467	2,245,817
Ⅲ. Other non-financial liabilities	503,498	393,450	523,863	437,609
1. Current income tax liabilities	42,142	32,931	-	-
2. Deferred income tax liabilities	349,112	272,808	417,690	348,918
3. Retirement benefit liabilities	27,270	21,309	30,493	25,472
4. Other liabilities	84,974	66,402	75,680	63,219
Total liabilities	**12,158,676**	**9,501,193**	**10,589,949**	**8,846,336**
Equity				
Ⅰ. Capital stock	70,411	55,021	60,185	50,276
Ⅱ. Capital surplus	166,148	129,834	176,375	147,335
Ⅲ. Hybrid equity securities	558,631	436,533	229,439	191,662
Ⅳ. Capital adjustments	(134,157)	(104,835)	(134,066)	(111,992)
Ⅴ. Accumulated other comprehensive income	73,147	57,158	193,710	161,815
Ⅵ. Retained earnings	2,085,274	1,629,501	2,000,064	1,670,758
Total shareholders' equity	**2,819,454**	**2,203,212**	**2,525,706**	**2,109,853**
Total liabilities and shareholders' equity	**14,978,130**	**11,704,405**	**13,115,655**	**10,956,189**

Note: For the B/S section, Korean won amounts have been converted into the U.S. dollar based on the exchange rate of KRW 1,279.70 per USD 1 for FY 2022 and KRW 1,197.10 for FY 2021. For the I/S section, the applicable exchange rate was KRW 1,299.78 per USD 1 for FY 2022 and KRW 1,149.42 for FY 2021.

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

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

(Units: KRW million, USD thousand)

	FY 2022 (KRW)	FY 2022 (USD)	FY 2021 (KRW)	FY 2021 (USD)
Ⅰ. Operating revenue	**12,579,058**	**9,677,836**	**10,915,537**	**9,496,561**
1. Premium income	9,878,601	7,600,210	8,488,720	7,385,220
2. Reinsurance income	1,861,993	1,432,545	1,663,836	1,447,544
3. Expenses recovered	302,601	232,809	313,212	272,496
4. Interest income	192,786	148,322	154,232	134,182
5. Dividend income	70,105	53,936	85,527	74,409
6. Investment income from financial instruments	51,468	39,597	16,288	14,171
7. Other operating revenues	221,504	170,417	193,722	168,539
Ⅱ. Operating expenses	**12,386,528**	**9,529,711**	**10,712,020**	**9,319,501**
1. Insurance claims and benefits expenses	6,992,660	5,379,880	6,314,946	5,494,028
2. Reinsurance expenses	2,541,014	1,954,957	2,427,773	2,112,172
3. Provision for insurance contract liabilities	1,137,863	875,427	584,552	508,563
4. Operating and administrative expenses	1,331,113	1,024,106	1,135,275	987,694
5. Claim handling expenses	108,308	83,328	97,626	84,935
6. Asset management expenses	6,423	4,942	5,385	4,685
7. Interest expenses	303	233	226	197
8. Investment expenses from financial instruments	104,355	80,287	60,320	52,479
9. Other operating expenses	164,489	126,551	85,917	74,748
Ⅲ. Operating income	**192,530**	**148,125**	**203,517**	**177,060**
Ⅳ. Non-operating income	**2,138**	**1,645**	**545**	**474**
Ⅴ. Non-operating expenses	**3,328**	**2,560**	**3,497**	**3,042**
Ⅵ. Income before income taxes	**191,340**	**147,210**	**200,565**	**174,492**
Ⅶ. Income tax expenses	**33,483**	**25,761**	**47,218**	**41,080**
Ⅷ. Net income	**157,857**	**121,449**	**153,347**	**133,412**
Ⅸ. Other comprehensive income (loss)	**(120,563)**	**(92,756)**	**(29,729)**	**(25,864)**
Ⅹ. Total comprehensive income	**37,294**	**28,693**	**123,618**	**107,548**

Note: For the B/S section, Korean won amounts have been converted into the U.S. dollar based on the exchange rate of KRW 1,279.70 per USD 1 for FY 2022 and KRW 1,197.10 for FY 2021. For the I/S section, the applicable exchange rate was KRW 1,299.78 per USD 1 for FY 2022 and KRW 1,149.42 for FY 2021.

