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%

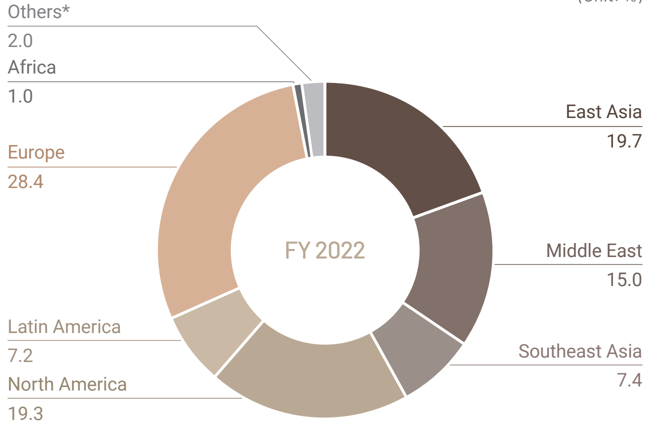
* YoY change is based on the value in KRW.

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

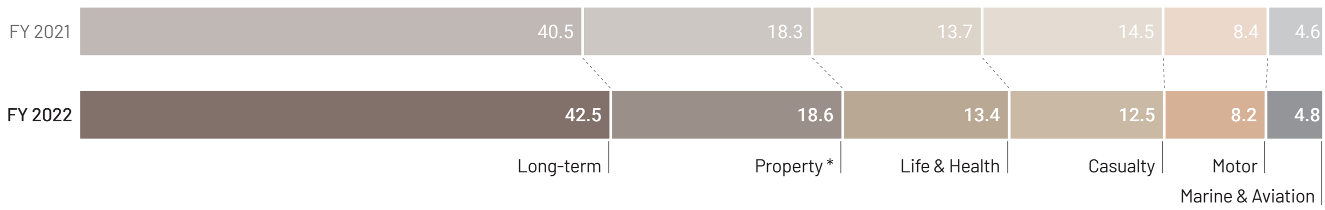
(Unit: %)



* Others include retrocession and multi-territory accounts.

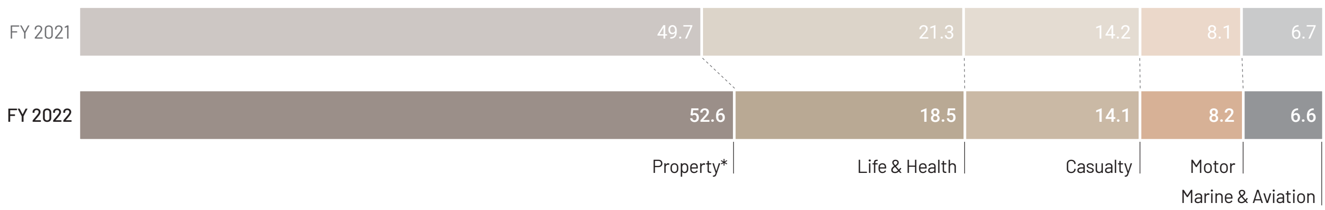
Domestic Premium Income Portfolio by Line of Business

(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.

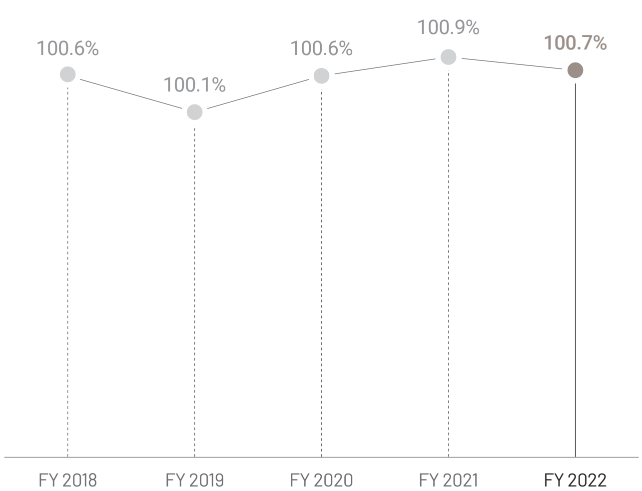
Despite our best efforts to tighten underwriting guidelines and improve the business portfolio, we reported weaker underwriting results for our overseas business due to COVID-19 losses and elevated natural catastrophe claims, pushing the combined ratio up by 3.0%p to 106.6%. When the losses from COVID-19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