＊ 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, 2022 and 2021

(Unit: KRW million)

	Capital stock	Capital surplus	Hybrid equity securities	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total
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 securities	-	-	-	-	-	(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
As at January 1, 2022	60,185	176,375	229,439	(134,066)	193,710	2,000,064	2,525,706
Cash dividends	-	-	-	-	-	(53,691)	(53,691)
Bonus issue	10,226	(10,226)	-	(91)	-	-	(91)
Issuance of hybrid capital securities	-	-	329,192	-	-	-	329,192
Dividends of hybrid equity securities	-	-	-	-	-	(18,956)	(18,956)
Net income	-	-	-	-	-	157,857	157,857
Loss on valuation of available-for-sale financial assets	-	-	-	-	(143,328)	-	(143,328)
Loss on valuation of held-to-maturity financial assets	-	-	-	-	(5,118)	-	(5,118)
Exchange difference on translating foreign operations	-	-	-	-	20,511	-	20,511
Loss on valuation of derivative instruments designated as cash flow hedges	-	-	-	-	1,259	-	1,259
Revaluation surplus	-	-	-	-	910	-	910
Gain on remeasurement of the net defined benefit liabilities	-	-	-	-	5,204	-	5,204
Total comprehensive income	-	-	-	-	(120,562)	157,857	37,294
As at December 31, 2022	70,411	166,148	558,631	(134,157)	73,147	2,085,274	2,819,454

Consolidated Statements of Changes in Equity (USD)

For the years ended December 31, 2022 and 2021

(Unit: USD thousand)

	Capital stock	Capital surplus	Hybrid equity securities	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total
As at January 1, 2021	**47,031**	**137,825**	**179,291**	**(104,764)**	**174,602**	**1,485,159**	**1,919,144**
Cash dividends	-	-	-	-	-	(35,962)	(35,962)
Dividends of hybrid equity securities	-	-	-	-	-	(6,111)	(6,111)
Net income	-	-	-	-	-	119,830	119,830
Loss on valuation of available-for-sale financial assets	-	-	-	-	(44,668)	-	(44,668)
Exchange difference on translating foreign operations	-	-	-	-	18,276	-	18,276
Loss on valuation of derivative instruments designated as cash flow hedges	-	-	-	-	(2,025)	-	(2,025)
Gain on remeasurement of the net defined benefit liabilities	-	-	-	-	5,186	-	5,186
Total comprehensive income	**-**	**-**	**-**	**-**	**(23,231)**	**119,830**	**96,599**
As at December 31, 2021	**47,031**	**137,825**	**179,291**	**(104,764)**	**151,371**	**1,562,916**	**1,973,670**
As at January 1, 2022	**47,031**	**137,825**	**179,291**	**(104,764)**	**151,371**	**1,562,916**	**1,973,670**
Cash dividends	-	-	-	-	-	(41,956)	(41,956)
Bonus issue	7,990	(7,992)	-	(71)	-	-	(71)
Issuance of hybrid capital securities	-	-	257,242	-	-	-	257,241
Dividends of hybrid equity securities	-	-	-	-	-	(14,813)	(14,813)
Net income	-	-	-	-	-	123,354	123,354
Loss on valuation of available-for-sale financial assets	-	-	-	-	(112,002)	-	(112,002)
Loss on valuation of held-to-maturity financial assets	-	-	-	-	(3,999)	-	(3,999)
Exchange difference on translating foreign operations	-	-	-	-	16,027	-	16,027
Loss on valuation of derivative instruments designated as cash flow hedges	-	-	-	-	984	-	984
Revaluation surplus	-	-	-	-	711	-	711
Gain on remeasurement of the net defined benefit liabilities	-	-	-	-	4,067	-	4,067
Total comprehensive income	**-**	**-**	**-**	**-**	**(94,213)**	**123,354**	**29,141**
As at December 31, 2022	**55,021**	**129,834**	**436,533**	**(104,835)**	**57,158**	**1,629,501**	**2,203,212**

Note: Korean won amounts have been converted into the U.S. dollar based on the exchange rate of KRW 1,279.70 per USD 1.

Consolidated Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Units: KRW million, USD thousand)

	FY 2022 (KRW)	FY 2022 (USD)	FY 2021 (KRW)	FY 2021 (USD)
Ⅰ. Cash flows from operating activities	**1,306,506**	**1,020,947**	**637,946**	**532,910**
1. Income before income taxes	157,857	123,355	153,347	128,099
2. Cash generated from operations	901,323	704,324	295,160	246,563
3. Receipt of interest	187,368	146,416	159,566	133,294
4. Payment of interest	(395)	(309)	(318)	(266)
5. Receipt of dividends	70,105	54,782	85,526	71,444
6. Refund(payment) of income taxes	(9,752)	(7,621)	(55,335)	(46,224)
Ⅱ. Cash flows from investing activities	**(1,532,482)**	**(1,197,531)**	**(573,836)**	**(479,355)**
1. Cash inflows	613,314	479,264	848,182	708,531
2. Cash outflows	(2,145,796)	(1,676,795)	(1,422,018)	(1,187,886)
Ⅲ. Cash flows from financing activities	**256,124**	**200,144**	**(56,881)**	**(47,515)**
1. Cash inflows	329,192	257,242	117	98
2. Cash outflows	(73,068)	(57,098)	(56,998)	(47,613)
Ⅳ. Net increase(decrease) in cash and cash equivalents (Ⅰ+Ⅱ+Ⅲ)	**30,148**	**23,559**	**7,229**	**6,039**
Ⅴ. Effects of changes in foreign exchange rates on cash and cash equivalents	**(10,191)**	**(7,964)**	**110**	**92**
Ⅵ. Cash and cash equivalents at the beginning of the year	**478,947**	**374,265**	**471,608**	**393,959**
Ⅶ. Cash and cash equivalents at the end of year	**498,904**	**389,860**	**478,947**	**400,089**

Note: For the B/S section, Korean won amounts have been converted into the U.S. dollar based on the exchange rate of KRW 1,279.70 per USD 1 for FY 2022 and KRW 1,197.10 for FY 2021. For the I/S section, the applicable exchange rate was KRW 1,299.78 per USD 1 for FY 2022 and KRW 1,149.42 for FY 2021.

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

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

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

The consolidated financial statements are presented in the Korean won ("KRW") and all values are rounded to the nearest 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 of 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 and 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 rights under a reinsurance contract according to 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 expenses arising from the reinsurance arrangements are not offset against the relevant expenses 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 as a 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 securities

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 1,279.70 to USD 1, the telegraphic transfer selling rate of exchange as at December 31, 2022. The profit and loss account is translated at KRW 1,299.78 to USD 1, the average exchange rate of the period.

3. Cash and cash equivalents

Cash and cash equivalents as at December 31, 2022 are as follows:

(Units: KRW million, USD thousand)

	FY 2022 (KRW)	FY 2022 (USD)
Cash on hand	1	1
Short-term bank deposits	498,903	389,859
Total	**498,904**	**389,860**

4. Financial assets

Carrying value and fair value of financial assets as at December 31, 2022 are as follows:

(Units: KRW million, USD thousand)

	Carrying value		Fair value	
	(KRW)	(USD)	(KRW)	(USD)
Deposits	328,237	256,495	328,237	256,495
Financial assets at FVTPL	127,105	99,324	127,105	99,324
Available-for-sale financial assets	3,339,780	2,609,815	3,339,780	2,609,815
Held to maturity financial assets	3,007,021	2,349,786	3,007,021	2,349,786
Derivative financial assets designated as hedges	28,641	22,381	28,641	22,381
Loans	1,039,008	811,915	1,073,988	839,250
Receivables	3,525,430	2,754,888	3,088,392	2,413,372
Total	**11,395,222**	**8,904,604**	**10,993,164**	**8,590,423**

5. Deposits

Deposits as at December 31, 2022 are as follows:

(Units: KRW million, USD thousand)

	FY 2022 (KRW)	FY 2022 (USD)
Term deposits	-	-
Overseas deposits	186,724	145,912
Other deposits	141,513	110,583
Total	**328,237**	**256,495**

6. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss as at December 31, 2022 are as follows:

(Units: KRW million, USD thousand)