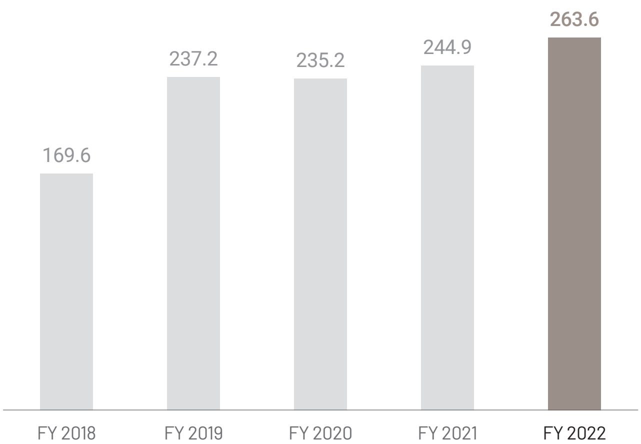
The current rising interest rate environment has altered the investment landscape, boosting returns on our new investments, especially in fixed-income assets. We are seeking various methods to capitalize on this high interest rates period, such as contracting bond forward derivatives to maintain a high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

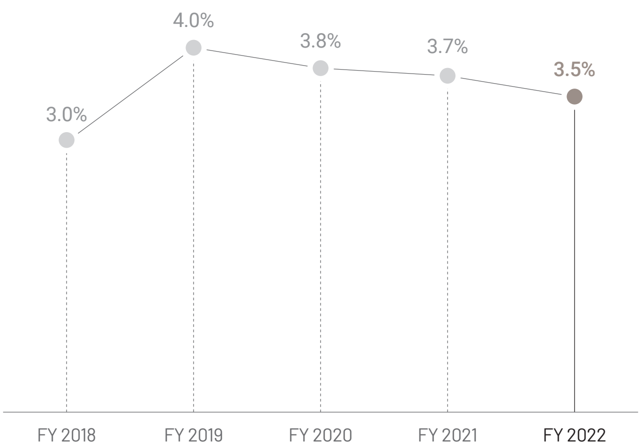
We will also respond proactively to major regulatory changes to ensure stable investment results, building on the strength of our investment assets. We will also continue to seek out new investment opportunities and strategies to maximize overall profitability throughout the year.

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

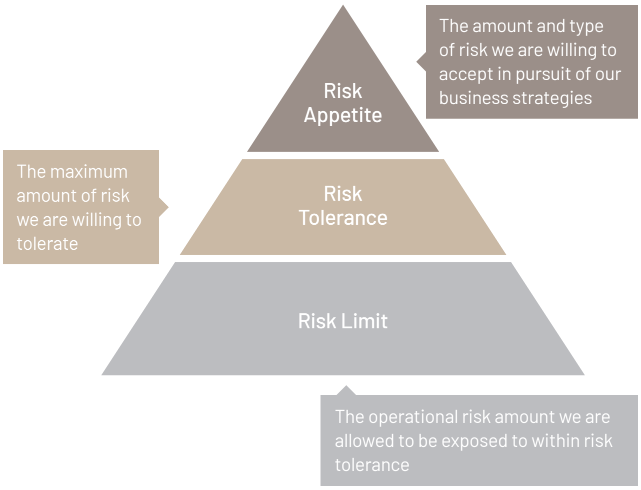
Korean Re implements enterprise risk management initiatives to achieve a stable set of risk management objectives. The objectives are as follows:

- 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

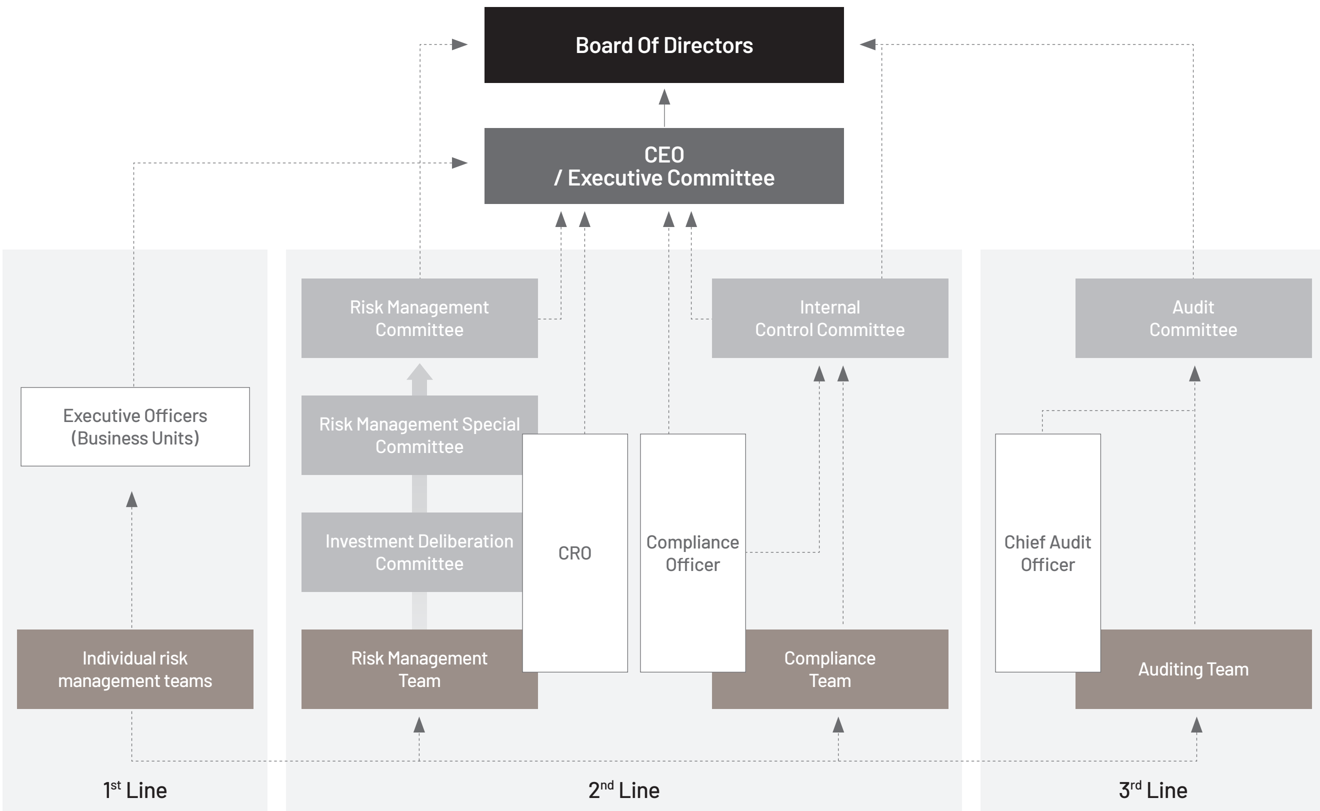
Korean Re performs business planning by analyzing the risks and profitability of its businesses. We measure return on risk-adjusted capital (RORAC) for each line of our insurance business and investment asset portfolio through our own internal model. Based on this, the Strategic Planning office draws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