	FY 2022 (KRW)	FY 2022 (USD)
Stock	-	-
Beneficiary certificates	114,197	89,236
Securities in foreign currencies	12,908	10,088
Total	**127,105**	**99,324**

7. Available-for-sale financial assets

Available-for-sale financial assets as at December 31, 2022 are as follows:

(Units: KRW million, USD thousand)

	FY 2022 (KRW)	FY 2022 (USD)
Stock	53,211	41,581
Equity investment	178,257	139,296
Government and public bonds	82,026	64,098
Special bonds	198,821	155,365
Corporate bonds	893,195	697,972
Financial bonds	193,815	151,453
Beneficiary certificates	1,030,289	805,102
Securities in foreign currencies	709,722	554,600
Others	444	348
Total	**3,339,780**	**2,609,815**

8. Held-to-maturity financial assets

Held-to-maturity financial assets as at December 31, 2022 are as follows:

(Units: KRW million, USD thousand)

	FY 2022 (KRW)	FY 2022 (USD)
Government and public bonds	429,492	335,619
Special bonds	257,742	201,408
Corporate bonds	671,798	524,965
Financial bonds	398,861	311,683
Securities in foreign currencies	1,249,128	976,111
Total	**3,007,021**	**2,349,786**

9. Loans and receivables

Loans and receivables as at December 31, 2022 are as follows:

(Units: KRW million, USD thousand)

	FY 2022 (KRW)	FY 2022 (USD)
Loans		
Loans secured by securities	491,370	383,973
Loans secured by real estate	59,000	46,105
Credit loans	1,733	1,354
Guaranteed loans	1,461	1,142
Other loans	497,844	389,032
Subtotal	**1,051,408**	**821,606**
(Allowance for possible loan losses)	(7,585)	(5,927)
(Present value discount)	(77)	(60)
(Deferred loan fee and costs)	(4,738)	(3,702)
Receivables		
Insurance receivables	3,499,712	2,734,790
Accounts receivables	707	552
Accrued income	67,395	52,665
Guarantee deposits	1,199	937
Subtotal	**3,569,013**	**2,788,944**
(Allowance for doubtful receivables)	(43,545)	(34,028)
(Present value discount)	(38)	(30)
Total	**4,564,438**	**3,566,803**

10. Other non-financial assets

Other non-financial assets as at December 31, 2022 are as follows:

(Units: KRW million, USD thousand)

	FY 2022 (KRW)	FY 2022 (USD)
Reinsurance assets	2,554,845	1,996,441
Compensation receivables	89,729	70,117
Current income tax assets	8	6
Deferred tax assets	16,348	12,775
Prepaid expenses	147,942	115,607
Advanced payments	26,784	20,930
Right of use assets	9,161	7,158
Total	**2,844,817**	**2,223,034**

11. Insurance contract liabilities

The Group recognizes insurance contract liabilities in accordance with the IBA and the RIS.

Insurance contract liabilities as at December 31, 2022 are as follows:

(1) Reserve for outstanding claims

(Units: KRW million, USD thousand)

	FY 2022 (KRW)	FY 2022 (USD)
Fire insurance	60,289	47,112
Marine insurance	206,897	161,676
Motor insurance	197,597	154,409
Surety insurance	40,831	31,907
Engineering insurance	207,161	161,882
Workers' compensation insurance	13,486	10,538
Liability insurance	268,104	209,505
Personal accident insurance	51,135	39,959
Comprehensive insurance	593,565	463,831
Other casualty insurance	293,516	229,363
Overseas inward insurance	2,550,601	1,993,124
Long-term insurance	915,687	715,548
Personal annuity	484	378
Total	**5,399,353**	**4,219,232**

(2) Unearned premium reserve

(Units: KRW million, USD thousand)

	FY 2022 (KRW)	FY 2022 (USD)
Fire insurance	61,219	47,839
Marine insurance	74,999	58,607
Motor insurance	243,126	189,987
Surety insurance	249,296	194,808
Engineering insurance	204,475	159,784
Workers' compensation insurance	2,365	1,848
Liability insurance	126,990	99,234
Personal accident insurance	55,361	43,261
Comprehensive insurance	210,595	164,566
Other casualty insurance	203,500	159,022
Overseas inward insurance	800,556	625,581
Total	**2,232,482**	**1,744,537**

(3) Premium reserve

(Units: KRW million, USD thousand)

	FY 2022 (KRW)	FY 2022 (USD)
Other casualty insurance	795,725	621,806

12. Equity

(1) Capital stock

Details of capital stock as at December 31, 2022 are as follows

	FY 2022 (KRW)	FY 2022 (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)	140,822,939	140,822,939
Capital stock (KRW million, USD thousand)	70,411	55,021

(2) Capital surplus

Capital surplus consists of the following as at December 31, 2022

(Units: KRW million, USD thousand)

	FY 2022 (KRW)	FY 2022 (USD)
Paid-in capital in excess of par value	93,502	73,066
Other capital reserve	72,646	56,768
Total	**166,148**	**129,834**

(3) Capital adjustments

Capital adjustments consist of the following as at December 31, 2022

(Units: KRW million, USD thousand)

	FY 2022 (KRW)	FY 2022 (USD)
Treasury stock	(134,066)	(104,764)
Other capital adjustments	(91)	(71)
Total	**(134,157)**	**(104,835)**

(4) Accumulated other comprehensive income

Accumulated other comprehensive income consists of the following as at December 31, 2022

(Units: KRW million, USD thousand)

	FY 2022 (KRW)	FY 2022 (USD)
Gain on valuation of available-for-sale financial assets	(32,392)	(25,312)
Gain on valuation of held-to-maturity financial assets	(5,118)	(3,999)
Asset revaluation surplus	69,889	54,614
Exchange difference on translating foreign operations	38,004	29,697
Loss on valuation of derivative instruments designated as cash flow hedges	659	515
Re-measurement of the net defined benefit liabilities	2,105	1,645
Total	**73,147**	**57,158**

(5) Retained earnings

Retained earnings as at December 31, 2022 are as follows:

(Units: KRW million, USD thousand)

	FY 2022 (KRW)	FY 2022 (USD)
Legal reserve	30,092	23,515
Bad debt reserve	22,842	17,849
Catastrophe reserve	1,476,323	1,153,647
Business rationalization reserve	2,033	1,589
Voluntary reserve	451,276	352,642
Unappropriated retained earnings	102,708	80,259
Total	**2,085,274**	**1,629,501**

(6) Hybrid equity securities

Hybrid equity securities as at December 31, 2022 are as follows:

	Description[1]		
Date issued	October 21, 2019	May 30, 2022	October 28, 2022
Amounts issued	₩230,000,000,000	₩230,000,000,000	₩100,000,000,000
Maturity[2]	30 years, Revolving	30 years, Revolving	30 years, Revolving
Distribution term	3.40% per annum on a face value basis	4.50% per annum on a face value basis	6.70% 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, 2022, and December 31, 2021, 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, 2022, and December 31, 2021, respectively, and its financial performance and its cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("K-IFRSs").

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, 2022. 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, 2022, 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 20 - Insurance Contract Liabilities, the carrying amount of the reserve for outstanding claims as of December 31, 2022, is ₩5,399,353 million, accounting for 64% of the total insurance contract liability of ₩8,427,559 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 of 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-IFRSs, 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 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 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 23, 2023

Notice to Readers

This report is effective as of March 23, 2023, 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

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

Oct. 12, 2002 Became the largest reinsurance company in Asia (S&P)

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 - 2023

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, UAE

June 1, 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, Inc. in New Jersey, USA

Mar. 19, 2023 Renewal of the Corporate Identity in celebration of the company's 60th anniversary

Organization

Chairman

President & CEO

Executive Managing Director	Managing Directors	Chief Audit Officer	
Strategic Planning Office	Property Team	Investment Strategy & Operations Team	Compliance Team
ESG Management Team	Engineering & Marine Team	Asset Management Team	Auditing Team
HR & General Affairs Team	Casualty Team		
New Office Construction Team	Motor & Agriculture Team		
Accounting Team	International Treaty Team I		
IFRS Team	International Treaty Team II		
Pricing Team	International FAC Team I		
Global Business Team	International FAC Team II		
IT Team	Long-term Team		
Risk Management Team	Domestic Life & Health Team		
Claims & Survey Team	Overseas Life & Health Team		
Accounts & Settlement Team	Financial Solutions Team		
Product Development Team			
Research Institute of Insurance & Finance			

Contact Information

Head Office

68 Jongno 5 Gil, Jongno-Gu, Seoul,
03151, Korea
Tel (822) 3702-6000
Fax (822) 739-3754
http://www.koreanre.co.kr

Overseas Branches and Liaison Offices

Singapore Branch

8 Cross Street, #09-02/03,
Manulife Tower, Singapore 048424
Tel (65) 6227-6411
Fax (65) 6227-2778
Email singapore@koreanre.co.kr

Labuan Branch

Brighton Place, Lot U0213-U0215,
Jalan Bahasa 87000 Labuan F.T. Malaysia
Tel (65) 6227-6411
Fax (65) 6227-2778
Email singapore@koreanre.co.kr

DIFC Branch

Office 1102B, Level11,
The Gate-East, DIFC, PO Box 506869, Dubai, UAE
Tel (971) 4-355-5028
Fax (971) 4-355-0788
Email dubai@koreanre.co.kr

Shanghai Branch

4702 Jinmao Tower, 88 Century Avenue,
Pudong New Area, Shanghai, China P.C. 200121
Tel (8621) 5888-7879
Email shanghai@koreanre.co.kr

London Liaison Office

Room No.703, Gallery 7 of Lloyd's
1986 B/D, One Lime Street, London EC3M 7HA, UK
Tel (4420) 7265-0031
Fax (4420) 7481-8412
Email london@koreanre.co.kr

Tokyo Liaison Office

Marunouchi Mitsui Building 5th Fl. No 508, 2-2-2 Marunouchi,
Chiyoda-ku, Tokyo, Japan
Tel (813) 3201-1673
Fax (813) 3201-5585
Email tokyo@koreanre.co.kr

Beijing Liaison Office

Unit 3836 Level 38, China World Tower B, No.1 Jianguomenwai Avenue,
Chaoyang District, Beijing 100004, China
Tel (8610) 5737 – 9770/9771
Fax (8610) 5681-5899
Email beijing@koreanre.co.kr

Bogotá Liaison Office

Carrera 9 No. 77 - 67 Oficina 406 - Edificio Torre Unika,
Bogotá D.C. - Colombia
Tel (5760) 1746-4521
Email bogota@koreanre.co.kr

Subsidiaries

Korean Re Underwriting Ltd.

Room No.703, Gallery 7 of Lloyd's
1986 B/D, One Lime Street, London EC3M 7HA, UK
Tel (4420) 7265-0031
Fax (4420) 7481-8412
Email london@koreanre.co.kr

Worldwide Insurance Services, Ltd.

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

Korean Reinsurance Switzerland AG

Brandschenkestrasse 47, 8002 Zürich, Switzerland
Tel (4143) 336-2060
Fax (4143) 336-2061
Email info@koreanre.ch
https://www.koreanre.ch

KoreanRe Insurance Services, Inc.

65 Challenger Road, Suite 400, Ridgefield Park, NJ 07660, USA
Tel (1201) 988-4071
Email company@kris.koreanre.com

Glossary

Ceded Premium
Premium paid or payable by an insurer to another insurer for reinsurance protection.

Combined Ratio
The sum of the expense ratio and the loss ratio.

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

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

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

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

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

Incurred But Not Reported (IBNR)
Liability for future payments on losses that have already occurred but have not yet been reported in the reinsurer's records.

Incurred Losses
The grand total of loss reserves and paid claims over a given year, representing the value of losses that an insurer incurs from its underwriting activities during the period.

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.

Net Written Premium
The sum of premiums written by an insurer over the course of a period of time, minus premiums ceded to reinsurance companies, plus any reinsurance assumed.

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.

FOREST STEWARDSHIP COUNCIL

This annual report was produced in an environmentally friendly way using environmentally friendly paper.
Korean Re continues to be environmentally conscious to reduce its impacts on the environment.

KOREAN Re

Korean Reinsurance Company
68 Jongno 5 Gil (Susong-dong), Jongno-gu, Seoul 03151, Korea
Tel: (822) 3702-6000 Fax: (822) 739-3754 www.koreanre.co.kr

KOREAN RE ANNUAL REPORT 2022

KR